

# USE IT OR LOSE IT: ARE TRADE MARKS OWNED BY THE RIGHT ENTITY?

22 March 2018 | Australia

Legal Briefings - By **Celia Davies and Philippa Bergin-Fisher**

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It is common to have an IP holding company own the intellectual property of a business. Yet for trade marks to be valid and enforceable, the IP holding company owner must *itself* intend to use, use or control the use of the trade marks. It may not be sufficient if that use or control rests with another entity in the group.

The decision in *Orion Health*<sup>1</sup> is a reminder that if trade marks are owned by an IP holding company which is not actively using the marks, measures must exist to ensure that the IP holding company controls use by other entities in the group.

Orion Health Group is a healthcare IT business which was founded in New Zealand in 1993. It sought trade mark protection in Australia for ORION HEALTH. However, ten years prior to the creation of the Orion Health Group, over the ditch in Australia, a software business was using and had registered the trade mark ORION. This business opposed Orion Health Group's attempt to secure trade mark protection in Australia for ORION HEALTH.

The parties agreed that, given the existing registrations for ORION, the ORION HEALTH mark could only proceed to registration if the trade mark applicant, namely the IP holding company, had made 'honest concurrent use' of the mark in Australia.

It was not disputed that Orion Health Group had used ORION HEALTH in Australia. The question was whether the use inured to the benefit of the IP holding company, the trade mark applicant, so that it could establish honest concurrent use of the trade mark in Australia. There was no actual use of the mark by the IP holding company. The issue turned on whether the IP holding company had exercised actual control over the group's use of the mark. There was no evidence that the IP holding company had the right to exercise control or in fact did so. Accordingly, registration of the mark ORION HEALTH was refused.

Some tips:

1. When an IP holding company owns trade marks, it should *use* those marks or exercise control over their use. This could occur, for example, by licensing the marks, controlling the quality of goods or services to which the marks are applied, or exercising financial control over the other entity's trading activities. What matters is the actual exercise of control, not just the right to exercise control. In *Orion Health*, the failure to use meant that the mark could not be registered. In other circumstances, the failure to use could result in a trade mark being removed from the register (such as a non-use application or rectification action).
2. An IP holding company can be a subsidiary of the company which actually uses the mark and still exercise control over the use. However, measures must be in place to enable this to occur and control must be exercised. In *Orion Health*, the parent company argued that *it* controlled the IP holding company because the IP holding company was a subsidiary of the parent. But the control must flow in the other direction – it is the IP holding company which needed to control the parent's use of the ORION HEALTH mark.
3. It can be useful to keep records showing how a trade mark was selected and the searches performed. In future it may help to show that the selection and use of the mark was 'honest'. In this case, there was apparently no evidence about the honesty of Orion Health Group's use of the mark, although this was not pivotal to the decision.
4. Filing and retaining ownership of trade marks in the name of the entity which can properly claim to be the trade mark owner is critical in Australia. A trade mark filed in the wrong name cannot later be corrected by assignment. The application and any registration resulting from it are invalid. Further, as found in *Orion Health*, loss of rights will also occur if use is not attributable to the trade mark owner.

## ENDNOTES

1. 2018 ATMO 22.



## KEY CONTACTS

If you have any questions, or would like to know how this might affect your business, phone, or email these key contacts.



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