

IP Round-up: Recent decisions from the courts

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Mars New Zealand Ltd v Heinz Watties Ltd

[2012] NZHC 591

Both the appellant, Mars, and the respondent, Heinz Watties, manufactured food products, including dog food. Mars sought to register the trade mark “ADVANCE ADVANCED PET NUTRITION” in Class 31. Heinz Watties had existing registered trade marks incorporating the word “CHAMP” and the word “ADVANCED”, with a series of CHAMP ADVANCED DOG NUTRITION device marks. Heinz Watties opposed Mars’ application for registration and the Assistant Commissioner upheld that opposition. In this case, Mars appealed successfully to the High Court.

Heinz Watties opposed registration on three grounds, under ss 17(1)(a), (b) and 25(1)(c) of the Trade Marks Act 2002. The Assistant Commissioner upheld the Heinz Watties opposition on the basis of ss 17(1)(a) and 25(1)(c).

The Court adopted the Assistant Commissioner’s analysis of the relevant legal principles, and applied it to the facts. In relation to s 17(1)(a), the Court identified the following questions:

- (1) Does the “ADVANCED DOG NUTRITION” element of the CHAMP trade mark have a reputation in the relevant market?
- (2) Do the words “ADVANCED DOG NUTRITION” have any trade mark significance?
- (3) How do the appellant’s and respondent’s trade marks compare?
- (4) What is the likelihood of confusion if the appellant’s trade mark is allowed?

On the first question, whether the “ADVANCED DOG NUTRITION” element of the CHAMP trade mark had a reputation in the relevant market, the Judge held that Heinz Watties had a well established reputation for its CHAMP brand amongst a substantial number of persons in the relevant market, but that the trade mark as a whole was not well known, for three principal reasons:

- (1) The words “ADVANCED DOG NUTRITION” are insignificant relative to the size of the CHAMP text in the device. The words “ADVANCED DOG NUTRITION” are so comparatively small that they are unlikely to be noticed by persons in the relevant market.
- (2) The words “ADVANCED DOG NUTRITION” are descriptive.
- (3) There was no evidence to support the Assistant Commissioner’s findings that the words “ADVANCED DOG NUTRITION” have independent significance.

On the second question, the Judge held that there was no evidence before the Assistant Commissioner to allow her to conclude that the words “ADVANCED DOG NUTRITION” had ceased to be descriptive and had taken on a trade mark meaning.¹

On the third question, comparing the appellant’s and respondent’s trade marks, the Judge compared the marks, focusing on the visual appearance and sound of the marks, and the idea behind the marks. The Judge then considered the likelihood of confusion, concluding that the visual, aural and conceptual differences between the appellant’s and the respondent’s marks were such that it was highly unlikely there would be any confusion in the minds of those in the relevant market place, and nor was there any likelihood of anyone in the market place being deceived. The Judge also said that the Assistant Commissioner did not give sufficient consideration to the appellant’s rights in its registered ADVANCE trade mark.

In relation to s 17(1)(b), the Judge said that the parties were in agreement that the threshold set by s 17(1)(b) of the Act was higher than that for s 17(1)(a), so that findings either way on s 17(1)(a) made it unnecessary to consider the s 17(1)(b) grounds of appeal. The Judge nevertheless considered whether s 17(1)(b) applied, and found no basis for an objection under the section.

The Judge went on to consider s 25(1)(c), identifying the issues as:

- (1) Is the appellant’s trade mark identical or similar to one or more of the marks of the respondent, or was an essential element of the appellant’s trade mark identical or similar to that which is well known?
- (2) Are the appellant’s goods the same as or similar to the respondent’s goods?
- (3) Would use of the appellant’s goods using its trade mark be taken as indicating a connection in the course of trade with the respondent’s goods?
- (4) If the answer to questions (1) and (2) or (3) is yes, would use of the appellant’s trade mark be likely to prejudice the interests of the respondent?

The Judge held that the appellant’s trade mark was not identical or similar to one or more of the marks of the respondent, nor was an essential element of the appellant’s trade mark identical or similar to that of the respondent’s which was well known. The Judge found that the appellant’s goods were the same as or similar to the respondent’s goods, but that if the appellant used its trade mark in a fair and

1. *British Sugar plc v James Robertson & Sons Ltd* [1996] RPC 281 (Ch), 286.

natural way then there was little likelihood of there being any connection in the course of trade between the appellant's and respondent's products. The Judge said that if necessary he would also have concluded that there was no likelihood of prejudice to the respondent by the appellant using its trade mark in a fair and natural way. The only potential prejudice suggested by the respondent was that of confusion, and he had concluded that there was no realistic risk of confusion arising in this case.

The Judge allowed the appeal, holding that the appellant was entitled to registration.

GeoSmart Maps Ltd v GoSmart Foundation Ltd
HC Auckland CIV 2011-404-003119, 2 September 2011

This was an oral judgment in an action in passing off and breach of the Fair Trading Act 1986.

The plaintiff, GeoSmart, successfully sought an injunction to restrain the defendants from using the name "goSmart". At an earlier stage GoSmart was advised that unless steps were taken GeoSmart would be entitled to judgment. No steps were taken by GoSmart.

GeoSmart was a designer and supplier of maps, mapping services, collector and supplier of business and locality data, supplier of driving directions and directory services. The Judge said that it was well-known in New Zealand and internationally, with business relationships in many countries. It had a significant reputation in the fields of its business.

GoSmart was a start-up company, operating since January 2011, which sought to create an identical product to that of GeoSmart displaying business points of interest over web maps supplied by Google. The Judge said that the two names were obviously similar and there was evidence of actual confusion.

The Judge held on the evidence that the elements of passing off were established. GeoSmart had acquired goodwill and a reputation in the market known through its name, GeoSmart. GoSmart, by use of a confusingly similar name in the same area of business had led and was likely to continue to lead the public to believe that its services were the services of GeoSmart. GeoSmart was likely to suffer loss of customers if GoSmart was not restrained.

The Judge also applied s 9 of the Act, finding that GoSmart, in trade, used a confusingly similar name to that of GeoSmart, and that a substantial section of the public would be misled. This constituted misleading and deceptive conduct for the purposes of the Act.

The Judge ordered an injunction restraining the first defendant from using the name and logo "goSmart" in any manner and from using and continuing to use any website with reference to goSmart.

Fisher & Paykel Financial Services Ltd v Karum Group LLC (No. 2)

[2012] NZHC 240

This judgment was concerned only with one cause of action in a counterclaim. The defendant, Karum, claimed that the plaintiff, FPF, infringed its copyright in a software program known as CMS, an acronym for credit management systems. At issue was the interpretation of documents Karum relied on to establish ownership of copyright in the software, and therefore standing to assert a claim of copyright infringement.

The Judge considered a partnership agreement, a licence agreement and a dissolution agreement following the bankruptcy of the two parties to the other agreements. The partnership agreement was between two United States companies, PRJ&C and ZRCM2 Inc, a subsidiary of Zale, who agreed to form a partnership to enhance, further develop and market the CMS software that Zale had developed. Under the licence agreement, Zale granted a licence to the partnership. Karum argued that the wording of the partnership agreement and licence appeared to grant a licence, but that there was in substance an assignment of the title to the CMS software to the partnership. The Judge did not accept this interpretation, finding that the wording of the two documents pointed unambiguously to a licence.

The Judge then considered the dissolution agreement, which granted a new licence to the original software to each partner on the terms and conditions of the original licence, and rights to use the enhanced CMS software. The Judge did not accept the argument for Karum that these new licences were in substance assignments of the original software.

The Judge therefore concluded that the documents granted licences of the original and enhanced software. Karum's claim that the documents assigned copyright was not successful.

Hamilton Maps Ltd v Hamilton News Operating as a Division of APN News & Media Ltd

DC Hamilton CIV 2011-019-000874, 9 March 2012

This was a District Court decision on copyright infringement. The defendant conceded copyright infringement, and the issues were the nature of the breach and quantum of damages.

The defendant was the publisher of "Hamilton News", a community newspaper. It asked the Hamilton City Council for a map of Hamilton to use for a show home guide, and the Council provided a link to a downloadable map. The Council did not advise that the plaintiff owned the copyright in the map. From 19 November to 10 December 2010 the "Hamilton News" published on four occasions a portion of a map in which the plaintiff owned copyright. On 10 December 2010 the plaintiff contacted the defendant to advise that it owned the copyright and to seek payment of \$1000, but the defendant declined to pay. On 17 December 2010 the defendant published a different map, which the plaintiff claimed still infringed, but the defendant denied that this map infringed. The Judge found copyright infringement in relation to the four publications of the plaintiff's map, but held that the plaintiff had not proved infringement in relation to the map published on 17 December 2010.

The plaintiff claimed compensatory damages of \$17,250 plus additional damages of \$3450 for the flagrancy of the breach. The defendants argued that its infringement was innocent and that under s 121(1) the plaintiff was not entitled to damages. The Judge held that s 121(1) did not apply as it had not been proved or admitted that the defendant had no reason to believe that copyright existed in the work. The defendant was therefore liable for damages. The Judge awarded compensatory damages of \$1000 per issue plus GST, totalling \$4600. The Judge declined to award additional damages, holding that the breach was not of such a flagrant nature as to justify additional damages and that the breach arose out of a mistaken (albeit unjustified) belief that it had authorisation to use the map. (Infringement by authorisation was not argued in the case.)

BayCity Technologies Ltd v Uttinger and DairySense LLC

HC Auckland CIV 2006-404-7709, 21 March 2012

This was an application by BayCity for revocation of a patent of which DairySense was the proprietor. DairySense brought a counterclaim for patent infringement by BayCity as a contributory infringer though its sale and dealing in the UAD4 data logger. This judgment related to an application by DairySense for orders for further and better discovery, for orders that BayCity answer interrogatories, and an order requiring BayCity to make available for inspection a UAD4 data logger and software intended for use with the logger.

The DairySense patent related to a system for sensing and collecting information about the parameters of milk in a milk vat, for example volume, milk temperature. It also related to allocating processing to milk collected from a vat containing such a sensor.

BayCity marketed its UAD4 as a remote data logger for use in a range of industries including an automated milk monitoring system for use in milk vats. DairySense alleged that the UAD4 was used by Fonterra as primary infringer (although the identity of Fonterra as primary infringer was not disclosed in the pleadings), and that BayCity was a contributory infringer by selling its product as being capable of being used to transmit such information to a milk processing company.

The Judge set out the legal principles. Part 22 of the High Court Rules provided particular rules for regulatory proceedings commenced in connection with patents. Rule 22.22 provided that in a proceeding for infringement of a patent, the plaintiff must deliver particulars of the breaches relied on with the plaintiff's statement of claim, and give at least one instance of each type of infringement. Rule 22.24 provided that a party may not (without leave of the Court) be heard or adduce evidence in support of an alleged infringement if it relates to matters that are not specified in, or at variance with, the particulars that person has delivered. The Judge said that these rules were clearly directed to restricting discovery and trial to the specific instances or infringement alleged and particularised, to avoid unnecessary expense and delay. The Judge said that the counterclaim was not an action for infringement of a patent but an action based on the tort of procuring an infringement by others, so that it was arguable that these rules did not apply. The Judge said that whatever the true characterisation of the action for contributory infringement, the policy underlying the rules governing pleading of infringement actions applied with equal force, and informed the assessment of the particulars required of an allegation of contributory infringement, even if the issue was considered in the context of the usual rules as to requirement for particularity in pleading contained in High Court Rule 5.26.

The Judge said that there was no liability in New Zealand for merely facilitating infringement although the Patents Bill would create such liability. The allegations would be determined solely under the common law. The Judge said that a contributory infringer was one who, in some way, procured or induced an infringement of the patent by another. To contribute in this way to an infringement; there must be a primary infringer, and it was not enough to constitute con-

tributory infringement to merely facilitate the primary infringement. This meant that the sale of an item knowing that it was to be used in an infringing way was not sufficient to make out a contributory infringement.² The Judge said that, even if DairySense was able to prove that the system marketed and sold by BayCity could be used for no purpose other than an infringing purpose, that would not, without more, constitute contributory infringement as such a system could nevertheless be disposed of without infringement. The purchaser might for example export the system. DairySense did not allege that the UAD4 data logger was incapable of a non-infringing use in New Zealand.

In relation to DairySense's applications, the Judge said that the application for further and better discovery and for interrogatories was couched in such general terms as to be objectionable on that ground alone. It was so broadly expressed as to capture material not even related to the dairy industry, and was a fishing exercise not tied to a pleading.

The Judge said that BayCity was entitled to particulars of the identity of the primary infringer; particulars of the infringement alleged, and also particulars of BayCity's acts of procurement or inducement. DairySense could not seek discovery or issue interrogatories, or seek rights of inspection, in reliance upon unmade or unparticularised allegations. In light of this, the Judge held that DairySense could not succeed with this application for further discovery, nor its application that the interrogatories be answered. In relation to the application for an order for inspection of the UAD4 data logger, DairySense sought the right to disassemble the product, which would render that product unsaleable. As the functionality of the UAD4 data logger seemed clear cut and not at issue, the Judge declined that application. In relation to the request for a sample of each version of software intended for use with the UAD4 data logger, the Judge said that that was also too broad. The UAD4 data logger was used for many purposes. BayCity did not oppose access to software intended for use with the UAD4 data logger in connection with measurement of parameters in relation to milk, so long as adequate protections were put in place to meet concerns about providing a product to a potential competitor. The Judge said that the parties should attempt to agree a proper basis for the inspection to take place to meet BayCity's concerns regarding confidentiality.

The Judge held that the applications for further and better discovery, for orders that BayCity answer interrogatories and for inspection of the UAD4 data logger were declined, and made no order in relation to the application for inspection of software pending further discussion between the parties.

Stewart v Franmara Inc

[2012] NZHC 548

The plaintiff, Mr Stewart, invented and patented a bottle opener that extracted the cork, wire restraint and foil wrapping from champagne bottles. The defendant, a United States company, expressed an interest in the opener, signed a confidentiality agreement (governed by New Zealand law) and inspected the opener, offering US\$2,500 for a licence. Mr Stewart declined and made other distribution arrangements. The defendant nevertheless distributed the Stewart designed bottle

2. *Townsend v Haworth* (1875) 48 LJ ChD 770.

opener. The plaintiff brought this action, alleging breach of the confidentiality agreement, infringement of the plaintiff's New Zealand and United States patents, and breach of the Business and Professions Code of California. The matter was dealt with by way of formal proof, the defendant had been served but had taken no steps to defend the claims. The Judge issued an interim judgment in respect of the first two causes of action, reserving leave for the plaintiff to file further submissions on the third and fourth causes of action.

The Judge reviewed the facts and evidence, finding that the defendant was marketing a bottle opener that in design, shape, style and operation was a replication of the plaintiff's invention. These bottle openers were being manufactured and/or marketed by the defendant without the plaintiff's consent. The defendant was marketing the openers through its website. The Judge said that "online distribution occurs in nations which have access to the world-wide web, including New Zealand and the United States". The Judge held that the defendant's actions amounted to a breach of the confidentiality agreement and an infringement of the New Zealand patent.

The Judge said that the defendant's sales could only be estimated on the evidence available. The plaintiff's evidence was that the defendant's activities prevented the plaintiff from successfully distributing in the United States. The estimated sales potential was 440,000 per annum worldwide and the Judge found a fair royalty to be around NZ\$1.00 per opener.

The Judge considered the other two causes of action, infringement of the United States patent and breach of the Business and Professions Code of California. In relation to both causes of action, the Judge reserved the question of jurisdiction for further argument if required.

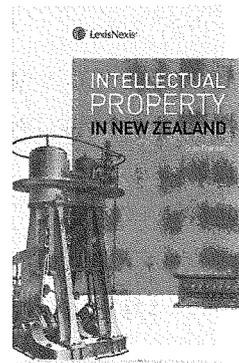
The Judge held that the confidentiality agreement was wilfully breached, and the plaintiff had suffered resulting loss and damage in lost revenue from sales and potential sales. The Judge also held that the New Zealand patent was wilfully infringed, with resulting losses. The Judge said that the plaintiff was entitled to damages by reference to a reasonable royalty, being a sum of US\$864,500, plus interest, and costs.

Intellectual Property in New Zealand, 2nd edition

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