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# Trade marks for the design and layout of retail premises

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*In January 2013, Apple Inc obtained United States trademarks for the design and layout of its retail stores. While innovative brand protection strategies of this kind are not without precedent in the United States, traders in Australia have seemingly not adopted them. This article considers the prospects of an applicant seeking to register a similar trade mark in Australia and the protection such a registration would likely provide.*

## <DIV>INTRODUCTION

In January 2013, Apple Inc obtained registration of two United States trademarks for the design and layout of a retail store. Apple presumably sought registration of these trademarks to prevent imitators seeking to trade off Apple's reputation by creating "copycat" Apple stores like those that have popped up in China in recent years or creating an "Apple-like shopping experience". In 2011, a fake Apple store in Kunming, China featuring Apple logos drew widespread attention after a blogger wrote about visiting it.<sup>1</sup> Those imitators in China not only sold bootlegged Apple products, but were able to mimic the look and feel of Apple's retail environments with glass walls, plenty of white and minimalistic décor.

While not the first trading entity to obtain such a registration, Apple's trademarks were reported prominently in the online media.<sup>2</sup> This is not the first instance of Apple seeking to maintain exclusivity in the particular shopping experience it has created in its retail stores. In 2003, Apple was granted a United States design patent for the floating glass staircase that appears in many Apple stores. Jobs himself is listed as an inventor on the design patent.<sup>3</sup>

The question that arises from the trademark registration Apple obtained in the United States is whether trade marks of this kind could be registered in Australia. This article considers the prospects of an applicant seeking to register a similar trade mark in Australia and the protections such a registration would likely provide.

## <subdiv>Apple's retail store layout trademarks

Apple obtained two United States trademarks for the design and layout of its retail stores: one in colour (registered Trademark No 4,277,913) and one in black and white (registered Trademark No 4,277,914). Colour is not claimed as a feature of the black and white mark. Therefore, the mark is registered in respect of all colours, and is protected regardless of the colours used.

The trademark certificate for Apple's Trademark No 4,277,914 contains the following written description of the claimed retail store design and layout:

<blockquote>

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<sup>1</sup> See "China Officials Close Fake Apple Stores in Kunming City", *BBC News* (25 July 2011), <http://www.bbc.co.uk/news/technology-14273444>.

<sup>2</sup> Palladino V, "Apple Store Receives Trademark for 'Distinctive Design and Layout'", *Wired* (30 January 2013), <http://www.wired.com/design/2013/01/apple-store-trademark/>; Burns C, "Apple Store Design and Layout Granted Official US Trademark", *Slash Gear* (30 January 2013), <http://www.slashgear.com/apple-store-design-and-layout-granted-official-us-trademark-30267419/>.

<sup>3</sup> United States Design Patent No D478,999 S (granted 26 August 2003).

The mark consists of the design and layout of a retail store. The store features a clear glass storefront surrounded by a paneled facade consisting of large, rectangular horizontal panels over the top of the glass front, and two narrower panels stacked on either side of the storefront. Within the store, rectangular recessed lighting units traverse the length of the store's ceiling. There are cantilevered shelves below recessed display spaces along the side walls, and rectangular tables arranged in a line in the middle of the store parallel to the walls and extending from the storefront to the back of the store. There is multi-tiered shelving along the side walls, and a oblong table with stools located at the back of the store, set below video screens flush mounted on the back wall. The walls, floors, lighting, and other fixtures appear in dotted lines and are not claimed as individual features of the mark; however, the placement of the various items are considered to be part of the overall mark.</blockquote>

The following image, filed as part of Trademark No 4,277,914, depicts Apple's store layout trademark in black and white.

[Figure 1 to be inserted here]

The trademarks were filed on 12 May 2010 and are based on a first claimed use of the mark from at least September 2006.

The marks are registered in class 35 in respect of: "retail store services featuring computers, computer software, computer peripherals, mobile phones, consumer electronics and related accessories, and demonstration of products relating thereto."

In both Australia and the United States, trade marks are registered in respect of particular classes of good and services. Rather than allowing a trade mark owner the exclusive right to use a particular registered trade mark in respect of all goods and services, that right of exclusivity is limited to use with respect to goods and services contained within the particular classes in respect of which the trade mark is registered. There is also a corresponding obligation for the trade mark owner to actually use the mark in relation to the goods and services in respect of which it is registered, with a threat of cancellation in respect of classes for which the mark is not being used.<sup>4</sup> This serves to prevent a trade mark owner attempting to cover the field by registering the trade mark in respect of all, or an unjustifiably wide array of, classes of goods and services.

Despite the apparent novelty in seeking a trade mark of this kind, Apple was not the first entity to register a United States trademark for a retail store's design and layout. This type of trademark, known as trade dress, is not without precedent, at least in the United States. Another technology company, Microsoft Inc trademarked the design and layout of its retail stores in 2011. While there are definite similarities in the store layout to Apple's, there are noticeable and distinct differences in the design features employed in the Microsoft store layout.

Microsoft's United States Trademark No 4036534, also registered in class 35, is described in the trademark certificate in the following way:

<blockquote>

The mark consists of three-dimensional trade dress depicting the interior of a retail store with four curved tabletops at the front and rear side walls and a rectangular band displaying changing video images on the walls. The matter shown depicted in the drawing in broken lines is not part of the mark and serves only to show the continuous stream of changing video content on the video band and the position or placement of the mark. </blockquote>

The following image, filed as part of its trademark application, depicts Microsoft's store layout trademark.

[Figure 2 to be inserted here]

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<sup>4</sup> For the Australian position see: *Trade Marks Act 1995* (Cth), Pt 9 (Removal of trade mark from Register for non-use).

Despite its apparent novelty, the notion that a trader might have exclusive rights in the distinctive appearance and layout of a business premises precedes both Apple's and Microsoft's trademark applications. In 1992, the United States Supreme Court allowed a fast-food Mexican restaurant chain to protect the appearance, layout and décor of its retail outlets from imitation by a competitor.

### **<subdiv>Two Pesos and trade dress**

In 1992, the Supreme Court in *Two Pesos Inc v Taco Cabana Inc* held that inherently distinctive trade dress in the form of the business décor in a chain of Mexican restaurants could be protected from imitation of a kind likely to cause confusion.<sup>5</sup> *Two Pesos v Taco Cabana* was the first United States Supreme Court decision that confirmed that a trader can preclude competitors from adopting a substantially identical or deceptively similar design and layout or "trade dress" of business premises.

"Trade dress" is not a term commonly used in Australia. In *Two Pesos v Taco Cabana*, the court endorsed the view that trade dress involves the overall image and appearance of a product or business "and may include features such as size, shape, color or color combinations, texture, graphics, or even particular sales techniques".<sup>6</sup>

Unlike in Australia, the protection of unregistered trade dress has a basis in statute in the United States. Although it does not refer specifically to layout, design or appearance of restaurants or retail stores, the United States *Trademark Act* of 1946 (the *Lanham Act*) protects both registered and unregistered marks used by traders in the course of business. The *Lanham Act* was intended to make "actionable the deceptive and misleading use of marks" and "to protect persons engaged in ... commerce against unfair competition".<sup>7</sup> At the relevant time, the applicable provision was s 43(a).<sup>8</sup> Section 43(a) provided a cause of action to anyone likely to be damaged when another uses in commerce any "word, term, name, symbol, or device, or any combination thereof ... which is likely to cause confusion ... as to the origin, sponsorship, or approval of ... his or her goods, services, or commercial activities".<sup>9</sup> This arguably has similarities with both a common law action for passing off and a statutory cause of action for misleading or deceptive conduct.

The Supreme Court in *Two Pesos v Taco Cabana* held that Two Pesos Inc, by deliberately imitating the distinctive appearance and layout of Taco Cabana's Mexican restaurants in Texas, had infringed Taco Cabana's unregistered trade dress. The court did not disturb a jury verdict that: Taco Cabana's unregistered trade dress (being the layout of its Mexican restaurants) was inherently distinctive; and Two Pesos infringed that unregistered trade dress by using similar business décor which created a likelihood of confusion on the part of ordinary customers. The Supreme Court noted the finding below that Taco Cabana's unregistered trade dress was inherently distinctive because it was not descriptive of Taco Cabana's products and was not functional in the sense that the design and layout of the store was not dictated by function.<sup>10</sup>

The United States law has been complicated by the later Supreme Court decision in *Wal-Mart Stores Inc v Samara Brothers Inc*,<sup>11</sup> a case concerning deliberate imitation of children's clothing. There the Supreme Court held that product design cannot be inherently distinctive because it "is intended not to identify the source, but to render the product itself more useful or more appealing".<sup>12</sup> Scalia J, writing on behalf of a unanimous court, stated that "a product's design is distinctive, and

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<sup>5</sup> *Two Pesos Inc v Taco Cabana Inc* 505 US 763 at 776 (1992).

<sup>6</sup> *Two Pesos Inc v Taco Cabana Inc* 505 US 763 at 764 (fn 1) (1992), citing *John H Harland Co v Clarke Checks Inc* 711 F 2d 966 at 980 (1983).

<sup>7</sup> *Lanham Act*, § 45 .

<sup>8</sup> The *Lanham Act*, including the provisions at issue here, has been substantially amended since the suit in the case was brought: *Two Pesos Inc v Taco Cabana Inc* 505 US 763 at 767 (fn 7) (1992).

<sup>9</sup> *Lanham Act*, § 43(a) (15 USC § 1125(a))

<sup>10</sup> *Two Pesos Inc v Taco Cabana Inc* 505 US 763 at 770 (1992).

<sup>11</sup> *Wal-Mart Stores Inc v Samara Brothers Inc* 529 US 205 (2000).

<sup>12</sup> *Wal-Mart Stores Inc v Samara Brothers Inc* 529 US 205 at 214 (2000). See also *Traffix Devices Inc v Marketing Displays Inc* 121 S Ct 1255 at 1260 (2001).

therefore protectable, only upon a showing of secondary meaning”.<sup>13</sup> His Honour expressed the view that any apparent harshness of the consequences of this finding is mitigated by a trader’s ability to seek a design patent or copyright protection for the design of its products.<sup>14</sup> The court in *Wal-Mart v Samara Brothers* denied that there is any contradiction by distinguishing business décor of the kind considered in *Two Pesos v Taco Cabana* and product design, suggesting that business décor is akin to product packaging.<sup>15</sup>

### <subdiv>Trade dress in Australian law

There does not appear to be an identical equivalent of trade dress in Australian law. The courts’ practice in Australia has been to describe the total visual appearance of a product as “get-up”. However, the United States term, “trade dress” is perhaps of wider import and is understood to mean the whole visual image of a business presented to customers, rather than simply the visual appearance of a product.<sup>16</sup>

The concept perhaps finds some parallel in Australian law in the recent reference to the German word “gestalt” as a means of referring to the “overall identity” of a brand. In their joint judgment in the passing off case, *Sydneywide Distributors Pty Ltd v Red Bull Australia Pty Ltd*, Weinberg and Dowsett JJ, referring to the use of “gestalt” in affidavit evidence, noted that:

<blockquote>

According to the *Shorter Oxford Dictionary* this word means “An integrated perceptual structure or unity conceived, as functionally more than the sum of its parts”.<sup>17</sup> </blockquote>

Their Honours appear to accept that the notion of “gestalt” as used in evidence before the court at trial, as being “the overall identity of a brand as it relates to consumers”, including “not only the name, colour, physical properties and packaging but also associations with the brand and branding devices used to create associations, including its advertising and the ‘channels’ through which it is sold”.<sup>18</sup> This description appears to encompass more than would appear to fall within the scope of the term “get-up” because the “gestalt” concept encompasses brand associations borne by advertising and the channels through which products are sold. Their Honours, however, did not appear to adopt the word as term of art imbued with any legal significance. The terms “get-up” and “gestalt” appear to have been used interchangeably by Bennett J in *Natural Waters of Viti Ltd v Dayals (Fiji) Artesian Waters Ltd*<sup>19</sup> and by Allsop J in *Anheuser-Busch Inc v Budejovický Budvar NP*.<sup>20</sup> Whether “gestalt” will displace or be used in conjunction with “get-up” as a relevant descriptor of “look and feel” in Australian trade marks and passing off cases remains to be seen.

### <div>RETAIL STORE LAYOUTS AS TRADE MARKS IN AUSTRALIA

The idea of using trade marks to protect the distinctive appearance of a retail store is not one that at the time of writing appears to have taken hold in Australia. The main benefit that a registered trade mark provides over relying on a common law action in passing off is that there is no need to prove a reputation in the jurisdiction when bringing an action for trade mark infringement as there is in a passing off case.

There are currently 743 shape trade marks on the Australian register of trade marks, many of which are registered in conjunction with other devices such as words, images or colours. A search of

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<sup>13</sup> *Wal-Mart Stores Inc v Samara Brothers Inc* 529 US 205 at 216 (2000).

<sup>14</sup> *Wal-Mart Stores Inc v Samara Brothers Inc* 529 US 205 at 216 (2000).

<sup>15</sup> *Wal-Mart Stores Inc v Samara Brothers Inc* 529 US 205 at 215-216 (2000).

<sup>16</sup> *Two Pesos Inc v Taco Cabana Inc* 505 US 763 at 764 (fn 1) (1992), citing *John H Harland Co v Clarke Checks Inc* 711 F 2d 966 at 980 (1983).

<sup>17</sup> *Sydneywide Distributors Pty Ltd v Red Bull Australia Pty Ltd* (2002) 55 IPR 354 at [41].

<sup>18</sup> *Sydneywide Distributors Pty Ltd v Red Bull Australia Pty Ltd* (2002) 55 IPR 354 at [41].

<sup>19</sup> *Natural Waters of Viti Ltd v Dayals (Fiji) Artesian Waters Ltd* [2007] FCA 200 (Bennett J).

<sup>20</sup> *Anheuser-Busch Inc v Budejovický Budvar NP* (2002) 56 IPR 182 (Allsop J).

IP Australia's online trade mark database<sup>21</sup> reveals no registered trade marks or pending trade mark applications for the layout of a retail store or restaurant in Australia. Given the lack of any comparable marks on the Australian trade marks register and any case law in which the issue is considered, the question as to whether this arguably unconventional use of the Trade Marks Register in Australia would be successful is an interesting one.

As it happened, Apple filed an international trade mark application based on its United States trademarks, and designated Australia as part of that international application. In other words, Apple also applied to register its retail store design and layout as a trade mark in Australia. However, Apple allowed its application in this country to lapse.<sup>22</sup> Why Apple chose not to pursue its Australian application is not clear, as Apple seems not to have made a public statement to this effect.

The registration of trade marks in Australia is governed by the *Trade Marks Act 1995* (Cth).<sup>23</sup> The three main registration requirements that a retail store layout must satisfy in order to proceed to registration, which this article considers, are the following.

First, the particular retail store layout chosen must fall within the statutory definitions of “trade mark” in s 17 and “sign” in s 6. In this regard, the applicant must be able to demonstrate use of the retail store layout “as a trade mark”. This is potentially the most significant hurdle an applicant seeking to trade mark a retail store layout will face.

Finally, the retail store layout must be capable of distinguishing the applicant’s goods or services as is required by s 41. This requires that the retail store layout be inherently adapted to distinguish or that it have acquired distinctiveness prior to an application for registration being filed.

## USE AS A TRADE MARK

### The law

Section 27(1) of the Act provides that a person may apply for the registration of a trade mark. This provision is significant for the reason that it makes clear that the subject of registration must already be a “trade mark” and that the statutory scheme enables the registration of trade marks.

Further, s 20 provides that, in respect of registered trade marks, “the registered owner of the trade mark has, subject to this Part, the exclusive rights: ... (a) to use the trade mark ... in relation to the goods and/or services in respect of which the trade mark is registered.”

The definition of “trade mark” in s 17 is as follows:

<blockquote>

A trade mark is a sign used, or intended to be used, to distinguish goods or services dealt with or provided in the course of trade by a person from goods or services so dealt with or provided by any other person.</blockquote>

That definition is read in conjunction with the definition of “sign” in s 6, which relevantly provides that:

<blockquote>

*sign* includes the following or any combination of the following, namely, any letter, word, name, signature, numeral, device, brand, heading, label, ticket, aspect of packaging, shape, colour, sound or scent.</blockquote>

The statutory definition of “sign” is broad. It is a non-exclusive definition by virtue of the appearance of the word “includes” at the beginning of the definition, rather than “means”. The

<sup>21</sup> ATMOSS (Australian Trade Marks Online Search System), located at: [http://pericles.ipaustralia.gov.au/atmoss/falcon.application\\_start](http://pericles.ipaustralia.gov.au/atmoss/falcon.application_start).

<sup>22</sup> Trade mark application lodged 10 November 2010 (Convention application). Lapsing advertised 8 November 2010.

<sup>23</sup> Australia’s trade marks legislation, along with other statutes that regulate the laws of intellectual property in this country, was recently the subject of legislative amendment as a consequence of the federal Parliament’s “Raising the Bar” amendments coming into force: *Intellectual Property Laws Amendment (Raising the Bar) Act 2012* (Cth).

legislative intent appears to be to place as few restraints upon the sorts of signs that can be trade marked.

A trade mark is something that is separate and distinct from the goods or services it is applied in relation to or in connection with.<sup>24</sup> The word “mark” in its normal meaning is apt only to describe something which distinguishes goods rather than the goods themselves.<sup>25</sup> To be a trade mark, a “sign” must in some way be distinctive, in the sense that it must be capable of distinguishing an applicant’s goods or services.<sup>26</sup>

Traditionally, trade marks in Australia have been granted for conventional signs. These ordinarily consist of words, letters, numerals and logos or combinations of any of these things. These can be applied in various styles, fonts and colours to billboards, shop fronts, packaging, stationary, clothing, products and the like, and make up the vast majority of trade marks on the Australian trade marks register and the registers in other jurisdictions.

Trade marks law has in recent times, however, witnessed the introduction of what are referred to as “non-traditional” marks: shapes, colours, sounds and scents. These four non-traditional categories were added to the end of the s 6 definition of “sign” by the enactment of the *Trade Marks Act 1995* (Cth). Although, as Burchett J noted in *Koninklijke Philips Electronics NV v Remington Products Australia Pty Ltd*, “the legislative background leaves a clear impression the inclusion of the word ‘shape’ in the definition of ‘sign’ was not understood to involve the effecting of a radical change in trade mark law”.<sup>27</sup>

Perhaps the most challenging hurdle an applicant seeking the registration of a retail store layout as a trade mark will face is the s 17 requirement that the mark be “used, or intended to be used” to distinguish the applicant’s goods or services – in other words, the requirement that the mark be “used, or intended to be used” “as a trade mark”.

The Act provides some assistance as to what is meant by such use in s 7(4) and (5), where it provides that “[u]se of a trade mark in relation to” goods or services refers to use in physical or other relation to the goods or services.

Otherwise, the concept is explained in the case law, the starting point for which is the decision of *Shell Co of Australia Ltd v Esso Standard Oil (Aust) Ltd*. In that case, Kitto J (with whom Dixon CJ, Taylor and Owen JJ agreed) explained that, in relation to the earlier *Trade Marks Act 1955* (Cth):

<blockquote>

The crucial question in the present case seems to me to arise at this point. Was the appellant’s use ... a use ... “as a trade mark”. With the aid of the definition of “trade mark” in s 6 of the Act, the adverbial expression may be expanded so that the question becomes whether, in the setting in which the particular pictures referred to were presented, they would have appeared to the television viewer as possessing the character of devices, or brands, which the appellant was using or proposing to use in relation to petrol for the purpose of indicating, or so as to indicate, a connexion in the course of trade between the petrol and the appellant.<sup>28</sup> </blockquote>

The Full Federal Court in *Coca-Cola Co v All-Fect Distributors Ltd*, in considering the operation of the 1995 Act, explained the concept in the following way:

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<sup>24</sup> *Re James’s Trade Mark; James v Soulby* (1886) 33 Ch D 392 at 395; *Smith Kline & French Laboratories Ltd v Stirling-Winthrop Group Ltd* [1975] 1 WLR 914; *Smith Kline & French Laboratories (Aust) Ltd v Registrar of Trade Marks* (1967) 116 CLR 628 at 639 (Windeyer J); *Coca-Cola Co v All-Fect Distributors Ltd* (1999) 96 FCR 107 at [16]-[17] (Burchett J).

<sup>25</sup> *Re Coca-Cola Co* (1986) 6 IPR 275 at 277, cited in *Koninklijke Philips Electronics NV v Remington Products Australia Pty Ltd* (2000) 100 FCR 90 at [14].

<sup>26</sup> *British Sugar plc v James Robertson & Sons Ltd* [1996] RPC 281 at 306 (Jacob J), cited in *Ocean Spray Cranberries Inc v Registrar of Trade Marks* (2000) 47 IPR 579 at [24] (Wilcox J).

<sup>27</sup> *Koninklijke Philips Electronics NV v Remington Products Australia Pty Ltd* (2000) 100 FCR 90 at [15].

<sup>28</sup> *Shell Co of Australia Ltd v Esso Standard Oil (Aust) Ltd* (1963) 109 CLR 407 at 424-425.

Use “as a trade mark” is use of the mark as a “badge of origin” in the sense that it indicates a connection in the course of trade between goods and the person who applies the mark to the goods ... That is the concept embodied in the definition of “trade mark” in s 17 – a sign used to distinguish goods dealt with in the course of trade by a person from goods so dealt with by someone else.<sup>29</sup>

That explanation was approved and adopted by the High Court in *E & J Gallo Winery v Lion Nathan (Aust) Pty Ltd*.<sup>30</sup>

A trader who seeks registration of a store layout as a trade mark will not encounter the same difficulties encountered by Philips in *Philips v Remington* when it sought to show that Remington had used Philips’ distinctive three-dimensional mark in the shape of a triple rotary electric shaver “as a trade mark”. As Burchett J made clear in that case, a “mark is added, as something distinct from the goods”.<sup>31</sup>

Although the case considered the requirement for “use as a trade mark” in the context of infringement, the court’s analysis is useful in considering the requirement in the context of a mark’s eligibility for registration. The issue before the Full Federal Court in that case was whether a de facto permanent monopoly can be obtained for a product by registering a representation of one of its vital features as a trade mark.<sup>32</sup> The difficulties in allowing trade mark protection of this kind were noted by Burchett J at the beginning of his reasons in the following way:

<blockquote>

If a shield against all competition can be raised in that way, the proprietor of the mark will be in a better position than a patentee or the proprietor of a registered design, each of whom has a protection limited to the span of a relatively short time.<sup>33</sup>

Monopolising the use of a particular retail store layout should not restrict access by others to functional features or innovations. The court in *Philips v Remington* made clear that merely to produce and deal with goods bearing a functional shape is not to use the shape as a trade mark. Burchett J, with whom Hill and Branson JJ agreed, concluded that if the shape of any product is dictated by the function the product performs or the nature of the product, or the shape is a logical or convenient choice for a product that performs such a function, the shape could not operate as a trade mark. That is, the shape that goods possess because of their nature or the need for a particular technical result could not operate as a trade mark. Rather, competitors should be free to use that shape or similar shapes without restriction.<sup>34</sup>

However, it is no bar to trade mark registration that a sign is of functional significance if it also serves a trade mark function. In this regard, the Full Federal Court in *Woolworths Ltd v BP plc (No 2)* noted that a trade mark will still be used as a trade mark even if it serves other purposes as well:<sup>35</sup>

<blockquote>

Whether or not there has been use as a trade mark involves an understanding from an objective viewpoint of the purpose and nature of the use, considered in its context in the relevant trade. How the mark has been used may not involve a single or clear idea or message. The mark may be used for a number of purposes, or to a number of ends, but there will be use as a trade mark if one aspect of the use is to distinguish the goods

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<sup>29</sup> *Coca-Cola Co v All-Fect Distributors Ltd* (1999) 96 FCR 107 at [19] (Black CJ, Sundberg and Finkelstein JJ).

<sup>30</sup> *E & J Gallo Winery v Lion Nathan (Aust) Pty Ltd* (2010) 241 CLR 144 at [43] (French CJ, Gummow, Crennan and Bell JJ).

<sup>31</sup> *Koninklijke Philips Electronics NV v Remington Products Australia Pty Ltd* (2000) 100 FCR 90 at [12] (Burchett J).

<sup>32</sup> *Koninklijke Philips Electronics NV v Remington Products Australia Pty Ltd* (2000) 100 FCR 90 at [1].

<sup>33</sup> *Koninklijke Philips Electronics NV v Remington Products Australia Pty Ltd* (2000) 100 FCR 90 at [1].

<sup>34</sup> *Koninklijke Philips Electronics NV v Remington Products Australia Pty Ltd* (2000) 100 FCR 90 at [12]-[22].

<sup>35</sup> For instance, as noted in *Coca-Cola v All-Fect*, a mark may have a descriptive element but still serve as a badge of trade origin: *Coca-Cola Co v All-Fect Distributors Ltd* (1999) 96 FCR 107 at [26], citing *Johnson & Johnson Australia Pty Ltd v Sterling Pharmaceuticals Pty Ltd* (1991) 30 FCR 326 at 347-348: “The question is whether consumers are being invited to purchase the confectionary which is to be distinguished from that of other traders partly because they have the features of the sign or mark.”



or services provided by a person in the course of trade from the goods or services provided by any other persons, that is to say it must distinguish them in the sense of indicating origin.<sup>36</sup>

In that case, Woolworths successfully opposed the registration of a particular shade of the colour green as applied to a significant proportion of the exterior of various parts of service stations in favour of BP. Woolworths succeeded on the ground that BP had not shown that it had used that colour as a trade mark. The Full Court noted that although survey evidence showed a strong association between green and BP through BP's use of that colour to decorate its roadside service stations, that evidence did not demonstrate that BP had used the colour green as a trade mark:

<blockquote>

These responses are consistent with a recognition that green has always been part of the BP colour scheme; however, they do not lead to the conclusion that green alone or green predominantly with other unspecified colours has been used as a trade mark.<sup>37</sup>

Although the court in *Woolworths v BP* did not say so specifically, that BP had used its particular shade of green on its service stations in conjunction with other marks, including the letters, "BP" and a BP logo, may have been a factor contributing to the court's decision.

The opposite result was reached on the facts and evidence in *Philmac v Registrar of Trade Marks*.<sup>38</sup> There Mansfield J found at trial, in the absence of any survey evidence proffered by the applicant, that the particular shade of the colour terracotta chosen by Philmac had, through use, acquired sufficient distinctiveness to distinguish Philmac's products from those of other traders, despite the fact that the colour also bore a functional significance.

In that case, the use of a particular colour as applied to products possessed a function: being to differentiate a particular class of product within a range of product classes from those of other classes of product. Mansfield J, despite this, found that use of the particular shade of terracotta chosen was also trade mark use, even though the colour also fulfilled this function of a differentiator of products from other classes of product.<sup>39</sup> He said:

<blockquote>

I am satisfied that Philmac ... has used ... the colour terracotta on its rural B fittings as a trade mark ... it uses the colour to distinguish its rural B fittings from the rural B fittings of its competitors. It is, in the relevant sense, a badge of origin.<sup>40</sup>

One difficulty Apple or any other trader seeking to trade mark a retail store layout would face, however, is that the store layout will necessarily be used in conjunction with other trade marks. Such use was a deciding factor in *Chocolaterie Guylian NV v Registrar of Trade Marks*.<sup>41</sup> In that case, Guylian sought unsuccessfully to appeal a decision of the Registrar of Trade Marks that it selling seahorse-shaped chocolate was not use of that shape as a trade mark. It was also a deciding factor in Wilcox J's decision in *Ocean Spray Cranberries Inc v Registrar of Trade Marks*.<sup>42</sup>

In contrast, the Full Federal Court in *Kenman Kandy Australia Pty Ltd v Registrar of Trade Marks*,<sup>43</sup> permitted the registration of a fanciful and concocted six-legged spider shape to confectionary on the basis that the shape was inherently adapted to distinguish. Davison has criticised the decision in *Kenman Kandy* on the grounds that the court failed to adequately consider whether the applicant had actually used the shape of the bug-shaped confectionary as a sign to "indicate to consumers the trade origin of the goods" rather than simply using that shape to make the product

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<sup>36</sup> *Woolworths Ltd v BP plc (No 2)* (2006) 154 FCR 97 at [77].

<sup>37</sup> *Woolworths Ltd v BP plc (No 2)* (2006) 154 FCR 97 at [118].

<sup>38</sup> *Philmac v Registrar of Trade Marks* (2002) 126 FCR 525 (Mansfield J).

<sup>39</sup> *Philmac v Registrar of Trade Marks* (2002) 126 FCR 525 at [34] (Mansfield J).

<sup>40</sup> *Philmac v Registrar of Trade Marks* (2002) 126 FCR 525 at [40] (Mansfield J).

<sup>41</sup> *Chocolaterie Guylian NV v Registrar of Trade Marks* (2009) 180 FCR 60 (Sundberg J).

<sup>42</sup> *Ocean Spray Cranberries Inc v Registrar of Trade Marks* (2000) 47 IPR 579 (Wilcox J).

<sup>43</sup> *Kenman Kandy Australia Pty Ltd v Registrar of Trade Marks* (2002) 122 FCR 494 (French, Lindgren and Stone JJ).

more appealing to them before considering the shape's adaptability to distinguish.<sup>44</sup> Davison's argument appears to be identical to the reasons given by Scalia J on behalf of a unanimous United States Supreme Court in *Wal-Mart v Samara Brothers* rejecting the application for registration on the basis that the appearance of goods was "intended not to identify the source, but to render the product itself more useful or more appealing".<sup>45</sup>

In *Guylian*, the seahorse shape, like the fanciful and concocted six-legged spider shape considered in *Kenman Kandy*, was applied to the whole of the product. That is, the shape of the product was the same as the shape for which registration was sought. However, unlike the spider, the seahorse shape closely resembled the shape of an actual seahorse. The only difference in the shape claimed for registration and the shape of a seahorse was that the tail of the claimed mark twisted in the opposite direction to that of a seahorse, a fact the judge held the ordinary consumer would not appreciate.<sup>46</sup> This similarity with a shape found in nature was a decisive factor in the finding that the seahorse shape could not function as a trade mark because it possessed an ordinary association that other traders might wish to draw upon.<sup>47</sup>

In dispensing with *Guylian's* appeal, his Honour also held that the use of the seahorse shape in conjunction with other shapes precluded a finding that *Guylian* had used the shape as a trade mark:

<blockquote>

the seahorse shape does not in my view function as a trade mark. It is not used in any sense to identify *Guylian* but to illustrate some examples of the elegance of the chocolates ... the marketing materials contain similar examples of the seahorse shape being used in combination (and sometimes not at all) with the other marine shapes to promote and illustrate *Guylian's* sea shell range ... In my view, the presence of these other distinctive marks makes it difficult to conclude that the seahorse shape has by itself become distinctive of *Guylian's* products.<sup>48</sup></blockquote>

Similarly in *Ocean Spray*, bottled cranberry juice formed part of a range of drinks promoted under the "OCEAN SPRAY" trade mark. In response to an application to register the words, "Cranberry Classic" as a trade mark, Wilcox J found that the appearance of the words "Cranberry Classic" on a label in conjunction with the "OCEAN SPRAY" trade mark would not signify an association between the product and the producer of the "Ocean Spray" range of fruit drinks.<sup>49</sup> His Honour was of the view that it seemed:

<blockquote>

likely that any association, in the public mind, between this product and the applicant company would have been derived from the use of the words "Ocean Spray" in advertising and on the labels of the products, not from the use of the words "Cranberry Classic".<sup>50</sup></blockquote>

A comparable finding was made in *Philips v Remington*, where it was held that Remington displaying its name on the product's packaging served as a badge of origin and, not its use of the shape of a triple-headed rotary shaver on the product itself. Similar again was the finding of Greenwood J in *Mayne Industries Pty Ltd v Advanced Engineering Group Pty Ltd*:

<blockquote>

The shape might distinguish or differentiate the goods as goods but not the trade source. Dealing in goods of that shape is thus use of the goods not use of the shape of those goods as a trade mark.<sup>51</sup></blockquote>

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<sup>44</sup> Davison M, "Shape Trade Marks: The Role and Relevance of Functionality and Aesthetics in Determining Their Registrability" (2004) 15 AIPJ 106 at 109.

<sup>45</sup> *Wal-Mart Stores Inc v Samara Brothers Inc* 529 US 205 at 214 (2000).

<sup>46</sup> *Chocolaterie Guylian NV v Registrar of Trade Marks* (2009) 180 FCR 60 at [78].

<sup>47</sup> *Chocolaterie Guylian NV v Registrar of Trade Marks* (2009) 180 FCR 60 at [79]-[80].

<sup>48</sup> *Chocolaterie Guylian NV v Registrar of Trade Marks* (2009) 180 FCR 60 at [96].

<sup>49</sup> *Ocean Spray Cranberries Inc v Registrar of Trade Marks* (2000) 47 IPR 579 at [41].

<sup>50</sup> *Ocean Spray Cranberries Inc v Registrar of Trade Marks* (2000) 47 IPR 579 at [41].

<sup>51</sup> *Mayne Industries Pty Ltd v Advanced Engineering Group Pty Ltd* (2008) 166 FCR 312 at [64].

**<subdiv>Consideration**

Despite differing significantly from the traditional labels, billboards and other advertising methods used to associate a brand with a particular trade source, it would seem that a retail store design and layout is indeed a “sign” within the meaning of that term as it is defined in s 6 of the Act because it is a “shape”. Further, the shape of a retail store layout is certainly separate and distinct from any goods or services it is applied in relation to or in connection with. However, what is not immediately obvious is whether every retail store layout has the capacity to function as a trade mark, namely a designator of trade origin. As such, despite there being a presumption of registrability in s 33(1) of the Act, an applicant seeking registration of a trade mark for the distinctive design and layout of a retail store will face significant hurdles.

To function as a trade mark, the design and layout of a retail store would need in some way to be distinctive, arbitrary or fanciful. Were it not, there would be no possibility that it might serve as a designator of origin.<sup>52</sup> This requirement would preclude the registration of plain, obvious and purely functional trade marks for the design and layout of a retail stores. Apple’s retail store outlets are a good example of distinctive design and layout. Arguably, Apple retail stores are sufficiently distinctive, despite their minimalist design features. The visual appearance of an object does not have to be complicated to be distinctive. It may, in fact, be the clean, elegant and striking nature of Apple’s design that makes its stores (and products) distinctive in appearance.

Given that there are many more ways to arrange the structure and décor of a retail store than there are to arrange the components of a triple-headed electric rotary shaver, it would seem unlikely that engineering design considerations of the kind identified by Burchett J in *Philips v Remington* would stand in the way. In this sense, the shape of a retail store is akin to the concocted bug shape that had no or limited functional significance in *Kenman Kandy*. While a retail store layout is functional in the sense that it gives a business premises structure and shape, the majority of design options available to retailers will have an aesthetic quality rather than a functional significance. Although conventional retail store design is arguably constrained by the need for walls, a ceiling and a floor, there is much freedom in the design of the shape of those objects and how the space between them is filled. As such, there is no functional imperative for other traders to design their business premises in the same way as any owner of a registered trade mark for a distinctive and non-functional design and layout of a retail store. Additionally, it will not be necessary for another trader to adopt any such features in order to describe to consumers or inform consumers of the goods or services he or she deals in.

Unlike the seahorse shape considered in *Guylian*, an ordinary retail store layout cannot be denied registration on the basis that it is akin to a naturally occurring shape (unless it closely resembles such a shape). The total shape and features of a retail store premises cannot be descriptive of goods or services. It would be hard to say that many retail store layouts are fanciful like the six-legged spider shape considered in *Kenman Kandy*. They may, however, be arbitrary and distinctive shapes.

The principal impediment to the registration of the design and layout of a retail store is that such a shape would not likely be viewed as signifying the origin of a trader’s goods or services. There are two reasons for this.

The first is that, in the absence of the public being duly educated to the contrary, any store design and layout is going to lack trade mark significance because it will be seen as purely performing an aesthetic or decorative function rather than functioning as an identifier of trade source. This is a difficulty inherent in purporting to use an unconventional sign that differs so significantly to ordinary logos, displays, billboards and the like as a trade mark. While the cases recognise that a mark can still function as a trade mark even if it serves other purposes as well,<sup>53</sup> to design a store in such a way as to render it more appealing to entice potential customers to enter is not use of that design and layout to identify trade source.

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<sup>52</sup> *British Sugar plc v James Robertson & Sons Ltd* [1996] RPC 281 at 306 (Jacob J), cited in *Ocean Spray Cranberries Inc v Registrar of Trade Marks* (2000) 47 IPR 579 at [24] (Wilcox J).

<sup>53</sup> See, for example, *Woolworths Ltd v BP plc (No 2)* (2006) 154 FCR 97 at [77].

The second reason is that a retail store's design and layout will invariably be used in conjunction with other more conventional trade marks. Arguably, it is a practical impossibility for any trader to rely on a retail store layout as a trade mark and not use any other signs. Although it is common for a trader to use several trade marks together and this is ordinarily no barrier to registration (and certainly no such argument was run in respect of Nike's use of the word "NIKE" in conjunction with the swoosh device in *Campomar Sociedad Limitada v Nike International Ltd*),<sup>54</sup> difficulties arise when the mark for which registration is not an "obvious" trade mark. Concerns about the use of subsidiary trade marks used in conjunction with other marks would appear to be an issue particularly when non-traditional trade marks are concerned, such as shapes (*Philips v Remington, Guylian*), colours (*Woolworths v BP*) and words (*Ocean Spray*).

Take Apple as an example. Apple stores, known for their distinctive "look and feel", appear with a large apple-shaped Apple logo affixed to the front of the store and do not appear without this branding. In the absence of a trader adopting a "label-less" store front, the ordinary consumer perceiving, much less being educated, that the a store's design and layout functions as a signifier of trade origin becomes a practical impossibility. In Apple's case, the argument to be made is that, like the seahorse shape in *Guylian*, it is not the retail store layout that is being used as a trade mark, but the Apple logo and other words or devices that Apple uses to indicate the source of its goods and services.

If Apple or another trader were to construct stores that are not emblazoned with other trade marks, then the argument could possibly be made that a retail store layout had been used as a trade mark and could be registered as such. The argument would then need to be made that such a marketing approach had educated customers that a distinctive retail store layout functions as a badge of origin connecting the proprietor with the goods and services offered for sale. However, even if such an undertaking were attempted, it is still likely that other trade marks would arise in the ordinary consumer's mind as being trade source identifiers, such as labels on merchandise offered for sale, or brochures advertising goods or services. It is likely that these signifiers of trade source would preclude a finding that the appearance of the retail store would be used as a trade mark.

While these difficulties do not necessarily preclude retail store layouts from being registered as trade marks, they are significant impediments to registration that need to be managed carefully by any applicant seeking the registration of a trade mark of this kind.

Seemingly, the only way to overcome these barriers is for the trade mark applicant to educate the public that its particular retail store design and layout is being used as a trade mark through advertising. It is not hard to see how the design and layout of a retail store might be used in advertising. A photograph that includes the store design and layout might be used in a print, television or online advertisement. It can be surmised that extensive and compelling evidence would be needed to establish this form of trade mark use. However, as Jacob J noted in *British Sugar plc v James Robertson & Sons Ltd*, "the power of advertising may be able to turn almost anything (save a pure description) into a trade mark".<sup>55</sup> This advertising would need to precede a trade mark application being filed and would therefore require public use of the mark in the course of trade prior to an application being filed. The application would also need to be accompanied by evidence of this use and evidence that consumers have been successfully educated as to the store design and layout's use and function as a trade mark.

The advert used would need to be carefully constructed. As the Full Federal Court explained in *Woolworths v BP*, such evidence needs to do more than merely show that consumers recognise an association between a distinctive store layout and a particular source of goods or services. Thus, even if survey evidence demonstrated that consumers (or other relevant people) identified an association between a distinctive store layout like Apple's and a trader, that evidence would not automatically lead to the conclusion that the particular design and layout had been used as a trade mark. What is

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<sup>54</sup> *Campomar Sociedad Limitada v Nike International Ltd* (2000) 202 CLR 45.

<sup>55</sup> *British Sugar plc v James Robertson & Sons Ltd* [1996] RPC 281 at 306 (Jacob J), cited in *Ocean Spray Cranberries Inc v Registrar of Trade Marks* (2000) 47 IPR 579 at [24] (Wilcox J).

needed is evidence of trade mark use.<sup>56</sup> For instance, with the support of appropriate evidence, the argument could be raised that media coverage, such as that cited above in respect of the grant of Apple's United States trademarks,<sup>57</sup> may be sufficient to educate the public that a visual appearance of a retail store is in fact a trade mark.

### <DIV>DISTINCTIVENESS

If a sign for which trade mark registration is sought is capable of being used "as a trade mark", it is then necessary to consider whether it is capable of distinguishing the applicant's goods or services from the goods or services of other traders. Section 41 of the Act contains a series of tests used to determine whether a trade mark lacks the necessary capability to distinguish. The section provides that if the trade mark is not capable of distinguishing particular goods or services from the goods or services of others, the application must be rejected.

Section 41 was recently amended,<sup>58</sup> however, it would seem that the amended wording does not change the meaning of the tests for identifying distinctiveness, but rather represents a simplification of the section's wording.<sup>59</sup>

Both the current and former provisions in s 41 recognise that signs can be inherently adapted to distinguish and that signs which lack the necessary inherent adaptability to distinguish can acquire the necessary distinctiveness through use.

### <subdiv>Inherently adapted to distinguish

Whether a mark is inherently adapted to distinguish is determined by reference to the mark itself independently of its use as a trade mark. Unlike acquired distinctiveness, inherent adaptability to distinguish therefore cannot be acquired through use or intended use.<sup>60</sup>

The test for determining whether a mark is inherently adapted to distinguish set out by Kitto J in *Clark Equipment Co v Registrar of Trade Marks*<sup>61</sup> is a negative one. The test is whether other traders are likely, in the ordinary course of their business and without any improper motive, to desire to use the same mark, or some mark nearly resembling it, upon or in connection with their own goods.<sup>62</sup>

There is no blanket reason why shape marks as a category of trade marks can never be inherently adapted to distinguish. As French J noted in *Kenman Kandy*, "[t]o say that a shape cannot ever pass the test of being 'inherently adapted to distinguish' would be to read into the statute a limitation not warranted by its terms".<sup>63</sup> It seems that in many instances, concocted or imaginary shapes will be registrable as trade marks on the basis that they have an inherent adaptability to distinguish. In *Kenman Kandy*, Stone J considered that a "concocted shape" (as distinct from an "ordinary well-known shape") could be inherently distinctive, saying:

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<sup>56</sup> *Woolworths Ltd v BP plc (No 2)* (2006) 154 FCR 97 at [118]; *Philmac Pty Ltd v the Registrar of Trade Marks* (2002) 126 FCR 525 at [34]-[40].

<sup>57</sup> Examples of media coverage of this kind are given in n 2 above.

<sup>58</sup> Those amendments were introduced as a part of the Raising the Bar amendments to Australia's intellectual property laws: see n 23. Previously, the tests used to determine whether a trade mark lacks the necessary capability to distinguish were contained in s 41(3)-(6) of the *Trade Marks Act 1995* (Cth). As of 15 April 2013, these tests are now contained in s 41(3)-(5). The new s 41 applies to trade mark applications filed on or after 15 April 2013 while the repealed provisions continue to apply to trade mark applications filed before 15 April 2013: *Clearlight Investments Pty Ltd v Sandvik Mining and Construction Oy* (2013) ATMO 50; *Barton & Guestier S.A.S v Anthony Barton* [2013] ATMO 95.

<sup>59</sup> The structure and operation of the process to be undertaken under s 41 in the form it took before it was amended was authoritatively set forth by Branson J in *Blount Inc v Registrar of Trade Marks* (1998) 83 FCR 50 at 56-58.

<sup>60</sup> *Burger King Corp v Registrar of Trade Marks* (1973) 128 CLR 417 at 424 (Gibbs J); *Clark Equipment Co v Registrar of Trade Marks* (1964) 111 CLR 511 at 514-515 (Kitto J).

<sup>61</sup> *Clark Equipment Co v Registrar of Trade Marks* (1964) 111 CLR 511.

<sup>62</sup> *Clark Equipment Co v Registrar of Trade Marks* (1964) 111 CLR 511 at 514 (Kitto J).

<sup>63</sup> *Kenman Kandy Australia Pty Ltd v Registrar of Trade Marks* (2002) 122 FCR 494 at [46] (French J).

A shape (or word) that is entirely concocted does not have the associations that would lead to confusion. I do not regard such a shape as being part of the “great common” any more than does a concocted word or a novel combination of common words ... Although the bug shape is suggestive of insect life it is not the shape of any specific insect or bug. Indeed, were it not for the description given by the appellants, it might as easily be seen as some extra-terrestrial object or space equipment such as a modified lunar landing module. Registration of the bug shape as a trade mark would not give the appellant a monopoly over all bug or insect shapes – only this particular shape and any substantially identical or deceptively similar shape. I see no reason in principle or policy why this should be so.<sup>64</sup>

In *Guylian*, Sundberg J recognised that seahorse shapes possesses ordinary significations that occur in nature and that, as such, rival traders acting with proper motives might want to depict the same seahorse shape or a substantially identical or deceptively similar seahorse shape. In reaching this conclusion, his Honour distinguished the facts from those in *Kenman Kandy* where a bug shape was accepted as inherently adapted to distinguish on the basis that it was a concocted, imaginary shape.<sup>65</sup> His Honour concluded that for these reasons the *Guylian* seahorse shape was to some extent inherently adapted to distinguish, but not to the degree required.<sup>66</sup>

In the case of colours, Mansfield J in *Philmac* expressed the view that a colour can have inherent adaptability to distinguish, unless:

<blockquote>

the range of colours available to an honestly motivated trader is in fact limited and that the colour terracotta the subject of application, or any shade of terracotta that might be deceptively similar to that colour, might naturally and legitimately occur to another trader as a choice of colour for application to goods in the same class.<sup>67</sup>

However, the test is whether other traders might wish to use the mark or a similar mark for attributes the mark itself possesses and not necessarily to denote the origin of goods or service. As Sundberg J stated in *Guylian*:

<blockquote>

I agree with Lindgren J in *Kenman Kandy* 122 FCR 494 at [95] that the *Clark* test does not go so far that any kind of innocent use at all, including innocent non-trademark use, would necessarily deprive a shape of being inherently adapted to distinguish.<sup>68</sup>

**Repeats what was said above** <subdiv>**Acquired distinctiveness**

A trade mark that is otherwise not eligible for registration because it is not inherently adapted to distinguish may become registrable as a consequence of it having acquired distinctiveness through use. For a trade mark to acquire distinctiveness requires use of the mark as a trade mark in the jurisdiction and requires that the mark must have, as a consequence of that use, acquired a secondary meaning by the application date. Whether a mark that is not inherently adapted to distinguish does in fact distinguish the applicant’s goods and services from those of other persons is a question of fact.<sup>69</sup>

An applicant seeking a trade mark for a retail store or restaurant layout would only need to rely on acquired distinctiveness if the particular layout was not sufficiently inherently distinctive. The question as to whether a retail store layout or restaurant layout could acquire or has acquired the requisite secondary meaning is a question of fact to be determined in the circumstances. In order to establish that a trade mark has acquired distinctiveness, an application seeking registration of the mark will need to be supported by evidence of its use preceding the filing of the application for registration. Arguably, this permits the registration of trade marks over shapes that are dictated

<sup>64</sup> *Kenman Kandy Australia Pty Ltd v Registrar of Trade Marks* (2002) 122 FCR 494 at [162]-[163] (Stone J).

<sup>65</sup> *Chocolaterie Guylian NV v Registrar of Trade Marks* (2009) 180 FCR 60 at [76]-[81] (Sundberg J).

<sup>66</sup> *Chocolaterie Guylian NV v Registrar of Trade Marks* (2009) 180 FCR 60 at [82].

<sup>67</sup> *Philmac v Registrar of Trade Marks* (2002) 126 FCR 525 at [57] (Mansfield J).

<sup>68</sup> *Chocolaterie Guylian NV v Registrar of Trade Marks* (2009) 180 FCR 60 at [80] (Sundberg J).

<sup>69</sup> *Blount Inc v Registrar of Trade Marks* (1998) 83 FCR 50 at 504-506 (Branson J).

entirely by function in the same way that descriptive words or devices may become distinctive as a result of use.<sup>70</sup>

### **<subdiv>Consideration**

The American experience in *Two Pesos v Taco Cabana* suggests that retail store or restaurant layouts are capable of possessing an inherent adaptability to distinguish.<sup>71</sup> This is of course subject to the possible adoption into Australian law of the view expressed by Scalia J in *Wal-Mart v Samara Brothers* that product design can never be inherently distinctive,<sup>72</sup> and the application of that principle to business décor. *Wal-Mart v Samara Brothers* can, however, likely be distinguished on the ground that it applies to the visual appearance of products and not the shape and décor of a business premises, a point seemingly adopted by Scalia J in that case.<sup>73</sup>

The better view would seem to be that the only impediment to a finding that a retail store layout might possess the necessary inherent adaptability to distinguish is that by an application of the *Clark Equipment* test. That is, it might be inferred that other traders are likely, in the ordinary course of their business and without any improper motive, to desire to use the same retail store layout, or some retail store layout nearly resembling it, upon or in connection with their own goods. As can be seen from the cases, the resolution of this issue ordinarily comes down to a judge's or an examiner's bare opinion.<sup>74</sup>

One factor to be considered in this regard is the notion that there might only be a limited number of possible retail shop layouts for traders to choose from. This is a depletion argument, and is one that Stone J rejected in *Kenman Kandy*.<sup>75</sup> There are only so many different ways of laying out a retail store, in the same way there are only so many colours a trader may choose to associate with his or her good or services. The Apple store layout considered in this article is of fairly minimalist and simplistic design and therefore is possibly a layout other traders might legitimately wish to use. While it is a concocted shape, it is hardly a fanciful shape like the six-legged alien-like bug shape considered in *Kenman Kandy*. Although the design and layout of a retail store can never be something that is a naturally occurring design in the way a seahorse shape is naturally occurring, it is perhaps analogous to a particular shade of colour in the sense that there are only so many ways for a trader to lay out a retail store. That said, even though there are only a limited number of ways a retail store layout can be configured and designed, there are surely sufficient permutations to allow a significant number of different retail store layouts, in the same way that there are a significant number of different colours that can serve as trade marks.

Thus, as far as inherent distinctiveness is concerned, assuming the hurdle requiring use "as a trade mark" can be conquered, registration of its retail store design and layout as a trade mark would not give Apple a monopoly over all minimalist shop fit-out designs – only this particular shape and any substantially identical or deceptively similar shape. As such, the better view would seem to be that a retail store design and layout is capable of possessing inherent distinctiveness. It is difficult to see why in principle or policy this should not be so for Apple, Microsoft or other trade mark applicants.

As far as acquired distinctiveness is concerned, again assuming the hurdle requiring use "as a trade mark" can be conquered, the question then is simply whether the use of the particular retail store design and layout has in fact acquired a secondary meaning at the time the application for registration

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<sup>70</sup> Baird J, "The Registrability of Functional Shape Marks" (2002) 13 AIPJ 218 at 225-226; McCutcheon J, "Monopolised Product Shapes and Factual Distinctiveness under s 41(6) of the Trade Marks Act 1995 (Cth)" (2004) 15 AIPJ 18; Davison, n 44 at 108-109.

<sup>71</sup> *Two Pesos Inc v Taco Cabana Inc* 505 US 763 (1992).

<sup>72</sup> This is a view advanced by Lindgren J in dissent in *Kenman Kandy* and academic Mark Davison: *Kenman Kandy Australia Pty Ltd v Registrar of Trade Marks* (2002) 122 FCR 494 at [110]; Davison, n 44 at 109.

<sup>73</sup> *Wal-Mart Stores Inc v Samara Brothers Inc* 529 US 205 at 215-216 (2000). See n 15 and accompanying text.

<sup>74</sup> See, for example, the different opinions and reasons for those opinions (or lack thereof) given by French and Stone JJ on one hand and Lindgren J on the other in *Kenman Kandy*.

<sup>75</sup> *Kenman Kandy Australia Pty Ltd v Registrar of Trade Marks* (2002) 122 FCR 494 at [162] (Stone J).

as a trade mark is filed. This is a question of fact to be determined on the available and tendered evidence. A lesson to be learned is that great care needs to be taken in gathering that evidence over time.

## <DIV>TRADE MARK INFRINGEMENT

### <subdiv>Overview

A registered trade mark is of limited value if it does not provide sufficient protection from imitators. In the event that a trader were to successfully obtain registration of a trade mark for a retail store layout, the next question to ask is: how close can a competitor come to the registered mark without infringing?

Section 120(1) and (2) of the Act provides that a registered trade mark is infringed if a person uses a trade mark as a sign that is substantially identical with, or deceptively similar to, the trade mark in relation to goods or services in respect of which the trade mark is registered, or in respect of goods or services of the same description or closely related goods or services. Section 120(3) also provides that a registered trade mark is infringed if the trade mark is well known in Australia and the person uses as a trade mark a sign that is substantially identical with, or deceptively similar to, the trade mark in relation to goods and services unrelated to those in respect of which the trade mark is registered.<sup>76</sup>

### <subdiv>Use of the registered mark as a trade mark

Potentially, the biggest hurdle to establishing trade mark infringement by an imitator is showing that the imitator has used the copied store design and layout as a trade mark as is required by s 120. Trade mark infringement requires more than a reproduction of the mark. For infringement to occur, the alleged infringer must have used the mark “as a trade mark”. As noted above in respect of the requirements for registration, use “as a trade mark” requires use in the course of trade as a badge of origin. That use must be such as to indicate a connection between the person using the mark and the origin of the goods or services the mark is used in connection with.<sup>77</sup> Thus, a trader merely applying a particular retail store design and layout to business premises will not of itself infringe a registered trade mark unless it can be shown that such use is trade mark use. The nature of the use is to be judged objectively through the eyes of the ordinary consumer and by reference to ordinary consumer reaction.<sup>78</sup>

What is trade mark use in any given circumstance is not always clear. An alleged infringer will not, for example, have used a mark as a trade mark if the person has used the mark descriptively, say to describe the nature or character of goods or services.<sup>79</sup> An illustration of the distinction between trade mark use and non-trade mark use can be seen in the case of *Johnson & Johnson Australia Pty Ltd v Sterling Pharmaceuticals Pty Ltd*.<sup>80</sup> The respondent in that case, Sterling Pharmaceuticals Pty Ltd, produced elongated paracetamol tablets shaped like capsules, but did not have the shiny surface of a capsule. It called these tablets “caplets” and marketed the product in packaging which bore the name PANADOL and the word CAPLETS beneath. The packaging made clear that both PANADOL and CAPLETS were registered trade marks. As it invokes both capsules and tablets, the word CAPLETS is both descriptive and distinctive. Johnson & Johnson Australia Pty Ltd had marketed a product with the registered trade mark TYLENOL and began using that word in conjunction with the

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<sup>76</sup> In deciding whether a trade mark is well known in Australia, a court must take account of the extent to which the trade mark is known within the relevant sector of the public as a result of any promotion of the trade mark or any other reason: *Trade Marks Act 1995* (Cth), s 120(4).

<sup>77</sup> *Johnson & Johnson Australia Pty Ltd v Sterling Pharmaceuticals Pty Ltd* (1991) 30 FCR 326 at 335.

<sup>78</sup> *Shell Co of Australia Ltd v Esso Standard Oil (Aust) Ltd* (1963) 109 CLR 407 at 425 (the question being how would the defendant’s advertisements have appeared to those watching them on television).

<sup>79</sup> *Mark Foy’s Ltd v Davies Co-op & Co Ltd* (1956) 95 CLR 190; *Shell Co of Australia Ltd v Esso Standard Oil (Aust) Ltd* (1963) 109 CLR 407; *Mayne Industries Pty Ltd v Advanced Engineering Group Pty Ltd* (2008) 166 FCR 312; *Koninklijke Philips Electronics NV v Remington Products Australia Pty Ltd* (2000) 100 FCR 90; *Johnson & Johnson Australia Pty Ltd v Sterling Pharmaceuticals Pty Ltd* (1991) 30 FCR 326; *Pepsico Australia Pty Ltd v The Kettle Chip Co Ltd* (1996) 33 IPR 161.

<sup>80</sup> *Johnson & Johnson Australia Pty Ltd v Sterling Pharmaceuticals Pty Ltd* (1991) 30 FCR 326 (Lockhart, Burchett and Gummow JJ).



word CAPLETS. Johnson & Johnson, however, used the word CAPLETS in a descriptive way only and only in conjunction with the generic name of the drug, paracetamol. The court held that since its use of the term was descriptive in nature, Johnson & Johnson had not used CAPLETS as a trade mark and had therefore not infringed Sterling's trade mark, despite the word appearing on Johnson & Johnson's product packaging.

Likewise, mere decorative use is not trade mark use. Similarly, as the Full Federal Court in *Philips v Remington* has made clear, merely to produce and deal with goods bearing a functional shape is not to use the shape as a trade mark.<sup>81</sup> In *Philips v Remington*, Burchett J explained that one cannot use trade mark law to prevent a person using the best or a convenient functional shape in the design of a product:

<blockquote>

So far as the Remington shaver itself is concerned, the configuration is one of the best designs for a rotary shaver. Subject to the design issues in this case, to which I shall come later, there is no reason why a trader other than Philips should not set out to deal in such a shaver.<sup>82</sup> </blockquote>

His Honour noted in his judgment that, upon the similar facts in evidence in *Philips v Remington*, Aldous LJ (with whom Mantell and Simon Brown LJ agreed) said:

<blockquote>

the judge held that Remington's use was honest. Philips submitted, as the judge found, that Remington had copied. Upon that basis they submitted that Remington's use was not honest commercial practice. I believe the judge was correct. I accept that where there is a valid intellectual right copying may be a commercial practice which is not honest. But that is not the case here. If copying per se were to be held to be a dishonest commercial practice, the development of competition would be eroded.<sup>83</sup> </blockquote>

As the Full Court of the Federal Court noted in *Coca-Cola v All-Fect*, it is necessary to identify the sign the defendant has used as a trade mark to distinguish its goods or services from those of others.<sup>84</sup> It is of course possible for a trader to use more than one sign as a trade mark, and for one or more of these to be an infringing use. However, there might not be any trade mark infringement by the wholesale copying of a trade marked retail store design and layout if the alleged infringer has also prominently used a name or logo that clearly identifies it as the trade origin of any goods or services offered within the premises (and name and logo are substantially different to those of the trade mark owner). In such a case, there is a fair argument that the alleged infringer has not used the store's design and layout as a trade mark – rather it is the name or logo that is used as a trade mark. The argument then is that such a claim to trade mark infringement ought to be denied on the same basis that Remington had not used the shape of its triple-headed rotary razors as a trade mark in *Philips v Remington*. In other words, the argument is that if another trader adopts an identical retail store layout, but puts its own name on the front of the shop, then consumers are unlikely to see the use of the store layout as a badge of origin when used by that trader.<sup>85</sup>

### <subdiv>Substantial identity and deceptive similarity

If it is established that the alleged infringer has used the design and layout of its retail store as a trade mark, the next issue to resolve is whether that sign is substantially identical with or deceptively similar to the registered trade mark.

Substantial identity involves a side-by-side comparison of the impugned sign and the registered mark noting the similarities and differences. The similarities and differences are to be considered with

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<sup>81</sup> *Koninklijke Philips Electronics NV v Remington Products Australia Pty Ltd* (2000) 100 FCR 90 at [12]-[22] (Burchett J).

<sup>82</sup> *Koninklijke Philips Electronics NV v Remington Products Australia Pty Ltd* (2000) 100 FCR 90 at [18] (Burchett J).

<sup>83</sup> *Koninklijke Philips Electronics NV v Remington Products Australia Pty Ltd* (2000) 100 FCR 90 at [18], citing *Philips Electronics NV v Remington Consumer Products Ltd* [1999] RPC 809 at 824.

<sup>84</sup> *Coca-Cola Co v All-Fect Distributors Ltd* (1999) 96 FCR 107 at [19]-[20].

<sup>85</sup> See Burrell R and Handler M, *Australian Trade Mark Law* (Oxford University Press, 2010) pp 338-345.

regard to the essential features of the registered mark and the total impression of resemblance or dissimilarity to be taken from the comparison.<sup>86</sup>

In contrast, the test for deceptive similarity does not involve a side-by-side comparison, but rather is one of impression based on an imperfect recollection of the registered mark. The test is a hypothetical that considers whether consumers who are exposed to one of the trade marks at one time and the other at a later time would, as a result of imperfect recollection, be confused or likely to be deceived into thinking the two trade marks were the same. The comparison is between, on the one hand, the impression based on recollection of the registered mark used in a normal or fair manner that persons of ordinary intelligence and memory would have and, on the other hand, the impressions that such persons would get from the impugned mark as it appears in the use complained of.<sup>87</sup> Consumer confusion in this sense arises if ordinary people are “caused to wonder” whether two products or services originate from the same trade source,<sup>88</sup> or “would entertain a reasonable doubt” as to the origin of the goods or services.<sup>89</sup> A mere possibility of confusion is not enough; there must be proof of a likelihood of confusion.

There would seemingly need to be a significant similarity between the registered store layout mark and any alleged infringer’s imitation to support a finding of substantial identity or deceptive similarity. Relevantly, any question of infringement of a retail store design and layout trade mark would arguably involve the following factors. These are the visual similarity between the registered store layout mark and any alleged infringer’s imitation, the first impression created by the mark, the surrounding circumstances,<sup>90</sup> the possibility of consumers’ imperfect recollections of the mark and their capacity for confusion when confronted by a similar store layout design, the distinctive features of the mark and the overall distinctiveness of the mark, whether an alleged infringer has taken those distinctive features or overall distinctiveness of the mark, and whether the alleged infringer intended to deceive consumers. As noted by Davison, which is of particular relevance to companies like Apple, “there is no suggestion in the case law that the comparison will in any way take into account the reputation of the trade mark or the trade mark owner”.<sup>91</sup>

Additionally, infringement occurs only where the infringing mark is applied in connection with goods or services in respect of which the trade mark is registered,<sup>92</sup> or goods or services that are of the same description or closely related,<sup>93</sup> unless “the trade mark is well known in Australia” – in which case these restrictions do not apply.<sup>94</sup> Thus, the only imitators that can be restrained are competitors dealing in the same or related good or services, unless it can be proved that the particular retail store design and layout trade mark (not the trader or brand) is well known in Australia.

## <DIV>CONCLUSION

Despite being an attractive marking proposition, seeking a trade mark for the distinctive design and layout of a retail store will present significant hurdles. In addition, even if registration is achieved, trade mark law may not provide a reliable means of enjoining imitators.

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<sup>86</sup> *Shell Co of Australia Ltd v Esso Standard Oil (Aust) Ltd* (1963) 109 CLR 407 at 414-415.

<sup>87</sup> *Shell Co of Australia Ltd v Esso Standard Oil (Aust) Ltd* (1963) 109 CLR 407 at 415; *Wingate Marketing Pty Ltd v Levi Strauss & Co* (1994) 49 FCR 89 at 128

<sup>88</sup> *Southern Cross Refrigerating Co v Toowoomba Foundry Pty Ltd* (1953) 91 CLR 592 at 594-595.

<sup>89</sup> *Registrar of Trade Marks v Woolworths Ltd* (1999) 93 FCR 365 at [50] (French J).

<sup>90</sup> While it has been argued that the surrounding market circumstances is a factor relevant in cases of deceptive similarity, the limitations upon relying on such circumstances must be acknowledged: *Wingate Marketing Pty Ltd v Levi Strauss & Co* (1994) 49 FCR 89 at 128-129; *Registrar of Trade Marks v Woolworths Ltd* (1999) 93 FCR 365; *Berlei Hestia Industries Ltd v Bali Co Inc* (1973) 129 CLR 353; *Anheuser-Busch Inc v Budejovický Budvar NP* (2002) 56 IPR 182; Davison M, “Reputation in Trade Mark Infringement: Why Some Courts Think It Matters and Why It Should Not” (2010) 38 FL Rev 231; Burrell and Handler, n 85, pp 338-345.

<sup>91</sup> Davison, n 90 at 243.

<sup>92</sup> *Trade Marks Act 1995* (Cth), s 120(1).

<sup>93</sup> *Trade Marks Act 1995* (Cth), s 120(2).

<sup>94</sup> *Trade Marks Act 1995* (Cth), s 120(3).

The primary hurdle in the way of registration is the need to establish that a retail store design and layout can function “as a trade mark”. There are two reasons for this. The first is that ordinarily any retail store design and layout will perform an aesthetic or decorative function rather than function as an identifier of trade source. The second reason is that a retail store’s design and layout will invariably be used in conjunction with other more conventional trade marks, and, as was the case in *Guylian* and *Ocean Spray* and *Philips v Remington*, it is these other trade marks that will ordinarily serve as a badge of origin. While not insurmountable, these hurdles can seemingly only be overcome by use of the retail store design and layout chosen “as a trade mark” preceding the filing of a trade mark application. The need for distinctiveness, be it inherent distinctiveness or acquired adaptability to distinguish, will present less of a hurdle. Arguably, following the reasoning in *Two Pesos v Taco Cabana*, the design and layout of a retail store is arguably capable of possessing inherent distinctiveness.

As noted above, Apple’s retail store outlets are a first-rate example of distinctive design and layout of shop front premises. They are arguably distinctive despite their minimalist Scandinavian-style design. It is, in fact, the elegant simplicity of its design that makes Apple’s stores (and products) both distinctive from those of its competitors and memorable. However, while Apple’s retail stores are arguably inherently distinctive, they are unlikely to be viewed as trade marks prior to being used as such. To obtain registration, a period of public use of a particular retail store design and layout would be required as part of a campaign to educate the public that the distinctive store design and layout is being used as a trade mark. At the conclusion of such a campaign, if successful, the particular store design and layout chosen should have also acquired a secondary meaning and be eligible for registration, assuming the absence of other disqualifying factors. It is only at this time that an application for registration ought be filed. Uniformly applied to Apple retail stores, there is no reason why its retail store design and layout, or equally the distinctive design and layout of other traders’ retail stores cannot be trade marked following a successful campaign to educate the public, assuming the absence of other impediments to registration.

Registration is one thing, and enforcement is another. Proving infringement in the face of imitation will be difficult for the same reason. While this seemingly innovative method of trade marking is arguably something that might appeal to high-end retailers or retailers who endeavour to create a “unique” shopping experience for their customers, the reality might be otherwise constrained by the law’s requirement that any sign be used “as a trade mark” by an infringer before an infringement can be established.

It would be difficult to show that an alleged infringer has used a particular retail store design and layout “as a trade mark”. Once again, it is the use of other signs such as brand names or logos (this time by an alleged infringer) that will invariably stand in the way of a retail store layout being considered as a sign designating the origin of goods or services. Further, any trade mark protection would only be actionable against a competitor dealing in the same or similar goods or services, unless the particular retail store design and layout was a well-known mark within Australia.

Thus, the perhaps limited protection that trade marks law might offer in this regard may leave a trader whose distinctive retail store layout has been copied to consider whether he or she might obtain relief for passing off, misleading or deceptive conduct, or possibly breach of copyright in a two-dimensional drawing of the store’s design and layout.