

IP round-up: Recent decisions from the Courts

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Intellectual Reserve Inc v Robert Sintes

(Court of Appeal, CA31/2008, 16 July 2009, Arnold, Ellen France and Baragwanath JJ); [2009] NZCA 305

This was an unsuccessful appeal from a decision of Winkelmann J in the High Court allowing registration by the respondent, Mr Sintes, of a trade mark containing the words "family search".

The respondent had established a web-based service, called the New Zealand Family Tracing Service, in 2000. The service used the domain name www.familysearch.co.nz. In 2005 the respondent applied for a trade mark incorporating the words "family search" as part of a logo. The appellant, Intellectual Reserve, was a non-profit corporation of Utah in the United States, and was closely associated with the Church of Jesus Christ of Latter Day Saints. Between 1994 and 2001 Intellectual Reserve registered New Zealand trade marks using the words "family search", relating to genealogy. Intellectual Reserve opposed Mr Sintes' trade mark application on two grounds, which were also the issues on appeal:

- (1) Did Mr Sintes' mark satisfy the distinctiveness requirement of s 18(1)(b)?
- (2) If so, would its use be likely to deceive or cause confusion in the marketplace contrary to s 17(1)(a) and s 25(1)(b) and (c), and consequently s 17(1)(b)?

The Assistant Commissioner Walden and the High Court found for Mr Sintes on both issues. Intellectual Reserve appealed.

Was Mr Sintes' sign distinctive?

The issue of distinctiveness was raised by both the s 5 requirement that to be a trade mark a sign must be capable of distinguishing the goods of one person from those of another person, and the s 18(1)(b) requirement that the Commissioner must not register a trade mark that has no distinctive character. In the Court of Appeal, Baragwanath J noted that Jacob J has said that there is no material difference in effect between the adverb "distinguishing" in s 5 and the adjective "distinctive" in s 18(1)(b).¹ In *Fredco Trading Ltd v Miller*² the New Zealand Court of Appeal recognised the overlap but said that s 18(1)(b) was likely to have particular relevance where the mark may be capable of distinguishing but does not have inherent qualities that do mark it out as of distinc-

tive character, in which case distinctiveness might arise by use prior to the application for registration.

Baragwanath J considered the meaning of distinctive, with reference to the dictionary definition and the statute. He said that the s 5 requirement that the mark be capable of distinguishing meant that the mark must at the date of registration have that as an inherent quality or have it demonstrated in fact by prior use or other circumstances.³ He said that the requirement in s 18(1)(b) meant that a sign which was capable of distinguishing the goods and services as having a particular trade origin (s 5) must actually do so, it must at the time of the application be of such character as effects such distinction.

Baragwanath J said that "distinctive" was not defined in the 2002 Act. Despite changes to the legislation, Baragwanath J was satisfied that the best test of what form of distinctiveness was required remained that formulated by Lord Parker in *W and G du Cros Ltd*,⁴ and quoted by Baragwanath J as:

- (1) whether the mark..., if used as a Trade Mark, is likely to become distinctive of the persons so using it. The applicant for registration in effect says, "I intend to use this mark as a Trade Mark, i.e., for the purpose of distinguishing my goods from the goods of other persons...."
- (2) whether other traders are likely, in the ordinary course of 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.

Baragwanath J reviewed the case law, adopting the words of Jacob J in *British Sugar*:

If a mark on its face is non-distinctive (and ordinary descriptive and laudatory words fall into this class) but is shown to have a distinctive character in fact then it must be capable of distinguishing... What does devoid of distinctive character mean? I think the phrase requires consideration of the mark on its own, assuming no use. Is it the sort of word (or other sign) which cannot do the job of distinguishing without first educating the public that it is a trade mark? A meaningless word or a word inappropriate for the goods concerned (North Pole for bananas) can clearly do so. But a common laudatory word such as "Treat" is, absent use and recognition as a trade mark, in itself... devoid of any inherently distinctive character.

1. *British Sugar Plc v James Robertson & Sons Ltd* [1996] RPC 281, 305.

2. *Fredco Trading Ltd v Miller* (2006) 11 TCLR 751 at [61]-[62].

3. Adopting the words of Gault J in *McCain Foods (Aust) Pty Ltd v Conagra Inc* [2002] 3 NZLR 40, 43 (CA).

4. *In the matter of applications by W and G du Cros Ltd for the registration of trade marks* (1913) 30 RPC 660, 671 (HL) Lord Parker.

Baragwanath J said that the statutory test is to be applied at the time of the application for registration, and that the application may be before the goods or services have been put on the market. Distinctiveness cannot be confined to the factual position at that point; the crucial question was the inherent potential of the mark to serve as a distinguishing feature. The test concerned a fair assessment of the notional scope of the mark.⁵ In relation to the degree of distinctive capacity required, the Judge said that the second *du Cros* factor — the interests of others who may wish to enter the market — would concurrently protect the interests of consumers. Competitors may not be inhibited by another's monopoly of words that would assist communication of the facts relevant to competition. However, nondescript words or design would not suffice to license the use of words which by themselves would not have been permitted. The use of a disclaimer might also be necessary to avoid any risk of doubt by the public as to whether a monopoly of use of such words had been conferred. A further element was the question of how the trade mark specifications would be construed in enforcement proceedings. If a narrow construction of a given mark were to be taken, the risk of unhealthy monopoly by permitting its registration would be reduced, and vice versa.

The Judge concluded that, for a sign to be distinctive:

- (a) it must not be commonplace, but must be distinctive of the user;
- (b) it must not infringe the statute;
- (c) it must not be such as other traders are likely to wish to use for competing goods or services;
- (d) the use of a disclaimer may bear on the acceptability of a mark;
- (e) there should be a realistic construction of the mark and its specification in the relevant market.

On the facts, a mark consisting simply of the words “family search”, whether separated or run together, would be non-distinctive, either in block letters or in cursive form. Functionally, it was precisely the language any other person entering the market for searching family records would wish to employ, and used alone it would infringe both s 5 and s 18(1)(d), leading to questions about how Intellectual Reserve was granted registration on two occasions of a mark consisting simply of the words. The issue for Mr Sintes' mark, then, was the use of the words within a sign containing additional features, being a combination of the words with the font, a koru and arrow. Baragwanath J said that the judgment cannot be influenced by what its author means by the sign or what a layman says concerning its legal effect. The test was one of the perceptions of the average consumer having regard to the various methods and practice of advertising they are likely to encounter.⁶ Such a consumer is likely to perceive a mark as a whole rather than analyse its various details. Both the Assistant Commissioner and the High Court found that Mr Sintes' total mark was distinctive, and Baragwanath J took that into account in making his own assessment. Baragwanath J agreed that the mark was distinctive. He said that, to the eye of an average New Zealand consumer koru/arrow wrapping around the words “family search” lent the total sign a distinctiveness which the words alone wholly

lacked. The koru was indicative of a source, a place of origin; the arrow suggested directed movement. While not obviously suggestive of the words “family search” (and thus free of a criticism of mere descriptiveness) their combination with the words made the total sign capable of being memorable to a consumer.

Would the use of Mr Sintes' mark be likely to deceive or cause confusion in the marketplace contrary to s 17(1)(a) and s 25(1)(b) and (c)?

Baragwanath J upheld the decisions of the Assistant Commissioner and High Court on the second issue, so that the appellants were unsuccessful on this ground also.

The Judge reviewed the statutory provisions and relevant authorities in relation to likely to deceive or cause confusion. On the facts, the Judge found that the appellant's and respondent's marks were registered in different classes. He said that there was an element of potential overlap in the application of the respective marks, but Mr Sintes had not infringed any of the provisions relied upon by the appellant because the overlap between the fields occupied by him and by Intellectual Reserve was simply insubstantial. The fact of the different classes, while not decisive, was material to that assessment. The appellant's marks were registered in relation to genealogy, and their function concerned searching the past. There was no element among their specifications of service for others that would fall within class 45 in which Mr Sintes' mark was registered. In addition, in relation to the services at issue here, consumers were likely to exercise care, so that the possibility of confusion was reduced.

Baragwanath J held that none of the grounds of appeal applied, concluding that he would dismiss the appeal subject to imposition of a disclaimer under s 71 of the Trade Marks Act 2002. The disclaimer was a condition of registration, and was to the effect that “Registration of the trade mark shall give no right to the exclusive use of the words “family search”.

Ellen France J, in a separate judgment, agreed with the conclusions reached by Baragwanath J. Ellen France J said that in relation to distinctiveness she would respectfully adopt the reasoning of Winkelmann J, finding that the combination of words and devices comprising Mr Sintes' mark was such as to be capable of distinguishing. In respect to s 25(1)(b) she said that she agreed with Winkelmann J's conclusion that Mr Sintes' mark was not in respect of the same or similar services as that of Intellectual Reserve. In respect of s 25(1)(c) Ellen France J agreed with Winkelmann J that use by Mr Sintes of his mark in connection with the personal services he intended offering would not be taken as indicating a connection in the course of trade between Mr Sintes and Intellectual Reserve.

Arnold J agreed with Baragwanath J in relation to s 18(1)(b) and agreed that there should be a disclaimer. In relation to s 17(1)(a) and s 25(1)(b) and s 25(1)(c) he agreed that they did not operate to prohibit registration of Mr Sintes' mark, for the reasons given by Winkelmann J.

The appeal was dismissed, and an order made requiring a disclaimer.

5. *Anheuser-Busch Inc v Budweiser Budvar National Corp* [2003] 1 NZLR 472 at [30].

6. *Cycling Is...Trade Mark Application* [2002] RPC 37.

K-Swiss Inc v Federation of the Swiss Watch Industry FH

(HC, Wellington CIV 2009-485-197, 20 July 2009, Dobson J)

This was an appeal against a decision of the Assistant Commissioner of Trade Marks to uphold two grounds of opposition to the appellant's trade mark application.

The appellant, K-Swiss Inc, was a manufacturer of sporting, and in particular, tennis, apparel and accessories. On 14 August 2006 it applied for registration of the mark "KSWISS" for goods in class 14, "horological and chronometrical instruments; watches". The respondent was the Swiss watch industry's leading trade association, which defended its members' interests through, among other things, bringing legal proceedings to prevent what it perceived to be abuses of Swiss denominations when used in connection with watches.

The respondent opposed the registration of the mark on the grounds that registration of the mark would be contrary to:

1. Section 17(1)(a), because use of the mark by the applicant would deceive or confuse consumers as to the origin and quality of goods bearing the mark;
2. Section 17(1)(b), because it would be contrary to ss 9, 10 and 13 of the Fair Trading Act 1986 and commit the tort of passing off;
3. Section 17(2), because the application was made in bad faith; and
4. Section 18, because the mark had no distinctive character, was not a trade mark and was merely descriptive of the goods.

The Assistant Commissioner found that the respondent succeeded in its opposition under s 17(1)(a) and also under s 17(1)(b). The respondent did not succeed on s 17(2) or s 18. Registration of the mark was refused.

K-Swiss appealed the findings on s 17(1)(a) and s 17(1)(b).

Section 17(1)(a)

The Judge accepted the appellant's formulation of the test as:

Having regard to the reputation acquired by the word "Swiss", is the Court satisfied that the mark applied for, if used in a normal and fair manner in connection with any good covered by the registration proposed, will not be reasonably likely to cause deception or confusion amongst a substantial number of persons?

The Judge said that the mark must be compared with the name "Swiss" as an indicator of geographical origin or quality of goods, and that "Swiss" encompassed "Swiss made" and "made in Switzerland". The Judge said that the relevant "persons", potential buyers of watches, was the general public, and that the onus was on the respondent to prove the term "Swiss" had the reputation of an indicator of geographical origin or quality of goods in the relevant con-

text. This reputation, or knowledge, or awareness must be "quite substantial",⁷ and the test was objective. The Judge reviewed the evidence on reputation, which consisted of evidence from two experienced retailers of watches, and a dictionary definition of "Swiss" as "what is or comes from Switzerland".

The Judge noted the absence of direct evidence of consumers' knowledge,⁸ but found that this was not fatal.⁹ The Judge said that "Swiss" was not an established trade mark, but instead an established descriptor in common usage, and that this made the dictionary definition relevant as it provided objective evidence that the word had geographical connotations amongst the general public. The Judge also said that the evidence of the watch retailers was relevant, in that it provided a perspective on what consumers think, and was evidence that Swiss-made watches were typically luxury consumer items, and consumers of such watches were discerning and chose these watches for quality reasons. The Judge concluded that the evidence established that the terms "Swiss" and "Swiss made" had connotations of superior quality and craftsmanship, when used in connection with watches, and that such reputation existed in the minds of at least a substantial portion of potential purchasers of watches. The Judge also observed that the connection between the notion of "Swiss-made" and watches was so notorious that it could be the subject of judicial notice, but the Judge elected not to rely on this as it was a personal and potentially subjective view of a particular Judge.

The Judge then considered deception and confusion, saying that the likelihood of deception or confusion was contingent upon the similarity between the mark and "Swiss". The Judge adopted the test in *New Zealand Breweries Ltd v Heineken's Bier Browerij Maatschappij NV*:¹⁰

1. You must take the two words and judge of them both by their look and by their sound;
2. You must consider the goods to which they are to be applied and the nature and kind of customer who is likely to buy these goods; and
3. You must consider all the surrounding circumstances and what is likely to happen if each of the marks is used in a normal way as a trade mark for the goods of the respective owners of the marks: *In re Pianotist Co.'s Application* (1906) 23 R.P.C. 774, 777.

It was the totality of the impression of a mark being compared that was important; the "idea" of the mark may be significant, pointing either to confusion or helping to distinguish, and imperfect recollection must be allowed for. The Judge considered this issue in detail, and concluded that the mark "K-Swiss" and "Swiss" were similar, and that the appellant's products would target the same market as buyers of Swiss watches. This led to the inevitable conclusion that there was a likelihood that a substantial number of consumers would be confused into thinking the appellant's goods

7. *Platinum Homes (NZ) Ltd v Golden Homes (1998) Ltd* (HC, Wellington CIV 2005-485-1870, 11 August 2006, Miller J).
8. As was provided in *Valley Girl Co Ltd v Hanama Collection Pty Ltd* (HC, Wellington CIV 2004-485-2005, 6 April 2005, Miller J).
9. The Judge distinguished this case from *British American Tobacco (Brands) Inc v NV Sumatra Tobacco Trading Company* (HC, Wellington CIV 2007-485-2814, 11 November 2008, Clifford J).
10. *New Zealand Breweries Ltd v Heineken's Bier Browerij Maatschappij NV* [1964] NZLR 115.

had a meaningful connection with “Swiss” and its reputation. The Judge said that consumers would at the very least postulate that the appellant’s goods were either manufactured in Switzerland, or had predominantly Swiss-made components, which was not the case. The Judge upheld the finding of the Assistant Commissioner that s 17(1)(a) was made out and this ground of appeal was therefore dismissed.

Section 17(1)(b)

The Judge then considered the second ground of appeal, under s 17(1)(b). The appellant argued that registration of the mark would not be contrary to law because it would not breach ss 9 and 10 of the Fair Trading Act. The Judge said that there was commonality between this and the first ground of appeal, because ss 9 and 10 of the Fair Trading Act referred to misleading and deceptive conduct, which was similar to the prospect of deception and confusion in s 17(1)(a). However the Judge said that the two tests were not exactly the same.¹¹ The Judge said that the key substantive dif-

ference between the tests under the Fair Trading Act and s 17(1)(a) was the degree of risk. Section 9 required a “real risk” of misleading or deceiving, rather than just a “mere possibility”.¹² In contrast, the test for s 10, given the difference in wording, connoted a potential less restricted in scope than likelihood or probability.¹³ The Judge also said that ss 9 and 10 were not contingent upon confusion between two trade marks, nor did there need to be any particular and individual goodwill attributable to the reason for the confusion. This meant that the fact that “Swiss” was simply a

common word rather than the name of another product did not displace the application of ss 9 and 10. The focus was the impact of the mark itself on the minds of consumers.

The Judge held on the facts that, given the strength of the reputation of “Swiss” in relation to watches, the more stringent standard required was met, and registration would breach ss 9 and 10 of the Fair Trading Act. There was a real risk that consumers, confronted by a watch with the mark, would be misled into thinking that the watch was of Swiss origin or quality. The prefix “K” was insufficient to negate the predominant idea of “Swiss” and its reputation in relation to watches. This ground of appeal was also dismissed.

The Judge held on the facts that, given the strength of the reputation of “Swiss” in relation to watches, the more stringent standard required was met, and registration would breach ss 9 and 10 of the Fair Trading Act. There was a real risk that consumers, confronted by a watch with the mark, would be misled into thinking that the watch was of Swiss origin or quality.

Alternative Basis for Registration

The Judge went on to consider a proposed agreed alternative basis for registration, in the event the appeal was unsuccessful. The parties proposed that the Court exercise its powers under s 40 of the Trade Marks Act 2002, and allow the mark to proceed to registration, sub-

ject to a condition limiting the use of the marks to goods that were made in Switzerland, or substantially made there so as to qualify under Swiss law for use of the designation of “Swiss made”. The Judge held that the objectionable elements would be entirely removed by the addition of the geographical restriction contemplated. The Judge ordered that the Trade Mark Application proceed to registration, subject to that condition.

11. The Judge referred to *New Zealand Milk Brands Ltd v NV Sumatra Tobacco Trading Co* (HC, Wellington CIV-2007-485-2485, 28 November 2008, Dobson J).
12. *Bonz Group Pty Ltd v Cooke* [1994] 3 NZLR 216.
13. *Sound Plus Ltd v Commerce Commission* [1991] 3 NZLR 329, 333.