

BETWEEN **CROCODILE INTERNATIONAL PTE LTD**
Appellant

AND **LACOSTE**
Respondent

Hearing: 30 August 2016

Coram: William Young J
Glazebrook J
Arnold J
O'Regan J
Ellen France J

Appearances: D A Laurenson QC, B M Sullivan and G F Arthur for
the Appellant

J G Miles QC, R M Wallis and T A Huthwaite for the
Respondent

CIVIL APPEAL

MR LAURENSON QC:

May it please Your Honours, Laurenson with my learned friends, Ms Sullivan and Mr Arthur, for the appellant.

WILLIAM YOUNG J:

Thank you, Mr Laurenson.

MR MILES QC:

If it would please Your Honours, I appear with Mrs Wallis and Mr Huthwaite.

WILLIAM YOUNG J:

Thank you, Mr Miles. Mr Laurensen, we might stop a little early before morning tea, at about 20, 25 past 11 as you've got to meet someone.

MR LAURENSEN QC:

Thank you, Sir. Your Honours, you'll have before you just four documents that are handed up and I'll just explain what they are. They are really just replacements for documents that are already in the appellants' bundle of authorities, volume 1. The first document should be provisions from the 2002 Trade Marks Act which should replace what's in there at the moment. The reason for that is that the ones that we are handing up are the provisions that were in force at the time of the date of the revocation application in 2008 and then there are – the second document is provisions from the 1953 Act which would replace the document at tab 2 which are the provisions from the 1953 Act which were in force immediately before the 2002 Act came in. The third document, Trade Mark Regulations, replace what's in tab 3 of volume 1 and once again these are the ones that were in force at the time of the revocation application, and the final documents are just further documents from the 1995 Australian Act which are referred to at various times during the submissions which should, are a fuller compilation of sections which should replace those at tab 6.

Your Honours, referring to the first page of the appellant's submissions, you can see what the appellants say are the three marks which are really relevant for the purposes of this appeal and in particular the first part of it relating to the application of section 7(1)(a). And just before I start I should also say that, so you know who'll be presenting, I'll be dealing with the first part of the argument which is section 7(1)(a) and then my learned friend, Mr Arthur, will deal with the section relating to discretion in terms or whether or not there is one and if there is, should it be exercised.

So the question before Your Honours in terms of the section 7(1)(a) is whether or not use of either of those marks in paragraph 4 constitutes use of the Trade Mark 70068 which is at paragraph 1. We say there's clearly differences between them –

O'REGAN J:

What about the Crocodile word mark?

MR LAURENSEN QC:

Well, unless if it, well, first thing I'd say about that is we say that the Court of Appeal didn't find that use of that constituted use of 70068, however Lacoste is now running that argument and I accept it did run that in the Court of Appeal, if it is running that then that is relevant. They are running it, okay. Well, so that the question then is also whether or not the use of the word "Crocodile" in block capitals constitutes use of 70068. But I would say though, as I've said that we say the Court of Appeal didn't find that, that of course doesn't stop them from running it again here. So the obvious –

WILLIAM YOUNG J:

And there were other that were referred to in the respondent's submissions are other uses of the word "crocodile" on the t-shirts I think?

MR LAURENSEN QC:

Yes although those ones that are in the submissions were after –

WILLIAM YOUNG J:

I see, they were after the relevant period?

MR LAURENSEN QC:

– the date of revocation so I don't, yes Sir, so I don't understand those to be – they're not relying on those as being use of 70068, they were after.

So in terms of what – the obvious difference is, of course, if you look first of all comparing the 70068 with those two marks with the device in is that they don't

have the crocodile word there in its stylised form. And of course if you're comparing it with the crocodile word you have the device missing and you have the word being used in a different form. What Crocodile International says is that 70068 has four elements that give it its distinctive character. They're set out at paragraph 43 of the appellant's submissions. The word crocodile, the stylised form of the word crocodile, the particular crocodile device and the interrelationship between the word and the device; we say that if you omit the word in its stylised form then you take away three of those elements that we say are essential elements that give 70068 its distinctive character. Now we also say that you don't actually have to, in this case, decide whether or not each of those three elements are essential elements in themselves, we say they are but we say you don't have to decide that because in this case omitting the word takes away three of them and omitting that word in that form must be an essential element that gives 70068 its distinctive character and therefore omitting it must alter the distinctive character of 70068. And the same if you go the other way and compare it with the word, if you take away the device and the form that the word is used in, the stylistic form in 70068 then you must alter the distinctive character of 70068.

What Crocodile International says is that in order to determine whether or not use of any of these three marks does alter the distinctive character of 70068 is that in the circumstances of this case where you're omitting essential elements, at some stage the Court needs to identify what the elements are of 77 – 70068 that give it its distinctive character.

Now, and when we say what are the essential elements, we say it's clear from *Bud and Budweiser v Budbrau Trade Marks* [2002] EWCA Civ 1534, [2003] RPC 25, and I don't understand there to be any dispute about that, that they are the essential visual, aural and conceptual qualities or elements that combine to give it its distinctive character.

Lacoste says – they criticise us and suggest that, well, we've changed our position from the High Court and that in that we no longer endorse the

two-stage *Budweiser* test. We say that's not correct. We do endorse that two-stage test but what we say is that at some stage when you're applying that two-stage test you need to identify what the essential elements are that give the trade mark its distinctive character, and that is particularly the case in a case such as this where you are omitting an element and the question is whether or not the omission of that element alters the distinctive character.

Lacoste also criticises this approach on the basis that it says that to take an approach where you are identifying the elements that make up the distinctive character offends against the principle that distinctive character is expressed in the singular in section 7(1)(a) and the principle that the distinctive character is to be assessed on the basis of a global appreciation of its likely impact on the average consumer.

Well, Crocodile International isn't taking issue with any of that, that is that the distinctive character is a singular concept that it is to be assessed from the point of view of the impact that it has on the average consumer overall, but what it says is that when the Court is involved with determining whether or not the omission of an element from a registered trade mark alters the distinctive character then you need to identify what the individual elements are that make it up. The fact that it's looked at overall from the overall perception of the consumer doesn't make, doesn't mean that there aren't individual elements that make up that distinctive character.

WILLIAM YOUNG J:

So what do you rely on for this, mainly what Lord Walker said?

MR LAURENSEN QC:

Beg your pardon, Sir?

WILLIAM YOUNG J:

What do you rely on?

MR LAURENSEN QC:

To say that you need to –

WILLIAM YOUNG J:

Yes, this first step, if you like, in this context anyway, where something is missing from the alleged use.

MR LAURENSEN QC:

Well, first of all I'd say it doesn't necessarily have to be a first step but I would rely on cases involving omission of elements where that is done and that's precisely what we say happened in the *Budweiser* case, where what happened both the hearing officer and the High Court Judge, in reaching their decisions, what they did was they actually identified what the essential elements were giving it the distinctive character and then reached their decisions on the basis of that determination which I'll – and, of course, I'll take you to that case, and it can be seen in other cases which will be referred to as well, because what we're saying here is that you can distinguish this situation, that is where there is an omission of an element from the distinctive character or from the registered trade mark, from a situation where the registered trade mark is being used with additional elements. In that case what the issue is is whether or not – because there you've got the whole trade mark. It's all there. You know that whatever those essential elements might be, they're there. The question is whether or not when you add an element that alters the distinctive character of that registered trade mark and we say that it's clear from the authorities that the approach then, because what you're asking then, is not whether or not an omission alters it, you're saying, well, is the trade mark, the registered trade mark, being – in the sense that it's being used for something else, is it nevertheless functioning as a trade mark in its own right, and if the answer to that is, "Yes, it is nevertheless functioning as a trade mark in its own right," then the addition of those other elements don't alter its distinctive character. So we accept that in that case you don't necessarily, you don't have to identify what the elements are.

Now what the Court of Appeal held was that it wasn't necessary to identify the essential elements that give the mark its distinctive character. It said that it'd create conceptual difficulties, overcomplicate the analysis and, in essence, what they said was that was because section 7(1)(a) allows the omission of even an essential element if the element omitted is one of two elements which are effectively saying the same thing, that is, if they are, for instance, describing or illustrating each other.

What Crocodile International says about that approach is that the Court of Appeal was focusing too much on the concept or the message of the registered trade mark, was in effect saying that section 7(1)(a) allows the omission of even an essential element if the omission of that element doesn't alter the concept of the mark, and what Crocodile International says that the Court of Appeal did in taking that approach was that it failed to have proper regard to an absolutely integral quality that gives a registered trade mark its distinctive character, and that is the visual quality.

What the Court of Appeal said was that because this message is the same, they're both saying the same thing, they said it's all about the "crocodile" and therefore if you take one away it doesn't alter the distinctive character, and what Crocodile says is, well, it's not all about the "crocodile". The message might be all about the "crocodile" but you've got to take into account this visual quality of a trade mark, that is, the quality that gives it the ability to distinguish goods and services of one from another, that which makes it some degree striking or memorable, strikes in the eye of the consumer, and when you're looking at that meaning of what "distinctive quality" is you, sorry, "distinctive character" is, you've got to take into account the visual aspect of it and take into account that even though the message might be the same, if you omit an element which significantly changes the visual quality of that trade mark then that will be to alter the distinctive character and won't be used.

GLAZEBROOK J:

What say in this case they'd used the two separately, so they'd actually used "crocodile" stylised and they'd used the visual crocodile that's there not so stylised as their one but they had used those two?

MR LAURENSEN QC:

Separately?

GLAZEBROOK J:

Separately.

MR LAURENSEN QC:

We'd say it's still omitting an essential omitting. You're still – if you take away either of those elements, I could call them components because we'd say that each component has different qualities that contribute to the...

GLAZEBROOK J:

It seems rather startling, though, that you could say that if you happened to use two things together, using them separately is not use.

MR LAURENSEN QC:

Well, it's not use of the trade mark as registered. It's the use of a different trade mark. What you've got to have in terms of –

GLAZEBROOK J:

But would you then be able to – so say you get rid of it for non-use, would you then be able to register those trade marks separately?

MR LAURENSEN QC:

Yes, if all the conditions of registration, yes.

WILLIAM YOUNG J:

Well, wouldn't they be, might they not still be deceptively similar?

GLAZEBROOK J:

Well, that's what I was putting.

MR LAURENSEN QC:

Well, that's –

GLAZEBROOK J:

That's what I was putting to you is that they – because is it the flip side? So if you get rid of it for non-use is the flip side that you can register it with impunity or is the flip side no, you can't if in fact it's deceptively similar, perhaps because of the longevity in the market?

MR LAURENSEN QC:

Well, they are two different issues.

GLAZEBROOK J:

No, well, that's what I'd quite like you to develop, if you would.

MR LAURENSEN QC:

Well, what I'd say is that just because something is confusingly deceptive, for instance, say that it would lead to confusion and it would lead to two marks being associated with the same manufacturer, does not mean that those two marks have the same distinctive character, so –

WILLIAM YOUNG J:

You sort of advance this under the heading umbra and penumbra, don't you?

MR LAURENSEN QC:

Yes.

WILLIAM YOUNG J:

That by if there's something wrong with the, if this registration should be set aside, it is actually causing harm because the range of activities it covers is

broader than the range of activities that would be covered by the Lacoste and the right-facing crocodile?

MR LAURENSEN QC:

Yes Sir, because there is a, what we say is that when you're looking at what the scope of section 7(1)(a) should be, it should be closer to the umbra, which is the protection given in respect of the stock registrations of identical marks on the same goods. It certainly shouldn't go so far as to this different test which is one where you're looking at, okay whether or not two marks would lead to confusion, whether or not – and the classic type of confusion is if you would associate the two marks with the same manufacturer. For instance, to give an example, you could have a situation where the mark is registered as say Nike with the swoosh. Now we would say that the registration of Nike with a swoosh would no doubt prevent the use or registration of Nike say with a rugby ball but the Nike, the use of Nike with a rugby ball wouldn't fall within section 7(1)(a), they have different distinctive characters and that is because although the word might be the same, you've omitted an integral part of the Nike with the swoosh which is the swoosh, you've replaced it with a rugby ball so that they visually, they're very different. And is that – so I mean...

GLAZEBROOK J:

Well so in my example you wouldn't be able to register because of the confusion, ie, assume they'd used those and they were very well known in the marketplace?

MR LAURENSEN QC:

You've used the word –

GLAZEBROOK J:

Used them separately but in exactly the stylised way and exactly the same crocodile but separately.

MR LAURENSEN QC:

You're saying would the registration of 0068 prevent the registration of those?

GLAZEBROOK J:

No I think you were saying if they'd only used them separately then it would be non-use but then I think you were accepting that you may not be able to register the two together again because of possibility of confusing and deceptive?

MR LAURENSEN QC:

Well the reason I'm saying that –

GLAZEBROOK J:

But not because they had a different distinctive character but because of that risk of it being confusing and deceptive?

MR LAURENSEN QC:

Yes. And that depends on the conditions. But certainly you would have to use them together to fall within use of 70068.

GLAZEBROOK J:

Yes, that's my understanding of your submission.

MR LAURENSEN QC:

We say also that, you'll see on a number of occasions in Lacoste's submissions, we say that they fall into the same trap or the same wrong approach the Court of Appeal did in not giving due weight to visual quality because they say on a number of occasions that the word and device elements of 70068 have the same distinctive character, that is the same message, the same crocodile. And once again we say that to say that, to say that the word and the device have the same distinctive character fundamentally misunderstands what is meant by the distinctive character of a trade mark. We say that the word and the device have significantly different distinctive characters. One's a word, one's a device, they might have the same message but visually significantly different.

ELLEN FRANCE J:

On that visual point and the it's all about the crocodile, the Court of Appeal do go on then to consider the similarity of the various images of the crocodile in paragraph 21 –

MR LAURENSEN QC:

Yes.

ELLEN FRANCE J:

– do you say their approach in that respect is incorrect?

MR LAURENSEN QC:

No, no. I say it is correct to analyse the differences between the trade mark used and the trade mark registered but what we say is that ultimately what it decided. I mean if Your Honour goes onto ultimately it decided on the basis of not giving enough weight to the visual quality and it was, it reached this conclusion that the dominant feature of the registered trade mark was the device and the message crocodile and then as a result of that it didn't give due weight to the significant visual difference. Because if you look at when we get to 22 of the Court of Appeal's judgment they say, "As for the presence of the stylised word 'crocodile', a factor on which Mr Laurenson set so much store, we accept crocodile," sorry, "Lacoste's argument that the word only serves to reinforce the dominant element and adds little or nothing to the distinctiveness of the mark." They say, "The key element is the crocodile device. It follows the addition of the word 'crocodile' does not alter the central message because the word merely describes and adds nothing more." And we say that the Court couldn't have reached a conclusion that the word adds little or nothing to the distinctiveness of the mark or that it adds nothing as they say, unless they were basically almost totally disregarding the visual quality of the mark and focusing almost entirely on this concept or message of the mark. And we say it's understandable that they got there because earlier on they have referred to cases which they say were cases where there was even an essential element omitted and that wasn't fatal. And we say well they – and I'll take you to those, we say they weren't cases where an essential

element was omitted, they were cases dealing with this different situation where you were considering whether or not the trade mark being used with additional elements altered its distinctive character.

And the other thing that Crocodile would say is that we don't accept that the word and the device in 70068 necessarily have the same message. For instance there's no doubt about it the word 'crocodile' is crocodile but if you take away the word 'crocodile' from the trade mark and leave it with just the device, well would people necessarily see that as a crocodile, it could be an alligator. It's the addition of the word to the device that makes it clear, that the message from 70068 is crocodile.

WILLIAM YOUNG J:

But no one really thinks Lacoste's crocodile is an alligator do they?

MR LAURENSEN QC:

Well there's evidence that they – I mean I can't say there's evidence that they would or they wouldn't but I'd say they could well do. I mean in this case, because remember all you're going to have is to say just a device and who's to say that someone mightn't call – I mean this isn't a fundamental part of the case but it does illustrate – I mean for instance if you have the composite mark Lacoste with the word Lacoste, then people are going to identify that, they're going to call it Lacoste. If you put the word with the composite mark with the device, then I think it's more likely you would think that they're going to say crocodile.

WILLIAM YOUNG J:

What's, I was going to say, ask a question that exposes my ignorance; what's the significance of the word "crocodile" in the way in which the Crocodile Company's used the mark, was it – although they didn't use it here apparently, is that right?

MR LAURENSEN QC:

No they haven't used it here.

WILLIAM YOUNG J:

Is it signifying the manufacture of the goods or is it saying our label is, our brand is Crocodile?

MR LAURENSEN QC:

It's certainly not descriptive of the goods. It's not, it's not saying that we –

WILLIAM YOUNG J:

But is it descriptive of, sorry is it descriptive of who produces them?

MR LAURENSEN QC:

Well in that I suppose the company is called Crocodile but no it's not, what it is, the function of it is to – it's something that has been associated with the company –

WILLIAM YOUNG J:

Or it identifies a product with a supplier?

MR LAURENSEN QC:

No it doesn't identify, it doesn't describe the product but it –

WILLIAM YOUNG J:

No, no I understand that.

MR LAURENSEN QC:

– it identifies it, so the purpose of it is and the function of it is we say is that the people see goods with the Crocodile mark on they will identify them as coming from Crocodile International.

WILLIAM YOUNG J:

So its significance is not merely that it says, "Well, this device is a crocodile," and not an alligator?

MR LAURENSEN QC:

No, no. It's been associated with the company from 1950s, early, late 1940s.

WILLIAM YOUNG J:

Although that couldn't be the case if Lacoste had used the trade mark as registered. So if Lacoste had used the trade mark in suit exactly in the form registered, that wouldn't be saying anything about who made the goods.

MR LAURENSEN QC:

No, but they would say, I suppose, it's still the – well, it could be.

WILLIAM YOUNG J:

Although over time it might, over time it might.

MR LAURENSEN QC:

They would say, presumably, if they used it for long enough then that would become associated, but there's no argument that that is the case. They haven't used it. We say they'd never use it in that particular form. It's the mark of a competitor.

WILLIAM YOUNG J:

Well, in a sense the best points you've got, I guess, well, not the best point, a point of substance you've got is that Lacoste doesn't want to use the mark because it's not really its mark.

MR LAURENSEN QC:

Well, that's what we'd say. I'm not sure if Lacoste would accept that but we would say that, definitely, and when it comes...

WILLIAM YOUNG J:

And their real complaint in a way has been it's deceptively similar to their mark or marks.

MR LAURENSEN QC:

That's what it's been in the past. Now they have it though and they want to hold onto it and we say they want to hold onto it to prevent us from using anything like it here, and I know you will hear from my learned friend, Mr Miles, that they will say that – but they wouldn't, "We wouldn't be able to do anything here anyway because of our other registrations." We say, "Well, use those then to stop us from doing anything."

Just a preliminary point, we'd also say that each, and I think I've already addressed this point though, that when you're looking at whether or not a mark has been used you've got to take the marks that there is evidence that have been used and compare them individually with 70068 because it is –

WILLIAM YOUNG J:

Can I just, sorry, just pause there and go back for a moment to the point I made? Are there any other cases that are like this where in a sense the suggestion is that the trade mark holder is sitting on the mark rather than really using it and the basis for that is the deceptive similarity consideration we've discussed?

MR LAURENSEN QC:

Not that I'm aware of although I understand that maybe we could...

ELLEN FRANCE J:

Something like that, the *Friskies Ltd v Heinz-Wattie Ltd* [2003] 2 NZLR 663 (HC). I know that's dealing with the discretion –

MR LAURENSEN QC:

Yes.

ELLEN FRANCE J:

– but that to some extent was sitting on the mark.

MR LAURENSEN QC:

Right. Yes, as I say, yes, we'd say it doesn't matter though in – but yes, for discretion it certainly would become relevant but for the purposes of section 7(1)(a) we'd say it's not relevant.

Also we just want to make clear in terms of which marks we're comparing, what Crocodile says for the purpose of this appeal the marks are that should be compared and they should be compared separately are the marks set out in paragraph 18 of the Court of Appeal's judgment. So it's a separate comparison of 70068 with each of those. It's not relevant as seems to be suggested sometimes by Lacoste that they've used Crocodile word by itself and that they've used the device by itself. That's not relevant. You've got to compare the marks that have been used and it's accepted that they've used those three and compared and compare them as to whether or not they alter the distinctive character of 70068. The other thing is that they, Lacoste in schedule 2, refer to a number of marks that have been used. Once again we say that for the purposes of this appeal, Crocodile International accepts the use of those three in paragraph 18 but not others. For instance you'll see in schedule 2 the last column –

O'REGAN J:

Schedule 2 of what?

MR LAURENSEN QC:

Sorry, of the respondent's submissions. For instance you'll see the last column there are two crocodiles which you might think are more similar to ours. Now we don't accept that they've been used in New Zealand at the relevant time. If they have been and Lacoste want to rely on those then we'd say well you've got to come up with the evidence to show that they have been used in New Zealand at the relevant times. Having said that though, we still would say that even if they had, it still doesn't affect our argument to the effect of omitting the word alters a distinctive character. Although I should say that we don't accept that the differences in the nature of the crocodiles between those used by Lacoste and that in 70068 wouldn't alter the distinctive

character. But what we do say is in this case you don't need to decide that because there's a more fundamental change and that is the omission of the word.

GLAZEBROOK J:

What about on the schedule 2 that third column with three different depictions?

MR LAURENSEN QC:

They seem, the top two seem very similar to the –

GLAZEBROOK J:

All I'm saying is do you accept that all three have been used or is it only the first one or the second one depending on article?

MR LAURENSEN QC:

I think we – even with the third one Your Honour, I think the Assistant Commissioner found that that one had been used and it was in fact –

GLAZEBROOK J:

Well so you do accept that's been used?

MR LAURENSEN QC:

Yes.

GLAZEBROOK J:

Right.

ARNOLD J:

In the second column the word "crocodile" in the visual impression table it says, "One component: 'crocodile word' in any stylisation," do you accept that that any stylisation of the word?

MR LAURENSEN QC:

Yes that comes from the case known as *Re Morny Ltd's Trade Marks* (1951) 68 RPC 131 (CA) Your Honour that if you register a mark in block capitals then that will give you the right to use it in any form. But of course the difference here is that we're looking at the registration that we're looking at and whether or not it's been altered is 70068 and that is in a stylised form.

ARNOLD J:

Yes, no I understand.

MR LAURENSEN QC:

And so it doesn't work both ways.

ARNOLD J:

Right.

MR LAURENSEN QC:

So that what we say is that the use of crocodile in block capitals doesn't amount to we would say, we would say that it alters the distinctive character of the stylised form of crocodile.

Going then if I could take Your Honours to the appellant's submission starting at paragraph 32, this is just first of all looking at what the purpose of section 7(1)(a) is and allowing there to be alterations and for there still to be use. What and I refer at paragraph 31 to two cases which refer to what the use is, sorry what the purpose is, "To allow the proprietor of the mark, in the commercial exploitation of the sign, to make variations in the sign, which, without altering its distinctive character, enable it to be better adapted to the marketing and promotion requirements of the goods and services concerned, to avoid the trouble and expense of registering and thus cluttering up the register with marks which have the same distinctive character and may differ from each other only in very minor respects." Then over the page there's a reference to another case, *Sony Computer Entertainment Europe Limited v OHIM* [2015] EUECJ T-690/14, it says, "It doesn't require strict conformity

between the form of the trade mark used in trade and the form of the trade mark represented on the register. It envisages situations where the two trade marks differ only in insignificant respects, both regarded as broadly equivalent.” And you might ask well what sort of situation is, what sort of situation is section 7(1)(a) aimed at and when they say, “Better adapted to the marketing promotion requirements,” if I could refer you to an example of what Crocodile would say is an example of a situation where there is an alteration which wouldn’t alter the distinctive character, if I could refer you to the case on appeal, volume 3, tab 20, and then at page 331.

WILLIAM YOUNG J:

Sorry, tab 20, what page, sorry?

MR LAURENSEN QC:

331, Sir. Now this is a Lacoste document and it’s referring to the old Lacoste logo which is at the top and a redesigned version of it which is the new one down below, and what it’s referring to is the fact that Lacoste’s decided to redesign its crocodile logo. It sets out the reasons for it and you will see down further it says, “Bernard Lacoste thought that a makeover of the famous little reptile was needed since this would follow the line of thought being considered by the brand on its positioning in the new boutiques. ‘We worked on the size, colours, the overall design of the animal,’” and you’ll see over in the next column, “In all, the crocodile underwent several changes which gave it a more lively and more modern look. The jaws were lengthened, especially to give greater regularity, the eyes reversed and the whites made more simple. Above all, the overall silhouette of the animal was slimmed,” and then they talk about there changing the word too, developing that, also looked at the topography of the name “Lacoste” with the aim of modernising the brand and suggesting a thinner and more incisive topography. So we say that’s an example of a situation where a company might look to alter its trade mark, not in a significant, not to a significant degree and, as you see, they’re not actually that different but it’s to cater for it to adapt to the marketing promotion requirements of the good that are being sold in the company.

The other thing, of course, that is important in determining whether or not the distinctive character of a trade mark has been altered is, well, what is meant by the distinctive character of a trade mark, and that is addressed at paragraph 22, sorry, paragraph 33 of the appellant's submissions. You'll see there after referring, this is referring to the *Budweiser* case, and after referring to the two-stage inquiry, say there, "The distinctive character of a trade mark is what makes it some degree striking and memorable," and it refers to this being consistent with the Court of Appeal in *International Reserve v Sintes* [2009] NZCA 305, "That which is capable of distinguishing the goods or services of one person from those of another person such as comes to be remembered by something in it which strikes the eye and fixes itself in the recollection," and then further down it refers to the *Budweiser* case and the reminder that although "central message" might not be a bad paraphrase for distinctive character, it's got to be remembered as long as that is understood as comprehending the essential visual, aural and conceptual qualities which combine to give the mark its distinctive character. So it's quite clear it's submitted that when, that what is meant by the meaning of "distinctive character", the visual quality is very important.

Dealing next, and this is at paragraph 35 on the appellant's submission, with this issue of, well, in this type of case where there is an omission of an element from a registered mark is it necessary as part of a two-stage process to identify the essential visual, aural and conceptual elements that give the trade mark its distinctive character? What the Court of Appeal said was that for the reasons that I've already referred to, so we should go to those, 12 and 13 of the Court of Appeal judgment. So at paragraph 12 after referring to my argument that all essential, in paragraph 11, that all essential elements of the registered mark needed to be present says, "In our view," create conceptual difficulties, overcomplicated. "The analysis as applied by Mr Laurensen to the facts of this case also smacks somewhat of a boot strap argument in that it takes no account whether the two elements identified as essential are effectively saying the same thing, in this case crocodile." "Purely mathematical instead of an evaluative one." And then the Court goes on to say, "Significantly there is no authority for the suggested addition of a starting

point other than rather oblique obiter comments in *Budweiser*.” And if I could refer Your Honours to *Budweiser* because what Crocodile International says about *Budweiser* is that was a case where, which did involve the, in the first instance, the omission of an element from the registered trade mark and that both the hearing officer and the Judge went through a process of identifying what they thought the essential elements were and arriving at their decision. And the Court of Appeal held that that approach by both of them was correct. The reason that they dismissed the appeal was because the High Court Judge had erred in finding that the trade, that the hearing officer had committed an error of principle and the High Court could only intervene if there was an error of principle.

So if we go to the, the *Budweiser* case is at tab 8 of volume 1 of the appellant’s authorities. The, and actually in terms of the marks used and registered the comparison, usefully Lacoste sets out at their submissions, the marks that were being compared at paragraph 10. So the mark as registered in the first appeal was the mark Budweiser Budbrau. In graphic form you can see that in the judgment at paragraph 4 and the mark used which was relied upon as being use of that mark is described at paragraph 5 and shown in Lacoste’s submissions at 10 which is this, the mark on the neck of a bottle. So there were two issues, in essence two steps to this. First of all what the hearing officer and the Court considered was, well taking the words in their graphic form, what use of those words in block capitals as on the neck label constitute use? Would, in essence would the omission of the stylised form of the mark as registered alter the distinctive character of that mark and what the hearing officer held is set out at paragraph 6 of the judgment, it says, “The first issue to be determined is whether the average consumer’s reaction to the words ‘Budweiser Budbrau’ in the graphical form in which it is registered would be different to the word in block capitals or any other conventional form of presentation. In my view what makes the mark in suit distinctive is that it clearly recognises the words ‘Budweiser Budbrau’. The different fonts and the underlining do not detract from or add anything to the central message. Consumers are used to different fonts and used to, and would see the underlining as a typical advertising flourish,” and so what the hearing officer

was finding was that if he was identifying that the essential elements of that mark is registered were the words by themselves, the question whether or not the stylised font and the flourish was an essential element, answer no for the reasons they gave there for omission of those elements didn't alter the distinctive character of the mark. Then, and as I'll show you, the Court of Appeal said that that was the correct approach. They did actually say they found it surprising but it was the correct approach.

But then, of course, with that case, there was the next stage because word "Budweiser Budbrau" was used with additional elements on the bottle neck. So the question becomes, well, does the addition of those additional elements, the castle and the motif and et cetera, alter the distinctive character of those two words and what the hearing officer held was no, we say in essence, because he held that those words were nevertheless functioning as a trade mark in their own right, and the reasoning is set out over on page 482, just before paragraph 7 of the judgment under 23 of, "Mr Salthouse added." "In my view the average consumer would view the words Budweiser Budbrau as being the distinctive element of the neck label mark. Heraldic devices such as those included in the neck label are common on bottles containing alcoholic beverages. The various individual elements are relatively indistinct in themselves when compared to the words, and even when considered collectively do not overcome the basic tenet that the words speak louder than devices. The words clearly indicate the origin of the goods." So he's saying there that notwithstanding these additions it is operating as a trade mark in its own right.

The High Court Judge decided that there were some errors of principle and then went on to apply the approach to, first of all, whether or not the omission of the style altered the distinctive character, and you can see what he said at paragraph 8 of the judgment, "The Judge therefore proceeded to consider the question of section 46(2)," and that's the equivalent of our section 7(1)(a), "afresh. Earlier, he had identified four elements that contributed to the overall distinctiveness of the mark: first, the word Budweiser; second, the word Budbrau; third, the specific fonts used for the two words and the contrast in

fonts; fourth, the interrelationship of the two words, one being above the other and following behind the enlarged B of Budbrau. Having said that the use of the neck label did not embody the third and fourth of the elements, the Judge continued, ‘To my mind those two elements each contribute a part to the distinctive character of the mark. This part is therefore missing in the use relied upon,’” and there held that it does alter the distinctive character of the mark. So he came to a different view. He identified different essential elements contributing to the distinctive character of the mark.

Now there were two judgments of the Court. The first, Sir Martin Nourse, you’ll see at paragraph 9, directly under that, what His Honour said there. He –

WILLIAM YOUNG J:

Just going back a little bit. The Deputy Judge said, and this is a quote at para 7, “If Mr Salthouse were right then I anticipate that in a majority of cases use of a trade mark in ordinary letters, whether in upper or lower case, would constitute the use of a stylised version of the mark.”

MR LAURENSEN QC:

Sorry, where are you, Your Honour?

WILLIAM YOUNG J:

I’m at para 31 of the Judge’s decision, which is set out in para 7 of the Court of Appeal decision.

MR LAURENSEN QC:

Yes, sorry, yes.

WILLIAM YOUNG J:

It’s the end of it. “If Mr Salthouse were right I anticipate that in a majority of cases use of a trade mark in ordinary letters, whether in upper or lower case, would constitute the use of a stylised version of the mark. As a matter of

generality that must be wrong.” Are there cases about that or is that just his impression?

MR LAURENSEN QC:

Can I just have a moment, please, Sir. I’d just...

WILLIAM YOUNG J:

Yes.

MR LAURENSEN QC:

Yes, that – well, that is the *Morny* and obvious situation, Sir, where it’s – if – use of – if you have a registration for block capitals then that covers the registration for any use, but if you have a registration in the stylised form that only covers the registration of that stylised form. It doesn’t cover, for instance, the registration of block capitals.

WILLIAM YOUNG J:

So why wouldn’t you always register in block capitals?

MR LAURENSEN QC:

Well, Your Honours I just have a – because it could be, it’s the stylised form of the word that gives it its distinctiveness –

WILLIAM YOUNG J:

I see.

MR LAURENSEN QC:

– the word in itself might not be distinctive.

WILLIAM YOUNG J:

Okay. Here I suppose I would have thought it was the words that were distinctive.

MR LAURENSEN QC:

Well it depends I suppose Your Honour. I mean it could be for instance –

WILLIAM YOUNG J:

So Budweiser Bud, I mean that's –

MR LAURENSEN QC:

You could have a word that describes the goods and therefore it wouldn't be distinctive because it's descriptive but if you had a word that was in such a stylised form, it's possible that it could gain distinctiveness in its own right because of the stylised form that it's used in.

ARNOLD J:

Well Lord Walker seems to acknowledge that at paragraph 37 of his statement. Where he says, "The distinction between plain words and stylised words is legally significant?"

MR LAURENSEN QC:

Yes.

WILLIAM YOUNG J:

Sorry what para?

ARNOLD J:

37.

WILLIAM YOUNG J:

37.

MR LAURENSEN QC:

And so in terms of, if I just go back to paragraph 9 of the Court of Appeal's decision, they say, "If our function on this appeal was to review the Judge's decision as it had been a decision at first instance, I have little doubt that an interference with it would not have been appropriate. But that's not our

function.” So he’s saying that the approach taken by the High Court Judge was perfectly appropriate, the problem was that he hadn’t identified an error or principle.

And then there’s a second appeal which is referred to in Lacoste’s submissions, this is over on page 484 and that was a case of considering whether or not use, the registered mark was that Bud in stylised form that you can see in paragraph 15. The use was the word “Bud”, B-U-D in block letters, the question was whether or not that altered the distinctive character and the hearing officer held that it didn’t because like the other hearing officer you can see over at page 19, sorry paragraph 19, “Although it is true that the registration consists of the word ‘Bud’ in a particular graphical form, that form, in my view, adds little to the distinctive character of the mark.” “In my view what makes the registered mark distinctive is that which, is that is clearly recognisable as the word ‘Bud’,” and that was upheld on as not being a wrong approach, so once again in his view the italicised word was or the stylised part of it wasn’t an essential feature that gives it distinctive character. And then Lord Walker’s decision after referring to the various principles that apply was at 48 to 52 where he says, “The hearing officer,” at 48, “concluded that the distinctive character of the Budweiser Budbrau mark resided in those two words. The different fonts and the underlining do not detract from and add anything to the central message.” He says, “I have to say that I find that conclusion surprising.” And then down at 52 he says, “I do find his conclusion surprising and if this Court had a free choice between the hearing officer’s decision and that of the Deputy Judge, I would unhesitatingly choose the latter.” So he’s just saying that I find it surprising that you wouldn’t find that the italicised, the omission of the italicised part of it didn’t alter the distinctive character but it’s open.

Just while I’m on *Budweiser*, before I go on, I’d like to refer to paragraph 41 of the decision and that is because this is something that’s referred to in Lacoste’s submissions at paragraph 82(b)(2) and what they say there in the respondent’s submissions –

O'REGAN J:

Sorry, what paragraph again?

MR LAURENSEN QC:

82 of the respondent's. Yes, 82(b)(ii). What they say in reference to that paragraph 41 is they say, "Further, Lord Walker in *Bud* expressly warned against focusing on the singular 'elements' of a mark." If you read that paragraph, we say it doesn't say that at all. It says, "The word 'elements' can be used, and often is used, to refer to the basics of essentials of a matter. However, it can hardly have been the meaning of section 46(2) since a basic of essential difference in the form in which a trade mark is used would be very likely to alter its distinctive character. In section 46(2) 'elements' must have a weaker sense of 'features' or even, as Mr Bloch came close to submitting, 'details.'" So I'd say that what's actually being said there is that the word "elements" can't have its normal meaning of being the essentials of a matter, that is being an essential element, because if it did then every difference in element would alter its distinctive. So I would submit that what that's actually saying is that if the difference, if the element that differs in an essential element, an element essential to the distinctive character of the mark, then it's saying that must alter the distinctive character of the mark.

Now at 84 of the, and I'm back to the respondent's submissions now, and this is still on the issue of whether or not it's appropriate to identify individual elements, the essential elements, they say that cases cited by Crocodile International are contrary to that, and they say at the bottom, "Rather, the cases affirm Lord Walker's two-tier approach, affirm the totality of the mark's appearance, and specifically reject the focus of isolating elements," and the case that they referred to there is at footnote 86, is the *British Shorinji Kempo Federation* [2014] EWHC 285, and you'll see there they refer to, at paragraph 57 of that case, "The focus is not on some element of the earlier mark which gives its distinctiveness." Now that, I submit, is taken out of context. It is not a situation where the Court in that case was considering whether or not the omission of an element altered the distinctive character of the mark. It was a case where the registered mark was used, which was the

word “Shorinji Kempo” with what they call a kanji, which are Japanese figures, was used with an additional element, a device, and that the question was whether or not being used with the addition of that device altered the distinctive character, and there it was held that because it was nevertheless functioning as a trade mark in its own right it didn’t, and so if I could just quickly take you to what was being meant by that paragraph in that case. *Shorinji Kempo* is at volume 9 of the appellant’s authorities.

WILLIAM YOUNG J:

Tab 9.

MR LAURENSEN QC:

Sorry, yes, tab 9, Sir. You can see there the mark registered is at paragraph 3. So you’ve got the two words and what they call the kanji below it. The mark, the use, with the claimed use, they are at paragraph 17.

WILLIAM YOUNG J:

Sorry, I’ve got this completely wrong, sorry. The respondent’s bundle of authorities, tab 9?

GLAZEBROOK J:

Appellant’s.

MR LAURENSEN QC:

So paragraph 3, the mark as registered. The claimed use is over at paragraph 17 and in particular the one that they ended up comparing it with was what’s called the “2007 mark” down the bottom there. You’ll see that there’s the words, the kanji, and above it there’s the device with a registered trade mark sign next to it. So the question was whether or not the addition of that device altered the distinctive character of the words and the kanji, and if you go to what was ultimately found and where this quote was referred to at paragraph 57, after – 56, first of all, they found that the differences between the words in the two marks weren’t significant at all so that the next point then became well does addition of this device alter the distinctive character of the

mark, and that's considered at 57 and there what they were saying was that the words and the kanji have equal prominence with the device. Now what it goes on to say was that there was, what the Court had held was that the words were actually descriptive and so they wouldn't form part of the distinctive character, say of, of the mark but when you're looking at the comparison of, so there was an argument, it was therefore when you're looking at whether or not there's equal prominence between the mark as registered and the mark as used, you could disregard the words and what the Court was saying was no, when you're looking at the situation of whether or not the registered mark as used is operating as a trade mark in its own right is whether or not the addition as alter its distinctive character you take the whole mark as registered. So that's all they're saying, they're not saying that if it's not a case dealing with the omission of an element, all it's saying is for the purposes of that comparison as to whether or not it's functioning as a trade mark and whether or not the addition of an element alters the distinctive character, you take the whole mark, you don't split it into bits.

The next section of the submissions deals with the issue of well if say the words or any element of the mark is identified as an essential element, giving that mark its distinctive character, if that mark is omitted, does that necessarily mean therefore that the distinctive character of the mark is altered? And of course Crocodile International says yes the answer must be. If after identifying what the essential elements are, you then find that one of those essential elements was omitted, the answer must be that the mark as registered, the distinctive character of the mark as registered was altered. Now the appellant's submissions on this are at, starting at 43 of the appellant's submissions and I just repeat there that's what where we set out what we say the essential elements are. But if you go to what the Court of Appeal says is which, what I'd like to take Your Honours to and so if you go please to the Court of Appeal at paragraph 14, what the Court of Appeal said was, well no it is not necessarily the case that if you omit an essential element of distinctive character of the mark that will alter distinctive character and it says, "14, Mr Laurensen's analysis is also consistent with a number of decisions such as the *Specsavers International Healthcare Ltd v*

Asda Stores Ltd [2014] EWCA Civ 1294, [2014] FSR 8, the *E & J Gallo Winery v Lion Nathan Australia Pty Limited* [2010] HCA 15, (2010) 86 IPR 224 and *Budweiser* itself. In those cases marks without words and/or images were compared with marks containing words and/or images. In all of them the registered owner succeed in establishing use notwithstanding the fact that the mark is registered, the mark is used, do not have the same number of features or elements. The absence of an element, even an essential one, was not of itself fatal to the finding of use.” Now what Crocodile says is that is not what those cases, none of those cases were cases where it was found that the absence of an essential element from the trade mark as used, sorry as registered was used.

WILLIAM YOUNG J:

Well it may be a bit semantic because say in the *Specsavers* case if you, perhaps there was an absence of an element and that is that the absence of nothing in the spectacles, in the trade mark as registered the spectacles were blank as it were.

MR LAURENSEN QC:

Yes.

WILLIAM YOUNG J:

That blankness was omitted in the trade mark that was said to be used, in the mark that was used.

MR LAURENSEN QC:

Well the issue in that case, nevertheless Your Honour, was they were saying although you do have the word over the mark as registered, was the mark as registered nevertheless functioning as a trade mark in its own right. So it wasn't finding that, in no way did it consider that, well, there was an omission of something from it. It was all directed to –

WILLIAM YOUNG J:

The addition?

MR LAURENSEN QC:

Yes, the addition, yes, say, okay, in this case even though you've got this additional element over top, nevertheless is the trade mark as registered, the shaded or the wordless mark, functioning as a trade mark in its own right and they held that in the unusual circumstances of that case that it was and therefore it was use because it didn't alter the distinctive character. But I'll take you, because it is important to look at the unusual circumstances of that case, because at first you would think, well, you've got this thing right in front of the, a word right over the mark as registered, you'd think that they are operating together, but you'll see that there was particular evidence as to how the marks were perceived by consumers and that they would be perceiving nevertheless the wordless mark as operating as a trade mark in its own right.

And, of course, the *Budweiser* case, we say that wasn't a case where it was held that omission of an essential element wasn't fatal. That was a case first of all where they held that the omission of the elements were not essential elements. So they weren't essential elements. They say they were relatively indistinct, et cetera, and then when you came to the next part of it, it was a question of, well, whether or not those two words were operating as a trade mark in their own right notwithstanding the addition of the other things on the neck label.

And the other one is the *Gallo* case and that is another case where you had the trade mark as registered being a word, "Barefoot," in block capitals, and added to that was a footprint, and the question was whether or not adding or using that registered mark with the footprint, adding it to it, altered the distinctive character, and once again we say the Court held there that notwithstanding that additional element being added it was still functioning as a trade mark in its own right.

So we're saying that where the Court of Appeal went wrong is that they thought that there were some cases out there where it had been held that even though there had been the omission of an essential element from the

trade mark as registered, that wasn't fatal to use, to there being use, and we say, well, they got that wrong because they weren't cases of that sort at all.

And so I should – I think I've made it clear, I hope I have, but I say that there are two very different inquiries when you're dealing with these two different sorts of cases. If it's an omission, what you do is you identify what the essential elements are of the mark as registered and then ultimately whether or not the element that is omitted is an essential element. If it is then it's altered its distinctive character. If not, it hasn't. If – with this other situation where you've got use of the registered mark with additional elements, the question is whether or not addition of those elements alters the distinctive character, and it won't if the registered mark is nevertheless functioning as a trade mark in its own right.

So if I could take you please to *Specsavers* which is at volume 12 of the appellant's authorities. So the mark registered is the wordless mark at paragraph 4. It's considering the equivalent, the European Regulations equivalent of section 7(1)(a) which you can see there below that of 15(1)(a). The mark used is at paragraph 7. It's got the "Specsavers" over the front of it. And then –

WILLIAM YOUNG J:

Sorry, para 27, page 163 of the report. No, sorry –

MR LAURENSEN QC:

Page 158 of the report. Paragraph 7 is the...

WILLIAM YOUNG J:

Okay.

MR LAURENSEN QC:

So the question is whether or not the addition of those words alters the distinctive character of that wordless mark. That – and the reasoning starts really at paragraph 22, "Reverting now to the particular issue before us, in my

judgment it follows from all the foregoing that the National Court is required to consider the use which has been made and to ask itself whether the differences between the form” –

GLAZEBROOK J:

What paragraph are you on?

MR LAURENSON QC:

Sorry Your Honour, 22.

GLAZEBROOK J:

52?

MR LAURENSON QC:

22 Your Honour. “Consider whether the difference between the form in which the mark has been used and that in which it is registered do not change the distinctive character of the mark as registered. In carrying out that exercise the Court may ask whether the use relied upon is such that the trade mark as registered, here the wordless mark, serves to identify the goods or services as those of a particular undertaking.” That is function as a trade mark. “Put another way, if the mark as registered, here the wordless mark, is used only as part of a composite mark, here the shaded logo mark, the use must be such that the mark as registered is itself perceived as indicative of origin.” So once again it’s just saying it won’t alter the distinctive character if it’s nevertheless functioning as a trade mark in its own right.

And then the Court goes on to consider the facts in this case. “I think it’s fair to say that use by Specsavers of the shaded logo mark does not seem to be a very promising basis for an argument. The word “Specsavers” is distinctive and appears in prominent letters in contrasting colours across the centre of the mark. Nevertheless, as the Court of Justice has explained, consideration must be given to all the use that has been made of the shaded logo mark and to the perception of the average consumer. In the particular circumstances of this case, perhaps unusually, powerful evidence of both.” And what they then

go on to do is to identify four different types of evidence which in this case was evidence of how the wordless mark, that is the mark as registered, was perceived by consumers even though it had this, these words, Specsavers, over the top of it and decided that because of these four pieces of evidence it's clear that notwithstanding "Specsavers" over the mark, the mark as registered was functioning as a trade mark in its own right.

And it's important just to look at these pieces of evidence and that is because there are two issues with *Specsavers*. One is that it's a different type of a case but the other is that Lacoste says that the extent of its use of its marks in New Zealand and its reputation is relevant to this question of whether or not the distinctive character of the mark has been altered under 7(1)(a). We say that that's not right, that the extent of its use and its reputation in New Zealand is completely irrelevant to the issue of whether or not the use of any of these marks alters the distinctive character of section 7, of 70068, and what they do, the case that they rely on as authority for this, that reputation and use is relevant, is *Specsavers*.

So the first piece of evidence is, yes, substantial use – this is at paragraph 24, so this is the first piece of evidence that they say is important, "Can be no doubt that Specsavers have made very substantial use indeed of the shaded logo mark over many years," and they go on to refer to it.

The second piece of evidence is at paragraph 25. "Secondly, it is a particular feature of this business that none of the major competitors of Specsavers has a logo which is remotely similar to the shaded logo mark or the wordless logo mark." You'll see further down there it says, about half way down 25, "This is not a case in which it can be said that Specsavers are seeking to secure for themselves a monopoly in a relatively banal or commonly used background."

Then, third, and this is particularly important, they refer to evidence as to the development of this other – because this was a case of –

WILLIAM YOUNG J:

Well, the competing people, the Asda people, started with the Specsavers –

MR LAURENSEN QC:

Yes.

WILLIAM YOUNG J:

– and moved to a point which they thought was safe.

MR LAURENSEN QC:

Yes, yes, Your Honour.

WILLIAM YOUNG J:

But the design path was pretty clear.

MR LAURENSEN QC:

Yes, because this is a case where Specsavers was claiming infringement on the basis of this mark and they sought to revoke the wordless mark on the basis of non-use. But what you can see, as Your Honour has pointed out, is, for instance, you can see at the top of, above paragraph 29, you've got a wordless mark very similar to Specsavers' one with "ASDA Optician" on it and you'll see there in the right column, "Consequences," "Highly recognisable," "Aggressive," "High risk trade mark infringement," and then it goes down to not so much of a risk.

Ultimately, what they conclude is, after referring to this development, is, if you go over to paragraph 32, "That is true but, as Mr James Mellor QC, who has appeared once again on behalf of Specsavers, pointed out in response, it started off with what was, in effect, the wordless logo mark and then sought to move what is considered to be a safe distance away, and ultimately it did that by moving the ellipses apart until they were just touching. This raises a strong inference that it was all too aware that the wordless logo mark denotes Specsavers even with the words "ASDA Optician" written across it." It further goes down at the bottom of paragraph 32, "I adhere to the view that this is

therefore very persuasive evidence of how the shaded logo mark is perceived.” So they’ve got some particular evidence to the effect that even the mark that’s said to be infringe believes that even if you –

WILLIAM YOUNG J:

So they took the evidence of the infringer –

MR LAURENSEN QC:

Yes.

WILLIAM YOUNG J:

– as indicating what the, how the mark would be perceived by the public?

MR LAURENSEN QC:

Yes, Your Honour. So even they thought that even if you put a different word over across it yes would still be seen as indicating Specsavers.

And then the fourth piece of evidence is at paragraph 33, and this was from, it was actually a witness for Specsavers, and the effect of her evidence is about half way down, “Dame Mary was, the Judge found, a good and reliable witness and, even allowing for the effect of her position with Specsavers, her evidence seems to me to confirm my own impression that, from a distance, the word Specsavers does not stand out and it’s the green overlapping ellipses which catch the eye.”

And then ultimately they conclude, at paragraph 34, drawing all this together, in particular the evidence of how the mark is perceived, that is the mark as used, is perceived by consumers, they find that this is, in the unusual circumstances of this case, the mark as registered is functioning as a trade mark in its own right notwithstanding the addition of the words right across it.

WILLIAM YOUNG J:

Is that a – how are you getting on? If you're about to start a new topic we might take a break.

MR LAURENSEN QC:

That's all I was going to say about *Specsavers*, Your Honour. I'm hoping to move relatively quickly after this. Is this when you're wanting to break, Sir?

WILLIAM YOUNG J:

Yes, yes. It was just whether this would be –

MR LAURENSEN QC:

Whenever it's convenient for you, Sir.

WILLIAM YOUNG J:

Okay, we'll take the break now.

COURT ADJOURNS: 11.22 AM

COURT RESUMES: 11.43 AM

WILLIAM YOUNG J:

Mr Laurenson.

MR LAURENSEN QC:

Sir. I'm now at, still dealing with this issue of responding to the Court of Appeal suggestion that there were cases where there was an omission of an essential element which wasn't fatal to use. And so the next case I'm going to refer to, the other case that the Court of Appeal referred was the *Gallo* case but I'm going to refer first before I refer to *Gallo* to the *Colorado Group v Strandbags Group* [2007] FCAFC 184, (2007) 74 IPR 246 because in the *Gallo* case it was clear that the Court was actually contrasting the situation in *Gallo* with *Colorado*. Both of those cases were cases where you had a trade mark as used, being used with an additional element and the issue was whether or not the trade mark as used was nevertheless functioning as a

trade mark in its own right. So the *Colorado* case is at tab 14 of the appellant's bundle and that was a case where Colorado claimed infringement of its trade mark Colorado which was in block letters, capitals. The respondents sought to revoke the trade mark on the basis that it was the first user of that trade mark and so Colorado wasn't the proprietor. So the question became whether or not the use of the word and actually once again thank you to Lacoste, you can see as a, the trade mark as used, there were various – at paragraph 75 of Lacoste's submissions, there were variations of the use of the word crocodile with a mountain device and they can also be seen at paragraphs 95 to 102 of the judgment but for present purposes it can be accepted that that was the type of use where you have Colorado with a device, the question was whether or not the addition of that device – well in that test because it was proprietorship, it was whether or not it was substantially identical.

What, and you'll see first of all the hearing officer, the hearing officer's decision on this. If I could refer you please to paragraph 105 and the reason I refer to this is because this was accepted as being correct by the Court. The last sentence of 105, "His Honour concluded that one could not disentangle the word Colorado from the use in combination with the device and one could not conclude that there had been use of the word alone as a trade mark." And so the Court then went onto consider whether or not that was a correct finding. One of the cases that it referred to in doing this, was at paragraph 109 and then over the page there was this Choc Chill case *PB Foods Ltd v Malanda Dairy Foods Ltd* [1999] FCA 1602, (1999) 47 IPR 47 and the question in that case was whether or not the use of the word "chill" was use of the word Choc Chill so this was like, that was like an omission case, whether or not omitting the word "choc" it was a different wording, it was whether or not that was substantially identical but it, the same sort of test is altering distinctive character. Whether or not omission of the word choc from chill constituted use. And what they held in that case was no it didn't, sorry it did constitute use and that was because in that case choc on ice creams was used to describe the flavour and so it was not a distinguishing feature, it was descriptive and so omitting that still constituted use of chill. Then, and so after

referring to that what the Court in *Colorado* did was then go onto decide well in this case does adding the word, sorry the device, the mountain device of the word Colorado constitute use. And what it held at paragraph 110 was, “Here, though the evidence was less than precise,” talking about the effect of the use of the device. “That device was part of the trade mark use; it had a capacity to distinguish. It did not, in my view, operate as a separate mark, nor as a mere descriptor.” Now where they’re saying “mere descriptor” there, they’re not talking about a mere descriptor of the word, they’re contrasting it with the situation in *Choc Chill*, it was not a mere descriptor of the goods or services and so it was trade mark use. “It operated as part of a combination with the word Colorado, in part reinforcing it. In these circumstances I agree with the primary Judge’s concluded view that though the word Colorado is important in the impression, it cannot be said to have been used alone, rather it was used part of a composite mark, with the device, to show origin.” So in that case they’re holding that because it couldn’t be disentangled, because they reinforced each other, it wasn’t use of a trade mark in its own right.

So then we go to *Gallo* and this is at tab 13 of the appellant’s bundle. This is another, this is one of the case referred to by the Court of Appeal and this is the case where you have the word “barefoot” and added to that is the device which we say is a footprint. You can see, well so the mark is registered as Barefoot in block capitals. The mark used you can see over on page 228 above paragraph 9. You can see there it’s barefoot and then you have next to it a footprint. So notwithstanding that you have this addition of a device, nevertheless is it use of the word barefoot by itself.

Going then to paragraph 68 which is where the reasoning is, because ultimately what the Court decided was yes it was, it was use because it was functioning as a trade mark in its own right.

Now I refer first to paragraph 68 and I say that’s important because there the Court is referring to *Colorado* and after referring to *Colorado* you’ll see there at the bottom, “The trade,” this is at the bottom of paragraph 68, “The trade mark for the word ‘Colorado’ had been used in conjunction with a

mountain peak device which reinforced the geographical connotation of the word. Justice Allsop found that the mark used was a composite mark and that the mountain peak device was not a mere descriptor but a distinguishing feature.”

So then the Court goes this situation, that is the situation in *Colorado* where you couldn't disentangle them, where they were functioning together as a mark, the word wasn't functioning as a trade mark in its own right, he says, the position in this case, “The addition of the device to the registered trade mark is not a feature which separately distinguishes the goods or substantially affects the identity of the registered trade mark because consumers are likely to identify the products sold under the registered trade mark with the device by reference to the word 'Barefoot'. The device is an illustration of the word.” So what we say is that the Court's finding that this is, it's different from “Barefoot”. You can disentangle the two in this case. In this case the word “Barefoot” is functioning as a trade mark in its own right. Now –

ELLEN FRANCE J:

In that paragraph there is reference to the idea that, unlike *Colorado*, the device does describe the word and vice versa. Why is that idea not relevant here where, in terms of your argument about the omission, the device here does describe the word?

MR LAURENSEN QC:

Because we say in – yes, it says the device is an illustration of the word. We say because it is a difference, because you are considering that different scenario wherein “Barefoot” you were considering whether or not the addition of a component, the addition of a device, altered the distinctive character. The question was whether or not the addition of that word stopped the trade mark from functioning as a trade mark in its own right, and so you can see that the fact that the device might just be an illustration of the word that is the registered trade mark might, that may have the effect of the consumers therefore not focusing on the device because it doesn't really, it doesn't add

anything to it in terms of it's focusing purely on the registered trade mark which is the "Barefoot". It isn't a case where they've decided that you have a composite mark, which is the trade mark, the registered trade mark and the word and a device and omitting that is an essential feature of the composite mark, whereas that is the situation in our case. We do have a situation where you're actually omitting the feature from the composite mark. It's a different inquiry. You do, we say, when you're omitting an element, have to decide whether or not the omitted element is one of the essential features but you don't have to do that, we say, when you are looking at whether or not the addition of an element alters the distinctive character of the trade mark, because there it's just a question of whether or not the addition of that prevents the trade mark as registered from functioning as a trade mark in its own right.

The only other case that I refer to before referring to an omission case is in response to some submissions by Lacoste at paragraph 101 of their submissions where they refer to the *Sony* case and *Budweiser*. They say, at paragraph 101, "Crocodile International's proposal to focus on each of the elements of a mark is unhelpful and inconsistent with the above authorities. Its attempt to distinguish the above cases on the basis that none involved the situation where the mark as used omitted an essential element of the mark as registered is plainly incorrect, especially in light of *Bud* and *Sony*." Now I've already explained why we say that *Bud* wasn't a case where there was the omission of essential elements because the hearing officer decided that the script, et cetera, wasn't an essential element, and *Sony*, if I could just take Your Honours briefly to that, is another case where the Court decided that, to use their words in that case, the omission of figurative elements of the trade mark as registered didn't alter the distinctive character of the mark because they weren't seen as essential elements of the distinctive character of the mark as registered. *Sony* is at tab 10. The mark as registered is at paragraph 2. So you can see there there's the word "Vieta" with various things in the background which are later referred to as figurative elements, and then the most relevant mark that is considered later on in terms of what is use, you can see at paragraph 8, two dashes down, "Vieta", which is called

the Vieta figurative mark. There's also a reference to the term "Vieta", the various parts which they compare and come to the same reason. But – so the comparison is whether or not use of that Vieta figurative mark at paragraph 8 is use of the mark as registered at paragraph 2.

WILLIAM YOUNG J:

Is "Vieta" a made up word?

MR LAURENSEN QC:

As far as I'm aware, yes, Sir. So it's a question of whether or not omitting those background elements that you can see in the trade mark as registered alter the distinctive character of the mark. The reasoning is at paragraphs 41 through to 48. So you see there at 41, "First, a comparison must be made between the mark in the form in which it was registered and the intervener's Vieta figurative mark used in a number of pieces of evidence." 44, it says, "In order to determine whether there is an alteration in the distinctive character of the mark, it is necessary to assess the distinctiveness and dominance of the elements omitted in the form of the earlier mark used on the basis of the intrinsic qualities of each of those elements and the relative position of the different elements in the arrangement of the mark in the form in which it was registered." "According to the case law, where a mark is constituted or composed of a number of elements and one or more of them is not distinctive, the alteration of those elements or their omission is not capable of altering distinctive character," and, of course, that follows because they are not essential elements.

WILLIAM YOUNG J:

Well, this is your argument, I guess, is it?

MR LAURENSEN QC:

Yes – well, my argument or Crocodile's argument is that they are essential elements if – yes.

WILLIAM YOUNG J:

Yes, but this suggests that you have to look at what are the distinctive elements of the mark as registered?

MR LAURENSEN QC:

Yes, yes, Your Honour. This is just another example of the approach that was taken by the hearing officer and the Judge in *Budweiser*. So at 46, “Therefore, it must be determined whether the figurative elements of the contested mark,” that is the mark as registered, “as it was registered, constitute a distinctive element thereof. In that regard it must be held that, in fact, the Cancellation Division of the Board correctly found the distinctive character of the contested mark is essentially derived, not from its figurative elements, but from its word element.”

And there you see there at 48, goes on to say why. The word element has a high level of distinctive character, figurative elements have only weak distinctive character, so ultimately what it decides – so that is not a case where it was found that omission of an essential element was not fatal to use.

Now just some – before going to the *ELLE Trade Marks* [1997] FST 529 (Ch) case I just want to make some brief comments on some more of Lacoste’s, in response to Lacoste’s submissions. At paragraph 95 we say Lacoste is not accurately representing the approach that we suggest has to be taken. If you look at 95 of their submissions, they say, “Crocodile International’s approach ignores the totality or the form of the marks and instead focuses on the word elements. Its approach can be summarised as has there been use of the same distinctive elements as the distinctive elements of the trade mark as registered?” Well, that’s – it misses out the word “essential”. “Has there been use of the same essential”. That’s what we’re saying, you’ve got to have the same essential elements in there. If one is omitted, that alters the distinctive character.

And then what it goes onto do at page, paragraph 98, is to suggest that if you apply what they say is our elements approach, there would be different results

in each of these cases. It says, “If Crocodile International’s strict elements approach,” it should essential elements approach, “were adopted, each of the following cases would have resulted differently, given that each of the marks as used different in graphical elements to the marks as registered.” I just say the results in those cases would be exactly the same because they didn’t, they either didn’t involve the omission of essential elements, they involved the omission of elements that the Court found weren’t essential to the distinctive character of the mark or they were cases involving the issue of whether or not the, notwithstanding the addition of an element, being used with the mark as registered, the mark was functioning as a trade mark in its own right. So they were different cases.

Just – the Court of Appeal at paragraphs 15 and 16 said, “Mr Laurenson attempted to distinguish those cases by saying they all concerned a registered trade mark comprising a single element, either a word on its own or a device on its own, whereas in the present case the mark registered is a composite mark.” 16, “We do not accept this is a proper basis on which to distinguish these cases. In our view, there is no reason in principle why different considerations should apply when the mark as registered is a composite mark.” Well it’s, it must have been my fault but I hope it’s clear from the submissions that I’ve made today that that is at the basis, I wasn’t try to distinguish the cases on the basis that this involves a composite mark and they involved a single element mark, the basis on which I was trying to distinguish them was that in those cases it was a question or whether or not the mark as registered being used with an additional element was functioning as a trade mark in its own right; whereas with a composite mark in our case where one element of it is omitted, the question is whether or not that element omitted was an essential element of the mark as registered. So it was more the fact that those cases where cases where the registered mark were used with additions as opposed to this one, an omission.

The only, another omission case that I’ll refer to is just the *ELLE* case and I refer to that because it’s interesting too because it considered a suggestion of the same concept argument that Lacoste is advancing. Now *ELLE*, the

trade mark as registered, if you, it's not actually shown in the judgment so, but it is shown in Lacoste's submissions.

O'REGAN J:

Where is the case?

MR LAURENSEN QC:

Sorry *ELLE* is at tab 15 of the appellant's bundle. If you look at Lacoste's submissions at 76 the mark is registered as this, it's the word Elle in small type with the symbol and the use was Elle in block capitals so that's a case, the question is whether or not omitting that device and changing the words from the lower case to the block capitals alters the distinctive character of the mark. Now if I could just refer Your Honours to 532, to one of the arguments that was advanced in terms of it not altering the distinctive character. You see there about –

O'REGAN J:

Where is it sorry?

MR LAURENSEN QC:

Sorry page 532 of the case. Tab 15. It's about half way down starting, "Mr Birss on behalf of the proprietor says that the word is what is distinctive about the mark, that the use of lower or upper case letters does not matter and that the use of the female gender symbol is not the memorable or distinctive part of the mark. His case is that it conveys to the person who looks at it only an impression which is entirely congruous with the impression conveyed by the word; they are in a sense the verbal and graphic ways of conveying the same concept of 'she'; the device is really almost immaterial, and it is certainly not so integral to the mark, or it is not such a strongly characteristic feature of the mark, that its omission alters the distinctive character," and what the Court held it rejected that argument of it being the same concept. Over on page 533, second full paragraph down, "However, leaving aside both of these two matters as being perhaps red herrings, one comes back to the question whether, by omitting the device and by converting

the four letters of the word from lower to upper case, something has been done which alters the distinctive character of the mark from its registered form. In my judgement it has. It seems to me that the device is at least as much what makes the mark distinctive as the word. The use of the word alone and in capitals does alter the distinctive character of the mark, in my judgement, in a significant and substantial way.” So we say that’s, I mean, each case depends on its facts but it’s a classic example of a device in a composite mark being omitted and the Court dealing with that in fairly short terms that of course it’s an omission which alters the distinctive character of the mark.

Just some – if I could just deal briefly with Justice Collins’ decision, and the reason that I deal with that is because I say it’s – what we say about Justice Collins’ decision is that ultimately what he did after making the comparison of the differences and things was to apply the test that we were discussing before for infringement and opposition, the penumbra, this – the test for whether or not there’s confusion between two marks for the purposes of opposition or infringement proceedings because the classic one is whether or not if there’s a likelihood of two marks, or the goods on two marks, being associated with the same manufacturer then that’s relevant for opposition and infringement, and the reason we say that is because if you look at the judgment of Justice Collins, paragraph 48, he deals with the distinctive character aspect of it after considering what the points of difference are. He says, “In my assessment, the points of difference between the device mark and device and word mark when placed alongside 7068 are insignificant. The minor differences between Lacoste’s used marks do not alter distinctive character. The mark which is dominated,” that’s 7068, “by the image of a crocodile is very similar to the crocodile depicted in Lacoste’s used trade marks,” and then goes on to conclude as to what this means. “I am certain the average consumer of products bearing any one of the three Lacoste marks I have compared would conclude that the visual and conceptual message associated with each of these marks was distinctively similar. That message would lead an average consumer of goods that bear any one of the three marks I have examined to the conclusion that the goods

in question are associated with the same manufacturer.” So that’s why we say that in effect what the Judge did in determining whether or not the marks alter distinctive character was to apply this test relevant to opposition and infringement cases.

I just briefly want to refer to the other New Zealand cases that Lacoste refers to because we say really that they don’t advance matters at all. They were dealing with different issues, other than the one of Justice Clifford which adopted the findings of Justice Collins which, of course, are relevant, but they don’t advance matters any more than the reasoning of Justice Collins because they just adopted it.

The CARTELO case, *Crocodile International Pte Limited v Lacoste* HC Wellington CIV-2009-485-2534, 1 March 2011, (*Cartelo*), this is at tab 5 of the respondent’s authorities, and this was a judgment of Justice Simon France, and there it was an application by Crocodile to register the mark, at paragraph 1, the CARTELO mark. Lacoste opposed it on grounds under section 17(1)(a) of the Trade Marks Act that its marks were similar to this mark to the extent that there’s likelihood of confusion under that. So it’s basically the penumbra-type analysis. If it’s within the penumbra then they’d succeed. The Assistant Commissioner refused the application, found that there was a likelihood of confusion, and so Crocodile appealed and what the Judge did in that case was to uphold the Assistant Commissioner. You’ll see at paragraph 52, see there, “One can try and word these things in many different ways but in my opinion the plain reality is that against that background, with the New Zealand –”

O’REGAN J:

Sorry, you just need to come back to the microphone there.

MR LAURENSEN QC:

Sorry.

ARNOLD J:

Which paragraph did you say?

MR LAURENSEN QC:

52, Sir.

ARNOLD J:

52.

MR LAURENSEN QC:

“In my opinion the plain reality is that against that background, with the New Zealand consumer not being aware of this rival brand, a significant number of consumers will associate the CARTELO trade mark with Lacoste because of the crocodile device. This conclusion is reinforced by the Lacoste survey evidence.” Well, once again it’s considering a different test and the fact that some of Lacoste’s marks might be confusingly similar to the crocodile device in the CARTELO mark doesn’t tell you anything about whether or not omitting essential elements from 70068 like the word alters the distinctive character of that mark. You’ll see also just by way of – well, I won’t worry about that, Your Honour.

The other case was the other decision of Justice Simon France, the Crocodile one, *Crocodile International Limited v Lacoste* HC Wellington CIV-2009-485-2536, 1 March 2011, (*Crocodile word*), where Lacoste applied to register the word “crocodile” in block capitals. That’s at tab 6 of the respondent’s bundle. The issue in that case ultimately was Crocodile opposed it. The Assistant Commissioner upheld the opposition. Lacoste appealed. Ultimately the case was decided on the basis that if you were going to oppose the registration of a trade mark, the opponent has an evidential onus in the first instance to satisfy that it has sufficient reputation in its mark in New Zealand and the Judge found that Crocodile hadn’t satisfied that onus. So once again we say it doesn’t take you anywhere in terms of the issue that this Court has.

And at tab 4 is Justice Clifford's case, *Crocodile International Pte Ltd v Lacoste* [2015] NZHC 2432, and that was an application by Lacoste to register the equivalent of 70068. In that case, Lacoste, sorry, the application by Lacoste was refused on the ground that Lacoste hadn't used and had no intention of using that mark. They appealed. It was found, applying the principles of Justice Collins, that the extended definition of use did apply. So he applied the same principles, but we say – so it is relevant in that you have another Judge coming to the same finding as Justice Collins on the same mark.

Now just finally the surveys that Lacoste rely on. Actually, before I go to that, there's this issue of Lacoste suggesting that – I've already dealt with that.

So the surveys, at paragraphs 131 to 140, I think it is, of Lacoste's submissions, they refer to two surveys that they've produced evidence of. They say that it's evidence of, at 131, "Lacoste's reputation in New Zealand extends to the mark in suit, as confirmed by two market surveys." First of all, as I've already submitted it, that we say that the reputation, extent of use of Lacoste in New Zealand, is not relevant to whether or not section 7(1)(a) in this case applies. The only case that they refer to is *Specsavers* as authority for that. We say that's a completely different case where the issue was whether or not the mark as registered was functioning as a trade mark in its own right under very particular circumstances and evidence found that based on the way that consumers perceived the marks it was functioning as a trade mark in its own right. We say that that doesn't, that isn't authority for the general proposition that if you've got a lot of reputation in your marks therefore that somehow makes it more likely to be use.

So the survey, the first survey that they refer to is referred to at paragraph 132 of their submissions. It is at – I suppose I should say generally about what these surveys do. What we say is all these surveys do, they're basically evidence of confusion, of this penumbra test that we've been talking about or that I've been talking about. They're just evidence of consumers associating the mark 70068 or the device, the crocodile device, from that with Lacoste.

We say that, okay, if you've got evidence that some consumers might mistakenly associate either the mark in itself or the, a component of it with Lacoste, that doesn't tell you anything about what the essential elements of 70068 are.

So turning to the first one, this is at case on appeal, volume 5, tab 24. Now the best, I think I – I have to deal with this quite briefly and I think the best way of doing it is if I please take Your Honours to page 507 of that tab. Now you'll see there are eight logos.

WILLIAM YOUNG J:

507?

MR LAURENSEN QC:

507, Sir, yes.

WILLIAM YOUNG J:

I've just got text.

ELLEN FRANCE J:

508 in fact, I think it is.

MR LAURENSEN QC:

Sorry, 508, my – yes, one down. So you've got five, you've got eight logos. What happened was that, and you'll see there that there are – the last six are the relevant ones. You've got the device from 70068 facing both ways. You've got the crocodile, one of the Lacoste crocodiles facing both ways, and then you've got the CARTELO and the Lacoste mark, and you'll see that when asked, "Which company or brand would you identify this logo with?" you'll see that on the Lacoste line, in all of the crocodiles devices by themselves without a word, they're around about 42, 43% identified with Lacoste. So yes, that might show that there is confusion with when taking the device alone but we say once again that doesn't tell you anything about whether or not the word component of 70068 is an essential element of that.

O'REGAN J:

Because that one isn't there, is it?

MR LAURENSEN QC:

No, no, it's not, Sir, but we will come to another survey which does deal with that. That's the other one. But what we do say is although we say this really doesn't tell you anywhere, it's asking the wrong question, it's the wrong test, it does though indicate that the addition of a word or taking away a word does have a material, a significant impact, on the way that the mark is viewed by consumers or perceived because if you add the word "Cartelo" to a device you get 14.6% associated with Lacoste. If you add the word "Lacoste" understandably it goes up to 56.4. So there's a –

GLAZEBROOK J:

It's slightly odd it doesn't go –

O'REGAN J:

It's still pretty low, really –

MR LAURENSEN QC:

Yes, they might be disappointed with that. But –

O'REGAN J:

It's not a great tribute to the surveyees, I don't think.

MR LAURENSEN QC:

No. But it does indicate that the addition or omission of a word does have a material impact on the way it's viewed in terms of who they associate it with. So that's the first survey.

The second survey –

ELLEN FRANCE J:

What do you say about the relevance of the material say at 528 about the impact of the left- or right-facing crocodile?

MR LAURENSEN QC:

528?

ELLEN FRANCE J:

Yes. "Respondents had known logo 8 with the Lacoste crocodile shown in the reverse almost as long as they had known the correctly facing crocodile."

MR LAURENSEN QC:

On 528, Your Honour?

ELLEN FRANCE J:

Yes.

MR LAURENSEN QC:

Well, sorry, which part are you referring to, Your Honour?

ELLEN FRANCE J:

I'm looking at the summary. The key result from this is that 60% of respondents said they had known the Lacoste crocodile for three years or more. Well, I understand what you say about that. But they also say they'd known it with the Lacoste crocodile shown in reverse almost as long as they'd known the correctly facing crocodile. I'm just thinking about the different elements. If you're looking at the elements of the mark, that would seem to be relevant to the essentiality, if that's the right word, of the left- or right-facing.

MR LAURENSEN QC:

Yes, well, it might be relevant. Once again, it could be relevant to how essential the changes in the actual device are. If you go each way it would suggest that they don't see it as being any different in terms of association, but that still doesn't – that still is a different test from whether or not

distinctively, as part of distinctive character, it is different. But once again we – Crocodile International doesn't rest its case on the differences.

WILLIAM YOUNG J:

How many – so is there a survey where the picture of the left-facing crocodile is linked with “crocodile”, the word “crocodile”?

MR LAURENSEN QC:

The left – well...

WILLIAM YOUNG J:

Is there one this trade mark in suit is actually engaged?

MR LAURENSEN QC:

Yes, it's the next survey, Sir.

WILLIAM YOUNG J:

Okay.

MR LAURENSEN QC:

So that is at volume 6 of the case on appeal, tab 29, and what happened there was you can see the mark that is being shown to the respondents in that case is 70068. That is – it's card B at page 777. So the survey is based on showing the respondents 70068, and if you go to page 765 a number of questions were asked. Ultimately, “Which company or brand do you identify this image with?” and you'll see 16 out of 66, which is 24%, said Lacoste. Your Honour, you'll see down further there's, “Crocodile 2”, very low percent. Once again, we'd say that's not the issue in this case is whether or not you associate it with Crocodile or Lacoste. But what – once again, so we'd say that it just doesn't answer the question. The fact that people might mistakenly associate 70068 with Lacoste doesn't answer the question of which parts of 70068 make up its distinctive character and in particular whether or not the word is part of its distinctive character. But what I would say about it is that it does suggest that if you omit the word from the crocodile device then it does

have a significant impact because you'll recall that when you saw the – well, in this case, first of all, if you've got the whole device, 24% associate the device with Lacoste. If you go to the previous survey where you omit the word and there were various – there was the correct facing crocodile, 40% then associate it with Lacoste. So although we say it doesn't really take you anywhere, it does, if anything, suggest that omitting the word from the device does have a material impact on the way that it's perceived by consumers.

Now I'm – that is – they are all the submissions that I intend to make in connection with the 7(1)(a) issue. Unless Your Honours have any other questions, Mr Arthur is going to deal with the discretion issue.

WILLIAM YOUNG J:

Thank you, Mr Laurensen.

MR ARTHUR:

Thank you, Your Honours. This question of the discretion comes up as a result of Lacoste's supporting of the appeal on alternative grounds and it arises under section 66 of the Trade Marks Act and the issue for the Court is whether section 66(1) retains a residual discretion for the Court to allow the trade mark to remain on the register if it has not been used and, secondly, if there is a discretion then should it be exercised in this case.

Now I proposed to look at section 66, if I might, and the sections that follow on that because there is quite a structure to the Act, and that section 66 is best found actually in the replacement bundle that Mr Laurensen handed up this morning, the replacement bundle for tab 1, and it's headed at the top of it, "Reprint as at 15 December 2005 of the Trade Marks Act 2002". And the principle underlying section 66 from the authorities is the so-called "use it or lose it" provision where there's, as the Courts have identified, an obvious strong public interest in unused trade marks not being retained on the register, and section 66, section 65, starts that the section of the, or starts that part of the Act with regard to an aggrieved person may apply to the Commissioner for revocation, and then section 66 says, "The registration of a trade mark may be

revoked on any of the following grounds,” and my friend seizes on that word “may” and says, well, clearly it’s not “must” and there must be a discretion sitting in there behind the word “may”.

My position is that the word “may” is there because there are statutory exceptions to section 66(1)(a) to (e), and the “may” is there not to create a residual discretion but it’s necessary to have “may” rather than “must” because there are those statutory exceptions. It wouldn’t be appropriate for it to say “must”, and I think that comes through. I submit that comes through when you look at the provisions in section 66 and the subsequent provisions. So section 66(1)(a) and (1)(b) are the first grounds for revocation and they both relate to non-use of the trade mark for three years.

Section 66(1)(c) deals with where the trade mark is becoming a common name and you’ll note that it has to have become a common name in consequence of acts or an activity of the owner, so the fault of the owner comes into that.

Section 66(1)(d) deals with a name which is the only practical name to call an article or a substance or a service where it has been patented, and (1)(e), again in consequence of the trade mark’s use by the owner, the trade mark is likely to deceive or confuse the public.

So section 66(1) goes well beyond non-use, unlike its predecessor in the 1953 Trade Marks Act and deals with those other situations and particularly where there is conduct which, in my submission, it would be unlikely for the Court to retain a discretion such as where it’s likely to deceive or confuse the public.

Section 66(2) is the first of what I call the statutory exceptions, “Despite subsection (1), a trade mark may not be revoked for its non-use if the non-use is due to special circumstances that are outside the control of the owner of the trade mark.” Now that’s a high threshold that Parliament’s setting in terms of it has to be special circumstances outside the control but it wouldn’t, in my

submission, have made sense for section 66(1) to say the trade mark must be revoked to only have section 66(2) saying it must not or it may not be revoked.

66(3) say a trade mark must not be revoked on the grounds in subsections (1)(a) or (b) if that use is commenced or resumed after the expiry of the three-year period. So again there's a statutory exception there that if you've started use again after the expiry of the three-year period, it must not be revoked.

Then 66(4) creates an exception to that exception, that the restarting doesn't count if it's in the period one month before the making of the application for revocation. And then 66(4) has an exception to the exception to the exception that that use in the last month is not to be disregarded if preparation for the commencement or resumption began before the owner became aware that the application may be made. Now the section may not be felicitously worded in terms of its exceptions to the exceptions to the exception but what it is is a clear statutory regime as to when a trade mark won't be revoked even if it hasn't been used for three years.

Section 67 puts the onus on the owner to establish use, and I'd just draw to your attention that it says the owner or licensee must either, (a) provide proof of use or, (b) raise the special circumstances of section 66(2). It doesn't allow for a (c) or raise issues relevant to residual discretion. So it's not contemplated in section 67 that that will be a ground of opposing revocation on the ground of non-use.

Section 68 deals with the situation of what I call partial revocation where only some of the goods have been used and section 70 is an alternative to revocation for the situations in section 66(1)(c) and (d) where you can have a disclaimer rather than revocation.

Now in my submission out of that you can – well, I would submit that Parliament has addressed numerous consequences or contingencies. It's addressed no use, it's addressed recent use, it's addressed partial use, it's

addressed special circumstances, and then even disclaimer instead of revocation.

Notwithstanding that, my friend says in the, Lacoste says in their submissions, that there is still a broad residual discretion, and the argument seems to be that even though Parliament in section 66 has set out quite specific exceptions to revocation, including special circumstances outside the control of the trade mark owner in section 66(2), the use of the word “may” impliedly means that any circumstances, any broad circumstances, exceptional or not or special or not, and even within the control of the owner, give the Court the power to decline the application for revocation, and I would submit that in terms of the structure of the Act that that is not what was contemplated by the use of the word “may”.

The authorities on this are a few. There is the authority, which I won't take you to, but Justice Moore in the *Cure Kids v National SIDS Council of Australia* [2014] NZHC 3366, [2015] 3 NZLR 90 decision decided there was a discretion, but the leading authority in my submission is the UK authority in *Premier Brands UK Ltd v Typhoon Europe Ltd* [2000] FSR 767 (Ch) which can be found at tab 24 of our volume 2. I wonder if I could ask Your Honours please to look at that, and the reason for that is that my – it's both the reasoning of Justice Neuberger and also because it's not as readily distinguishable as my friend would have it on the basis that it refers to the European Directive. So that's at tab 24 of our volume 2. It starts at page 767. The trade mark at issue is “Typhoo” which was used extensively on tea but was also used on tea canisters, tea pots, mugs and biscuit barrels as shown on page 767, and the Court went through quite a complicated case with regard to trade mark infringement and whether there was non-use, but it looked at the discretion on page 809. There's a heading about two-thirds of the way down page 809 called, “The question of discretion,” and the relevant provision, English provision, is section 46(2) and I just drawn this to Your Honours' attention. It's at page 775 of the judgment. The reason I want to draw it to Your Honours' attention is that there was a typographical error in the quotation there from section 46(2). If you rely on this, it also can be found in

my friend's bundle of authorities. But you'll see section 46(1)(a), paragraph (a), sorry, is similar to our section 66, but it says, "It has not been put to genuine use in the United Kingdom, by the proprietor or without his consent," and that should be, and it is, "Or with his consent," so otherwise it doesn't make any sense the way it's worded, but it's the equivalent to our section 66(2).

And then back at page 809, Justice Neuberger, "The first question is whether there is discretion at all," and he reviews that, those propositions. He says, "If one confines oneself to section 46, it appears to me that there are contrasting indications," and he says, "Well, it says it may be revoked," but he notes in certain circumstances the registration shall not be revoked. "Secondly, section 46(1)(d) provides for revocation where the use made of the mark is liable to mislead the public. If such misleading has only recently occurred, has been put right and does not occur in the future, it could be said to be rather surprising if the Court had no discretion but to revoke. Neither of these points is particularly powerful. The word 'may' is perfectly capable of meaning "must" particularly in a context such as section 46(1), the contrast between 'may' and 'shall not' in the two subsections is not very difficult to explain. If the Court were to have no discretion where section 46(1)(d) applied, while that might be harsh in some cases, it would not be particularly surprising. The contention that the Court should have no discretion is supported by the absence of any guidance in section 46, or elsewhere, as to how any alleged discretion is to be exercised," and that's a point I would adopt.

And he then, His Honour then goes through and looks further at section 46 and I don't need to read that to you because I just adopt all those points that His Honour makes there, but it's the bit at the bottom, or two-thirds of the way down that page, there's a new paragraph starting, "It is appropriate to have regard to the provision of the Directive. Article 10(1) provides that, in the event of non-use for five years, the trade mark shall be subject to the sanctions provided for in this Directive unless there are proper reasons for non-use. Rather confusingly, Article 11, which is headed, "Sanctions for non-use of a trade mark," seems to be concerned largely with the

circumstances in which a trade mark may not be declared invalid, and it is Article 12, headed, “Grounds for revocation,” which is really in point. Article 12(1) provides a trade mark shall be liable for revocation,” and then, “if within a continuous period of five years it has not been put to genuine use,” and that, he says, is the genesis of section 46(1)(a) and (b). He says, “While the words ‘shall be subject to the sanctions’ in Article 10(1) suggests the sanction, which must be revocation, is mandatory, the way in which the sanction is worded in Article 12(1), namely liable to revocation, can fairly be said to be ambiguous. Indeed, if it is intended to confer a discretion, it does not seem to me to be inconsistent with the apparently mandatory words of Article 10(1).”

And then further down on that page he talks about Article 13 where he says, “Both in purpose and wording is closely reflected by section 46(5), and therefore it can be said, albeit to my mind with limited force, that it tends to support the view that there is no discretion.”

So His Honour then goes through and looks through the reasons why there should or shouldn't be a discretion and decides, particularly in that next paragraph which I've quoted in my written submissions, that on balance there shouldn't be, or there isn't, a discretion, and particularly I would note that the, as he says two-thirds of the way through that paragraph, “The words ‘may’ in section 46(1) and ‘liable’ in Article 12 are perfectly consistent with the concept of revocation being mandatory but only occurring in the event of an application being made.” And then he said, “I also bear in mind that it is not only a privilege for a person to be the proprietor of a registered trade mark, but it represents a monopoly. The Court should not be too ready to perpetuate a monopoly in favour of a person who has not done anything to promote or enjoy it for a period of five years.”

Now I adopt Justice Neuberger's reasoning in that paragraph but I did want to particularly draw your attention to the fact that this is not a decision premised on the European Council Directive and that that European Council Directive is not mandatory. It is equally capable of being read as being permissive. So

the attempt to distinguish both or to distinguish this decision of Justice Neuberger on the basis the European Directive is mandatory is both wrong with regard to the nature of the European Council Directive and also with regard to the reasoning of Justice Neuberger.

Now in my written submissions, paragraph 90 of the written submissions of the appellants – well, perhaps coming back to paragraph 89 just to introduce that, I accept that under the 1953 Trade Marks Act and also in Australia and the traditional or the historic position in the United Kingdom there was a residual discretion to be exercised in exceptional circumstances. I would interpolate there that the Australian Trade Marks Act 1955, section 101, expressly gives a discretion to the registrar in Australia.

So in my submission, the authorities in Australia which have said that that's a broad or an unlimited discretion are no longer applicable to New Zealand in terms of whether or not we have a discretion or in terms of guidance of what that discretion should be.

But the historical position in New Zealand under section 35 of the 1953 Act was that there was a discretion, and I set out in paragraph 90 of my written synopsis the reasons why section 35 differs from section 66, and I set them out in (a) and (b).

Firstly, section 35 was limited to removal for non-use. It didn't have the other grounds, the misleading or deceptive, the common name, the patent or the name for a patented article which appears in section 66, and secondly, section 35(3) which was the statutory exception had narrower grounds than those that can be found in section 66(2). So Parliament has turned its mind, in my submission, to the grounds for exception and has broadened them in section 66(2) over what was in section 35(3) but has not in any way indicated there is a to be a residual discretion.

And if I might just interpolate there, if you look at the authorities where there has been exercise of a discretion, the English and to a limited extent the

New Zealand authorities, they tend to arise in the situation, two situations, and I referenced to them in the written submissions and we have them in the bundle of authorities, there's the situation where the trade mark was used but by a company associated, closely associated, with the proprietor but not by the actual proprietor, and under the 1953 Act as it was enacted, it changed in 1994, but as it was enacted it was only use by the actual proprietor or by what was called a registered user, which is a licensee which has been registered, which could count towards non-use. So you could see why you would have residual discretion to cater for the situation where there was use by an associated company. Under the current Act, section 7(2) deals with what constitutes use and that section is in the bundle of materials that I was just referring you to with regard to section 66, and you'll see that now under section 7(2), "References in this Act to use of a trade mark by the owner includes use by a person other than the owner if that use is authorised by, and subject to, the control of the owner." So the, one of the substantive two reasons why the Courts chose to exercise what they took to be residual discretion is no longer necessary in terms of residual discretion. That's the *Astronaut Trade Mark* [1972] RPC 655 (Ch) scenario.

The second common scenario that arose under the 1953 Act was where there had been use, it had stopped, there was still a residual reputation and the use started again but too late to save it from a non-use revocation action. That's the *Hermes Trade Mark* [1982] RPC 425 (Ch) type situation which is in our bundle, and I would say there's two aspects to that. One is that section 66(3) and (4) which I took you to deal very particularly with what happens where the use has resumed and while there were provisions under the 1953 Act for the use being up to one month before the date of application for revocation, it didn't have that very particular structure. And, secondly, since the 1953 Act was enacted we've had, of course, the Fair Trading Act 1986 which will deal very comfortably with the situation of someone misusing a trade mark which has a residual reputation. Now there was always, of course, passing off, but passing off was requiring goodwill and if you've stopped using a trade mark it could be arguable you no longer had that goodwill. So my proposition is that there's both differences within the Trade Marks Acts as to why the 2002 Act

doesn't just follow the approach of the 1953 Act with regard to discretion and also outside of the Trade Marks Acts.

Now I don't propose to take Your Honours in any detail through my summary of the propositions in paragraph 91.

My argument in paragraph 92 is as to the, if there is a residual discretion, what are the terms of that residual discretion.

ARNOLD J:

Just before you go off, I may have missed this, you may have covered it, but section 70 of the Trade Marks Act does contemplate that there is a discretion in relation to two of the grounds, doesn't it?

MR ARTHUR:

It contemplates that the Commissioner or the Court could require a disclaimer rather than revocation, so to that extent is one of those statutory exceptions I was talking about –

ARNOLD J:

Right.

MR ARTHUR:

– and couldn't just allow the mark to stay on the register as it was but you could say, "Well, instead of revoking it I'm going to require a disclaimer," and that would arise in the situation under, for example, paragraph (d) which is the patented article situation where you might have to disclaim from your goods those articles that fall within the patent, but you could still have the same trade mark for other types of goods that weren't protected by the patent, so you'd be disclaiming from your specification of goods the ones that caused the problem, and similarly with (c), with the common name, if it's become a common name for only a small subset of your goods you might have to disclaim that subset. So yes, I accept, Your Honour, it's a disclaimer or it's a –

ARNOLD J:

But your point is that this is a carve-out from the general rule in the same way as section 66(2), (3) and (4) are.

MR ARTHUR:

That's correct, Your Honour, and also it goes on to explain why the word there is "may" rather than "must" because you do have those carve-outs.

ARNOLD J:

Yes.

ELLEN FRANCE J:

But isn't another view of that that you need that – that that in itself is some recognition of the existence of a discretion because it's a situation where you don't have revocation?

MR ARTHUR:

Yes.

ELLEN FRANCE J:

But you need to do something, ie, disclaimer rather than revoke.

MR ARTHUR:

It's empowering the Court to go down that route in a very specific situation but, in my submission, it'll be drawing a lot out of the word "may" when Parliament's set out such very precise situations you then say, "And we can take anything else into account and we can decide to do anything, including leaving the mark on the register in its entirety," because of the conduct, something of the conduct of the trade mark owner. So yes, I understand your point. It's not as though the Act says there is no alternative other than revocation but the Act specifies those alternatives.

Your Honours, I was at paragraph 92 which is the terms of the discretion. If there is a discretion, what should it be? I say that if there is a discretion it's

only to be exercised in exceptional circumstances. That was the traditional position and, as I said at the beginning, Australia has a statutory broad discretion and I say there's at least two inconsistencies if you were to find a discretion but then also find it was a broad discretion. The first is it would seem to me to be most unusual to have Parliament specifying very specific exceptions or very specific situations where you could avoid revocation but then just by the use of the word "may" open everything else up for the Court without any guidance as to how that residual discretion should be exercised, and, secondly, it picks up on a point my friends make in their submissions which is that if Parliament intended to remove the discretion from the '53 Act to the 2002 Act it would explicitly have said so. It would then seem very peculiar that if Parliament was then silent about that discretion in its entirety it also intended by implication not only to retain the discretion but to broaden it from exceptional circumstances to some other standard. I'm not entirely sure what that is.

Now I don't want to spend any more time on what the standard discretion should be unless Your Honours have any questions on that, and I just wanted to look at the exercise of the discretion and particularly what seems to be the primary proposition – well, just before I do that, just picking up on a point Your Honour, Justice Young, asked about whether there were cases where there had been no use of the trade mark, such as this present one, and I just draw your attention to *The Ritz Hotel Ltd v Charles of the Ritz Ltd* (1988) 12 IPR 417 (NSWSC) authority which is in my friend's volume of authorities. I don't need to take you to that, but that's an example of where there was five trade marks. So it's at tab 7 of my friend's tome of authorities and the five trade marks that are at issue can be found on page 426. So there's Charles of the Ritz, Ritz, Ritz Liqui-Creme, Charles of the Ritz and Charles of the Ritz, and what the Court found, without taking you through this rather lengthy judgment, is that the "Charles of the Ritz" trade mark, the first one, had been used on related goods. The "Ritz" trade mark had been used on related goods. The "Ritz Liqui-Creme" had never been used in any way. The second "Charles of the Ritz" trade mark had been used in related goods, and the third "Charles of the Ritz" trade mark had not been used on any goods related to

those that it was registered for, and the outcome of all that was that the Court allowed the retention of those trade marks which had been used on related goods but in relation to the ones that had never been used the Court said, at page 483, line 43, “In respect of the marks of which no use in Australia has been shown, I can discern no discretionary basis on which to refuse relief under section 23(1) in respect of all goods in respect of which they are registered. Nor is there any discretionary basis on which to refuse relief under section 22(1),” and that’s referring to another mark. So the Court’s reaction to the situation that there had been use on similar but not those exact trade marks was that there was no discretionary basis on which to refuse relief. Now I don’t think it’s suggested that that was an attempt to stockpile trade marks but they just hadn’t been used.

But in terms of discretion, the point I did particularly want to address Your Honours in is the proposition which I discern from the submissions for Lacoste which seems to be that, “We should be allowed to keep this trade mark on the register even if we’ve never used it because by keeping it on the register there will not be any deception or confusion if someone else were to use it.” That’s obviously my interpretation of what they’re saying but that seems to be the argument.

If I could take it back to the beginning, a validly registered trade mark gives the owner pursuant to section 89 the rights to stop identical trade marks used on the goods for which it’s registered and confusingly similar trade marks when used on the goods for which it’s registered or on similar goods, and that’s the umbra and the penumbra that Mr Laurensen and Your Honours discussed.

You can in the Trade Marks Act only register trade marks you use or intend to use. That’s pursuant to section 32. And you can only retain those trade marks you have used pursuant to section 66.

My learned friend’s proposition seems to be that you can also retain registered trade marks which are similar to the ones you do use because they

fall within the penumbra and anyone else using those trade marks would be confusing or deceptive. My submission is if that were correct the scope of protection you get is not just the penumbra but also what I call the penumbra of the penumbra. Instead of getting one degree of protection around your trade mark you would get two degrees. You would get both what is similar to what you have used and also what is similar to what is similar to what you have used. That's the underlying proposition that comes from that, and I think it only has to be expressed in that way to show that it's unlikely to be correct. And the justification that my friend gives for that is that if someone else other than Lacoste were to use trade mark 70068, and I think this is similar to a point Your Honour, Justice Glazebrook, brought up, it would be confusing or deceptive. But that's not the point. If it were correct that someone else using 70068 would cause confusion or deception then Lacoste can stop that with its other registered trade marks which it has used or with the Fair Trading Act or with passing off, but certainly with its other registered trade marks. So if my friend's factual proposition is correct, it doesn't need the registration of 70068.

If my friend's factual proposition is wrong and the two – and use of the 70068 would not confuse or deceive, then it ought not to be able to stop that. It ought not to get protection which extends to 70068 given that that's not going to be deceptive or confusing. What they achieve by retaining 70068 is to force other traders, my client and others, as I said, two steps away from what they use. Instead of the one step they have to remain at the moment, it forces them two steps away. If you were to think it in terms of Venn diagrams, they not only get the overlap with their existing use but they get all the other area which is protected by 70068 but would not be protected by any of the other registrations, and I'm not aware of authorities under the New Zealand Act or under the old English authorities which would support that proposition. And that seems to be the –

I've also set out in my written submissions other factors they have raised in terms of the discretion but I don't propose to take Your Honours through that. It's all set out there.

My friend also relies on estoppel and refers to a judgment of Justice Clifford. That's at paragraph 187 of my friend's submission, and just to hopefully quickly deal with that, firstly, observe that that judgment's actually under appeal but, secondly, it was dealing with issues of delay and acquiescence and enforcing copyright. It didn't have anything to do with delay and acquiescence in seeking revocation on the ground of non-use. And, secondly, the proposition in paragraph 188 of my friend's submission is that Lacoste acquired in good faith from a company previously related to Crocodile International, and I'd observe that there hasn't been a relationship since 1988, then says, "Well, Crocodile International waited until 2008 to object to the registration by which stage Lacoste's use of various crocodile trade marks in New Zealand was well established." I presume that they're trying to suggest that as a result of the delay or acquiescence there's been a change in position by Lacoste but, of course, Lacoste has been expanding its use of trade marks since the 1980s and didn't acquire this trade mark until 2004. So it's a very long stretch to suggest that any delay has caused them to expand their Crocodile trade mark portfolio.

WILLIAM YOUNG J:

Well, Mr Arthur, I think this might really be an issue for reply.

MR ARTHUR:

Well, unless Your Honours then have any other questions, that's all I wish to say, thank you.

WILLIAM YOUNG J:

Is 2.15 all right, Mr Miles?

MR MILES QC:

Yes, I'm a bit conscious of time, Your Honour.

WILLIAM YOUNG J:

But was 2.15 all right, do you think?

MR MILES QC:

2.15 is fine.

WILLIAM YOUNG J:

Yes, sure, okay, we'll take the adjournment till 2.15.

COURT ADJOURNS: 12.58 PM

COURT RESUMES: 2.15 PM

WILLIAM YOUNG J:

Mr Miles.

MR MILES QC:

Your Honours, what I propose to do is to stay with the structure of my submissions and just speak to the, what seemed to be the significant elements of those and particularly where we differ with the propositions advanced by the appellant, and what we tried to do was to summarise our argument in the first couple of pages of our submissions and I'm just going to take Your Honours through that because I think it still reads quite helpfully as a blueprint, perhaps, for the way I think the, certainly the way we say the Courts have construed section 7 which is, for all intents and purposes, identical to the UK equivalent, and why we say the tests that have been adopted are quite different to the attempts by my friend to stay within the traditional framework of the two-tier tests of *Budweiser* but then in fact to say there are several variations of this depending on whether the mark as used omits one of the elements of the mark as registered, and he says that's a specific test, or whether you add an element, and he says that's a specific and different test.

Now, broadly speaking, what I'm going to submit, Your Honours, is that the two-tier test, and I'll just continue to call it that because it's, of Lord Walker's, has been picked up and adopted in various forms in each of the subsequent UK cases and the *Sony* judgment, which is the European Court of Justice. You can see how that, how the test morphs in a way from the slightly diffident

approach of Lord Walker's where he said the approach adopted by the Hearing Officer and the Deputy Judge who heard the appeal, which is really a variation of my friend's argument that you have to analyse the elements of the mark as registered as a first step and you then assess whether those, the differences in the mark as used, alter the essential, the distinctive character of the mark as registered, and what Lord Walker said, and I will take you to the judgment because it really is, I think, sort of the seminal judgment, if you like, and the reasons why Lord Walker preferred that approach rather than the overly complicated approach adopted by the Hearing Officer becomes evident when you look at what the function of a trade mark actually is.

But let me take you to *Budweiser* which is at tab 8 in my friend's submissions. Your Honour's will have picked up there are in fact two marks they are considering there, the Budweiser Budbrau mark as registered and the Bud mark as registered and, by the way, just while I remember, there was a brief discussion by Your Honours on the appropriateness or whatever of marks that are registered but haven't been used, sort of parked, as it were. There is no suggestion in the *Budweiser* case or the *Specsavers* case that the marks as registered had been used. In each of those cases the marks as registered, yes, have been used. What were used in each case were the variants and that's okay because what the cases have said is that owners of marks are entitled to use marks which have variations to the marks as registered. If, of course, the variations are such that they alter the distinctive quality of the mark, you get into trouble but so long as the distinctive character of the original mark hasn't been changed then variations to the mark to suit current marketing practices, where the consumers are interested, say, it is perfectly okay. So there is nothing in the fact that in terms of principle the fact that the mark in question today hasn't been used.

WILLIAM YOUNG J:

But it is slightly different because I don't imagine that Lacoste would really want to use the mark as registered.

MR MILES QC:

Well, that's not right, with respect, Your Honour, because not only have they been involved in this litigation but you might have picked up when looking at schedule 1, is it, or schedule 2 where all the Lacoste marks as registered are listed. It includes two later applications by Lacoste for the identical mark and one is actually registered.

WILLIAM YOUNG J:

I would be a little surprised – and I may be wrong about this – but I would be a little surprised if Lacoste would actually sell something that exactly resembled the mark with the mark on it that is exactly the same as the mark in suit.

MR MILES QC:

Well, what I can say, Your Honour, is that when they applied to register the identical mark a year or so ago, those two marks tucked away at the end of the schedule, you file an application saying you intend to use it and that's what Lacoste says is the position.

WILLIAM YOUNG J:

Are these the marks that – do they intend to use them, the form of the marks that appear in your submissions?

MR MILES QC:

That's what the application would have said, Your Honour. There is still – the mark as registered still has a number of years to go.

WILLIAM YOUNG J:

I'm looking at paragraph 46 of your submissions.

MR MILES QC:

Oh, yes. That's a different point, Your Honour, yes. What that was there – that was there primarily because my learned friend's submissions suggest that the mark had never been used with the crocodile facing the other way and had never been used with the word mark and we said, well, it's true. There

was no evidence on this hearing because this was subsequent to the relevant period but we thought it was a bit unfair to make that comment when, in fact, we had and that's just part of Lacoste's ongoing assessment of how this mark can be used in varying forms.

I don't want to spend too much time on this point, Your Honour, but it does have some relevance that that in fact continued to apply, that they applied twice to re-register, if you like, this mark. By the way, my friend hasn't made this point correctly. There is no reason why trade mark owners can't apply for the same mark twice. There might be reasons why they're in trouble for the first mark because they haven't used it for the relevant period or et cetera. The leading case was one that went to the Privy Council called *Cussons (New Zealand) Pty Ltd v Unilever plc* [1998] 3 LRC 1 (PC) which I was involved in so I like the case but in fact – and where Justice Gault in the Court of Appeal said, well, there are no Queensberry Rules in this game. You know, can you file for – anyway, that's by-the-by, really. But the point we're making in the *Budweiser* case is that the two word marks essentially that were on issue, that were being discussed, hadn't been used as such. Where were – the marks that were used were the significantly more elaborate mark which we've set out at paragraph 10 of our submissions and we've given you the full picture, I think, at the end of the submissions. But significantly in terms of the argument advanced by my friend the mark, the Budweiser Budbrau mark as used clearly has both additional elements and has omitted elements in the mark as registered. The omissions are the stylised form of "Budweiser Budbrau". The line underneath "Budbrau", you know, the sort of sign-off line as it were, those, in terms of trade mark issues, you know, they have some significance.

WILLIAM YOUNG J:

Isn't that just font?

MR MILES QC:

Well, it's a bit more than just fonts, Your Honour. You've got the underlying –

WILLIAM YOUNG J:

But isn't that just the way you write your "U" if you're...

MR MILES QC:

Well, it sort of emphasises the old-fashioned nature of it, I think, the Gothic nature of it, which is what they were trying to emphasise, of course, and you've got the additional elements –

GLAZEBROOK J:

And they did make a comment, didn't they, that if it had more elaborate something it would be part – it would be a graphic rather than a word? So I think they saw it as font, didn't they?

MR MILES QC:

Yes, but I was just responding, I suppose –

GLAZEBROOK J:

Or one of the Judges.

MR MILES QC:

– to the slight sense that that's hence not quite so significant because font is significant. What these case or – I'll rephrase that. Fonts can be significant.

WILLIAM YOUNG J:

Well, they were sort of rather – the Hearing Officer wasn't particularly troubled by the difference in style whereas certainly I think Lord Walker was rather.

MR MILES QC:

Quite. Both of them really, actually.

WILLIAM YOUNG J:

Yes.

MR MILES QC:

Justice Nourse as well. Both of them, I think, had a different view about it and, you know, one can understand that. But that's – but what – the more, I suppose, material change, as a trade mark attorney would understand it, were those additional elements of the castle and the shield and the, sort of the stylised "B" on either side plus the whole now being set in the form of a seal. Now those are clearly differences but – and if you were analysing it in the way that my friend suggests you should, you would get involved in what Lord Walker considered to be that overly complicated issue of trying to analyse every element regardless of whether that element was relevant in determining the essential or the distinctive character of the mark because the – what Lord Walker was really saying is that, and this has been reflected in a number of subsequent judgments, is that the consumer, your average consumer, when looking at a trade mark, tends not to analyse the elements that make up the impression. It's the overall impression or, as he put it, the central message, which is fundamental to a trade mark, and if the central message is whatever it is, it may not matter how that central message is, has got through, as it were, because you then, it then becomes a relatively straightforward issue of determining whether the differences in the mark as registered and the mark as used impact on that central message, and if they don't impact on that then the distinctive character of the mark has not been affected. So –

GLAZEBROOK J:

So you accept though that the central character is not just the conceptual character but also includes the visual and oral?

MR MILES QC:

Yes, absolutely. Visual, oral and –

GLAZEBROOK J:

So it's not just a central message in terms of the conceptual message? It is –

MR MILES QC:

No, but –

GLAZEBROOK J:

– the central message in terms of –

MR MILES QC:

– it's the same message though. It just depends on what form the message is directed. So it can be directed visually or orally or conceptually or all of them so that –

GLAZEBROOK J:

Well, is it an either/or?

MR MILES QC:

No.

GLAZEBROOK J:

Or it could be in some –

MR MILES QC:

It could be, absolutely, and most marks will have one or more of those similarities and most marks will, I mean, push for, I don't know, one or other of those with a greater emphasis, but what is crucial here is recognising that the function of a trade mark which is to say to the consumer, "This is the origin of the goods," so that when you see a crocodile in New Zealand on a shirt you say, "Lacoste." When you see the word mark "crocodile" on a shirt or shoes or whatever it is, you say to yourself, "Lacoste," and that's – and one of the reasons why –

ARNOLD J:

Well, except if they're Crocs, I guess.

MR MILES QC:

I'm sorry?

ARNOLD J:

Except if they're Crocs, you know, the Crocs, the shoes.

MR MILES QC:

Keep us away from that fashion horror, Your Honour.

ARNOLD J:

They also have a half crocodile as their registered mark.

MR MILES QC:

Do they?

ARNOLD J:

Yes.

MR MILES QC:

I – yes, I wouldn't even want to use the word, I think, in the – and I believe they're going out of business as well, Your Honour. But that raises an issue which –

O'REGAN J:

But it does raise an issue about what crocodile.

MR MILES QC:

Yes, ell, I was just going to get onto that, and –

O'REGAN J:

Because the Court of Appeal said it's all about the crocodile but that's not entirely true, is it?

MR MILES QC:

No, and I'm not going to – that wasn't my submission, and this point was made actually in one of the judgments of Justice Simon France where counsel for Crocodile International made this very point. We talk about the word, because it was on the word mark that we're talking about, so does that cover

every crocodile, and His Honour said, "Of course it doesn't but it covers this crocodile," because the similarities are such that when the consumer sees the Crocodile International crocodile they associate it with the Lacoste crocodile because the only difference is one's facing – they face different ways and one's a little more stylised than the other. But they've basically got the upright tail, they've got the open jaws, they've got the scales, and they're on the same shirts. So the – when you're looking at whether that would amount to an element that will alter the distinctive character of the mark then one can confidently say it wouldn't. so in answer to Justice O'Regan's concern about that throwaway line, which I think in fairness it is, because the remaining paragraphs I adopt saying that they got it entirely right, but that, taken out of context, that proposition I wouldn't support, and while I'm on that, that other throwaway line about an element, even an essential element, that might alter the distinctive character of the mark, could also amount to use. Again, taken out of context that's not a sentence which I would be comfortable with because on the face of it, if it is an essential element, then it's taken out of – it's altering the distinctive nature of the mark, and I don't think the Court meant that. What they were talking about was the very problem that tends to occur when you adopt the approach by my friend where he says you analyse all the essential elements. There's no "essential", by the way, in the Act but you analyse all the elements and then you work out which had been removed and which had been added to but as the Court pointed out when you have the two primary elements that are identical in the terms of distinctiveness, which is – I mean, both independently are independent so Crocodile on its own is a legitimate trade mark. The image is a legitimate trade mark. When you put the two together, it's also a legitimate trade mark but they're not adding anything to each other and that's why the Court held that the combination of the Crocodile International image and the word didn't alter or the removal of one of those didn't alter the distinctive character of the mark because they were saying the message was identical. The image was simply the pictorial representation of the word and the word was simply the description.

O'REGAN J:

But it's a pictorial representation of it in a particular configuration, you know, with those limitations you described before. It's not just any crocodile. The word doesn't have any limitation on it at all.

MR MILES QC:

Quite.

O'REGAN J:

And even the word is depicted in a way with that sort of underlying – in a way that fits in with the shape of the crocodile. I mean, it's not just the word "crocodile" like the word "Lacoste" which is just block letters and doesn't really relate to the crocodile at all.

MR MILES QC:

And those are differences, Your Honour. We accept those. What we do say, though, and we say this not only because there are been four judgments in the High Court that have said there's no material difference and another one in the Court of Appeal, but we also say that in the survey evidence and in particular that reference in the first survey to the finding by the 600, I think, 300 or 600 who were interviewed.

O'REGAN J:

But they didn't have this mark before them.

MR MILES QC:

No, no. Well, of course that –

O'REGAN J:

It was a bit pointless doing a survey and not having this mark as one of the ones they were asked about.

MR MILES QC:

It wasn't designed for that purpose, Your Honour.

O'REGAN J:

Well, what are we meant to take out of it? It doesn't tell us anything about the, whether one is regarded by an ordinary consumer as representing the other.

MR MILES QC:

Well, I think you are quite entitled to say that the consumer saw no difference between the crocodiles depending on which direction they faced.

O'REGAN J:

Yes but the next column along had the crocodile with the word "Lacoste" under it. What other brand were they going to associate it with?

MR MILES QC:

Well, there were eight different logos.

GLAZEBROOK J:

Isn't the issue rather that they would associate Lacoste with a crocodile whatever it was like because there's been an association so that it may be that it's confusing in the marketplace but does it mean that they've used that particular brand or that particular mark, or do you not accept there's a difference between those two? That's the question I asked your friend.

MR MILES QC:

We say in terms of the consumer there is no difference between the two crocodiles.

O'REGAN J:

That wasn't quite the question.

GLAZEBROOK J:

No, the question wasn't that. It might be that the consumer is confused because they associate any old crocodile, no matter what it is and how different it is, with Lacoste. So it might be that you couldn't apply to register a

crocodile related to clothing however different it was because the consumer might be confused.

MR MILES QC:

Might be, mhm.

GLAZEBROOK J:

So that might be possible. But does just consumer confusion say that you've used a particular mark if, in fact, if you looked at it without having that very strong association of crocodile with Lacoste.

MR MILES QC:

And maybe not but the –

GLAZEBROOK J:

So you do accept there can be a difference between non-use – so say for instance we didn't have any association with Lacoste with crocodile, for example, and you said to somebody, "Are these two crocodiles different?" which is a different question from, "Would you be confused and think it was related to Lacoste?"

MR MILES QC:

Well, I think the result – if there was confusion, there would be confusion because they were similar, and coming back to the definition of section 7 we would say there's no element there that alters the distinctive quality of the mark and it doesn't matter whether they – the extent of the reputation of Lacoste only adds, I think, to the likelihood that more people are likely to associate the crocodile with Lacoste than otherwise.

GLAZEBROOK J:

I'm probably just asking you, we're probably getting confused because we're going back, do you accept that it is a different test between the two, or potentially a different test, between the non-use and confusion?

MR MILES QC:

Yes.

GLAZEBROOK J:

All right.

MR MILES QC:

Sorry, yes, entirely, and –

GLAZEBROOK J:

Yes, you're just saying in this case it isn't?

MR MILES QC:

And of course we're entitled to rely on the fact that Lacoste has been trading in New Zealand since the 1980s and Crocodile International has yet to sell a shirt in New Zealand.

WILLIAM YOUNG J:

Is there any market where both trade mark – where Crocodiles uses this trade mark and where Lacoste uses its trade marks?

MR MILES QC:

Don't think so, Your Honour, because they have been competing in trade mark terms around the world.

WILLIAM YOUNG J:

Yes.

MR MILES QC:

And broadly speaking –

WILLIAM YOUNG J:

One defers to the other.

MR MILES QC:

Well, Asia has Crocodile International, broadly speaking, and Lacoste I think pretty much the rest of the world, but I – don't hold me to that, but I think that's the broad position. But – and in some countries there had been trading by both parties at times but it's now pretty well set, I think, that one doesn't trade in the other.

WILLIAM YOUNG J:

So you can't buy a Lacoste shirt in Hong Kong, or can you?

MR MILES QC:

Unless it's a –

WILLIAM YOUNG J:

Knock-off.

MR MILES QC:

Probably not – well, yes, sure. So the key point – and let me just take you to Lord Walker, which is what I was planning to do, because he explains, I think, very effectively, why it is that this relatively straightforward test that he proposed fits comfortably with the definition and fits comfortably with the concept of a trade mark. So you take the – we go to paragraph 41 on 490 where he makes the point that elements of something are less, if you like, than normally. Normally they tend to be something essential, and my friend continued to talk about essential elements during his submissions. Essential isn't part of this and, as Lord Walker points out, that elements here are meant in the sense that they are features or details. Now he then went on to the next paragraph where –

GLAZEBROOK J:

I thought that was the point that your friend was making that differing in elements which do not alter the distinctive character, if you have an essential element then it will alter the distinctive character by its very definition which I think you actually accepted.

MR MILES QC:

Well, no, because I accepted it in the broad sense, but the problem you get into is when you have a mark like the mark we have here where you have two elements both saying the same thing, and which is the – is it the word or is it the device?

GLAZEBROOK J:

Or maybe it's both together.

MR MILES QC:

No, it would – but they're both saying exactly the same thing, that's the point. They're not –

WILLIAM YOUNG J:

Well, they mightn't though, might they? It might all depend on context.

GLAZEBROOK J:

They look different.

MR MILES QC:

Mmm? I'm sorry?

WILLIAM YOUNG J:

Mightn't it depend on context? If this was at – if these were on shirts sold by a company called "Crocodile" wouldn't it be a direct connection between the product and the supplier rather than an indirect one which is Lacoste sells products with a crocodile on it, therefore the image of a crocodile denotes indirectly Lacoste? If it was a crocodile vendor it would denote it directly but...

MR MILES QC:

But in New Zealand it doesn't happen.

WILLIAM YOUNG J:

I know it doesn't happen, yes.

GLAZEBROOK J:

But visually they're different anyway. They only denote the same thing conceptually. They don't denote the same thing visually.

MR MILES QC:

Well, except when you look at the word "crocodile" and then look at the device. You actually are seeing the same thing.

GLAZEBROOK J:

Well, but you could be, too, if you had a grinning half Crocs crocodile with the crocodile and you have a grinning crocodile. It's still depicting the same thing but it's quite visually different.

MR MILES QC:

It can be, of course. But that's why these cases are so fact-specific. If the pictorial image was quite different then I can understand it.

GLAZEBROOK J:

Different from what, though? It's because it's not different from the word because a grinning crocodile is still a crocodile. It's different from this crocodile but it's not different from the word. A half crocodile is ...

MR MILES QC:

Well, it encompasses the crocodile, doesn't it? All I am saying is that when you read the word "crocodile" and you see the image of a crocodile the central message is identical.

GLAZEBROOK J:

Conceptually that's right, whether that's visually right – I suppose it's orally right as long as people don't think the thing is an alligator, which after seeing people say they're not sure the Lacoste is a crocodile, that Lacoste is associated with a crocodile, one actually does wonder.

MR MILES QC:

Well, the surveys make it clear, Your Honour, that 40% of all of them – I know we've had this debate but I'm not, I wouldn't maintain this argument to the same extent if the visual picture of the crocodile was fundamentally different to the Lacoste trade mark. Why – and I don't have to go there – it's enough that I can say that the visual representation of both crocodiles are sufficiently similar that when you reproduce one of those it doesn't alter the distinctive character of the mark. That's all I have to go to, to satisfy use, and to do that I'm entitled to say in New Zealand crocodile is linked with Lacoste. So when a crocodile looking much the same appears, whether it's got the word "crocodile" with it or whether it's on its own, it's likely to infringe and it's not going to alter the basic distinction of the mark. Now, that fits comfortably with the definition that talks about differences between the marks that affect the distinctive nature of the mark. It doesn't matter – there's no suggestion here that you have a different test depending on whether an element is added or taken away from the mark. It's the same test. The facts in *Budweiser* we had, of course, elements that were both removed from the mark as registered and added and there's not the slightest suggestion in the judgment that that was a distinction which had any legitimacy, but that's at the heart of my friend's argument where he says that depending on whether a mark is – whether the mark as used has added elements or whether it doesn't have all the elements of the registered mark you look at it differently and you approach it using different tests. That's not what the section says and it's certainly not what *Budweiser* says, and it's certainly not what any subsequent case has said, and the reason, I think, why that approach gets so complicated and why it must be wrong is the point that His Lordship made at 44 and 45, "The distinctive character of a trade mark, what makes it in some degree striking and memorable, is not likely to be analysed by the average consumer but is nevertheless capable of analysis." He says at 45, "Because distinctive character is seldom analysed by the average consumer but is capable of analysis, I don't think the issue of 'whose eyes, registrar or ordinary consumer,' is a direct conflict. It is for the registrar, through the hearing officer's specialised experience and judgment, to analyse the visual, aural and conceptual qualities of a mark and make a global appreciation of its likely

impact on the average consumer,” and then at 47, that’s where he says that he thought that the concept of the central message is not too bad a paraphrase.

So that’s the test which has been picked up by subsequent authorities, and if I just take Your Honours briefly to those, some of which my friend has referred to and at least one that he hasn’t, if we just stay with the bundle of authorities and go to the *Shorinji* judgment, a judgment delivered in 2013, and the facts are a bit complicated in that case and it’s just the principle extracted from them that I am interested in, if you go to paragraph 20, he’s –

ARNOLD J:

Sorry, which tab did you say?

MR MILES QC:

The *Shorinji*. It’s tab 9, Your Honour, where he says that, “In that case,” and it’s the variation of the mark we’re talking about, “it would be necessary to apply the approach explained by Lord Walker in *Bud* and to ask whether the differences, once identified, alter the distinctive character of the mark as registered.” So an explicit adoption of the relevant test.

At 57 we have a rejection of my friend’s argument that the crucial step is to analyse all the elements of the mark as registered. The important part of that paragraph is six or seven lines up from the bottom, “Given the subsistence of the registration of the earlier mark, it is the impact of that mark, as registered, taken as a whole which must be taken into account. The question, after all, is whether there has been genuine use of the earlier mark, that is to say the mark in its entirety. The focus is not on some element of the earlier mark which gives its distinctiveness,” and so on. So he’s –

GLAZEBROOK J:

That could be against you rather than for you, couldn’t it?

MR MILES QC:

Sorry, what are you –

GLAZEBROOK J:

So the focus isn't on the crocodile part of it, it's on the mark as a whole which is the word, stylised word and the visual representation of it.

MR MILES QC:

Sure, and that's exactly the circumstances in *Gallo* where the High Court of Australia said that the word mark "Barefoot" had been used when the mark that they were relying on had the word "Barefoot" in slightly stylised form but – plus the pictorial representation of the word, the imprint in the sand, which incidentally isn't a straight take of barefoot, and barefoot doesn't have to be a footprint in the sand. It – barefoot is something actually quite different but nevertheless the point –

WILLIAM YOUNG J:

You mean it's a foot without a sock or a shoe on it?

WILLIAM YOUNG J:

Sure, exactly, and padding around the house is not going to produce those sorts of imprints, but the reason why the High Court in a unanimous decision including Justice Gummow who was there, a very experienced IP Judge, he said there was no material difference to the distinctive quality of the mark because it was simply the pictorial representation, and the details as such are not so important. It's the public perception of that mark which is significant. In contrast, of course, to the *Colorado* case which that judgment discusses in the previous paragraph where the image, the stylised mountain and the word "Colorado" are actually separate concepts. They no doubt hoped that the consumer would sort of see a connection between Colorado and mountains and perhaps simplicity or purity or who would know. But the image itself, the stylised mountain, was not a pictorial representation of Colorado. Exactly the same point was made in the *Cure Kids* case where while clowns often have red noses but Red Nose Day is a different concept to a picture of a clown with

a red nose, those are not precise pictorial representations of the word or the word isn't a descriptor of the image.

ELLEN FRANCE J:

So in that situation are you saying it doesn't matter that visually there are differences? I'm thinking here of the stylised form of the word "crocodile" and the underlying ...

MR MILES QC:

It's so facts-specific, Your Honour. If the differences are such that the average consumer would see the device as something maybe linked but different to the word so that there was an element of genuine distinctiveness about the image that the word didn't have, then that's not use. The *ELLE* case is probably – well, the *Colorado* and the *ELLE* case I think are probably the best examples of that line. So in the *ELLE* case you had the use of the word – albeit in slightly different form, lower case, I think, and slightly stylised, but the feminine gender symbol was distinctive and it's certainly, while linked with Elle it certainly wasn't a reproduction of Elle. It was certainly something different. Whereas the device and the word here is, as I've said we say, is exactly the same message. There is no element of distinctiveness in the mark as used that would alter the character of the mark as registered.

Now, the concerns that the Courts had about the issue of looking at the mark as a whole and the rejection of the sort of analysis that my learned friend is talking about can also be found in the *Specsavers* and in a case that my friend referred to in his written submissions but didn't refer to in his oral submissions today the *London Taxi Corporation Ltd v Frazer-Nash Research Ltd* [2016] EWHC 52 (Ch) case. Now, let me just take you to *Specsavers* again and you find that at tab 12. Now, what was unusual about *Specsavers* is that the mark as registered were those two overlapping ellipses coloured black. The mark, in fact, that was invariably used was a different shade and of course it had the word "Specsavers" on it and the concern, I think, there was that the dominance of the word over the rather bland mark as registered would have been such as to have altered the distinctive character of the registered mark

and indeed Lord Justice Kitchen effectively said that was my initial impression but such was the extent of the advertising that the evidence indicated that even just the shaded ellipses, independently of the word, were still functioning as a trade mark, it still represented a connection to Specsavers and hence the central message was Specsavers and that the addition of the word didn't alter the distinctive character of the registered mark. The ratio of that case is not what my friend says, that when you add something you then actually make an assessment of whether the original mark is still functioning as a trade mark. That's not the ratio there. What they were saying there, adopting *Budweiser*, is exactly the same question or test that we've put forward. What are the differences? If there are differences, do those differences affect the distinctive character of the mark? And they didn't because in the very unusual circumstances of *Specsavers* the addition of the word didn't alter the perception that the consumers had because they knew that that striking, if you like, ellipses and the colour that they pushed, were reflections of each other, the same message.

And the relevant paragraphs at *Specsavers* that I want to take you to, at 18, where Their Lordships said, "Global assessment of the likelihood of confusion must be based on the overall impression given by the marks bearing in mind their distinctive and dominant components. Further, and importantly, the perception of the marks by the average consumer plays a decisive role in the global appreciation of the likelihood of confusion."

Then, at 22, "Reverting now to the particular issue before us, in my judgement it follows from all the foregoing that the national Court is required to consider the use which has been made and to ask itself whether the difference between the form in which the mark has been used and that in which it is registered don't change the distinctive character of the mark as registered." In other words, classic *Budweiser*.

And at 23, "The word Specsavers is distinctive and appears in prominent letters in a contrasting colour. Nevertheless, as the Court of Justice has explained, consideration must be given to all of the use that has been made of

the shaded logo mark, and to the perception of the average consumer.” And in this circumstance there’s unusually powerful evidence of both. So in – and as you see in the next one, “Substantial use of the shaded logo over many years.”

So that has all been taken into account in assessing whether the mark as used has altered the distinctive character of the mark as registered.

WILLIAM YOUNG J:

Just pause there. I had a look on the Internet. I see Crocodile and Lacoste both trade in Hong Kong and Lacoste shirts are marked with a right-facing crocodile and polo – and the Crocodile shirts with a left-facing crocodile. Would this issue be addressed differently in Hong Kong in terms of whether the same mark?

MR MILES QC:

I wouldn’t have thought so, Your Honour.

WILLIAM YOUNG J:

But it’s a bit odd that there would be different brands.

MR MILES QC:

There are – I would need to discuss with my junior but they have reached trading agreements in certain parts of the world. It may be that Hong Kong is one.

WILLIAM YOUNG J:

All right. It’s an Ebay site so it may have been, I suppose, conceivably it’s been purchased somewhere else, but they’ve obviously both – Crocodile does trade in Hong Kong and presumably it would use its brand, its marks.

MR MILES QC:

I don’t know, Your Honour. I mean, I can find out if it’s significant.

WILLIAM YOUNG J:

But a lot of this must – what it suggests to me that a lot of it's contextual, it's not just so much what the mark means, it's the context of the market in which the mark's being used that may be material or may affect the public perception.

MR MILES QC:

I accept that, Your Honour. That's really what *Specsavers*, for instance, was saying, and it's why I say that you can take some support from the surveys because they are indicative of the way the consumer sees these crocodiles and if in New Zealand because of it just so happens that in the past 30 years Crocodile International has never traded in New Zealand then we have a significant reputation for a crocodile that's reflected in the trade marks that we've been filing.

But the last point that I just wanted to take from *Specsavers* is that the point at paragraph 25 that it's a particular feature, this business, none of the major competitors of *Specsavers* has a logo remotely similar to the shaded logo or the wordless logo mark. So I think the point that they are making there is that in circumstances where there is a well-known mark and nothing similar then variations of the sort described there and of the sort described here would be immaterial because the public have got so used to the concept of crocodile belonging to Lacoste.

GLAZEBROOK J:

I'm not sure they quite say that because it seems to be in the context of saying they're not trying to get themselves a monopoly of something that's every day.

MR MILES QC:

Well, that's another point, yes, quite. That's a sort of variation of that as well.

GLAZEBROOK J:

Well, it's just that I'm not sure that they're saying if you're really well known you get to have a monopoly of a crocodile because you happen to be well known.

MR MILES QC:

Well, I think they're saying both, Your Honour.

GLAZEBROOK J:

Well, I'm not sure why you should get a monopoly of something. I mean, if you're the first one who has a horse and nobody else uses a horse, does that mean you get a monopoly of every single horse no matter how it's represented?

MR MILES QC:

No, no. You start with the trade mark that you get and the trade mark is an image of a particular crocodile. You also start with a word mark which is potentially wider than the image. The more, the greater the reputation you have, the greater the sense that the public has that crocodile is linked with you, the greater the protection. That's not seeking an inappropriate monopoly.

GLAZEBROOK J:

But don't you get the protection not from the ability to park up non-used trade marks but from the ability to stop other people using them because they would be confusingly similar so the greater your reputation will give you the greater likelihood of confusion but does it really mean you necessarily are using a mark that is actually quite distinct from – apart from using a crocodile – from the mark as registered? I mean, I know you say it isn't because crocodile means crocodile and the message is crocodile.

MR MILES QC:

Well, that's certainly what four judgments in the High Court have said.

GLAZEBROOK J:

Yes but they were probably applying the wrong test which you say yourself you don't support the central message of the crocodile and that's the end of it.

MR MILES QC:

They weren't applying the wrong test for one second, Your Honour. I don't accept that for a moment. Justice Simon France went out of his way to say that he didn't. He went out of his way to say –

GLAZEBROOK J:

Well, I'm not talking about those judgments because they were looking confusingly similar and the public being confused, weren't they? So he was discussing that in a different context from non-use.

MR MILES QC:

Well, not entirely, not in the context of the word mark, actually, but just coming back to your basic point as I understand it, that a device mark does have limits and of course it has limits. I accept that. That's why the section talks about use of elements that don't alter the distinctive characteristic of the mark. So you'll always come back to how the mark is used, are the elements in that mark, whether added or subtracted from the registered mark, such that they alter the distinctive, the quality of the mark in question? So we don't have to go so far as to say, "I'm now monopolising a crocodile on its back legs," for instance. I don't have to go that far. When the consumer sees the word "crocodile" on clothes in New Zealand it links itself with the Lacoste image of the crocodile or an image with immaterial variations. That's how it works. We're not expanding the monopoly. This suggestion by my friend about penumbras and double penumbras and whatever, with all due respect, firstly, those sorts of – that language isn't traditionally used in this context.

O'REGAN J:

Well, why do you want the mark then?

MR MILES QC:

Because Crocodile International has applied to register it.

O'REGAN J:

Yes, but that's it. You've already said you didn't think that – I mean, your submissions say they can't use it because of the Fair Trading Act. So what are you achieving by having the mark apart from the penumbra of the penumbra additional protection?

MR MILES QC:

Well, let's stay with that for a second, Your Honour. Given that the definition of use is use that doesn't alter the distinctive quality, that is tantamount to saying, not tantamount, it is saying that it's the same message. That's what – that's the basis on which you can establish use. That's not altering or expanding on the majority; that's repeating the same majority. It's the same proposition. There are no penumbras or anything here. There is –

WILLIAM YOUNG J:

Well, you could have something – couldn't you have something that was, would be deceptively similar to the trade mark in suit but not so deceptively, but arguably not deceptively similar to the orthodox Lacoste marks?

MR MILES QC:

Well, I think it – well, I keep, at the risk of repeating myself, one keeps coming back. It's a slightly – it's a different test, the confusion and deception. I think it's – I don't think it helps the debate to get into –

WILLIAM YOUNG J:

But wouldn't you get bigger, more – I mean, presumably you would, Lacoste thinks they have more protection with this mark than they would without it?

MR MILES QC:

Yes, and they do so because Crocodile International seems to have the view that it is a distinctive mark and if we don't have that mark it will be entitled to come into the New Zealand market.

WILLIAM YOUNG J:

But might it not apply to people other than Crocodile International people who also want to use a crocodile mark of some sort? Might they not be more hindered by your full suite of marks, including this one, than they would by simply their Lacoste traditional marks?

MR MILES QC:

That might be the perception. I don't think though that in practice that would – sorry, in conceptually I wouldn't agree with that, Your Honour, because the whole rationale for a claim for use is that there is no distinctive difference between the two marks. So there is no expansion of any monopoly.

WILLIAM YOUNG J:

Okay.

O'REGAN J:

But doesn't that mean it's pointless, though?

MR MILES QC:

Well, no, because Crocodile International clearly has a different view. They have appealed this because they want the mark out.

GLAZEBROOK J:

But they may be wrong in that because of the difference –

MR MILES QC:

I'm sure they're wrong.

GLAZEBROOK J:

– between the non-use and the confusion so they may not be able to register the mark themselves because at that stage the survey evidence would be of importance but it might not be because the, whatever the, just to use the right term, but in any event it may not be because of the non-use test. It may just be that they can't register because it would cause confusion in the marketplace.

MR MILES QC:

And that would be a different test, of course, but Lacoste I think takes the view that it was a mark which was assigned to them by Crocodile Garments back in 2003.

GLAZEBROOK J:

I can understand they're cross.

O'REGAN J:

You just need to get nearer the microphone.

MR MILES QC:

Sorry, yes.

O'REGAN J:

Yes, thank you.

GLAZEBROOK J:

One can understand they're cross in those circumstances.

MR MILES QC:

Mmm, and certainly there is a perception that it is a mark which Crocodile International wishes to use in New Zealand, so it's a whole lot easier for Lacoste were that to happen to say, "Well, actually, we've got an identical mark," rather than then having to go to yet more expense of litigation in showing that it'd be confusingly similar. So there are pragmatic reasons why

it's important to keep that, so much as that they have applied for the same mark twice on top of this. I think one can take that as at least a clear sense that they see some advantage, not because it's expanding the monopoly but because it would make it easier to defend what Crocodile seemingly wish to do.

Could I just take you to a recent and significant judgment in England? It's just come out this year, *The London Taxi Corporation*, which is in our bundle of authorities and under tab 1. It's an unusual mark actually, this one. It's a shape mark, it's a three-dimensional mark, but that doesn't alter the principles that interest me.

The key paragraphs here are 237 and 238, although you will see that in the previous paragraph he acknowledges *Specsavers* as an authority. But at 237 His Honour said, and it's the last sentence, the question is whether that constituted use of the CTM in a form differing in elements, don't alter the distinctive character. This requires an assessment first of the distinctive character of the mark as registered, secondly of the differences and thirdly of whether the differences alter that distinctive character. Now the only difference between that and the classic *Budweiser* is that *Budweiser* combined the distinctive character, the first and the third, otherwise it's identical.

WILLIAM YOUNG J:

Well, isn't it actually pretty similar to what Mr Laurensen said?

MR MILES QC:

No, Your Honour, because what it doesn't do which is so significant is it doesn't get into the analysis of the elements that make up the distinctive character. That's exactly what it doesn't do.

GLAZEBROOK J:

But how can you work out what distinct character is without working out some of the elements? That's what I have a bit of difficulty with. Are you still going to look at it as a whole?

MR MILES QC:

Sure.

GLAZEBROOK J:

But you do need to know what the – I mean, you need to know that it's a crocodile which is an element of it and you need to know it's facing in a particular way or not or face-on or...

MR MILES QC:

Absolutely, but once you've worked out what the distinctive characteristic of it is then the elements that don't contribute to that fall away.

GLAZEBROOK J:

But that's all, I think, that Mr Laurensen is saying. You look at what are the essential or distinctive elements that make up that distinctive character and then you can ignore the rest of them and if you add something, as long as you still have the core of what you've got, if you take away the non-distinctive elements then you still have what you've got, if you add something and it doesn't take away the – it doesn't overpower, so take away, then you still have it. Isn't that all he's saying?

MR MILES QC:

No, I think it's approach that is so – he's looking at it essentially as a starting point where you analyse the elements that make up the mark in question. Now, how do you –

GLAZEBROOK J:

All right, I understand but he's analysing them, isn't he, by saying, "And what are the essential bits of that?" Isn't that all he's saying? You look at the

elements that make it up and then you work out what are the essential ones that make up the distinctive character.

MR MILES QC:

Yes but how do you determine which of those are significant and which of them are not and you don't do that to start with by analysing all the elements. The problem that you get into with our mark, which is why the Court of Appeal said that that essentially becomes a sort of numerical exercise, is if the two primary elements are identical in the sense of one just reflects the other, then you get into trouble that way. If, on the other hand, you do what Lord Walker said, you work out the differences between the two marks and then assess what the central message is, it's straightforward.

GLAZEBROOK J:

Yes, although the central message is not just the conceptual message crocodile, crocodile that includes visual and oral. Visual seems not to come within the view of the Court of Appeal in the same way. I mean, you say they're a throwaway line but in fact they seem quite essential to me to the reasoning in the sense that the reasoning – they're not throwaway lines and then another 15 paragraphs. They seem to be fairly well-essential to the reasoning to me. That's not to say that they didn't come to the right decision on your test, but there is a bit of a problem, as you accept yourself, in the way that they articulate it.

MR MILES QC:

Yes, well, what I would say is that at paragraph 14 – and I've just gone back to the judgment here – sorry, let's go back. For a start, at 7 they recognise that all of those marks are in the picture, including the word mark. They then at 8, what's the correct approach and they adopt the *Budweiser* test and note that Colin J was following well-established authority. Correct. Then they discuss Mr Laurenson's arguments and at 11. At 12 they say, well, that's – there's no point in adding a refinement to the standard two tier test and in fact today, as I understood my learned friend, he was running two variations to it,

that you had different tests depending on whether it's an omission or an addition.

Then he says at 14 that it's inconsistent with *Specsavers* and *Budweiser* and for all the reasons I've discussed with Your Honours I agree with that. And when Justice French said the absence of an element in a central one was not of itself fatal to finding of use, what I think Her Honour was talking about is that by the sort of analysis that Mr Laurensen did you could find yourself in, as they did in this trade mark, where you've got two elements, both material but both saying the same thing. So you could argue that one or other of those, if they're on their own, both are central but when added they're not adding anything and I think that's all Her Honour is saying.

Then – but that element or that proposition is explained where, at 17, “We're satisfied Collins J's articulation is correct,” then over the page on the application to the facts she sets out at 19 the differences between the two marks, and at 20, the overall impression, they're insignificant and don't alter the distinctive character of the trade mark dominated by the image of the crocodile. That's the central idea and message. Correct. And all Her Honour is saying, when it's all about the crocodile, all Her Honour is just saying is that the central message is the crocodile and that's orthodox. And then they get into the similarities at 21 and, crucially, at 22, the key element of mark 70068 is the crocodile device. It follows that the addition of the word 'crocodile' doesn't alter the central message. Closely comparable to *Gallo*. It is because the point that *Gallo* makes is that whether the mark is a word mark or a device mark doesn't matter so long as the other element in the mark is its equivalent, either its visual equivalent or its, in the case of a word, a descriptor. So – and that's the point that Her Honour is making at 24. So –

GLAZEBROOK J:

Although I don't think you'd have the other way round, would you, a footprint in the sand encompassing “barefoot”? And what say you had had the two together, the footprint in the sand and “barefoot”?

MR MILES QC:

As used?

GLAZEBROOK J:

Would you be able to use the foot separately and say, “Well, it was just a visual orientation of the word “barefoot”? You say yourself it wasn’t necessarily in any event.

MR MILES QC:

Yes, I would because the only mark registered there was “barefoot”.

GLAZEBROOK J:

No, but I’m changing the facts of it.

MR MILES QC:

I appreciate that. Quite, and if the only mark –

GLAZEBROOK J:

I don’t think vice versa would work is what I’m saying to you.

MR MILES QC:

It should do, Your Honour, conceptually. Why would it not?

GLAZEBROOK J:

So a footprint in the sand you could say I used that by using the word “barefoot”?

MR MILES QC:

Well, putting aside the actual facts, if you go to paragraph 69, which is where the theory, if you like, of the judgment is set out –

GLAZEBROOK J:

So where are we, sorry? Sorry, which?

MR MILES QC:

We were talking about *Gallo* and “barefoot”.

GLAZEBROOK J:

No, no, sorry, I thought you were taking us to it.

MR MILES QC:

No, just keep in mind –

GLAZEBROOK J:

All right.

MRMILK

– that it’s paragraph 69 which talks about the “barefoot” device being simply the pictorial image of the word. But vice versa should work as well.

GLAZEBROOK J:

I’d be surprised in that case but...

MR MILES QC:

Well, in that – yes, yes, but that’s confusing concept with fact. If they were precisely the same then why would it not work the other way? There’s no suggestion in the cases that it can’t work vice versa because the essential element is the distinctive quality of the mark. So it doesn’t matter whether the –

GLAZEBROOK J:

So if you had a crocodile you could say, “I’ve used crocodile.”

MR MILES QC:

If you had a crocodile device, you mean?

GLAZEBROOK J:

No, a word “crocodile” without having a – so if you’ve used a crocodile you could get a monopoly by saying, “I’ve used the word ‘crocodile’.” It doesn’t

matter. It's probably not – it's probably the same point we were talking about earlier.

O'REGAN J:

I think that goes contrary to what you said earlier about you were only relying on a particular form of "crocodile".

MR MILES QC:

Well, it's – and I did say that I didn't have to go that far because the monopoly that the word gives you – sorry, I'll rephrase that. If you've got a device mark and a word mark that describes it, inevitably the monopoly claimed by the word is influenced by the device. I think that you're certainly entitled to move outside the specific device. How far is probably fact-driven which is why I'm comfortable in running the arguments before Your Honour that we get home on that because there is no element in the two crocodiles that are essentially different or, put another way, the crocodile as used – that's our crocodile – has the same distinctive characteristics of the mark as registered.

GLAZEBROOK J:

I think my concern really is taking yours to the logical conclusion does potentially give a monopoly that's higher than you need to assert for this case.

MR MILES QC:

Yes, it is.

GLAZEBROOK J:

So the test becomes – just to say because they mean the same thing or they're a pictorial representation means that you're using it by using one or the other I feel somewhat uncomfortable with.

MR MILES QC:

I understand entirely of that concern, Your Honour, and while in a different set of facts I might push that argument I don't need to today. The fallback position, the more comfortable one, is that the word is influenced by the

device. But it must mean that because the word is so, has such a reputation here that when they see a crocodile, so long as it's similar and not some crazy crocodile there will be an immediate connection to the Lacoste crocodile.

GLAZEBROOK J:

I suppose I'm just not convinced about reputation taking you to that point rather than visual, oral or central message. So I'm actually not necessarily convinced by *Specsavers*, the more I think about it.

MR MILES QC:

Again I understand that and I think Lord –

GLAZEBROOK J:

I think they were influenced by the facts, which were particularly egregious.

MR MILES QC:

Quite. I think Lord Justice Kitchen shared your view until the facts finally persuaded him otherwise.

GLAZEBROOK J:

Well, until the facts enabled him to stop the egregious conduct that had actually occurred but possibly not on the right basis.

MR MILES QC:

But the beauty about the case I have to argue is it's far simpler than *Specsavers*.

GLAZEBROOK J:

Agree.

MR MILES QC:

Well ...

GLAZEBROOK J:

Because of course none of this stuff is binding on us at all.

MR MILES QC:

Of course. Given their similarity ...

GLAZEBROOK J:

I understand it's certainly highly persuasive.

WILLIAM YOUNG J:

What did you get out of the *London Taxi* case? It was a very odd case.

MR MILES QC:

Yes, but the principle that Justice Arnold adopted was essentially the *Budweiser* approach. You do not analyse the elements of the mark as registered.

WILLIAM YOUNG J:

Well, the marks were representations of a, I suppose, a 1970s or '80s idea of a London cab and the suggestion was that those trade marks were infringed by the production of a new type of London cab by a competitor that looked, well, more or less similar to the old one. So the mark was said to be infringed by, actually, the shape of the cabs.

MR MILES QC:

Sure, because it was a shaped mark, actually. It was an unusual mark. But I don't think that alters the significance of the test that His Honour adopted.

GLAZEBROOK J:

Yes, although because it was a shaped mark it's probably difficult to say there's any elements of it because the whole element of it is the shape. I mean, they were saying what's the distinctive character of it?

WILLIAM YOUNG J:

Whether the new metro cab looked like the old fairway London cab as depicted in the trade marks.

MR MILES QC:

So just, so to turn that into the section that he said he was construing, what's the essential message? What's the –

WILLIAM YOUNG J:

Why was the – because the comparisons actually tend to be between photographs of the old cab and the new cab.

MR MILES QC:

Yes, but it's still –

WILLIAM YOUNG J:

I've read it rather quickly so there must be subtleties there that have escaped me.

MR MILES QC:

But I think the – what I take from it, Your Honour, is it's essentially the same formulation as *Budweiser* and a rejection of the sorts of tests that my friend is putting forward where he says that what is key is isolating the elements of the mark as registered and then running two quite separate tests depending on whether you add or subtract elements.

GLAZEBROOK J:

I must say I wasn't terribly attracted to that in terms of it seems to be one test to me but...

MR MILES QC:

Mmm, and –

GLAZEBROOK J:

But it may be that it applies differently when you're adding and subtracting because adding is whether the additional elements change the distinctive character and subtracting is whether the taken away elements change the distinctive character so it's the same test but it might be a bit differently applied –

MR MILES QC:

I don't –

GLAZEBROOK J:

– in terms of the overall impression when you take away rather than add.

MR MILES QC:

Well, *Budweiser* had both, of course.

GLAZEBROOK J:

Yes, exactly, which – but it may be conceptually that it's a bit different to add things because you might have to add a lot more to take away the distinctive character than you take away possibly.

MR MILES QC:

Well, I don't think –

GLAZEBROOK J:

But it's an overall impression either way.

MR MILES QC:

I mean, I think Your Honour and I are largely in agreement that there's one test and certainly there's not a hint in any of these authorities that there's anything other than one test, and the reason for that is because of the anchoring back on what a trade mark is, that the consumer doesn't in fact analyse elements. It's all about the central message, and that's why we say that the, well, I've said it so often, that the two are essentially the same, and

that the absence of the word which again was one of the key arguments of my friend, he said the – let's accept that the crocodiles, he didn't say are similar, but let's accept that just for the sake of the argument, but the absence of the word meant that the distinctiveness of the mark had altered, and to which I say that cannot be the case because the message of the word is simply the description of the device, and whether it would encompass more crocodiles or not is irrelevant to that argument. What the public see when they see "crocodile", they have in mind Lacoste's crocodile. That's what the message is. So it doesn't matter that an additional word is added or subtracted so long as the word is the same message as the device. Now that's – I accept that there will always be grey areas around the edges of that but that's the basic proposition.

I'm just conscious, Your Honours, of time.

I would invite Your Honours, just on the second survey, which does deal with the mark in question, if you go to volume 6, could I just – if you go to page 752 which is the introduction to the report and you will see that the objectives of this research, and this is just half way down that page, was to look at the extent to which the public had ever seen this logo anywhere in New Zealand. Keep in mind, Your Honours, that this logo had never actually been sold in New Zealand. So the argument really was how confusing might it be, and the conclusion from the expert, which is at page 753, last paragraph, "Leading from this first premise, it is highly unlikely that any of the persons in the current survey had actually seen Lacoste use the logo in question." Not only Lacoste but Crocodile International had never used it in New Zealand. "Therefore, the conclusion is that all or at least most of the respondents who identified the Crocodile Trade Mark with Lacoste thought the image was the Lacoste Crocodile Trade Mark." In conclusion, the two marks, in the minds of the consumers, are the same or in forms which, while not identical, don't differ in material aspects. So that was the view of the expert.

And when you go to the results, out of the 300 that were interviewed 243 said, "Well, we've never seen this image in New Zealand," and rightly, because it

hadn't been shown in New Zealand. You get this at page 759. Of those who said, "Yes," there were only 66 who claimed that they'd seen it. So they were then questioned further and at page 763 the question was of those 66 who said they'd seen it, did they identify that with any particular company or brand, and over half said they did.

GLAZEBROOK J:

Sorry, where are you?

MR MILES QC:

Page 763. So that's half way down that page. That's of those who said they'd seen the logo, did they identify it with a company or a brand, and 35 out of the 66 said they had. So over 50% are saying, "We link this with a particular brand," and at page 765 those who had said, "Yes," to that, the 35, were asked at 765, "Well, which company or brand do you identify it?" and 16 out of the 35 said, "Lacoste." So something like I think it's about 46% of those who recognised it as a brand, recognised it as Lacoste. So it's entirely understandable the experts saying what comes through from that is that the consumers who recognised the logo, a significant majority, a significant number, up to 46%, recognised it as Lacoste, and what I take from that is that a very significant element of the public see no material –

O'REGAN J:

Well, hang on, you've got 16 out of 314 identified it with Lacoste. That's absolutely derisively small, isn't it?

MR MILES QC:

Well, not, Your Honour, when you take that the four-fifths of the, you know, the 240, they said they'd never seen it in New Zealand. That would be – it would be derisory if it had been distributed in New Zealand. Then it would have been derisory. The fact – that's truthful, in fact. The good news, I suppose, is that 240 said, "We've never seen this." So they're not –

O'REGAN J:

But if most of those had seen Lacoste shirts, that would be assuming they're saying, "Well, this is different from the Lacoste one which I have seen."

MR MILES QC:

Maybe.

O'REGAN J:

So isn't it against you?

MR MILES QC:

No, no, I don't think so, Your Honour, because if three-quarters are saying, "Well, we just haven't seen this," then – and that's right because it's never been in New Zealand, and I think they're – I mean, that point I made a minute ago I think is a legitimate one that typically you have that sort of comment, if it's been shown in New Zealand, if only 16 out of 300 have seen a –

GLAZEBROOK J:

But isn't the point that the people who did say they'd seen it can't have done? So they thought they'd seen it and thought it presumably because they'd seen the Lacoste one and mixed it up.

MR MILES QC:

Mhm.

GLAZEBROOK J:

But only 16 of them did that and the rest, as Justice O'Regan said, said they hadn't seen it, so they must have thought it was different from the Lacoste one.

MR MILES QC:

Well, that's – yes, but that's not quite the same, though, as saying that there's no material difference. It's simply saying, "We haven't actually seen that before."

GLAZEBROOK J:

Well, to be honest, I don't think the surveys do much at all for anybody, but...

MR MILES QC:

Well, I must say that's a view that seemed to permeate through the Courts. They haven't much, I must say.

GLAZEBROOK J:

I mean, they may do in terms of confusion. There's no doubt they do assist there, because you are actually finding out what consumers actually think but –

MR MILES QC:

Well, I think if it's –

GLAZEBROOK J:

– rather than what the Courts think consumers might think which is probably not the same thing at all.

MR MILES QC:

I think if it focuses on the proposition that those who actually thought about it as a brand that they might have seen, over half thought it was Lacoste, and I think it's for that reason that Fougere, when he gave his evidence, in that conclusion gave that result.

Your Honours, could I just talk briefly about the discretionary issue? My friend took you through section 66 and suggested that there were indications there that the residual discretion at 66(1) was never intended to be a discretion. What I would invite Your Honours to do is if you go through section 66 and a myriad of other sections in the Trade Marks Act you will see that the use of "must" and "may" is very careful. It's not indiscriminate. It's quite deliberate every time, and if you just stay with section 66 you get the residual discretion at (1), registration of trade mark be revoked. Then at (2), "However, despite subsection (1), a trade mark may not be revoked for its non-use if its non-use

is due to special circumstances,” so you’ve still got a discretion there which is entirely consistent with the discretion at 66(1), but under (3), at (3) and (4) they use “must”. A registration of a trade mark must not be revoked if the use has started after the expiry of the three-year period but before the application for revocation is made.

ARNOLD J:

But it seems to me very odd to interpret subsection (2) as conferring a discretion when you’re told you may not do something. Isn’t that mandatory? And so (2) and (3) don’t really seem to me to be different in this respect.

MR MILES QC:

Well, I think that – I mean, I take Your Honour’s point. I suppose you could say, “Mustn’t be revoked if it’s due to special circumstances.”

ARNOLD J:

Doesn’t affect your argument that 66 says –

MR MILES QC:

No, no, I know, but –

ARNOLD J:

– (1) says “may” but for myself I don’t find it convincing that –

MR MILES QC:

I think though what I would suggest is that Parliament was saying, well, even if there were special circumstances there may be – they may be so unmeritorious that nevertheless they will be revoked. There is –

WILLIAM YOUNG J:

More likely it suggests that the drafting proceeded on the basis that “may” means “must” because if you look at (2) and (3), subsections (2) and (3), they would have the same effect if the other word was used.

MR MILES QC:

They are dealing there with quite different sets of circumstances.

WILLIAM YOUNG J:

If you cross out “may” in section 66(2) and put in “must” it means the same thing. It’s the same in relation to 66(3), isn’t it, and vice versa?

MR MILES QC:

Well, they are different because what (3) is saying even if you haven’t used it in the three years beforehand but nevertheless you managed to use it before the other side is actually applied, then you’re okay and it mustn’t be revoked in those circumstances. On the other hand, special circumstances which, by the way, Your Honour, typically used to be invoked for war, for instance, or a change in the law.

WILLIAM YOUNG J:

It’s evaluative, I suppose, and one might see why the word “may” might.

MR MILES QC:

Quite.

O’REGAN J:

But if a Judge said, “I think there are special circumstances but I’m still going to revoke,” they would definitely be found to be not applying this section, wouldn’t they?

MR MILES QC:

I haven’t thought through circumstances where they might be a case –

O’REGAN J:

I mean, it would be unlikely a Judge would do that but I mean that’s the point, that if a Judge finds special circumstances there isn’t then a choice, is there, to still revoke anyway.

MR MILES QC:

Sure but the special circumstances have been prescribed and they, for instance, I ran that argument in *Cure Kids* and the special circumstances I said was the appalling campaign against AIDS and where he went completely psychotic. The Judge would have held, I think, that that was the case except the delay had gone for about 12 or 13 years, so that wasn't enough. In *Manhaas Industries (2000) Limited v Fresha International (Export) Limited* [2012] NZHC 1815, (2012) 96 IPR 560, Justice Collins declined special circumstances because it was just a trading problem. That's not enough, although he accepted there was a discretion. The importance of *Cure Kids*, though, is that Justice Moore considered the issue seriously. It was argued seriously, and His Honour held that the Australian position which under the old Act was very similar to ours. It had the word "may" and the key Australian jurisprudence which my learned friend has mentioned. The importance – and I do invite Your Honours to have a look at that case because Justice Kitto spent a great deal of time analysing the English equivalent which also used the word "may" and the English, up until the EEC, had the same approach as Justice Moore and the Australians. There was a discretion they held. If you have a look at that part of Justice Kitto's judgment, he talks about an earlier edition and a number of English authorities, all of which said there is a residual discretion there. Even where you've got this slightly odd provision of the special circumstances and the other factors, it convinced Justice Neuberger to go the other way. What changed? His Honour in his judgment noted that – it was Directive 12, I think – which said it is mandatory. His Honour then said, well, with considerable diffidence, because there's no compelling argument either way, I'm coming down on the side of no discretion. But the fact that altered the position of all the previous English authorities which I'm not sure he mentions, actually, is the new requirements of the EEC. What is also interesting is if you go to the last page of that judgment he says, "Well, in the event that I'm wrong," and you got a distinct sense that that was improbable, but he said, "Well, just in the event I'm wrong," because there, you know, it is a perfectly legitimate argument, "and were I permitted to use my discretion," he then set out the same set of circumstances which Justice Falconer in the *Hermes* case in the '70s did,

accepting there was a discretion, the same set of circumstances that Justice Moore said exercising the discretion and, crucially, the Australian judgments, of which there are a number and they are all in our submissions, but what is interesting is that while the Act changed in, what was it, 2005 or whatever it was, and they slightly – they firmed up, if you like, not on the discretion because they always had the discretion, but they said the discretion as well will be used if the goods are the same or similar and, you know, there are a couple of phrases along those lines, but when you go to all the judgments none of the Judges have actually considered that that prescribed the discretion.

The most interesting judgment, and it's in the submissions here, is a judgment in the *Austin, Nichols & Co v Lodestar Anstalt* [2011] FCA 39. This is on my footnote at 173. The Judge at first instance on *Austin, Nichols* at – and we've given you the paragraph numbers, he picks up on a judgment of Justice Bennett who in turn followed the *Ritz* and what she said was there's no prescription, the discretion is a total discretion, there's no special circumstances or exceptional circumstances. It's a discretion as wide as is necessary, and one of her particular points was that in circumstances where there is a risk of future confusion then that is a factor that can be taken into account when exercising the discretion. So when you're looking at the – and so –

GLAZEBROOK J:

Well, was that our law before and when we did have a discretion?

MR MILES QC:

There's virtually no...

GLAZEBROOK J:

And was that the English law when they did have a discretion? It's just that the submission was this is the Australian law, it's gone down a different path with a very wide discretion. But that's not – that wasn't the English or the

New Zealand position when there undoubtedly was a discretion. What do you say to that?

MR MILES QC:

There's so little jurisprudence in New Zealand that –

GLAZEBROOK J:

Well, what about the British position then?

MR MILES QC:

I'm fairly confident that when Justice Kitto in *Carl Zeiss Stiftung's Trade Mark* [1970] RPC 139 (HCA) said there is a discretion and it's an unfettered discretion, and that is certainly what Justice McLelland in the *Ritz* case said a few years after that, and you'll find that those cases are still cited as seminal cases even though –

GLAZEBROOK J:

Do they say unfettered but exceptional? That's what we were told.

MR MILES QC:

No, no, they reject that. They say it's unfettered and they list the factors that can be taken into account and two of the crucial factors, which incidentally was also a factor in Justice Collins in the *Manhaas* decision where they said if you've got a legitimate purpose in maintaining the mark and you're not unfairly blocking another potential competitor and that's a valid factor to be taken into account, secondly, if by removing it you then permit a rival to come in where there's a likelihood of confusion, that's a factor, and what my friend said in his written submissions I think as well that's for the future. But it isn't for the future. We do have this mark and it is an entirely legitimate exercise of a discretion that the likely result of it being removed is that a competitor coming in with a mark that is confusingly similar will be permitted, if you like, to come in and confuse the public, and several of the Australian cases really emphasise that point.

And we say we've never abandoned it. We have, on the contrary, we have applied twice since having that mark assigned to us to have the same mark registered, which is clear evidence of continuing intention to wish to have the mark, and that plus the inevitable confusion, we say, are powerful reasons why a discretion should be exercised in our favour in the event you get that far.

ELLEN FRANCE J:

In the *Friskies* case doesn't Justice Ronald Young say confusion's not a factor to be considered in that context? Doesn't he say you deal with that if you get to passing off, it's not a basis for –

MR MILES QC:

He could've. I must say I tended to rather concentrate on that element of his judgment where he said it could only come in under exceptional circumstances. But that's a perfectly reasonable proposition but again I think it's evaluative and if it is probable that the confusion is going to happen then what Justice Bennett said citing the *Ritz* is that why wait, why, why when you have a discretion should you remove a mark when it is likely that there will be someone coming in and using a mark that's confusingly similar. So it's not enough, I think, just to say, "Well, hey, let's leave that," because that in a way is disclaiming the responsibility. If it is genuinely doubtful if it is, yes, if it's genuinely doubtful then I could understand that proposition but we would say we're significantly ahead on that.

Well, Your Honours, I've – there's so much more one can say but I hope I've covered all the key areas.

WILLIAM YOUNG J:

Does that – shall we just go on with the reply? Are you happy to do that?

GLAZEBROOK J:

Mmm.

ARNOLD J:

Yes.

WILLIAM YOUNG J:

Okay, thank you, Mr Miles. Right, Mr Laurenson.

MR LAURENSEN QC:

There's only one point of reply and that's on the discretion.

WILLIAM YOUNG J:

Okay, well, right.

MR LAURENSEN QC:

It's on the discretion issue which Mr Arthur will do.

WILLIAM YOUNG J:

Okay.

MR ARTHUR:

Your Honours, it just arises from the *Carl Zeiss* judgment that my friend, Mr Miles, just referred you to and I just wanted to reference it. It's at tab 28 of our second volume, and I think my friend said that this judgment led to an unfettered discretion but that doesn't seem to be the case in my reading of the judgment. It's at page 142, the top half of that page. Justice Kitto reviews in some detail the English position and he refers to the decision of Lord Evershed in the *J Lyons & Coy Ltd's Application (Hostess)* [1959] RPC 120 (CA) judgment, which is also in our bundle, where Lord Evershed used the very words, "Exceptional circumstances may arise." That's at line 11.

GLAZEBROOK J:

Sorry, I think I'm on the wrong page.

MR ARTHUR:

Sorry, page 142.

GLAZEBROOK J:

Thank you.

MR ARTHUR:

Okay. The top half of that page Justice Kitto's reviewing the English authorities and he specifically refers to the *Lyons* decision at line 11, which is the English authority, that there have to be exceptional circumstances to refuse the application for revocation, and that's the same as the decision of Justice Ronald Young in *Friskies*. He came up with that exceptional circumstances test as well. And Justice Kitto doesn't really go on to say what he thinks the test in Australia would be except over on page 146, "It has been urged upon me that no deception of any," this is at the top of the page, "no deception of any particular purchaser has been proved, and that there is no practical interest to the public to be served by removing the mark from the register. This seems to me to put the matter the wrong way round. The Stiftung's omission to use the mark for the statutory period entitles the applicant to have the mark removed from the register unless sufficient reason appears for leaving it there," and in my submission, in the context of this case sufficient reason would be exceptional circumstances, so I don't think it's an unfettered discretion that Justice Kitto is envisaging there.

And that's all I wanted to say in reply except to remind Your Honour's that in Australia under the 1995 Act there is an express statutory discretion, a broad discretion, so the post-1995 authorities aren't very persuasive.

WILLIAM YOUNG J:

Thank you, Mr Arthur.

MR ARTHUR:

Your Honours.

WILLIAM YOUNG J:

We'll take time to consider our judgment and deliver it in writing in due course.

COURT ADJOURNS: 4.06 PM