

**IN THE COURT OF APPEAL OF NEW ZEALAND**

**I TE KŌTI PĪRA O AOTEAROA**

**CA459/2023  
[2025] NZCA 650**

**BETWEEN**

**ZURU NEW ZEALAND LIMITED  
First Appellant**

**ZURU TOYS NEW ZEALAND LIMITED  
Second Appellant**

**ZURU INC  
Third Appellant**

**AND**

**LEGO HOLDING A/S  
First Respondent**

**LEGO A/S  
Second Respondent**

**Hearing:** 30–31 October 2024

**Court:** Ellis, Cooke and Palmer JJ

**Counsel:** J G Miles KC and J W J Graham and T F Cleary for Appellants  
A R Galbraith KC, K T Glover and J Oliver-Hood for  
Respondents

**Judgment:** 10 December 2025 at 11.00 am

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**JUDGMENT OF THE COURT**

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**A Zuru’s appeal is allowed.**

**B We make a declaration that the use of the word “Lego” in Zuru’s original compatibility statement did not infringe the registered trade mark LEGO.**

**C Lego’s cross-appeal is dismissed.**

**D Zuru is entitled to band A costs for a standard appeal. We certify for second counsel.**

## REASONS

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### ELLIS AND PALMER JJ

(Given by Ellis J)

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[1] The respondents/cross-appellants (collectively, Lego) have been a leading manufacturer of plastic toy building bricks, baseplates and figurines since the late 1940s, although the Lego name originated several years before that. The LEGO brand has achieved prominence through the quality of its products but also by establishing strong marketing and distribution networks throughout the world. Lego's relationships with its distributors mean that Lego's products are displayed in prominent locations within stores. Lego's logo and packaging are also universally recognised. Although the patents and copyright Lego once held on its basic brick and baseplate products have long since expired, the registered trade mark LEGO remains.

[2] The appellants/cross-respondents (collectively, Zuru) are New Zealand based companies who began marketing their own plastic toy building bricks and related products under their own trade mark MAX BUILD MORE in late 2018. By its own admission, Zuru's business aims and ethos are those of a "disrupter".

[3] It is not disputed that Zuru's plastic toy brick products are compatible for use with Lego's products. Zuru wishes to be able to tell consumers this. To that end, Zuru

initially included on the packaging of its products sold in New Zealand what has been called a “compatibility statement”: “LEGO® BRICK COMPATIBLE”:<sup>1</sup>



[4] It will be observed that these compatibility statements do contain the word mark “LEGO” but do not use the well-known LEGO logo, which looks like this:



[5] Lego took immediate exception to the reference to “LEGO” in the above compatibility statements and, in January 2019, Zuru then replaced them with a statement advising that its products were “COMPATIBLE WITH MAJOR BRANDS”.

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<sup>1</sup> This is referred to as the “original compatibility statement”.

[6] Two years later, on 7 May 2021, Zuru sought Lego’s consent to its proposed use of three variations of its original compatibility statement, all of which used the word “LEGO” (but in different sized font and various formats). Lego’s response was the same as before.

[7] This prompted Zuru to file High Court proceedings later in May 2021, seeking declarations that the use of compatibility statements that refer to the LEGO trade mark does not constitute infringement under the Trade Marks Act 2002 (the TMA02), breach the Fair Trading Act 1986 (FTA) or amount to passing off.

[8] As well as opposing the declaratory relief sought by Zuru, Lego counterclaimed, saying the original compatibility statement did infringe Lego’s trade mark (and any use of the proposed compatibility statements would also infringe), and that these uses of the LEGO mark would also breach the FTA and amount to passing off. Lego sought injunctive relief, but not damages for past infringement.

### **The decision in the High Court**

[9] In the High Court, Lang J found that the original compatibility statements constituted infringing use as a trade mark under s 89 of the TMA02.<sup>2</sup> He held Zuru could not claim the benefit of the specific statutory defences of comparative advertising (s 94) or use indicating the quality or purpose of the goods (s 95) because its use had not been in accordance with honest practices.<sup>3</sup> He did not, however, consider that the compatibility statements constituted passing off or were false, confusing or liable to mislead the public into thinking that Zuru’s products were made or otherwise endorsed by Lego.<sup>4</sup> He therefore dismissed Lego’s counterclaims.<sup>5</sup> The Judge declined to make declarations about whether possible future compatibility statements infringed on the grounds that such declarations would be inappropriately advisory and uncertain.<sup>6</sup>

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<sup>2</sup> *Zuru New Zealand Ltd v Lego Juris A/S* [2023] NZHC 1808, (2023) 173 IPR 146 [judgment under appeal] at [103]–[108].

<sup>3</sup> At [133], [155]–[156], [163] and [176].

<sup>4</sup> At [220], [224] and [228].

<sup>5</sup> We propose to address the relevant parts of the High Court judgment in more detail as and when the need arises.

<sup>6</sup> Judgment under appeal, above n 2, at [39]–[44].

[10] Zuru appeals the finding of trade mark infringement and the refusal to grant declaratory relief. As well as saying the High Court was right on those matters, Lego supports the judgment on other grounds and cross-appeals the rejection of its claims for passing off and for breach of s 9 of the FTA.<sup>7</sup>

### **Use as a trade mark: a legal narrative**

[11] The core infringement provision in the TMA02 is s 89, which relevantly provides:

**89      Infringement where identical or similar sign used in course of trade**

- (1) A person infringes a registered trade mark if the person does not have the right to use the registered trade mark and uses in the course of trade a sign—
  - (a) identical with the registered trade mark in relation to any goods or services in respect of which the trade mark is registered; or
  - (b) identical with the registered trade mark in relation to any goods or services that are similar to any goods or services in respect of which the trade mark is registered, if that use would be likely to deceive or confuse; or
  - (c) similar to the registered trade mark in relation to any goods or services that are identical with or similar to any goods or services in respect of which the trade mark is registered, if that use would be likely to deceive or confuse; or
  - (d) identical with or similar to the registered trade mark in relation to any goods or services that are not similar to the goods or services in respect of which the trade mark is registered where the trade mark is well known in New Zealand and the use of the sign takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the mark.
- (2) Subsection (1) applies only if the sign is used in such a manner as to render the use of the sign as likely to be taken as being use as a trade mark.
- (3) Sections 92 to 98 override this section.

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<sup>7</sup> Lego did not pursue the allegations of breach of ss 10, 13 and 16 of the Fair Trading Act 1986 [FTA] on appeal.

[12] There is no dispute that the use by Zuru of the Lego mark on its original compatibility statement constitutes prima facie “double identity” infringement under s 89(1)(a): Zuru used, in the course of trade, a sign identical to the LEGO sign in relation to the same goods as those in respect of which the LEGO trade mark is registered. Whether or not deception and confusion is likely to ensue is irrelevant under s 89(1)(a).<sup>8</sup>

[13] Nor, however, is there a dispute that s 89(1) must be read together with (and subject to) s 89(2); there will be no infringement if the LEGO sign is not used in a manner where it is likely to be taken as use “as a trade mark”. But the meaning and ambit of s 89(2), and its relationship with the more specific “defence” provisions referred to in s 89(3) are very much contested. As well as relying on s 89(2), Zuru calls in aid two of these specific defence provisions: comparative advertising under s 94 and use indicating the quality or purpose of the goods under s 95. Because that contest is in large part a function of the rather vexed legislative history of s 89(2) itself, it is useful to consider that, along with the associated decided cases, first.

[14] Aspects of this narrative were reviewed forty years ago by this Court in *Villa Maria Wines Ltd v Montana Wines Ltd*.<sup>9</sup> Some of what follows is therefore based on that analysis. But there have been relevant developments since then, including, most notably, the enactment of the TMA02 itself.

*The Trade Marks Act 1905 (UK) and the Patents, Designs, and Trade-marks Act 1911 (NZ)*

[15] We take as our starting point the Trade Marks Act 1905 (UK) (the 1905 UK Act).<sup>10</sup> Section 39 of that Act stated that the registration of a trade mark gave the proprietor “the exclusive right to the use of such trade mark”. A few years later,

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<sup>8</sup> The presumption that confusion or deception will arise in such a case reflects art 16(1) of the Agreement on Trade-Related aspects of Intellectual Property Rights, see: Marrakesh Agreement establishing the World Trade Organization (with final act, annexes and protocol) 1869 UNTS 3 (opened for signature 15 April 1994, entered into force 1 January 1995), annex 1C (Agreement on Trade-Related Aspects of Intellectual Property Rights). On the analysis we prefer, this presumption is rebuttable, by dint of s 89(2).

<sup>9</sup> *Villa Maria Wines Ltd v Montana Wines Ltd* [1984] 2 NZLR 422 (CA) at 425–430.

<sup>10</sup> The *Villa Maria* chronology starts a little earlier (addressing previous trade mark legislation) but it is unnecessary for our purposes to go back beyond the 20th century as the older statutes add nothing to the relevant analysis.

this provision was mirrored in New Zealand in the Patents, Designs, and Trade-marks Act 1911 (the 1911 Act). These statutes contained materially identical definitions of “mark” and “trade-mark”:<sup>11</sup>

“Mark” includes a device, brand, heading, label, ticket, name, signature, word, letter, numeral, or any combination thereof:

...

“Trade-mark” means a mark used or proposed to be used upon or in connection with goods for the purpose of indicating that they are the goods of the proprietor of that trade-mark by virtue of manufacture, selection, certification, dealing with, or offering for sale:

[16] “Trade-mark[s]” therefore formed a subset of “Mark[s]”, differentiated by their stated use and purpose: use for the purpose of indicating that the goods on which the mark is displayed are the goods of the proprietor of the trade mark.

[17] Like s 39 of the 1905 UK Act, s 92 of the 1911 Act provided that the valid registration of a person as the proprietor of a trade mark shall “give to that person the exclusive right to the use of that trade-mark upon or in connection with the goods in respect of which it is registered”.

[18] The 1911 Act was repealed and replaced by the Patents, Designs, and Trade-marks Act 1921-22 (the 1921 Act). In the case of trade marks, the 1921 Act repeated much that was in the 1911 Act but also incorporated the changes in trade mark law brought about by the Trade Marks Act 1919 (UK) in the United Kingdom. In particular, the trade mark register was divided into Parts A and B.<sup>12</sup> Part A comprised all marks registered at the commencement of the Act, as well as distinctive marks (marks adapted to distinguish the goods of the proprietor of the mark from those of other persons) registered after its commencement. The registered proprietor of a mark in Part A continued to have the exclusive right to the use of the registered trade mark upon or in connection with the goods in respect of which it was registered.<sup>13</sup>

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<sup>11</sup> Patents, Designs, and Trade-marks Act 1911, s 2 definitions of “Mark” and “Trade-mark”.

<sup>12</sup> Patents, Designs, and Trade-marks Act 1921–22, s 68.

<sup>13</sup> Section 104.



But any action for infringement of a trade mark entered in Part B could not result in injunctive or other relief if the defendant could establish that:<sup>14</sup>

... the user of which the plaintiff complains is not calculated to deceive or to lead to the belief that the goods the subject of such user were goods manufactured, selected, certified, dealt with, or offered for sale by the proprietor of the trade-mark.

*Yeast-Vite (1934)*

[19] None of these early statutes contained an express infringement provision.<sup>15</sup> Rather, infringement was determined by the courts, by reference to the nature of the exclusive right: by asking whether a defendant had used the plaintiff's mark "as a trade mark".<sup>16</sup> That was the focus of the 1934 decision of the House of Lords in *Irving's Yeast-Vite Ltd v F A Horsenail (trading as The Herbal Dispensary)*.<sup>17</sup>

[20] In that case, the appellant was the manufacturer of a yeast tablet, trade marked as YEAST-VITE. The respondent sold a similar product, which bore the label "YEAST TABLETS *a substitute for* YEAST-VITE". In upholding the lower Courts' decisions, the House of Lords held that the respondent was not "using" the YEAST-VITE trade mark in the relevant sense (as a trade mark) because it was not used for the purpose of indicating the origin of *its own* goods. Their Lordships expressly rejected Yeast-Vite's arguments that:<sup>18</sup>

... Section 39 of the [1905 UK Act] confers an exclusive right to the use of the trade mark upon or in connexion with the goods in respect of which it is registered, and that therefore, where the trade mark is a word, that word cannot be used by anyone else upon or in connexion with such goods even though the use is in a phrase or sentence intended to indicate that the goods are not goods originating with the owner of the registered mark.

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<sup>14</sup> Section 82.

<sup>15</sup> They did, however, provide that any bona fide use by a person of his own name or place of business or that of any of his predecessors in business, or the use by any person of any bona fide description of the character or quality of his goods was not an infringement.

<sup>16</sup> See for example *Edward Young & Co Ltd v Grierson Oldham & Co Ltd* (1924) 41 RPC 548 (CA) at 577.

<sup>17</sup> *Irving's Yeast-Vite Ltd v Horsenail (trading as The Herbal Dispensary)* (1934) 51 RPC 110 (HL).

<sup>18</sup> At 115.

[21] Rather, their Lordships said:<sup>19</sup>

The phrase “the exclusive right to the use of such trade mark” carries ... the implication of use of the mark for the purpose of indicating in relation to the goods upon or in connection with which the use takes place, the origin of such goods in the user of the mark by virtue of the matters indicated in the definition of “trade mark” contained in Section 3.

[22] That the core function of a trade mark is to act as a badge of origin in this way had previously been accepted by this Court in *Kemphorne, Prosser, & Co v Kiwi Polish Co* (a case under the 1911 Act).<sup>20</sup>

*The expansion of the exclusive right of user*

[23] Shortly after *Yeast-Vite* was decided, however, the United Kingdom Departmental Committee on the Law and Practice relating to Trade Marks (known as the Goschen Committee) proposed amendments to the United Kingdom legislation, including an amendment designed to reverse the effect of the decision in *Yeast-Vite*. The Goschen Committee’s report stated:<sup>21</sup>

184. Another proposal made to us was that the reference ... to “the exclusive right to the use of the mark upon or in connexion with the goods” should be amended to make clear that this exclusive right *includes the right to prevent the use of the mark in relation to goods of the kind in question by any other person, whether as a trade mark or in any other manner*.

[24] After referring to the decision in *Yeast-Vite*, the Committee noted:<sup>22</sup>

It was contended that this interpretation of the Section is liable unfairly to prejudice the proprietor of a trade mark in that the use of his mark upon or in connection with goods of the same description by another person, *even in such circumstances that it does not mislead as to the trade origin of the goods, enables that other person to exploit the goodwill in the mark, and that the result may be to injure the reputation of the mark*.

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<sup>19</sup> At 116. Their Lordships also rejected *Yeast-Vite*’s argument that the express inclusion of certain defences to a claim of infringement in the Trade Marks Act 1905 (UK) meant that the concept of use (and the associated trade mark protection) should properly have a less expansive reach.

<sup>20</sup> *Kemphorne, Prosser, & Co v Kiwi Polish Co* [1925] NZLR 26 (CA) at 65 per Sim J, affirming *Re Powell’s Trade-mark* [1893] 2 Ch 388 (CA); and referred to in *Villa Maria Wines Ltd v Montana Wines Ltd*, above n 9, at 427.

<sup>21</sup> Board of Trade *Report of the Departmental Committee on the Law and Practice Relating to Trade Marks* (Cmd 4568, 1934) (emphasis added).

<sup>22</sup> Emphasis added.

[25] The Committee agreed with that contention and recommended an amendment to the law so that a trade mark would be deemed to be infringed by unauthorised use of a mark on or in relation to goods in respect of which such mark was registered (not being the goods of the registered proprietor), regardless of whether that use was likely to lead to the belief that there is a connection in the course of trade between those goods and the registered proprietor of the mark.<sup>23</sup>

[26] This, along with other recommendations made by the Goschen Committee, took legislative form in the Trade Marks (Amendment) Act 1938 (UK). New Zealand soon followed suit, by way of the Patents, Designs, and Trade-marks Amendment Act 1939. The exclusive right of use conferred on a registered Part A trade mark was thereby expanded.

[27] The United Kingdom then replaced its 1905 UK Act entirely with the Trade Marks Act 1938 (UK) (the 1938 UK Act), which New Zealand eventually matched with the enactment of the Trade Marks Act 1953 (the TMA53). Again, there were marked similarities between the United Kingdom and the New Zealand statutes.

[28] Section 2 of the TMA53 (and ss 9 and 10 of the 1938 UK Act) continued to define “Trade mark” by reference to its badge of origin function, relevantly as follows:

“Trade mark” means ... a mark used or proposed to be used in relation to goods for the purpose of indicating, or so as to indicate, a connection in the course of trade between the goods and some person having the right either as a proprietor or as registered user to use the mark, whether with or without any indication of the identity of that person, ...

[29] The change recommended by the Goschen Committee was reflected in a new provision dealing with infringing “use”: s 4 in the 1938 UK Act and s 8 of the TMA53, which only applied to trade marks registered under Part A.<sup>24</sup> In general and presently relevant terms, s 8(1) provided that the exclusive right conferred by the valid

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<sup>23</sup> The Committee thought there should, however, be an exception for “the *bona fide* use of a mark by third parties for the purpose of describing such things as refills, accessories or spare parts specially adapted for use in or with goods of the registered proprietor or a registered user”.

<sup>24</sup> Section 8 was materially identical to s 4 of the Trade Marks Act 1938 (UK).

registration of a Part A trade mark was *deemed to be* infringed by the use of an identical or deceptively similar trade mark.<sup>25</sup>

... in relation to any goods in respect of which it is registered, and in such manner as to render the use of the mark likely to be taken either—

- (a) As being use as a trade mark; or
- (b) In a case in which the use is use upon the goods or in physical relation thereto or in an advertising circular or other advertisement issued to the public, as importing a reference to some person having the right either as proprietor or as registered user to use the trade mark or to goods with which such a person as aforesaid is connected in the course of trade.

[30] Self-evidently, and as most of the subsequent authorities confirmed, it was para (b) and the concept of “importing a reference” that was intended legislatively to override the *Yeast-Vite* decision.<sup>26</sup>

[31] It has often been observed that s 8(1)(b) (and its United Kingdom parent) was unhappily worded. In an often-quoted passage from an older edition of *Kerly’s Law of Trade Marks and Trade Names*, the authors said:<sup>27</sup>

In order to overrule one previous decision, some hundreds of additional words have been added to the simple reference to “exclusive right,” thus producing ... a provision of inordinate length and “fuliginous obscurity”.

[32] Nor was the underlying policy the subject of universal acclamation. For example in *Bismag Ltd v Amblins (Chemists) Ltd*, the Master of the Rolls, Sir Wilfrid Greene, expressed dismay at the “radical alteration” of the law effected by the new legislation, but observed:<sup>28</sup>

I do not find it useful to consider how such a remarkable piece of legislation can have eluded the vigilance of Parliament.

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<sup>25</sup> Trade Marks Act 1953, s 8.

<sup>26</sup> Section 8(3) and (4) contained some limited exceptions to the s 8(1) rule, including where the use was:

... [i]n relation to goods adapted to form part of, or to be accessory to, other goods in relation to which the trade mark has been used without infringement ... if the use of the mark is reasonably necessary in order to indicate that the goods are so adapted and neither the purpose nor the effect of the use of the mark is to indicate otherwise than in accordance with the fact a connection in the course of trade between any person and the goods.

<sup>27</sup> TA Blanco White and Robin Jacob *Kerly’s Law of Trade Marks and Trade Names* (10th ed, Sweet & Maxwell, London, 1972) at 276 (footnotes omitted).

<sup>28</sup> *Bismag Ltd v Amblins (Chemists) Ltd* [1940] Ch 667 (CA) at 677–678 per Sir Wilfrid Greene MR.

[33] The meaning and reach of the new provisions were considered on a number of occasions in both the United Kingdom and New Zealand, including in *Bismag* itself, to which we return later. The key New Zealand authorities are *Villa Maria Wines Ltd v Montana Wines Ltd*, *PC Direct Ltd v Best Buy Ltd* and *Mainland Products Ltd v Bonlac Foods (NZ) Ltd*.<sup>29</sup> We interrupt the legislative narrative from time to time so that each may be considered chronologically.

*Villa Maria (1984)*

[34] *Villa Maria* concerned comparative advertising. The wine-makers Villa Maria ran an advertising campaign which included an image of a bottle of Villa Maria wine and a bottle of Montana wine (made by a competitor, Montana Wines), claiming that Villa Maria wine was of equal quality. In the High Court, injunctive orders were made against Villa Maria for infringement of the Montana trade mark.<sup>30</sup>

[35] On appeal, this Court acknowledged the earlier decisions in which the parameters of infringement were dictated by reference to the orthodox function of a trade mark and noted that, had the law remained as it was at the time of *Yeast-Vite*, Villa Maria's use would not have been infringing.<sup>31</sup> Given the change in the law, and referring to *Bismag*, however, the Court concluded that s 8(1)(b) of the TMA53 now meant that the advertisements used the Montana trade mark in a manner that was likely to be taken as "importing a reference to" those goods — and so constituted infringement. Villa Maria had referred to Montana's goods in order to get a benefit from Montana's reputation.

[36] Ultimately, however, the Court allowed Villa Maria's appeal. The Montana mark was a "Part B" trade mark and the bar to relief contained in s 9(2) of the TMA53 was potentially available.<sup>32</sup> Because there were no indicia of trade connection, the Court found the burden under that provision was discharged.<sup>33</sup>

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<sup>29</sup> *Villa Maria Wines Ltd v Montana Wines Ltd*, above n 9; *PC Direct Ltd v Best Buy Ltd* [1997] 2 NZLR 723 (HC); and *Mainland Products Ltd v Bonlac Foods (NZ) Ltd* [1998] 3 NZLR 341 (CA).

<sup>30</sup> *Montana Wines Ltd v Villa Maria Wines Ltd* (1984) 2 IPR 203 (HC).

<sup>31</sup> *Villa Maria Wines Ltd v Montana Wines Ltd*, above n 9, at 427.

<sup>32</sup> Section 9(2) was in materially identical terms to s 82 of the Patents, Designs, and Trade-marks Act 1921–22 which is set out at [18] above.

<sup>33</sup> *Villa Maria Wines Ltd v Montana Wines Ltd*, above n 9, at 432.

*The Trade Marks Amendment Act 1994*

[37] In 1994, the TMA53 was amended, in part to implement aspects of the Trade-Related aspects of Intellectual Property Rights Agreement (TRIPS Agreement). For present purposes it suffices to note that any reference to “purpose” was removed from the definition of trade mark, and the infringement provision in s 8 was reenacted in restructured form as follows:<sup>34</sup>

(1A) Without limiting subsection (1) of this section, the right conferred by that subsection shall be deemed to be infringed by any person who, not being the proprietor of the trade mark or a registered user of it using by way of the permitted use, uses in the course of trade—

- (a) A sign identical with it in relation to any goods or services in respect of which the trade mark is registered; or
- (b) A sign identical with it in relation to any goods or services that are similar to any goods or services in respect of which the trade mark is registered, if such use would be likely to deceive or cause confusion; or
- (c) A sign similar to it in relation to any goods or services that are identical with or similar to any goods or services in respect of which the trade mark is registered, if such use would be likely to deceive or cause confusion,—

and in such manner as to render the use of the sign likely to be taken—

- (d) As being use as a trade mark; or
- (e) In a case in which the use is use upon goods or in physical relation to goods or in an advertising circular or other advertisement issued to the public relating to goods, as importing a reference to some person having the right either as proprietor or as registered user to use the trade mark or to goods with which such a person is connected in the course of trade; or
- (f) In a case in which the use is in relation to services or in an advertising circular or other advertisement issued to the public relating to services, as importing a reference to some person having the right either as proprietor or as registered user to use the trade mark or to services with which such a person is connected in the course of trade.

[38] It is paras (a), (d) and (e) of subs (1A) that are presently most relevant.

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<sup>34</sup> Section 8(1) had already, by s 5 of the Trade Marks Amendment Act 1987, been divided into two sections — ss 8(1) (right of exclusive use for Part A marks) and 8(1A) (infringement).

*PC Direct (1997)*

[39] *PC Direct* was also a comparative advertising case. PC Direct held a registered Part B trade mark: PC DIRECT. Best Buy ran an advertisement that referred to PC Direct by name and made disparaging comments about its products. PC Direct claimed the advertisement infringed its trade mark and sought to enjoin Best Buy's use prior to trial. The injunction application came before Elias J, who observed:<sup>35</sup>

The present application for interlocutory injunction, if successful, would effectively prevent comparative advertising because identification of PC Direct by name would be stopped. This rather startling fetter upon free speech is said by the plaintiff to be compelled by [the] proper construction of ss 8 and 9 of the [TMA53].

[40] Ultimately, however, the Judge considered herself bound to find that Best Buy's comparative advertisement did infringe. Best Buy had used PC Direct's trade mark "in relation to any goods or services in respect of which the trade mark was registered" (s 8(1A)(a)) and — in light of the decisions in *Villa Maria* and *Bismag* — "in such manner as to render the use of the sign likely to be taken" as importing a reference to "goods with which [the proprietor] was connected in the course of trade" (s 8(1A)(e)).<sup>36</sup> And after reviewing other recent legislative changes, Elias J also concluded that s 9 was unavailable to protect Best Buy.

[41] Nonetheless, the Judge concluded that overall justice did not favour the grant of injunctive relief to PC Direct. Not only did the Judge consider there was no likelihood of confusion caused by the advertisement, but also, and more fundamentally, she said:<sup>37</sup>

... in this case I am concerned in particular that the public interest in both effective competition and free speech is affected. Because of the coincidence of the plaintiff's name with its trade mark, identification of its products for comparative purposes by a competitor is virtually impossible. The plaintiff is protected from misstatements by the common law and by the Fair Trading Act 1986. If at the end of the day infringement of its trade mark is established then it will have a remedy in damages or a basis upon which to seek permanent injunctive relief after more full consideration than it has been possible for me to give to the matter. In considering the question of interim relief, I am concerned not to cut across the rights to freedom of speech and to receive information protected by s 14 of the New Zealand Bill of Rights Act 1990. ...

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<sup>35</sup> *PC Direct Ltd v Best Buy Ltd*, above n 29, at 726.

<sup>36</sup> At 728.

<sup>37</sup> At 733.

*Mainland (1998)*

[42] *Mainland* was not a case of comparative advertising. Rather, it concerned the prominent use by the defendant (Bonlac) of the word “Vintage” (along with its own trade mark) on the packaging of its cheese, in circumstances where a rival cheese producer, Mainland, had registered VINTAGE as a trade mark. The issue at first instance was whether the defendant’s use of this word would be taken as use of or importing a reference to Mainland’s trade mark, or whether it was merely a bona fide description of the character of the cheese. The High Court had found (among other things) no trade mark infringement.<sup>38</sup>

[43] On appeal, however, this Court focused on “use as a trade mark” under s 8(1A)(d) and, in particular, whether the word “Vintage” had been used by Bonlac in this way, or simply descriptively — to indicate that its cheese had been “matured”. The Court noted that “Vintage” is a common word, the original meaning of which (as a noun) was the yield of grapes or wine from a vineyard or district in a single season.<sup>39</sup> Over time that meaning had expanded to refer to the age or year of a particular wine and, by metaphorical usage, it had come to be applied more widely: to refer to a time when something was produced suggesting enduring interest, importance or quality (for example, vintage cars). The Court went on:<sup>40</sup>

Of course, once the suggestion is made it is a simple matter to draw upon the connotations of age and quality conveyed in other contexts by the word and apply them to characteristics of cheese or any other product. That does not mean that the word is a normal description of cheese or of any characteristics or attributes of cheese. Rather it is a skilful allusion conjuring up laudatory notions by association with fine wine to which the word is normally applied: compare “Rocket” for golf balls or “Tornado” for fans. Vintage tells us something about the attributes such as taste of a Cheddar cheese only by drawing upon our knowledge of what the word tells us about wine. But it no more describes the character or quality of cheese than it does of chocolate or ball-bearings.

[44] In reaching a different view from the High Court on this point, the Court said:<sup>41</sup>

... we have no difficulty in concluding that the word “Vintage” though it may suggest quality or attributes of cheese, was not in its normal meaning a

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<sup>38</sup> *Mainland Products Ltd v Bonlac Foods (NZ) Ltd* (1996) 37 IPR 655 (HC).

<sup>39</sup> *Mainland Products Ltd v Bonlac Foods (NZ) Ltd*, above n 29, at 346.

<sup>40</sup> At 346.

<sup>41</sup> At 347.



description of any characteristic or quality of cheese when Bonlac commenced to use that word on its cheese in New Zealand.

[45] The Court therefore concluded that the use of the word “Vintage” by Bonlac was use of Mainland’s trade mark under what had become s 8(1A)(d) of the TMA53, because it was not likely to be taken as merely descriptive in that way. The Court said:<sup>42</sup>

... for trade mark purposes it is necessary to take into consideration all likely circumstances of trade. That will include implementation of purchasing decisions made other than at the time of selection from product displays. The trade mark proprietor is entitled to postulate situations where persons knowing of the trade mark (perhaps recalling it imperfectly) were looking for VINTAGE cheese, or where persons are shopping from lists, for others or on recommendation. Accordingly, in the case of commonplace, relatively low-cost items such as blocks of cheese it is too narrow a view to have regard only to selection by a purchaser fully informed of the significance of words in labelling of products other than the one purchased. We are satisfied that a substantial number of shoppers encountering the Bonlac product would not be conditioned by the use of the other descriptive words similarly located on other of the Bonlac products to attribute descriptive significance to the word “Vintage”.

[46] The Court concluded:<sup>43</sup>

The view we have formed is that the appearance as a prominent visual feature on the top and side panels of the label of the word “Vintage” highlighted within a distinctive oval would be taken by at least a substantial number of prospective buyers of cheese as a means for distinguishing the particular cheese from the equivalent types of cheese supplied by others as opposed to a mere description of the cheese or its attributes. ...

It is not difficult to envisage use of the word “Vintage” on a cheese wrapper in a purely descriptive sense. An obvious example mentioned during the hearing is the incorporation of a statement such as “The perfect complement to vintage wine”. That is the kind of usage contemplated by the statutory exclusion from infringement of the exclusive right to use a word trade mark. While care must be taken not to extend unduly the ambit of protection of registered marks which are known words with meanings suggestive of relevant goods or services, care also must be taken to prevent erosion of the distinctiveness of a good trade mark by competitors with strategic motives claiming descriptive use. ...

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<sup>42</sup> At 348–349.

<sup>43</sup> At 351.

For the reasons given we find the defences do not avail Bonlac in this case. The use of the word “Vintage” on its cheese wrappers is likely to be taken as use as a trade mark and not as a bona fide description of the character or quality of its cheese. Having reached that view it is unnecessary to deal with s 8(1A)(b) deeming use of a mark as likely to be taken as “importing a reference”.

[47] In other words, based on the evidence and viewed in its factual context at the time, the way in which the sign VINTAGE had been displayed on Bonlac’s packaging was “use as a trade mark” in the orthodox sense, because it was likely to be seen as suggesting the trade source of Bonlac’s own cheese.<sup>44</sup>

### *Legislative developments in the United Kingdom*

[48] In 1994, the United Kingdom repealed the 1938 UK Act and replaced it with the Trade Marks Act 1994 (the 1994 UK Act). One of the express purposes of the Act was to align the law in the United Kingdom with European law and, more particularly, “to make new provision for registered trade marks, implementing Council Directive No. 89/104/EEC of 21st December 1988 to approximate the laws of the Member States relating to trade marks”.<sup>45</sup> The infringement provision in the 1994 UK Act was (and is) s 10, which no longer contained an “importing a reference” form of infringement. The core provisions were subss (1) to (3):

- (1) A person infringes a registered trade mark if he uses in the course of trade a sign which is identical with the trade mark in relation to goods or services which are identical with those for which it is registered.
- (2) A person infringes a registered trade mark if he uses in the course of trade a sign where because—
  - (a) the sign is identical with the trade mark and is used in relation to goods or services similar to those for which the trade mark is registered, or
  - (b) the sign is similar to the trade mark and is used in relation to goods or services identical with or similar to those for which the trade mark is registered,

there exists a likelihood of confusion on the part of the public, which includes the likelihood of association with the trade mark.

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<sup>44</sup> Presumably, had the Court been required to consider the point, it would have found infringement in terms of “importing a reference” under s 8(1A)(e), as well.

<sup>45</sup> Trade Marks Act 1994 (UK), preamble.

(3) A person infringes a registered trade mark if he uses in the course of trade a sign which—

- (a) is identical with or similar to the trade mark, and
- (b) is used in relation to goods or services which are not similar to those for which the trade mark is registered,

where the trade mark has a reputation in the United Kingdom and the use of the sign, being without due cause, takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the trade mark.

[49] Subsection (4) dealt with ways in which a sign can be used in a practical or factual sense (by affixing it to goods and so on). Subsection (5) dealt with party liability. Subsection (6) — which was later repealed by the Trade Marks Regulations 2018 (UK) — assumes some relevance in the present case. It provided:

(6) Nothing in the preceding provisions of this section shall be construed as preventing the use of a registered trade mark by any person for the purpose of identifying goods or services as those of the proprietor or a licensee.

But any such use otherwise than in accordance with honest practices in industrial or commercial matters shall be treated as infringing the registered trade mark if the use without due cause takes unfair advantage of, or is detrimental to, the distinctive character or repute of the trade mark.

[50] It seems clear that s 10(6) was primarily directed at comparative advertising, and reflected the by then prevailing view that permitting such advertising was important, in terms of enhancing consumer knowledge, promoting consumer choice and encouraging fair competition. During the passage of the 1994 UK Act through the House of Lords, Lord Strathclyde said:<sup>46</sup>

The government have been persuaded that there is no harm in comparative advertising ... provided that it makes fair use of a registered mark for the purpose of informing the public. As foreshadowed in the White Paper, the Bill seeks to chart a middle course; allowing comparative advertising but providing safeguards for the owner of a registered trade mark.

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<sup>46</sup> As quoted in *Barclays Bank plc v RBS Advanta* [1996] RPC 307 (Ch) at 312–313.

[51] Whether infringement under s 10(2) implicitly required that a sign be used “as” a trade mark and so represented a return to the *Yeast-Vite* position or whether it was intended to create “a new type of monopoly not related to the proprietor’s trade but in the trade mark itself”, akin to “a quasi-copyright in the mark” of no fixed duration,<sup>47</sup> proved to be a matter of some controversy. The developing jurisprudence of the Court of Justice of the European Union (CJEU),<sup>48</sup> led to the House of Lords expressing differing views about that in *R v Johnstone*.<sup>49</sup>

[52] The issue arose specifically in a comparative advertising context in *O2 Holdings Ltd v Hutchison 3G Ltd* when, in 2006, the Court of Appeal of England and Wales referred the following question to the CJEU:<sup>50</sup>

Where a defendant in the course of trade uses a sign in a context purely for the purpose of comparing the merits (including price) of his goods or services with those of the trade mark owner and in such a way that it cannot be suggested that the essential function of the trade mark to guarantee the trade mark as an indication of origin is in any way jeopardised, can his use fall within either (a) or (b) of Art.5.1 of Directive 89/104?

[53] In essence, the question posed was whether comparative advertising that referred to a competitor’s trade mark, but did not use it as a badge of origin, would constitute *prima facie* infringement under art 5.1 of the Directive (or s 10(2) of the

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<sup>47</sup> By way of example only, see *Wagamama Ltd v City Centre Restaurants plc* [1995] FSR 713 (Ch) at 730–731.

<sup>48</sup> See, for example, the ongoing difference of opinion between Laddie J in the High Court of England and Wales and the European courts in the *Arsenal* litigation: *Arsenal Football Club plc v Reed* [2001] RPC 46 (Ch); Case C-206/01 *Arsenal Football Club plc v Reed* [2002] ECR I-10273 [*Arsenal* CJEU decision]; *Arsenal Football Club plc v Reed* [2002] EWHC 2695 (Ch), [2003] 1 All ER 137; and *Arsenal Football Club plc v Reed* [2003] EWCA Civ 696, [2003] 3 All ER 865. The conflict in these and other cases was entertainingly canvassed by Lord Hoffmann in his 2009 lecture entitled “The Function of a Trade Mark: Hugh Laddie and the European Court of Justice”, published in Robin Jacob (ed) *The Sir Hugh Laddie Lectures: The First Ten Years* (Intersentia, Cambridge, 2019).

<sup>49</sup> *R v Johnstone* [2003] UKHL 28, [2003] 1 WLR 1736. In that case, Lord Nicholls was of the *Yeast-Vite* view that infringement required use *as* a trade mark, namely as a badge of origin. Lord Walker said that, as a result of *Arsenal* CJEU decision, above n 48, the law was in a “state of disarray” but was inclined to a wider (European) view. Lords Hutton, Rodger and Hope each expressed agreement with both Lord Nicholls and Lord Walker.

<sup>50</sup> *O2 Holdings Ltd v Hutchison 3G Ltd* [2006] EWCA Civ 1656, [2007] RPC 16 at [32].

1994 UK Act)<sup>51</sup> or whether the question of infringement could only be determined by reference to the specific comparative advertising defence contained in European Comparative Advertising Directive (CAD) (or in s 10(6) of the 1994 UK Act).

[54] In making the reference, Jacob LJ (speaking for the Court) expressed his own view on this question:<sup>52</sup>

[33] In case it would be of assistance to the court, I offer my view. I think the answer is “No”. I say this principally because it accords with the key function of trade marks—as repeatedly identified by the Court. The defendant is in no way using the mark to indicate the trade origin of his goods or services, not even that he is dealing in those of the trade mark owner. There is simply no reasonable need for trade mark law to cover this kind of use. If the comparative advertising is unfair, derogatory or otherwise fails to comply with all the conditions of the CAD, there are independent mechanisms for dealing with it. That is what the CAD requires. They come into play whether or not the “victim” of the advertising has a registered mark. There is no need for the law of registered trade marks to get involved with any of this.

[34] I also see no good reason to say that the consideration ... is limited to a comparison between the defendant’s sign with the registered mark. Indeed the very Article clearly calls for an examination of the context of the use—you have to consider how the defendant is using the sign complained of to answer the basic question of whether he is using it “in the course of trade.” So it is particularly artificial then to go on to try to isolate the sign of which complaint is made devoid from the context of its use. Nor am I impressed by the fact that the same test applies at the registration stage. For then any notional fair use of the mark applied for must be considered, whether it has in fact been used at all.

[35] I go little into the case law because this question is fundamental and can best be answered by an application of first principles. There is indeed a real danger if one does go into a welter of cases that one loses sight of such principles. European trade mark law is in danger of becoming a forest of case law where everyone loses their way.

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<sup>51</sup> Article 5.1 provided:

The registered trade mark shall confer on the proprietor exclusive rights therein. The proprietor shall be entitled to prevent all third parties not having his consent from using in the course of trade:

(a) any sign which is identical with the trade mark in relation to goods or services which are identical with those for which the trade mark is registered;

(b) any sign where, because of its identity with, or similarity to, the trade mark and the identity or similarity of the goods or services covered by the trade mark and the sign, there exists a likelihood of confusion on the part of the public, which includes the likelihood of association between the sign and the trade mark.

<sup>52</sup> *O2 Holdings Ltd v Hutchison 3G Ltd*, above n 50.

[55] The Judge noted the varying international views about comparative advertising, saying:<sup>53</sup>

[41] Different national commercial cultures in the past took different views as to the allowability of comparative advertising. Some, such as Germany, took the view that practically all forms of comparative advertising, even if true, were unfair competition—the notion was that the newcomer should not “piggyback” on the established reputation of another. Others took the view that, provided it was true, comparative advertising was all right—legitimate competition. It did enable the newcomer to “piggyback” a known brand, but the interests of consumers, competition, and a free market allowed this. Such is the basic UK common law position. There was a statutory qualification introduced in 1938 for “Part A” registered marks ... but the provision concerned, s.4 of the [1938 UK Act], has of course now gone.

[56] In the CJEU’s subsequent response to the question set out at [52] above, the CJEU agreed with the view expressed by the Court of Appeal.<sup>54</sup>

[57] But any agreement between the United Kingdom courts and the CJEU was not the norm. In a string of other references, the European Court rejected the orthodox *Yeast-Vite* approach and held that trade marks now had expanded functions: the protection of communication, investment and advertising. As a result, the state of the law in the United Kingdom became what Jacob LJ elsewhere called a “pickle”,<sup>55</sup> and a “muzzle” on lawful competitive activity, which restricted a defendant’s right to free speech and impaired consumers’ right to receive information about competing goods.<sup>56</sup>

My own strong predilection, free from the opinion of the ECJ, would be to hold that trade mark law did not prevent traders from making honest statements about their products where those products are themselves lawful.

[58] And more specifically, in terms of Europe’s expansion of the functions of a trade mark, Jacob LJ said:<sup>57</sup>

I am bound to say that I have real difficulty with these functions when divorced from the origin function. There is nothing in the legislation about them. Conceptually they are vague and ill-defined. Take for instance the

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<sup>53</sup> Citation omitted.

<sup>54</sup> Case C-533/06 *O2 Holdings (UK) Ltd v Hutchison 3G UK Ltd* [2008] ECR I-4231. The Court’s analysis was confined to analysis of art 5.1(b) because the sign used was not identical to the trade mark.

<sup>55</sup> *Boehringer Ingelheim KG v Swingward Ltd* [2004] EWCA Civ 129, [2004] 3 CMLR 42 at [79].

<sup>56</sup> *L’Oréal SA v Bellure NV (No 2)* [2010] EWCA Civ 535, [2010] RPC 23 at [7] and [8].

<sup>57</sup> At [30] (citation omitted).

advertising and investment functions.<sup>58</sup> Trade mark owners of famous marks will have spent a lot of money creating them and need to continue to spend to maintain them. But all advertisements for rival products will impinge on the owner's efforts and affect the advertising and investment function of the brand in question. No-one would say such jostling for fame and image in the market should be stopped. Similarly all comparative advertising ... is likely to affect the value of the trade mark owner's investment.

[59] Jacob LJ also observed that, in light of the CAD, s 10(6) (the domestic comparative advertising defence) was a "pointless provision" and an "unnecessary distraction" with nothing to add.<sup>59</sup>

### *Legislative developments in Singapore*

[60] In 1998, Singapore passed the Trade Marks Act 1998 (SG) (the 1998 Singapore Act). The 1998 Singapore Act was based on the 1994 UK Act, but freed from the dictates of the European Directive. It too did not include infringement based on "importing a reference" and did contain a specific defence for comparative advertising.<sup>60</sup> The core infringement provisions are found in s 27(1) to (4) of the 1998 Singapore Act which substantially replicated s 10(1) to (4) of the 1994 UK Act. Acts not amounting to infringement are dealt with separately, in s 28, as follows:

#### **28 Acts not amounting to infringement**

- (1) Despite section 27, a person does not infringe a registered trade mark when —
  - (a) the person uses —
    - (i) the person's name or the name of the person's place of business; or

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<sup>58</sup> These functions are complex and interrelated. The advertising function protects against third party use that adversely affects the proprietor's use of its mark as a factor in sales promotion or as an instrument of commercial strategy (see Case C-236/08 *Google France SARL v Louis Vuitton Malletier SA* [2010] ECR I-2417). The investment function protects use by its proprietor to acquire or preserve a reputation capable of attracting consumers and retaining their loyalty (see Case C-323/09 *Interflora Inc v Marks and Spencer plc* [2011] ECR I-8625).

<sup>59</sup> *O2 Holdings Ltd v Hutchison 3G Ltd*, above n 50, at [58]. His recommendation that s 10(6) be repealed was eventually acted on in 2018, when s 10(6) was replaced with an amended s 10(4), which simply provides that use of a sign either in comparative advertising contrary to the Business Protection from Misleading Marketing Regulations 2008 (UK), or as a trade or company name, are specific uses capable of constituting an infringement. Those regulations implemented Directive 2006/114/EC, concerning misleading and comparative advertising.

<sup>60</sup> Section 45 of the previous Singaporean trade mark statute (the Trade Marks Act 1938 (SG)) had also provided for deemed infringement by "importing a reference".

- (ii) the name of the person's predecessor in business or the name of the person's predecessor's place of business;
- (b) the person uses a sign to indicate —
  - (i) the kind, quality, quantity, intended purpose, value, geographical origin or other characteristic of goods or services; or
  - (ii) the time of production of goods or of the rendering of services; or
- (c) the person uses the trade mark to indicate the intended purpose of goods (in particular as accessories or spare parts) or services,

and such use is in accordance with honest practices in industrial or commercial matters.

- (2) Despite section 27, a person does not infringe a registered trade mark by using an unregistered trade mark that is identical with or similar to the registered trade mark in relation to goods or services identical with or similar to those for which the trade mark is registered if the person, or the person and the person's predecessor in title, have continuously used in the course of trade the unregistered trade mark in relation to those goods or services from a time before —

- (a) the date of registration of the registered trade mark; or
- (b) the date the proprietor of the registered trade mark, or a predecessor in title, or a person who was a registered user of the trade mark under the repealed Act, first used the trade mark,

whichever is the earlier.

- (3) Despite section 27, a registered trade mark is not infringed by the use of another registered trade mark in relation to goods or services for which the latter is registered.

...

[61] As first enacted, s 28(4) replicated the comparative advertising defence contained in s 10(6) of the 1994 UK Act. This was, however, replaced in 2004 with a provision modelled on the American legislation, which exempts from liability any



“fair use” of a famous mark in connection with advertising or promotion that permits consumers to compare goods or services.<sup>61</sup> Subsection (4) now relevantly provides:

- (4) Despite section 27, a person who uses a registered trade mark does not infringe the trade mark if such use —
  - (a) constitutes fair use in comparative commercial advertising or promotion;

...

[62] The author of the leading Singaporean trade mark text *Law of Trade Marks and Passing Off in Singapore* has noted the confusion arising in the United Kingdom as a result of the decisions of the CJEU in which the function of trade mark protection has been extended “beyond the ‘guarantee’ function of indicating the trade origin of goods and services”.<sup>62</sup> The author suggests that the CJEU approach may constitute a violation of obligations under the TRIPS Agreement and is (in any event) “anything but clear”.<sup>63</sup> The author has doubted that the European approach will have any influence on Singaporean law which is squarely focused on the protection of the origin function of a trade mark:<sup>64</sup>

[2.033] Thankfully, these developments have not reached our shores. There are grounds for optimism that they will not do so. In the first place, the developments in the EU were heavily influenced by the overriding policy, as reflected in the preamble of the EC Directive, to assure freedom of movement of goods and services in the EU by approximating the trade mark laws of the member states. Such a policy, which is decidedly not universalist, does not concern us in Singapore. Second, it has been said that the protection of the communication, investment and advertising functions of a trade mark stems from the “property-based” approach to protecting trade marks. The purpose of this approach is to protect the efforts and investment made by the trade mark proprietor and the independent value and goodwill of the trade mark. It differs from the “confusion-based” approach, which protects the origin function of a trade mark with a view to preventing consumer confusion. As will be shortly mentioned, our law is firmly founded on the latter approach. Third, any extension beyond the “confusion-based” approach could create a new type of monopoly that could be likened to a quasi-copyright in the trade mark. Such a monopoly, could also be indefinite as, unlike the statutory copyright term, there is no restriction on renewing each term of trade mark

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<sup>61</sup> Trademark Act of 1946 (Lanham Act) 15 USC § 1125. The amendment was a consequence of the United States-Singapore Free Trade Agreement, signed in May 2003.

<sup>62</sup> Tan Tee Jim *Law of Trade Marks in Singapore* (4th ed, Sweet & Maxwell, Singapore, 2021) at [2.018]. The decision in *L’Oréal SA v Bellure NV (No 2)*, above n 56, is specifically mentioned in this context.

<sup>63</sup> Jim, above n 62, at [2.032].

<sup>64</sup> Footnotes omitted.

registration, and it would be a true monopoly effective against copyist and non-copyist alike.

[2.034] Our courts have on a number of occasions indicated its marked unwillingness to veer from the “confusion-based” approach. They were concerned with the danger of creating a monopoly; which extends the protection of a trade mark “beyond what is necessary and fairly required”. As the late Lai Kew Chai J observed in *The Polo/Lauren Co LP v Shop in Department Store Pte Ltd*:

The protection that the law offers to a registered proprietor of a trade mark is wide but it is not infinite. The ambit of that protection should be guided by the underlying aim of a trade marks regime, which is to ensure that consumers do not confuse the trade source of one product with another.

[63] Jim goes on to note other cases in which the Singaporean courts (including the Court of Appeal) have largely reached similar conclusions, observing that the refusal to follow the CJEU in its expansive approach to trade mark function:<sup>65</sup>

... is commendable, as it not only has the virtue of providing certainty, clarity and coherence concerning the scope of trade mark protection in Singapore but also avoids the thicket of difficulties and doubts that beset much of CJEU jurisprudence concerning the functions of a trade mark. Any attempt to extend the functions would require an informed appraisal of a range of considerations, supported by empirical evidence and expert advice concerning the practical significance of striking the balance between the competing public and private interests which may be affected. Such a task is largely a matter for the legislature.

#### *The Trade Marks Act 2002*

[64] Back in New Zealand, the TMA53 was also eventually repealed and replaced. As the Supreme Court later noted, the TMA53 was seen as no longer fit for purpose.<sup>66</sup> The TMA02 was expressly modelled on the 1998 Singapore Act and the 1994 UK Act but, as in Singapore, freed from any purpose of implementing the European Directive.

[65] As in the United Kingdom and Singaporean legislation, the TMA02 also abandoned the distinction between Part A and Part B trade marks.

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<sup>65</sup> At [2.039] (footnote omitted).

<sup>66</sup> *Crocodile International Pte Ltd v Lacoste* [2017] NZSC 14, [2017] 1 NZLR 679 at [6], citing Ministry of Commerce *Review of Industrial Property Rights – Patents, Trade Marks and Designs: Possible Options for Reform* (July 1990); and Ministry of Commerce *Reform of the Trade Marks Act 1953: Proposed Recommendations* (December 1991).

[66] Section 5 of the TMA02 relevantly defines a trade mark as:<sup>67</sup>

... any sign capable of—

- (i) being represented graphically; and
- (ii) distinguishing the goods or services of one person from those of another person; ...

[67] Section 7 inclusively defines what is meant by “use *of* trade mark” in a practical sense, again with no reference to purpose.<sup>68</sup>

[68] As noted earlier, infringement is dealt with in s 89, the relevant parts of which we repeat them here for convenience:

**89 Infringement where identical or similar sign used in course of trade**

- (1) A person infringes a registered trade mark if the person does not have the right to use the registered trade mark and uses in the course of trade a sign—
  - (a) identical with the registered trade mark in relation to any goods or services in respect of which the trade mark is registered; or
  - ...
- (2) Subsection (1) applies only if the sign is used in such a manner as to render the use of the sign as likely to be taken as being use as a trade mark.
- (3) Sections 92 to 98 override this section.

[69] It will be observed that s 89(2) makes it more explicit than the equivalent United Kingdom or Singapore provisions that there will be no infringement under s 89(1) if there is no use *as* a trade mark.<sup>69</sup>

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<sup>67</sup> Trade Marks Act 2002, s 5 definition of trade mark, para (a).

<sup>68</sup> Emphasis added.

<sup>69</sup> During the select committee process, the original wording of s 89(2) was amended. It was changed from applying “only if the use of the sign is likely to be taken as being use of the registered trade mark” to “only if the sign is used in such a manner as to render the use of the sign as likely to be taken as being use as a trade mark”. The select committee considered that this was to ensure “the scope of infringement right currently provided under s 8(1A)(d) of the current Act is carried over into the bill”. The terms of s 89(2) are, accordingly, materially identical to the terms of s 8(1A)(d).

[70] As s 89(3) suggests, and consistent with the Singaporean approach, prima facie infringement can be “overridden” by the further specific exceptions contained in ss 92 to 98 under the heading “Acts not amounting to infringement”. The two exceptions or defences that are presently material are ss 94 and 95.

[71] Section 94 has no equivalent in the TMA53 but is very similar to the former s 10(6) of the 1994 UK Act and the former s 28(4) of the 1998 Singapore Act:

**94 No infringement for comparative advertising of registered trade mark**

A registered trade mark is not infringed by the use of the registered trade mark for the purposes of comparative advertising, but any such use otherwise than in accordance with honest practices in industrial or commercial matters must be treated as infringing the registered trade mark if the use, without due cause, takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the trade mark.

[72] By contrast, s 95 is, in effect, an expansion of s 12 of the TMA53, based on s 28(1) of the 1998 Singapore Act and s 11 of the 1994 UK Act:

**95 No infringement for honest practices**

A person does not infringe a registered trade mark if, in accordance with honest practices in industrial or commercial matters, the person uses—

- (a) the person’s name or the name of the person’s place of business; or
- (b) the name of the person’s predecessor in business or the name of the person’s predecessor’s place of business; or
- (c) a sign to indicate—
  - (i) the kind, quality, quantity, intended purpose, value, ... or other characteristic of goods ... or
  - (ii) the time of production of goods or of the rendering of services; or
- (d) the trade mark where reasonably necessary to indicate the intended purpose of the goods (in particular as accessories or spare parts) or services.

[73] We will address these two specific defences in more detail, later.

[74] Since 2002, there have been only two decisions of this Court that relevantly deal directly with the new infringement provisions: *Mitre 10 (New Zealand) Limited v Benchmark Building Supplies Ltd* and *Tasman Insulation New Zealand Ltd v Knauf Insulation Ltd*.<sup>70</sup> It is useful briefly to address each of them in turn.

*Mitre 10 (2003)*

[75] In *Mitre 10*, the defendant (Benchmark) placed advertising brochures produced by Mitre 10 outside its own shops with stickers over Mitre 10's prices showing Benchmark's (lower) prices for the same products. At first instance, the Judge granted Mitre 10 an interim injunction, holding that this constituted infringement of Mitre 10's trade marks.

[76] Although the Mitre 10 proceedings had begun (and so continued) under the TMA53, on appeal, Mitre 10 conceded that if the comparative advertising defence contained in s 94 of the TMA02 would apply in the future, there should be no injunction. It was for that reason that the Court expressly did not consider the possible application or ambit of s 89(2), other than to record that counsel for the appellant had been "inclined to accept" that, absent the application of the specific s 94 defence, "infringement may occur under s 89".<sup>71</sup>

[77] Having therefore accepted that the altered brochure constituted comparative advertising in terms of s 94, the Court was then required to consider the honest practices proviso. In that context, the Court made approving reference to the decision of the England and Wales High Court in *Cable & Wireless plc v British Telecommunications plc*, which concerned the operation of the former s 10(6) of the

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<sup>70</sup> *Mitre 10 (New Zealand) Ltd v Benchmark Building Supplies Ltd* [2004] 1 NZLR 26 (CA); and *Tasman Insulation New Zealand Ltd v Knauf Insulation Ltd* [2015] NZCA 602, [2016] 3 NZLR 145 [Tasman CA]. *Geneva Marketing (1998) Ltd v Johnson & Johnson* [2009] NZCA 591 also dealt with infringement under s 89(1) but was focused on deception and confusion under subs (c).

<sup>71</sup> *Mitre 10 (New Zealand) Ltd v Benchmark Building Supplies Ltd*, above n 70, at [20].

1994 UK Act to comparative advertising of a very similar kind.<sup>72</sup> In that case, Jacob J had adopted a summary of principles drawn from some previous cases.<sup>73</sup>

(1) The primary objective of section 10(6) of the 1996 Act is to permit comparative advertising ...

(2) As long as the use of a competitor's mark is honest, there is nothing wrong in telling the public of the relative merits of competing goods or services and using registered trade marks to identify them ...

(3) The onus is on the registered proprietor to show that the factors indicated in the proviso to section 10(6) exists ...

(4) There will be no trade mark infringement unless the use of the registered mark is not in accordance with honest practices ...

(5) The test is objective: would a reasonable reader be likely to say, upon being given the full facts, that the advertisement is not honest? ...

(6) Statutory or industry agreed codes of conduct are not a helpful guide as to whether an advertisement is honest for the purposes of section 10(6). Honesty has to be gauged against what is reasonably to be expected by the relevant public of advertisements for the goods or services in issue ...

(7) It should be borne in mind that the general public are used to the ways of advertisers and expects hyperbole ...

(8) The 1994 Act does not impose on the courts an obligation to try and enforce through the back door of trade mark legislation a more puritanical standard than the general public would expect from advertising copy ...

(9) An advertisement which is significantly misleading is not honest for the purposes of section 10(6) ...

...

(10) The advertisement must be considered as a whole ...

(11) As a purpose of the 1994 Act is positively to permit comparative advertising, the court should not hold words used in the advertisement to be seriously misleading for interlocutory purposes unless on a fair reading of them in their context and against the background of the advertisement as a whole they can really be said to justify that description;

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<sup>72</sup> At [56], referring to *Cable & Wireless plc v British Telecommunications plc* [1998] FSR 383 (Ch). While referring to the *Cable & Wireless* decision as "helpful", the Court in *Mitre 10* also noted that it might in future "be necessary to review the scope of this limit on comparative advertising". It will also be observed that in *Cable & Wireless* (which was an interlocutory decision) the Judge did not turn his mind to (as he later did in the *O2* decision discussed at [52] to [56] above) whether there was no need to consider the comparative advertising defence at all in the event that there had been no "use as a trade mark".

<sup>73</sup> *Cable & Wireless plc v British Telecommunications plc*, above n 72, at 389–390 (citations omitted).

(12) A minute textual examination is not something upon which the reasonable reader of an advertisement would embark;

(13) The court should therefore not encourage a microscopic approach to the construction of a comparative advertisement on a motion for interlocutory relief.

[78] The Court in *Mitre 10* concluded that Benchmark's use of Mitre 10's trade marks did not take unfair advantage of, and was not detrimental to the distinctive character of the marks.<sup>74</sup> Rather, the use depended for its effectiveness on the public perceiving the marks as distinctive of the plaintiffs and took no more unfair advantage than more conventional forms of comparative advertising. Benchmark's open and obvious comparisons could not be seen as inconsistent with honest commercial practice. There was therefore no arguable case of trade mark infringement that would warrant an injunction.

#### *Tasman (2015)*

[79] *Tasman* was a case about descriptive or nominative use, rather than use in comparative advertising.

[80] Tasman was the registered proprietor of the registered trade mark PINK BATTS. A company associated with Knauf (the first respondent) arranged for the importation of Earthwool insulation. The term "BATT" and words "batt" and "batts" were used on the label of the product as well as elsewhere on the packaging and website. They were said by Knauf to be nominative words, describing a piece of fibrous/glass insulation, at least in countries other than New Zealand.

#### High Court

[81] Knauf conceded that, but for the operation of s 89(2), infringement under s 89(1) would be established. The High Court found (with one exception, relating to use in a HTML code) that Knauf's use of the mark in various contexts had not been "as a trade mark" under s 89(2) and so, was not infringing. In reaching this finding, the Judge expressed his agreement with Asher J's statement in *Intercity Group (NZ) Ltd v Nakedbus NZ Ltd* (which, in turn, coincided with the Australian approach

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<sup>74</sup> *Mitre 10 (New Zealand) Ltd v Benchmark Building Supplies Ltd*, above n 70, at [54].

discussed later) that s 89(2) operated as a “gateway” provision which was required to be considered before considering infringement under s 89(1) and so before consideration of the specific defences.<sup>75</sup>

[82] The Judge’s conclusion that the use of the word “Batt” in the HTML code constituted infringing use *as* a trade mark necessarily negated Tasman’s argument that applying the “gateway” approach would, in all cases, render s 95 otiose. It remained necessary to consider the s 95 “honest practices” defence in relation to the HTML code.<sup>76</sup> And in case he was wrong in his other conclusions (namely that the other uses were not infringing under s 89(1) and (2)) the Judge also considered the potential application of the s 95 defence more widely. He held that Knauf would not have been able to rely on the honest practices defence for any of the alleged infringements because its use of “batt” or “batts” did not fall within the words of s 95(c)(i). But the Judge further said that if he was wrong about that, then the honest practices defence would have been made out by Knauf in relation to all the uses, other than for the use of the word “Batt” in the HTML code. That was because, in that instance, the purpose of the infringing use was to direct internet users searching for that word to the respondent’s website.

[83] In the course of considering the honest practices defence, the Judge referred to the more recent decision of the England and Wales High Court in *Samuel Smith Old Brewery (Tadcaster) v Lee (t/a Cropton Brewery)*, noting it was a case on the equivalent of s 95(c) (art 6(1)(b)).<sup>77</sup> In that case, Arnold J had summarised the principles as follows:<sup>78</sup>

[114] First, the requirement to act in accordance with honest practices in industrial or commercial matters “constitutes in substance the expression of a duty to act fairly in relation to the legitimate interests of the trade mark proprietor”: ...

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<sup>75</sup> *Tasman Insulation New Zealand Ltd v Knauf Insulation Ltd* [2014] NZHC 960, (2014) 108 IPR 162 [Tasman HC] at [178]–[179], referring to *Intercity Group (NZ) Ltd v Nakedbus NZ Ltd* [2014] NZHC 124, [2014] 3 NZLR 177 at [65]; and *Global Brand Marketing Inc v YD Pty Ltd* [2008] FCA 605, (2008) 76 IPR 161 at [49].

<sup>76</sup> *Tasman HC*, above n 75, at [244].

<sup>77</sup> At [246], citing *Samuel Smith Old Brewery (Tadcaster) v Lee (t/a Cropton Brewery)* [2011] EWHC 1879 (Ch), [2012] FSR 7.

<sup>78</sup> *Samuel Smith Old Brewery (Tadcaster) v Lee (t/a Cropton Brewery)*, above n 77 (citations omitted).



[115] Secondly, the Court should “carry out an overall assessment of all the relevant circumstances”, and in particular should assess whether the defendant “can be regarded as unfairly competing with the proprietor of the trade mark”: ...

[116] Thirdly, an important factor is whether the use of the sign complained of either gives rise to consumer deception or takes unfair advantage of, or is detrimental to, the distinctive character or repute of the trade mark. If it does, it is unlikely to qualify as being in accordance with honest practices: ...

[117] Fourthly, a mere likelihood of confusion will not disqualify the use from being in accordance with honest practices if there is a good reason why such a likelihood of confusion should be tolerated. ...

### Court of Appeal

[84] The High Court’s primary finding was largely upheld on appeal. This Court went one step further, however, holding that *none* of the impugned uses were infringing in terms of s 89(2). In considering the reach of s 89(2), the Court referred to *Mainland* as the leading authority on its predecessor, s 8(1A)(d).<sup>79</sup> Like the High Court, this Court referred, with apparent approval,<sup>80</sup> to the proposition in *Intercity Group (NZ) Ltd v Nakedbus NZ Ltd* that s 89(2) is a “gateway” or “threshold” provision, and a preliminary issue to be determined that “sets a platform for the examination of infringement issues”.<sup>81</sup>

[85] Notably, the Court put authorities on trade mark use from the United Kingdom “to one side” due to the European influence, but considered that Australian cases “provide useful guidance”.<sup>82</sup> In doing so, the Court cited with approval the following passage from *Shanahan’s Australian Law of Trade Marks and Passing Off*:<sup>83</sup>

... the question of whether a sign is used as a trade mark *is governed by the definition of “trade mark”* ... : is the sign being used to distinguish goods and services dealt with or provided by the defendant in the course of trade from others, or is it serving some other purpose, such as comparative advertising or a description of the user’s goods or services? ... the question continues to be posed in the form of “*is the mark used as a badge of origin in the user?*” and the test for ascertaining the nature of the use is an objective one. There is a common misconception that an infringer uses a sign as a trade mark if the use

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<sup>79</sup> *Tasman CA*, above n 70, at [155], citing *Mainland Products Ltd v Bonlac Foods (NZ) Ltd*, above n 29.

<sup>80</sup> *Tasman CA*, above n 70, at [184], citing *Intercity Group (NZ) Ltd v Nakedbus NZ Ltd*, above n 75.

<sup>81</sup> *Intercity Group (NZ) Ltd v Nakedbus NZ Ltd*, above n 75, at [65].

<sup>82</sup> *Tasman CA*, above n 70, at [162].

<sup>83</sup> At [164], citing Mark Davison and Ian Horak *Shanahan’s Australian Law of Trade Marks and Passing Off* (5th ed, Thomson Reuters, Sydney, 2012) at [85.560] (emphasis added).

indicates or is likely to indicate a connection between the infringer's goods and the owner of the registered mark. However, factors relevant to whether there is a misrepresentation or likelihood of deception have no role to play in deciding the question of what constitutes "use as a trade mark".

[86] This passage from the judgment has caused more than one academic commentator to suggest that trade mark law in New Zealand is, for the first time since 1938, aligned with the law in Australia, and (as we elaborate shortly, below) the position in *Yeast-Vite*.<sup>84</sup>

[87] Although (in light of its finding on s 89(2)) it was not necessary for this Court in *Tasman* to go on to consider the s 95 defence and the question of honest use, it expressed its agreement with the High Court on that point. In doing so, the Court also referred with apparent approval to the passage from *Samuel Smith Old Brewery (Tadcaster) v Lee (t/a Cropton Brewery)*, set out above.<sup>85</sup> But the Court then went on to refer to the more detailed "non-exhaustive list of material factors" identified by Arnold J in that case as relevant to the "honest practices" inquiry:<sup>86</sup>

- (i) whether the defendant knew of the existence of the trade mark, and if not whether it would have been reasonable for it to conduct a search;
- (ii) whether the defendant used the sign complained of in reliance on competent legal advice based on proper instructions;
- (iii) the nature of the use complained of, and in particular the extent to which it is used as a trade mark for the defendant's goods or services;
- (iv) whether the defendant knew that the trade mark owner objected to the use of the sign complained of, or at least should have appreciated that there was a likelihood that the owner would object;
- (v) whether the defendant knew, or should have appreciated, that there was a likelihood of confusion;
- (vi) whether there has been actual confusion, and if so whether the defendant knew this;

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<sup>84</sup> See in particular Paul Sumpter "'Use as a trade mark': comment on *Tasman Insulation NZ Ltd v Knauf Insulation Ltd* [2015] NZCA 602" (2016) 7 NZIPJ 327 at 327–328; and Michael Handler "Use 'as a Trade Mark' as a Threshold Requirement for Infringement: A Trans-Tasman Success Story?" [2024] 2 NZ L Rev 341.

<sup>85</sup> *Tasman* CA, above n 70, at [201], quoting *Samuel Smith Old Brewery (Tadcaster) v Lee (t/a Cropton Brewery)*, above n 77, at [114]–[117].

<sup>86</sup> *Tasman* CA, above n 70, at [202], quoting *Samuel Smith Old Brewery (Tadcaster) v Lee (t/a Cropton Brewery)*, above n 77, at [118].

- (vii) whether the trade mark has a reputation, and if so whether the defendant knew this and whether the defendant knew, or at least should have appreciated, that the reputation of the trade mark would be adversely affected;
- (viii) whether the defendant's use of the sign complained of interferes with the owner's ability to exploit the trade mark;
- (ix) whether the defendant has a sufficient justification for using the sign complained of; and
- (x) the timing of the complaint from the trade mark owner.

[88] The Court went on to indicate its view that an application of these factors led it to a different conclusion from that reached by the High Court on the question of honest practices. The Court said:<sup>87</sup>

[210] We are satisfied that the proper inference to draw from Knauf's conduct as a whole is that it set out in an aggressive manner to undermine the distinctive character of Tasman's valuable and widely recognised trade mark. It did so with full knowledge of the existence of Tasman's trade mark and the detrimental effects Tasman was likely to suffer to its trade mark as well as the likely damage the company would suffer in the market place. That is evident from Knauf's immediate response to Tasman's "cease and desist" letter in which Knauf asserted that the term "batts" had become generic in New Zealand. Our conclusion is also supported by Knauf's response to Tasman's infringement proceedings in which it sought to have Tasman's trade mark revoked on the grounds of genericism. Use of a trade mark with an ulterior motive, such as the "assiduous efforts of an infringer" to undermine a trade mark by rendering it generic, will not meet the honest practices test.

...

[212] While Knauf may have believed that "batts" should be regarded as a descriptive term, it must have appreciated that the commencement of trading in New Zealand using that term would inevitably draw a strong response from Tasman and that, at the least, it was setting out on a difficult road with significant uncertainty of result. If it considered the trade mark had become generic, Knauf could have applied to revoke it. Instead, it chose to launch its product in the market using the term "batts" without first obtaining a ruling.

[213] This is not a case where a defendant can claim to have acted innocently, unaware of the existence of the risk of infringement. Rather, Knauf has acted deliberately and with knowledge of the risks involved. We are satisfied that Knauf's conduct went well beyond the bounds of fair competition and was not in accordance with honest practices in terms of s 95.

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<sup>87</sup> *Tasman CA*, above n 70 (footnote omitted).

[89] Given the Court’s primary finding of no infringement under s 89(2), however, these dicta are necessarily obiter.

*The position in Australia*

[90] In light of the observations made by this Court in *Tasman*, it is important now to say a little more about the position in Australia and, in particular, about the most recent (and highest) Australian authority to have considered “use as a trade mark”: *Self Care IP Holdings Pty Ltd v Allergan Australia Pty Ltd*.<sup>88</sup> *Allergan* is important because it is, in some ways, the case most analogous to the present.

[91] Notwithstanding the changes to the law in the United Kingdom and New Zealand following the report of the Goschen Committee, Australia chose to maintain the traditional approach to trade mark infringement, grounded in the orthodox thinking about the function of a trade mark. Australian policy-makers and legislators were unpersuaded that infringement should extend to uses that merely “imported a reference” to the registered proprietor or their goods. Australian courts therefore continued to apply *Yeast-Vite* when interpreting the scope of the infringement provision in the Trade Marks Act 1955 (Cth) (the 1955 Australian Act); only the use of a sign that was likely to be seen as being use by the defendant as a badge of origin in relation to its own goods would infringe.<sup>89</sup>

[92] The position under the 1955 Australian Act was lucidly expressed by the High Court of Australia in *Shell Co of Australia Ltd v Esso Standard Oil (Australia) Ltd*.<sup>90</sup> That case concerned two trade marks registered to Esso for oil and fuel products. The marks depicted a cartoon-like human figure with a drop-shaped head peaked at the top, a smiling face without a nose or ears, a short bifurcated body suggesting legs and feet, and arms posed to suggest self-satisfaction. One version included an oval badge below the head bearing the word “Esso”.

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<sup>88</sup> *Self Care IP Holdings Pty Ltd v Allergan Australia Pty Ltd* [2023] HCA 8, (2023) 277 CLR 186.

<sup>89</sup> See the discussion in Handler, above n 84, and (for example) the decision in *Johnson & Johnson Australia Pty Ltd v Sterling Pharmaceuticals Pty Ltd* (1991) 30 FCR 326 (FCAFC).

<sup>90</sup> *Shell Co of Australia Ltd v Esso Standard Oil (Australia) Ltd* (1963) 109 CLR 407.

[93] The alleged infringement involved two television advertisements made by Shell featuring a playful, human-like oil drop character which constantly changed shape and expression, with a distinctive drop-shaped head and short body. At times, the character's appearance was similar to Esso's registered trade mark character, though it quickly shifted to different forms. But it was accepted that on a few occasions in the advertisements, the Shell character briefly resembled Esso's trade mark closely enough to raise an issue of infringement.

[94] In reversing the Court at first instance and finding there was no infringement, Kitto J (with whom Dixon CJ, Taylor and Owen JJ agreed) posed the key questions in this way:<sup>91</sup>

Was the appellant's use, that is to say its television presentation, of those particular pictures of the oil drop figure which were substantially identical with or deceptively similar to the respondent's trade marks a use of them "as a trade mark"? With the aid of the definition of 'trade mark' in s. 6 of the Act, the adverbial expression may be expanded so that the question becomes whether, in the setting in which the particular pictures referred to were presented, they would have appeared to the television viewer as possessing the character of devices, or brands, which the appellant was using or proposing to use in relation to petrol for the purpose of indicating, or so as to indicate, *a connexion in the course of trade between the petrol and the appellant*. Did they appear to be thrown on to the screen as being marks for distinguishing Shell petrol from other petrol in the course of trade?

[95] The Judge later answered these questions by saying:<sup>92</sup>

... no viewer would ever pick out any of the individual scenes in which the man resembles the respondent's trade marks, whether those scenes be few or many, and say to himself: "There I see something that the Shell people are showing me as being a mark by which I may know *that any petrol in relation to which I see it used is theirs.*"

[96] The 1955 Australian Act was replaced by the Trade Marks Act 1995 (Cth) (the 1995 Australian Act). Infringement is dealt with in s 120 which simply and relevantly provides:

- (1) A person infringes a registered trade mark if the person uses as a trade mark a sign that is substantially identical with, or deceptively similar

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<sup>91</sup> At 424–425 (emphasis added).

<sup>92</sup> At 425 (emphasis added).

to, the trade mark in relation to goods or services in respect of which the trade mark is registered.

...

[97] It will be observed that, like s 89(2) of the TMA02, but unlike the equivalent provisions in either the United Kingdom or Singapore, the Australian provision makes infringement expressly predicated on use of the relevant sign or mark *as* a trade mark.

[98] Sections 122 and 122A of the 1995 Australian Act then set out a range of specific defences. These cover the defendant's use of its own name or place of business, descriptive or nominative use, use in comparative advertising, and use in the course of parallel importation. All these defences are said to apply "[i]n spite of s 120".

*Allergan (2023)*

[99] Allergan manufactured the drug botulinum toxin and was the registered proprietor of various trade marks including the mark BOTOX in class 5 for goods including "[p]harmaceutical preparations for the treatment of ... wrinkles" and in class 3 for goods including "anti-ageing creams" and "anti-wrinkle cream".<sup>93</sup> Allergan did not use the BOTOX mark on any class 3 goods — it was a "defensive trade mark" under s 185 of the 1995 Australian Act.<sup>94</sup>

[100] Self Care supplied cosmetic products in class 3, including anti-wrinkle skincare products, under the trade mark FREEZEFRAME. Self Care's products were topical creams, serums and lotions that are typically self-applied. Two of these products were called Inhibox and Prottox. Self-Care's use of the phrase "instant Botox® alternative" on packaging and on its website was said by Allergan to be an infringement under s 120 of the 1995 Australian Act. Its use of PROTOX as a mark was said to be deceptively similar to the BOTOX mark. The Federal Court of Australia had found for Allergan on both counts.

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<sup>93</sup> Botox is an injectable pharmaceutical product containing botulinum toxin, type A.

<sup>94</sup> A defensive trade mark is used for protection across goods and services beyond those which the mark is used (or intended to be used). Here, Allergan used the mark in reference to class 5 products, while the class 3 registration was intended to protect against use of the mark in reference to skincare creams (for which Allergan did not itself use the mark).

[101] In overturning the Federal Court’s finding on the first (“instant Botox® alternative”) issue, the High Court of Australia confirmed the orthodox view of what “use as a trade mark” means:<sup>95</sup>

Use of a trade mark in relation to goods means use of a trade mark upon, or in physical or other relation to, those goods, and so can include use of the mark on product packaging or marketing such as on a website. *There is a distinction, although not always easy to apply, between the use of a sign in relation to goods and the use of a sign as a trade mark. A trade mark is a sign used, or intended to be used, to distinguish goods dealt with by one trader from goods dealt with by other traders; that is, as a badge of origin to indicate a connection between the goods and the user of the mark.*

[102] In terms of how a court is to determine whether a mark has been used by a defendant as a trade mark, the High Court said:<sup>96</sup>

Whether a sign has been “use[d] as a trade mark” is assessed objectively without reference to the subjective trading intentions of the user. As the meaning of a sign, such as a word, varies with the context in which the sign is used, the objective purpose and nature of use are assessed by reference to context. That context includes the relevant trade, the way in which the words have been displayed, and how the words would present themselves to persons who read them and form a view about what they connote. A well known example where the use was not “as a trade mark” was in *Irving’s Yeast-Vite Ltd v Horsenail*, where the phrase “Yeast tablets a substitute for ‘Yeast-Vite’” was held to be merely descriptive and not a use of “Yeast-Vite” as a trade mark. Therefore, it did not contravene the YEAST-VITE mark.

[103] The Court noted that the existence of a descriptive element or purpose does not necessarily preclude the sign being used as a trade mark:<sup>97</sup>

Where there are several purposes for the use of the sign, if one purpose is to distinguish the goods provided in the course of trade that will be sufficient to establish use as a trade mark. Where there are several words or signs used in combination, the existence of a clear dominant “brand” is relevant to the assessment of what would be taken to be the effect of the balance of the label, but does not mean another part of the label cannot also act to distinguish the goods.

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<sup>95</sup> *Self Care IP Holdings Pty Ltd v Allergan Australia Pty Ltd*, above n 88, at [23] (footnotes omitted and emphasis added).

<sup>96</sup> At [24] (footnotes omitted).

<sup>97</sup> At [25] (footnotes omitted).

[104] In explaining why the Full Federal Court had been wrong to conclude that the phrase “instant Botox® alternative” had been used by Self Care “as” a trade mark, the Court began by reiterating that a trade mark is a “badge of origin” indicating a connection in the course of trade between goods and the person who applies the mark to the goods.<sup>98</sup> It noted that the phrase “instant Botox® alternative” had been used by Self Care inconsistently across its packaging and websites, with variations in font, layout, and capitalisation, indicating it was not used as a trade mark or badge of origin.<sup>99</sup> By contrast, the main brand indicators FREEZEFRAME and INHIBOX were presented prominently and consistently. Moreover, the phrase “instant Botox® alternative” appeared only once on the packaging, in small font, and was absent from the product itself. Although the phrase appeared more prominently on the website, its inconsistent use further suggested it was not functioning as a brand. And by comparison with the distinctive and stylised presentation of FREEZEFRAME and INHIBOX, “instant Botox® alternative” was plainly used descriptively (as “ad-speak”), rather than an indicator of trade origin.<sup>100</sup>

[105] The High Court considered that the Full Court had asked the wrong question: whether there was an implied association in trade source between the different products. The High Court said that, in concluding that the sign “instant Botox® alternative” implied “an association in the trade source of the different products” and “was being used to denote some trade source connection with [Allergan’s products]”, the Full Court:<sup>101</sup>

... impermissibly conflated the two elements of s 120(1) of the [1995 Australian Act]: (1) whether the sign was “use[d] as a trade mark” and (2) whether that trade mark was “deceptively similar” to the registered trade mark. ...

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<sup>98</sup> At [53].

<sup>99</sup> At [55].

<sup>100</sup> At [57].

<sup>101</sup> At [59] and [60].



[106] After referring to the “common misconception” that “an infringer uses a sign as a trade mark if the use indicates or is likely to indicate a connection between the infringer’s goods and the owner of the registered mark”,<sup>102</sup> the Court said:<sup>103</sup>

... “factors relevant to whether there is a misrepresentation or likelihood of deception have *no role to play* in deciding the question of what constitutes ‘use as a trade mark’”. As was stated in *Coca-Cola Co v All-Fect Distributors Ltd*, the inquiry is not “whether the sign indicates a connection between the alleged infringer’s goods and those of the registered owner”. The correct approach is to ask whether the sign used indicates origin of goods *in the user of the sign*. For the reasons stated above, the phrase “instant Botox® alternative” was not used as a sign to indicate the origin of the goods in Self Care or to indicate that there was a connection in the course of trade between the goods and Self Care.

[107] The High Court expressly noted that, in light of its finding that Self Care did not use “instant Botox® alternative” *as* a trade mark, it was unnecessary to address the specific defences of use in good faith and comparative advertising.<sup>104</sup>

### **The ambit of s 89(2): our view**

[108] Zuru says on appeal that the High Court was wrong to find that its use of the LEGO mark was “use as a trade mark” in terms of s 89(2). That contention has both legal and factual aspects. We will address the factual component separately, later. But the legal question squarely raised on appeal, but not considered in depth by the High Court, is whether use as a trade mark in terms of s 89(2) is concerned with:

- (a) the orthodox (*Yeast-Vite*) function of a trade mark, namely (as Zuru submitted) as a badge of origin in the user, meaning there will be no infringement if the Lego mark was not used by Zuru in a manner likely to be taken as indicating the trade origin of Zuru’s goods; or

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<sup>102</sup> At [60], quoting Mark Davison and Ian Horak *Shanahan’s Australian Law of Trade Marks & Passing Off* (7th ed, Thomson Reuters, Sydney, 2022) at [85.560]. The same passage from an older edition of the text was referred to in *Tasman CA*, above n 70, and is set out at [85] above.

<sup>103</sup> *Self Care IP Holdings Pty Ltd v Allergan Australia Pty Ltd*, above n 88, at [60] (citations omitted and emphasis in original).

<sup>104</sup> At [61].

- (b) a wider concept of a trade mark’s function, namely (as Lego submitted) to act as “a guarantee that all the goods or services *bearing it* have been manufactured or supplied under the control of a single undertaking which is responsible for their quality”,<sup>105</sup> meaning the mere inclusion of the Lego mark on Zuru’s products will always constitute infringement.

[109] We begin by listing the matters that, in our view, plainly favour the former (*Yeast-Vite*) position.

[110] First, the wider concept of “use” advocated by Lego seems to us to conflate use “of” a trade mark with use “as” a trade mark. By contrast with the provisions in both the United Kingdom and Singapore (but in common with Australia), the express inclusion of s 89(2) evinces a clear intention to maintain that distinction. We note that the Select Committee charged with considering the Bill that was to become the TMA02 expressly recorded that changes were made to the original wording of what became s 89(2) to ensure “the scope of infringement right currently provided under s 8(1A)(d) of the current Act is carried over into the bill”. The reach of s 89(2) is, accordingly, intended to be the same as the reach of s 8(1A)(d) and its predecessors, namely use as a trade mark in a *Yeast-Vite* sense, untrammelled by the expanded “importing a reference” meaning, which had been repealed. It follows that we disagree with Cooke J that the words “as a trade mark” have no particular significance.<sup>106</sup> In a trade mark context the distinction between “as” and “of” is both long-standing and, in our view, fundamental. The specific definition in s 7 of the TMA02 makes it clear that use “of” a trade mark is a factual rather than a legal matter. By contrast, use “as” a trade mark has, and always has had, real legal import.

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<sup>105</sup> *Arsenal* CJEU decision, above n 48, at [48] (emphasis added), referring to Case 102/77 *Hoffman-La Roche & Co AG v Centrafarm Vertriebsgesellschaft Pharmazeutischer Erzeugnisse mbH* [1978] ECR 1139 at [7]; and Case C-299/99 *Koninklijke Philips Electronics NV v Remington Consumer Products Ltd* [2002] ECR I-05475. This quotation was referred to in Lego’s written submissions.

<sup>106</sup> Emphasis added.

[111] Secondly, the broader trade mark function asserted by Lego in its written submissions was expressly based on the CJEU’s decision in *Arsenal Football Club v Reed*.<sup>107</sup> That decision was one of the series referred to earlier: one in which Laddie J at first (domestic) instance had proceeded on the basis of the orthodox view about the function and reach of a trade mark, but about which the CJEU had expressed a different view.<sup>108</sup>

[112] So the decision relied on by Lego is far from uncontroversial and would be viewed by many as representing an unprincipled expansion of that function by the CJEU which this Court has already declined (in *Tasman*) to follow.<sup>109</sup> It is certainly inconsistent with the Australian position which, as also noted in *Tasman*, is now most pertinent, and analogous, to the position here.<sup>110</sup> Moreover, there is no indication in the parliamentary materials relating to the enactment of the TMA02 that the legislators intended to depart from orthodox trade mark concepts, still less that it was intended to signal a switch to what was, in 2002, the relatively nascent European approach.

[113] Reliance was also placed by Lego on the much earlier (pre-CJEU) decision of the Court of Appeal of England and Wales in *Bismag*, which we have mentioned briefly, earlier.<sup>111</sup> We think that reliance, too, is misplaced.

[114] *Bismag* was a case not dissimilar to *Mitre 10*. The plaintiff (*Bismag*) was the registered proprietor of the trade mark “Bisurated”, under which it sold “Bisurated Magnesia” in tablet and powder form. The defendant (*Amblins*) published a pamphlet claiming that most patent medicines were sold at too high a price and setting out a list of well-known proprietary medicines accompanied by the formulae and price of each. Opposite was a list of Amblin’s own preparations, using similar formulae but with lower prices. Amblin’s comparative list referred to *Bismag*’s product, “Bisurated magnesia tablets” and promoted its own equivalent product, “Bismuthated magnesia”.

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<sup>107</sup> *Arsenal* CJEU decision, above n 48.

<sup>108</sup> See the discussion above at [51] and n 48.

<sup>109</sup> *Tasman* CA, above n 70, at [162].

<sup>110</sup> At [162]–[164].

<sup>111</sup> *Bismag Ltd v Amblins (Chemists) Ltd*, above n 28.

[115] A majority of the Court of Appeal reluctantly found Amblin's pamphlet infringed Bismag's trade mark not only because it "imported a reference" to it under the new expanded right, but also because it constituted "use as a trade mark" in terms of para (a) of what was then the newly enacted provision, discussed earlier. This latter finding forms the basis for Lego's submission.

[116] The majority's reasoning on that point hinged on the prefatory words in s 4(1) of the 1938 UK Act (and s 8(1) of the TMA53) to the effect that there would be (deemed) infringement where an unauthorised person:

... uses a mark identical with it or so nearly resembling it as to be likely to deceive or cause confusion, in the course of trade, *in relation to any goods in respect of which it is registered*, and in such manner as to render the use of the mark likely to be taken either ...

[117] Sir Wilfrid Greene MR (one of the two majority judges in *Bismag*) interpreted the words "in relation to" as a further departure from the orthodox position, namely that use as a badge of origin *in the user* was no longer required. This seems clear from the following passage from his judgment:<sup>112</sup>

Moreover, as this type of use is a use "in relation to" the goods of the infringer, it follows that the words "use in relation to" in both parts of the definition cannot be confined to a use in relation to those goods for the purpose of indicating their origin in the infringer. Once it appears that there may be a wrongful use of a trade mark "in relation to goods" (namely, the goods of the alleged infringer) which is not a use as a trade mark in reference to those goods, that is, as indicating the origin of those goods in the alleged infringer, all reason for giving a limited construction to the words "in relation to" disappears. I have already expressed the view that according to the ordinary meaning of the words apart from any special context, the Respondents' use of the trade mark "Bisurated" which is complained of is a use "in relation to" the Respondents' own goods. *It is for the purpose of describing the virtues of those goods that the mark is used.* The public is invited to compare "Bisurated" goods with "Bismuthated" goods and is told that the latter are identical with the former save in the matter of price.

[118] We respectfully doubt this interpretation has ever held sway. If infringing "use as a trade mark" under para (a) was intended to have such an expanded meaning, what then was the point of including infringing by "importing a reference" under

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<sup>112</sup> At 681 per Sir Wilfrid Greene MR (emphasis added).

para (b)? Moreover, this Court implicitly declined to endorse this aspect of the *Bismag* reasoning in *Villa Maria*, merely noting:<sup>113</sup>

Of this part of [Sir Wilfrid Greene’s] reasoning it is observed in *Kerly’s Law of Trade Marks and Trade Names* ... that “Logically, this seems unassailable; but it seems to presuppose that the draftsman of the section had a clarity of mind commensurate with Lord Greene’s, which he obviously did not”. We are not concerned with this point.

[119] In any event, Clauson LJ, the other majority Judge in *Bismag*, also appears to have been of the orthodox view:<sup>114</sup>

... where the word is being used as a trade mark, i.e., as I understand it, as an indication of origin of specific goods in the person who uses the word ...

[120] Other United Kingdom cases after *Bismag* also declined to adopt a wider interpretation of s 4(1)(a). For example, just a few years later, in *Aristoc Ltd v Rysta Ltd*, the House of Lords confirmed that use as a trade mark in the 1938 UK Act means use “to indicate the origin of the goods”.<sup>115</sup>

[121] So not only is the more expansive interpretation that was preferred by the Master of the Rolls perhaps best explained as an unhappy function of the “fuliginous obscurity” of the earlier provision (the one at play in *Villa Maria*),<sup>116</sup> but when s 89(1) and (2) are read together, it is plain that such an interpretation cannot now prevail. It is now s 89(1) that provides there will be prima facie infringement if an unauthorised person “uses in the course of trade a sign” in the various ways then set out “in relation to any goods or services in respect of which the trade mark is registered”.<sup>117</sup> And s 89(2) makes it clear that, *despite* any such use, there will be no such infringement where it is not use “as a trade mark”.<sup>118</sup>

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<sup>113</sup> *Villa Maria Wines Ltd v Montana Wines Ltd*, above n 9, at 430 (citation omitted).

<sup>114</sup> *Bismag Ltd v Amblins (Chemists) Ltd*, above n 28, at 694 per Clauson LJ.

<sup>115</sup> *Aristoc Ltd v Rysta Ltd* [1945] AC 68 (HL) at 96 per Lord Macmillan and 105 per Lord Simmonds. See also, for example, *Chanel Ltd v Triton Packaging Ltd (Formerly L’Arome (UK) Ltd)* [1993] RPC 32 (CA).

<sup>116</sup> *Bismag Ltd v Amblins (Chemists) Ltd*, above n 28, at 687 per Mackinnon LJ.

<sup>117</sup> Trade Marks Act 2002, s 89(1)(a).

<sup>118</sup> Emphasis added.

[122] It follows that we do not agree with Lego’s submission (or with the High Court’s observation at [64] of the judgment under appeal or with Cooke J) that the kind of use exempted by s 89(2) is limited to use of an ordinary descriptive word in accordance with its established common meaning, which other traders might use independently of its trade mark significance.

[123] It is true that both *Mainland* and *Tasman* were concerned with the use of descriptive words of that kind — the use of the word “Vintage” (which in *Mainland* was found to infringe) and the words “batt” and “batts” (which in *Tasman* were found not to infringe).<sup>119</sup> But those cases do not suggest that the phrase “use as a trade mark”, or the relevant infringement inquiry, is so confined. Rather, they and other cases make it clear that “use as a trade mark” is and always has been a term of art that is inextricably linked to trade mark function.<sup>120</sup> As noted earlier, we consider that in the absence of any clear (or even any equivocal) legislative intention to expand that function, the orthodox concept of infringing use must pertain.

[124] A further difficulty with limiting the reach of s 89(2) to descriptive use of the kind just described is that it would mean that a trade mark that comprises a made up word (such as “Lego”) would — subject only to the possible availability of a specific defence — be afforded quasi-copyright protection. That protection would potentially be of unlimited duration and would subsist notwithstanding that any actual copyright in the word has long since expired, as it has in this case. It would pertain notwithstanding the absence of any risk of confusion or deception. We do not consider such expanded protection was intended, or can otherwise be justified.<sup>121</sup>

[125] As well, and as we explain in more detail later when considering the use by Zuru of the LEGO mark in this particular case, any rule that suggests that any reference in the course of trade by an authorised party to a made up word mark (such as LEGO)

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<sup>119</sup> There was, however, some dispute in *Tasman* as to whether “batt” was a word capable of having a “normal” meaning, at least in New Zealand. Further, there is also the often-cited example from *Bismag*, where Sir Wilfrid Greene MR referred to possible uses of the trade mark “Crocodile” in relation to shoes. That example was, however, concerned with deemed infringement by “importing a reference”.

<sup>120</sup> Even the European jurisprudence makes it clear that any expansion in scope or meaning must be founded in an equivalent expansion in the concept of a trade mark’s function.

<sup>121</sup> We do not consider the fact that infringement can only occur where a sign is used “in the course of trade” has any bearing on this point.

will always infringe, just cannot be right. The existence of such a rule would require the courts to ignore, for example, the wider context in which the word mark is used.

[126] Lastly, and to the extent there is any residual ambiguity in the meaning of s 89(2), we consider the freedom to impart and receive information confirmed by s 14 of the New Zealand Bill of Rights Act 1990 (NZBORA) also favours a return to the orthodox interpretation.

*Relationship with the defence provisions*

[127] Lego also relied for its preferred narrow interpretation of s 89(2) on s 89(3), which provides that “sections 92 to 98 override this section”. More specifically, Lego said “sections 92 to 98, not s 89, determine the question of infringement or not in respect to the circumstances encapsulated by ss 92 to 98”.

[128] In our view, this submission is also misconceived.

[129] First, it is contrary to the dicta noted earlier to the effect that s 89(2) operates as a gateway, both to the question of infringement under s 89(1) and (so) to the defence provisions. That is also consistent with the position in Australia.

[130] Secondly, it is clear from the nature and content of the great majority of the “defence” provisions (ss 92 to 98) that they are needed only *because* the uses to which they pertain might otherwise be seen as constituting infringing use *as* a trade mark in terms of s 89(2) and s 89(1). Thus:

- (a) s 92 applies where any conditions entered on the register in relation to the trade mark mean the registration does not extend to use of a particular kind or in particular circumstances;
- (b) s 93 applies where two people hold identical or similar registered trade marks covering different goods or services;

- (c) s 96 applies to certain specified types of continuous use of an unregistered trade mark that began prior to the registration of the registered trade mark;
- (d) s 97 applies to certain downstream use (where the mark is on the goods by or with the consent of the owner or licensee, as defined in s 98) in circumstances where the rights have since been exhausted;
- (e) ss 97A and 98 apply if the trade mark rights have, in the ways specified, been exhausted; and
- (f) s 98A applies to the lawful use of a registered geographical indication under the Geographical Indications Registration Act 2006.

[131] So in all these cases, s 89(3) means that notwithstanding there may have been a prior (gateway) assessment of infringing use *as* a trade mark in terms of s 89(2) and (1), there will be no infringement.

[132] This straightforward position is, however, arguably muddled by the inclusion of ss 94 and 95, both of which are in play in this case. That is because use of a trade mark in the ways contemplated by those provisions does not necessarily constitute infringing use *as* a trade mark at all, in terms of the orthodox interpretation of s 89(2). If that is the case, and if s 89(2) operates as an infringement gateway, then are these defence provisions otiose, or does their existence somehow militate against our conclusions about the ambit of s 89(2)?

[133] We consider those questions by reference to each of the two provisions in turn.

#### Section 94

[134] As originally drafted, cl 94 of the Trade Marks Bill 2001 was in identical terms to the Australian equivalent (s 122(1)(d) of the 1995 Australian Act) and would simply have provided:

A registered trade mark is not infringed by the use of the registered trade mark for the purposes of comparative advertising.



[135] Had that clause found its way into the TMA02 without addition, then it might well be seen as merely a “belts and braces” provision — enacted to make it clear beyond doubt that *Yeast-Vite* once again prevails and that use of a registered trade mark for comparative advertising purposes does not constitute use *as* a trade mark. As has been suggested in relation to the Australian s 122(1)(d), such a provision might well be strictly otiose, in light of s 89(2).<sup>122</sup>

[136] From the Parliamentary materials available to us, however, it appears that the Select Committee responded to other submissions received and added further words to cl 94. The added words reflect what were then the equivalent provisions in both the United Kingdom and Singapore, discussed already above. As reported back (and as enacted), the amended provision stated:<sup>123</sup>

A registered trade mark is not infringed by the use of the registered trade mark for the purposes of comparative advertising, *but any such use otherwise than in accordance with honest practices in industrial or commercial matters must be treated as infringing the registered trade mark if the use, without due cause, takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the trade mark.*

[137] There are, we think, two possible interpretations of the defence as amended.

[138] The first is that — like all the other defence provisions with which it is grouped — it is engaged only where there has first been found to be infringing use as a trade mark under s 89(2). Whether or not that would render the defence largely otiose is an open question, although we do not accept that would automatically follow. Such an interpretation would be more consistent with the accepted operation of s 89 as a “gateway” and more consistent with the orthodox linkage between trade mark function and infringement.<sup>124</sup> It would also be consistent with the preferred approach of the Court of Appeal of England and Wales in the *O2* case,<sup>125</sup> where the Court was, essentially, concerned with this very question. It would also align with the position in Australia, as reflected in *Allergan*.<sup>126</sup>

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<sup>122</sup> See Handler, above n 84, at 355.

<sup>123</sup> Emphasis added.

<sup>124</sup> See *Intercity Group (NZ) Ltd v Nakedbus NZ Ltd*, above n 75, at [65].

<sup>125</sup> *O2 Holdings Ltd v Hutchison 3G Ltd*, above n 50.

<sup>126</sup> *Self Care IP Holdings Pty Ltd v Allergan Australia Pty Ltd*, above n 88.

[139] The second interpretation is that s 94 operates quite differently from the other defence provisions and as an outlier or exception to the s 89 “gateway”. It would mean that use *of* another’s trade mark in comparative advertising can infringe (in the circumstances specified) despite there having been no use *as* a trade mark at all. There is some support for that interpretation in the words “treated as infringing” in the provision itself. Those words are reminiscent of the old concept of deemed infringement and suggest that, despite there being no infringing use under s 89, s 94 will deem that use to be infringing. That would, in effect, mean that s 94 is not a defence provision at all and something more akin to “importing a reference” under the former s 8(1)(e) which, as explained, was deliberately repealed. It would, of course, also be contrary to the views expressed in *O2*.

[140] In many ways the answer to this question does not matter in this case because, as we will go on to explain, we consider that on either (s 89 or s 94) analysis there was no infringement here. But on balance, we prefer the former interpretation. We say that not least because we consider it fundamental that infringing use be tied to orthodox trade mark function. It is to be expected that any expansion of that function (and so of the scope of infringement) would be preceded by careful policy advice and Parliamentary thought, including as to any NZBORA implications. It is to be expected that, following such advice and thought, there would be a clear and consistent expression of legislative intention. All those things are entirely absent here.

## Section 95

[141] Section 95 is different again. The provenance of the “honest practices” defence goes back not just to s 12 of the TMA53 (as noted earlier) but to s 97 of the 1911 Act, although it was amended when the “importing a reference” ground of infringement was introduced.<sup>127</sup> In any event, s 12 of the TMA53 provided:

No registration of a trade-mark shall interfere with—

- (a) Any *bona fide* use by a person of his own name or of the name of his place of business, or of the name, or of the name of the place of business, of any of his predecessors in business; or

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<sup>127</sup> This amendment was a reflection of a materially identical provision contained in the 1938 UK Act. For a discussion of the development of this defence in the United Kingdom, see Rob Batty “The Historical Development of the Descriptive Use Defence” (2021) 1 IPQ 22.

- (b) The use by any person of any bona fide description of the character or quality of his goods, not being a description that would be likely to be taken as importing any such reference as is mentioned in paragraph (a) of subsection one of section eight, or in paragraph (b) of subsection three of section forty-seven, of this Act.

[142] Although it might logically be thought that this defence was intended to ameliorate the expansion of infringing use by importing a reference, the wording of the provision makes it clear that it applied only if the descriptive use did not, itself, import a reference. It is therefore very difficult to envision any circumstances in which the defence would have applied under the TMA53 and we do not know of cases in which the defence was successfully invoked. Indeed, it may be that s 12(b) never had any meaningful life. This seems to have been confirmed in the United Kingdom context (where s 8(b) was the equivalent of s 12(b) and s 4 was the equivalent of s 8), where it has been noted that:<sup>128</sup>

The approach illustrated by *Mothercare* highlights how the inquiry under s.4 dictated the applicability of s.8(b). If the defendant's use of a sign or term was deemed to be use in a trade mark sense (either describing or denoting origin) s.8(b) would not apply. If the defendant's use of a sign or term was not deemed to be use in a trade mark sense, it was unnecessary to consider s.8(b).

[143] Although the reference to “importing a reference” has now been removed, the question of whether s 95 is largely otiose (because the uses listed in s 95 are not likely to constitute use as a trade mark and so be infringing in terms of s 89(2)) remains. Importantly, however, that possibility did not deter either the High Court or this Court in *Tasman* (where reliance had been placed on s 95) from proceeding on the basis that, absent a finding of infringing use as a trade mark in terms of s 89(2), there was no need to consider s 95 at all. We agree with that approach, essentially for the reasons given for our preferred approach to s 94. There may, in any event, be cases in which a mark is found in all the circumstances to have been used *as* a trade mark (and so infringing in terms of s 89(2) and (1)) but not infringing under s 95, because the use was honest. That was, of course, the first instance finding made by Brown J in *Tasman* itself.

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<sup>128</sup> Batty, above n 127, at 21, referring to *Mothercare UK Ltd v Penguin Books Ltd* [1988] RPC 113 (CA) (footnote omitted).

[144] We are fortified in this conclusion by the fact that what we have described appears similar to the position pertaining in Australia, where the existence of the same defence has not prevented the courts from continuing to ascribe primacy to the orthodox concept of “use as a trade mark”, nor from regarding “use as a trade mark” as a “gateway” that logically falls to be considered before any of those specific defence provisions.<sup>129</sup> Michael Handler has described the position there as follows:<sup>130</sup>

In Australia, it is well established that in the ordinary course of litigation the starting point of the infringement inquiry is s 120 of the [1995 Australian Act], which itself starts with an assessment of whether the defendant has engaged in use of the impugned sign “as a trade mark”. It is thus only if the court finds that there has been *prima facie* infringement under s 120 that it needs to consider any pleaded defences. Three such defences, which explicitly apply “in spite of s 120”, are the use in good faith of a sign to indicate certain properties or characteristics of goods or services (such as their nature or geographical origin) (s 122(1)(b)), the use of the trade mark in good faith to indicate the intended purpose of goods or services (for example, as accessories or spare parts) (s 122(1)(c)), or the use of the trade mark for the purposes of comparative advertising (s 122(1)(d)). *However, the effect of the trade mark use threshold in s 120 is that a use that is understood to be for a descriptive purpose, or for a nominative purpose, or in a comparative advertisement, will not pass this threshold and will not be prima facie infringing, such that the defences do not fall to be considered.* This raises the converse question: when will a use that is “as a trade mark” be saved by one of these defences? The requirement of “good faith” in ss 122(1)(b) and 122(1)(c) raises the possibility that those defences have work to do where it is found objectively that consumers would think that a defendant’s use is as a trade mark, but where the defendant can establish that it genuinely and honestly believed that it was using the sign in question for a descriptive or nominative purpose — an interpretation that has received some support in recent Federal Court cases. ...

[145] The short point is that — as in *Tasman* — s 95 will only be needed or engaged if there has first been use *as* a trade mark in terms of s 89(2).

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<sup>129</sup> As already noted, this Court in *Tasman* referred to Asher J’s description of s 89(2) as a “gateway” without comment, let alone disapproval.

<sup>130</sup> Handler, above n 84, at 354–355 (footnotes omitted and emphasis added). The defences contained in s 122(1)(b) and (c) of the Trade Marks Act 1995 (Cth) are materially the same as the defences in s 95 of the TMA02. Handler goes on to note that more difficult questions arise about whether Australia’s comparative advertising defence (s 122(1)(d)) has any independent work to do, but in light of the difference between the New Zealand and Australian comparative advertising provisions, and our own separate consideration of the comparative advertising defence above, we do not need to consider that here.

## *Conclusion*

[146] By way of summary, we consider that the words “use as a trade mark” in s 89(2) should be interpreted to reflect the orthodox function of a trade mark and in accordance with the decision in *Yeast-Vite*. Use of another’s mark will only infringe if it used *as* a trade mark in the orthodox sense: as a badge of origin for the user’s goods or services. None of the defences referred to in s 89(3) fall for consideration unless and until there has been infringing use as a trade mark under s 89(2) in the badge of origin sense.

### **Did Zuru’s original compatibility statement use the LEGO mark *as* a trade mark?**

[147] It now becomes a matter of applying the above conclusions to the case at hand. It follows from them that the question of use as a trade mark, in terms of s 89(2), should be considered first.

## *The High Court’s analysis*

[148] In the High Court, the Judge began by referring to relevant authorities,<sup>131</sup> noting that the decision in *Mainland* is “the leading New Zealand case on use of a trade mark in this context”.<sup>132</sup> As these words indicate, however, the Judge seems to use the words “use *as* a trade mark” and “use *of* a trade mark” interchangeably in this part of the judgment. The Judge also used the phrase “uses *of* a trade mark”, for example, in his conclusion about the ambit of s 89(2) when, after referring to the passage from *Mainland* we have set out at [46] above, he said:<sup>133</sup>

This passage confirms that the purpose of s 89(2) is to exclude non-distinctive, or merely descriptive, uses *of* a trade mark from the scope of infringement. The focus is not on whether the trade mark may confuse or deceive prospective customers regarding the origin of the goods or services to which the trade mark relates.

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<sup>131</sup> He referred in particular, and in some detail, to the decisions in *Mainland Products Ltd v Bonlac Foods (NZ) Ltd*, above n 29; *Tasman CA*, above n 70; and *Self Care IP Holdings Pty Ltd v Allergan Australia Pty Ltd*, above n 88.

<sup>132</sup> Judgment under appeal, above n 2, at [56].

<sup>133</sup> At [64] (emphasis added). It follows from what we have said already that we do not consider s 89(2) is so confined.

[149] The “as/of” distinction is, however, important as we have already explained. Although use “of” a trade mark could undoubtedly constitute infringement under the old “importing a reference” provision, for the reasons we have given we consider that form of deemed infringement no longer pertains.

[150] The Judge then turned to the key contextual or factual issue: “how ZURU’s use of the word ‘LEGO’ in the original compatibility statements would have been taken by those who viewed it”.<sup>134</sup> As the Judge noted, this “is a matter of impression taking careful account of the *Mainland* considerations and the circumstances in which the product is sold”.<sup>135</sup>

[151] The Judge’s contextual analysis can be summarised as follows:

- (a) there was no dispute that the use of the word “LEGO” on the original compatibility statements was the use *of* a sign in terms of the TMA02;<sup>136</sup>
- (b) by contrast with *Mainland* (and to some extent with *Tasman*) the sign (LEGO) had no meaning beyond its connection with Lego’s toy products;<sup>137</sup>
- (c) the word LEGO in the original compatibility statement was followed immediately by the symbol for a registered trade mark: (®), which “may indicate to some consumers that Zuru has permission to use the LEGO trade mark” and was “a strong indicator that the word was being used as a trade mark and not in any descriptive sense”;<sup>138</sup>
- (d) it was highly likely that prospective customers would be well acquainted with the LEGO trade mark and so are more likely to see the

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<sup>134</sup> At [78].

<sup>135</sup> At [78], referring to *Mainland Products Ltd v Bonlac Foods (NZ) Ltd*, above n 29.

<sup>136</sup> Judgment under appeal, above n 2, at [79]; and Trade Marks Act 2002, s 6.

<sup>137</sup> Judgment under appeal, above n 2, at [80]–[82].

<sup>138</sup> At [83].

use of LEGO in the compatibility statements as a reference to the Lego brand (as having trade mark significance);<sup>139</sup> and

- (e) in terms of the wider context in which the LEGO sign was used on the original compatibility statements:
  - (i) although the word “Lego” does not appear in stylised font, it is a very prominent feature (although not as central as MAX) on all three forms of packaging: “the eye is immediately drawn to the word ‘LEGO’ due to its size and the distinctive colours”;<sup>140</sup>
  - (ii) the word “LEGO” is significantly larger than the words “BRICK COMPATIBLE” and so it is not immediately apparent that it comprises part of a compatibility statement;<sup>141</sup>
  - (iii) unlike the use of Botox in *Allergan* (where it “appeared within a sentence and was phrased as an ‘alternative’ product”), the word “LEGO” appears at the beginning of the phrase;<sup>142</sup>
  - (iv) the word “compatible” links the Lego product to Zuru’s in a purchaser’s mind;<sup>143</sup>
  - (v) again, by comparison with *Allergan* (where, unlike the Botox product, the Self Care product was to be applied by users at home) the relevant sales markets for the Lego and Zuru products were the same;<sup>144</sup> and

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<sup>139</sup> At [84] and [103].

<sup>140</sup> At [104]. The Judge also noted (at [105]) that: “The prominence of the compatibility statement on the plastic container and the packaging for the figurines is further enhanced by the presence of the red brick in the blister pack protruding from the container and packaging.”

<sup>141</sup> At [105].

<sup>142</sup> At [90].

<sup>143</sup> At [90].

<sup>144</sup> At [91].

- (vi) as opposed to the word “MAX”, the brand name “ZURU” is difficult to make out and is approximately the same size as the word “LEGO”.<sup>145</sup>

[152] Overall, the Judge concluded:

[106] Viewing these factors in combination, I consider that a substantial number of consumers would be likely to take the use of the word “LEGO” in the original compatibility statements as more than a description of ZURU’s products. That may be one of its functions but many prospective customers would be likely to perceive the word “LEGO” in the compatibility statements as being use of that word as a trade mark.

[107] Furthermore, ZURU is using the word “LEGO” to distinguish its products from others in the field. Therefore, its use is not in a purely descriptive manner. The compatibility statement advises consumers that ZURU’s products are different from competing products because they are compatible with those made by LEGO, indicating its use as a trade mark.

[108] It follows that I am satisfied the use of the word “LEGO” in the original compatibility statement falls outside the exclusionary scope of s 89(2). It will constitute an infringement of LEGO’s trade mark unless ZURU can avail itself of the protection offered by either s 94 or s 95 of the Trade Marks Act.

*Was this conclusion right?*

[153] For the reasons we go on to explain, we consider the High Court’s reasoning as summarised above does not focus squarely on whether Zuru was using the LEGO mark as a badge of origin for its own goods. The key question should have been: was Zuru using the LEGO mark in a way that would cause relevant consumers, on seeing the use of the sign in the compatibility statements, to think: “this mark is telling me the trade source of the bricks inside this packaging”?

[154] We begin by recording our general agreement that:

- (a) the “LEGO” mark is relatively prominent on Zuru’s packaging, although it is not nearly as prominent or as central as the “MAX” brand;

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<sup>145</sup> At [99].



- (b) the word “LEGO” is larger than the rest of the descriptive phrase: “BRICK COMPATIBLE” and a closer look might be required in order to see that it forms part of a compatibility statement;
- (c) the compatibility statements do not have the variations as to font and size that were present in the use of “instant Botox® alternative” in *Allergan*, although there is variance as to placement;
- (d) again, by contrast with *Allergan*, the word “LEGO” appears at the beginning of compatibility statement; and
- (e) there is a relevant “market” distinction to be drawn between the use in *Allergan* because consumers would use the Zuru bricks in the same way as Lego bricks, whereas the Self Care product could not be used like the Botox product.

[155] We also agree that, by contrast with *Mainland* (VINTAGE) and to some extent with *Tasman* (BATTS), the LEGO sign had no meaning beyond its connection with Lego’s toy products. We acknowledge that commentators have observed that, where a word mark has no ordinary meaning, non-infringing descriptive use may be more difficult to establish.<sup>146</sup> That said, however, the arguably descriptive use of non-distinctive words was found to infringe in *Mainland*, whereas the descriptive use of distinctive words was found to be non-infringing in both *Yeast-Vite* and in *Allergan*. That is no doubt because in *Yeast-Vite* and *Allergan* (but not in *Mainland*) the trade mark formed part of a descriptive phrase, just as LEGO did here: “LEGO® BRICK COMPATIBLE”.<sup>147</sup> The point is well made by adapting for this case the words used by the Australian High Court in *Allergan*:<sup>148</sup>

“[“LEGO® BRICK COMPATIBLE”] was a descriptive phrase that had an ordinary meaning and included within it the trade mark [LEGO] (identified as such with a ® symbol). It was descriptive of the product to which it was attached as an alternative product. While a sign can both be descriptive and serve as a badge of origin, the better view is that the use of the phrase,

<sup>146</sup> See, for example, Handler, above n 84, at 352.

<sup>147</sup> In *Allergan*, the Court is clear that the mark whose use was under consideration was not BOTOX® itself, but “instant Botox® alternative”.

<sup>148</sup> *Self Care IP Holdings Pty Ltd v Allergan Australia Pty Ltd*, above n 88, at [57] (footnote omitted and emphasis added).

consistent with its ordinary meaning, had *only* a descriptive purpose and nature.

[156] In terms of any relevant difference between “alternative” (*Allergan*) and “compatible” (Zuru), we acknowledge the High Court Judge’s point that the word “compatible” may link Lego’s product to Zuru’s in a purchaser’s mind in a way that “alternative” may not. But that is, of course, the point of descriptive use in a comparative context. As noted earlier, such linkage is only infringing if it is likely to cause the consumer to think that the LEGO sign indicates the trade source of the Zuru bricks. And viewed in that light, we think the word “compatible” has the opposite effect. It would be self-evident to any reasonable person that LEGO bricks are compatible with other LEGO bricks; consumers seeing such a statement would not think that the sign was being used to indicate the bricks’ trade source. Rather, the sign is being used to indicate: “these MAX bricks are *not* LEGO bricks but can be used with them”.

[157] Similarly, we acknowledge the Judge’s point that it was likely that prospective customers would be well acquainted with the LEGO trade mark and would see the use of “LEGO®” in the compatibility statements as a reference to the LEGO brand. Again, though, that was the whole point of the use — to tell consumers (truthfully) that Zuru’s MAX bricks were compatible with (differently sourced) LEGO bricks.<sup>149</sup> But using the mark LEGO to convey that information does not mean that use has trade mark significance in the relevant (infringing) sense. On the contrary, if consumers understand the use of LEGO as being a non-confusing reference to the LEGO brand (as the Judge found) that is a clear indicator that it is *not* being seen as a badge of origin for Zuru’s goods. It is only “use as a trade mark” in an infringing sense if what is conveyed to consumers is that LEGO is being used as a badge of origin for Zuru’s product.

[158] We also differ from the Judge in ascribing weight to the fact that the word LEGO in the original compatibility statement was followed immediately by the ® registered trade mark symbol. We do not consider it was a strong indicator that the word was being used as a trade mark rather than in any descriptive sense. As already

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<sup>149</sup> In that sense, a distinction from *Allergan* may be noted. Unlike “instant Botox® alternative”, ZURU’s compatibility statement does not contain elements of “ad-speak” or puffery.

noted, the relevant description is the phrase “LEGO® BRICK COMPATIBLE”, not just “LEGO®”. Moreover, the use of “Botox®” in the descriptive statement in *Allergan* was no impediment to the Court’s conclusion that there was no infringement.

[159] Nor are we able to place any contextual significance on the small relative size of the ZURU mark on the packaging. The Zuru product is being sold under the mark MAX or MAX BUILD MORE and, as the Judge noted in his discussion of passing off, it is *that* mark that is plainly the dominant one overall.<sup>150</sup>

... the word “MAX” is by far the most prominent feature on ZURU’s containers and packaging. It is distinctive not only by its size but also by its white colour set against a black background. It is also drawn in three dimensions and has bevelled edges.

[160] To that we would add one further point of our own. The MAX BUILD MORE mark is always found on the left or in the middle of the packaging with “LEGO® BRICK COMPATIBLE” to its right (sometimes up, sometimes in the middle and sometimes down). Given the Western eye is trained to read from left to right, we consider that placement significant.<sup>151</sup>

[161] It follows from the forgoing that we disagree with the High Court’s conclusion that Zuru used LEGO as a trade mark because Zuru used the mark to distinguish its own products from others in the field and not in a purely descriptive manner. On the contrary, and as we have explained, we consider its use (namely as part of the phrase “LEGO® BRICK COMPATIBLE”) *is* purely descriptive. While it may be that the fact Zuru’s bricks are compatible with Lego bricks does (as a matter of fact) distinguish them from others, telling consumers this does not constitute use of the LEGO mark in a manner that renders it likely to be taken as indicating the origin of Zuru’s bricks. In our view, when use of LEGO is seen in its full context, the consumer would think that Zuru’s bricks were MAX BUILD MORE bricks.

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<sup>150</sup> Judgment under appeal, above n 2, at [193].

<sup>151</sup> This was a point made in the High Court judgment, at [191], in the Judge’s discussion of passing off.

## **The specific defences**

[162] We have concluded that ZURU’s original compatibility statements did not use the LEGO mark as a trade mark in terms of s 89(2). Accordingly, there is strictly no need to consider the issues arising from the specific defences under ss 94 and 95. Where there has been no infringing use as a trade mark, the defences are not engaged, for the reasons already explained. For completeness, however, we address them briefly.

### *Section 94*

[163] We consider the question of comparative advertising first, followed by the honest practices proviso. Absent our conclusion that there is no infringement in terms of s 89(2), the applicability or not of both would be live issues on this appeal.

#### Comparative advertising

[164] The High Court held that the use by Zuru here did not constitute comparative advertising at all. In doing so, the Judge adopted a limited view of “comparative advertising” as requiring “an express, and not inherent or implied, comparison” involving a claim of superiority or, to use the words of Mr Mowday (an expert called by Zuru), advertising that involves “having a crack at the other guy”.<sup>152</sup> Because Zuru’s original compatibility did not claim any feature of its product was superior to the Lego Group’s products, it did not, in the Judge’s view, qualify.

[165] We agree with Zuru that this focus was too narrow.

[166] First, Parliament chose not to define “comparative advertising” on the basis of advice that the concept was well-understood. That invites reference to both of the ordinary meaning of the phrase and of the position established under relevant case law.

[167] As to ordinary meaning, the orthodox idea of a comparison involves contrasting two or more things and identifying their similarities or dissimilarities. That can logically involve saying that the two things are relevantly the same as, or

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<sup>152</sup> Judgment under appeal, above n 2, at [152] and [154].

equivalent to, each other, or that aspects of them are the same. This broader approach also fits with the underlying policy rationale for permitting comparative advertising (subject to honest practices) which is to facilitate the provision of (accurate) information to consumers about competing products to assist them in making choices between them.

[168] As to the established legal position, our earlier historical review indicates that s 94 was enacted in a context in which the courts have found that comparative advertising includes both indirect comparisons and advertising that does not involve superiority claims. For example, in *PC Direct*, the advertisement in *Yeast-Vite* (“YEAST TABLETS a substitute for YEAST-VITE”) was described by Elias J as “an early case of comparative advertising”.<sup>153</sup> Similarly, in *Villa Maria* the juxtaposition of a Villa Maria bottle next to a Montana bottle, together with text praising the qualities of each of the wines, was also characterised as comparative advertising.<sup>154</sup>

[169] That legal position also accords with that in the United Kingdom, where the position is that comparison “does not require that the person doing the advertising should make any claim that his goods or services are superior to those of his competition”.<sup>155</sup> The *L’Oreal* litigation (referred to earlier) illustrates this point clearly; a list of generic fragrances side by side with a list of trade marked fragrances was considered comparative advertising even though no express superiority claims were made.<sup>156</sup> Similarly, Jacob J referred in another case to the hypothetical claim that “‘Bisto’ is as tasty as ‘Oxo’” as comparative advertising because one “is being used as a comparator for the other — to describe the other”.<sup>157</sup>

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<sup>153</sup> *PC Direct Ltd v Best Buy Ltd*, above n 29, at 727, referring to *Irving’s Yeast-Vite Ltd v Horsenail* (trading as *The Herbal Dispensary*), above n 17 (emphasis added).

<sup>154</sup> *Villa Maria Wines Ltd v Montana Wines Ltd*, above n 9.

<sup>155</sup> Jeremy Phillips *Trade Mark Law: A Practical Anatomy* (Oxford University Press, Oxford, 2003) at [8.96], 248.

<sup>156</sup> *L’Oréal SA v Bellure NV (No 2)*, above, n 56. As in the present case, there was, presumably, at least an implied claim of superiority in terms of price.

<sup>157</sup> *British Airways plc v Ryanair Ltd* [2001] FSR 541 (Ch) at [19]. This decision has since been overruled, but on other grounds.

[170] The High Court here relied on the view of the Australian Full Federal Court in *Allergan* that advertising the competing products as an “instant Botox® alternative” was *not* comparative advertising.<sup>158</sup> The Full Federal Court’s decision was, of course, overturned by the High Court of Australia. Although in doing so the High Court did not expressly address that finding that was because it had allowed the appeal on the basis that there was no *prima facie* use of BOTOX as a trade mark. And on the view we take, there was a relevant comparison in that case: that the Self Care product yields the same (or similar) results as BOTOX.

[171] On this, we therefore differ from the High Court Judge. In our view, the original compatibility statement here: “LEGO® BRICK COMPATIBLE” constituted comparative advertising in the relevant sense: “LEGO” is being used as comparator for, or to describe, a feature of the Zuru bricks.

#### Honest use

[172] The High Court also found that Zuru’s original compatibility statement did not constitute honest use in terms of either s 94 (or s 95). In reaching that conclusion, the Judge referred to the relevant factors identified in by Arnold J in *Samuel Smith Old Brewery (Tadcaster) v Lee (t/as Cropton Brewery)*.<sup>159</sup> As noted earlier, the guiding principles set out in that case were set out and referred to with seeming approval by this Court in *Tasman*, albeit in the context of obiter comments about the application of s 95.<sup>160</sup>

[173] In applying those factors to the case at hand, the High Court Judge noted:

- (a) Zuru had used LEGO in its compatibility statements so that consumers would know that MAX BUILD MORE bricks worked with LEGO;<sup>161</sup>

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<sup>158</sup> Judgment under appeal, above n 2, at [149]–[151], referring to *Allergan Australia Pty Ltd v Self Care IP Holdings Pty Ltd* [2021] FCAFC 163, (2021) 286 FCR 259.

<sup>159</sup> Judgment under appeal, above n 2, at [116]–[117], citing *Samuel Smith Old Brewery (Tadcaster) v Lee (t/a Cropton Brewery)*, above n 77. *Samuel Smith* was a geographical indication case.

<sup>160</sup> The principles are set out at [83] above.

<sup>161</sup> Judgment under appeal, above n 2, at [119].

- (b) Zuru aimed to compete by selling similar-quality products at lower prices, taking Lego’s market share;<sup>162</sup>
- (c) Zuru was also challenging Lego’s trade mark in the United States, claiming the LEGO mark has become generic;<sup>163</sup>
- (d) no consent was sought from Lego and so Zuru knowingly took a risk;<sup>164</sup>
- (e) Zuru knew that Lego defends its intellectual property vigorously and that Walmart had already refused such use in the United States;<sup>165</sup>
- (f) the legal advice relied on by Zuru was inadequate;<sup>166</sup>
- (g) Zuru advertised other toy products (outside of the plastic brick market) using the phrase “COMPATIBLE WITH MAJOR BRANDS”, however, Zuru insisted on using “LEGO” in statements for MAX BUILD MORE, which showed Zuru valued close association with LEGO in particular;<sup>167</sup> and
- (h) Zuru used Lego’s mark not only to signal compatibility but also to suggest its products were of similar quality to Lego, distancing itself from lower-quality, cheaper alternatives.<sup>168</sup>

[174] Overall, the Court concluded the use was not in accordance with honest practices because:

- (a) Zuru deliberately leveraged off of Lego’s reputation by using the LEGO trade mark prominently;<sup>169</sup>

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<sup>162</sup> At [120].

<sup>163</sup> At [121].

<sup>164</sup> At [122].

<sup>165</sup> At [122].

<sup>166</sup> At [124]–[128].

<sup>167</sup> At [129].

<sup>168</sup> At [130].

<sup>169</sup> At [131].

- (b) Zuru expected consumers to compare Zuru’s cheaper prices with Lego’s, boosting sales;<sup>170</sup>
- (c) this amounted to an aggressive attempt to gain advantage from Lego’s brand;<sup>171</sup> and
- (d) reintroducing the original statement in 2021 was even more aggressive, given Zuru knew Lego’s position and had not obtained adequate legal advice.<sup>172</sup>

[175] We do not accept, however, that the *Samuel Smith* principles (or at least all of them) are apt here. *Samuel Smith* was not itself a comparative advertising case. Moreover, the principles seem, in their expansive approach to honest practices, to be channelling a more “European” idea that the concept of a trade mark includes advertising and investment functions. The principles appear to differ from the original approach to honest practices taken by the courts in the United Kingdom, in cases such as *Cable & Wireless*, where it was suggested that the core focus was not on some wider concept of unfairness of detriment.<sup>173</sup> That focus was consistent with the origins of the honest practices proviso, which was drawn from art 10*bis* of the Paris Convention for the Protection of Industrial Property, to which New Zealand is a signatory.<sup>174</sup> Article 10*bis* relevantly provides:

- (2) Any act of competition contrary to honest practices in industrial or commercial matters constitutes an act of unfair competition.
- (3) The following in particular shall be prohibited:
  - 1. all acts of such a nature as to create confusion by any means whatever with the establishment, the goods, or the industrial or commercial activities, of a competitor;
  - 2. false allegations in the course of trade of such a nature as to discredit the establishment, the goods, or the industrial or commercial activities, of a competitor;

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<sup>170</sup> At [132].

<sup>171</sup> At [133].

<sup>172</sup> At [133].

<sup>173</sup> We have set out the principles articulated in the *Cable & Wireless* decision earlier (above at [77]).

<sup>174</sup> Paris Convention for the Protection of Industrial Property 828 UNTS 305 (as revised at Stockholm on 14 July 1967, entered into force 26 April 1970).



3. indications or allegations the use of which in the course of trade is liable to mislead the public as to the nature, the manufacturing process, the characteristics, the suitability for their purpose, or the quantity, of the goods.

[176] A straightforward application in this case of art 10*bis* or the *Cable and Wireless* principles (endorsed by this Court in *Mitre 10*) would favour Zuru. What was said in the compatibility statement here was true. There was no puffery or hyperbole that might obfuscate matters or confuse consumers. As the High Court Judge found in relation to Lego's claims of passing off and under the FTA (discussed later), there was no real risk of deception. It cannot, on any analysis, be said the words are seriously misleading.

[177] Moreover, it is difficult to see how a number of the other matters referred to in *Samuel Smith*, such as Zuru's knowledge of Lego's trade mark, could have a logical bearing on honest practices here. In a comparative advertising case, there will always be such knowledge; the comparison is predicated on it. So too with knowledge of the trade mark's reputation; again that seems to be inherent in a comparative advertising case — there seems little utility in making a comparison with a brand that has no reputation. The applicability of the related concepts of “coat-tailing” or “free-riding” has not been considered in this country and, given that we do not need to decide the issue and heard no detailed argument about it, we decline to do so here.

[178] The only other observation we would make is that we are inclined to agree with Zuru that there are aspects of the High Court's analysis on this point that appear to involve a moral judgment about Zuru's wider business practices, despite the Judge's own view that the compatibility statements here were not themselves dishonest or misleading. That serves to confirm our overall view that the conclusion that those practices were not “honest” was in error.

[179] It follows that (but for our earlier conclusion about s 89(2) rendering the inquiry unnecessary) the s 94 comparative advertising “defence” would apply to protect Zuru's use here.

*Section 95*

[180] In the High Court, Zuru relied on both s 95(c)(i) and (d). The Judge was therefore required to determine whether:

- (a) the use of the LEGO trade mark indicates a characteristic of Zuru's products; and
- (b) it was reasonably necessary for Zuru to use the LEGO trade mark to indicate the intended purpose of its products.

[181] As to the first of these, the Judge rejected Lego's submission that "characteristic" should be given a limited meaning, holding that the original compatibility statements alerted the consumer to one of the principal characteristics of Zuru's product, namely their compatibility with LEGO. He did not, however, agree with Zuru that it was reasonably necessary to use the mark to indicate the *purpose* of the Zuru product. He said this because compatibility with Lego was not the defining purpose of the Zuru bricks (which could be used independently) and so it was not reasonably necessary to tell people this.

[182] The Judge's conclusion about honest practices under s 94 meant that the s 95 defence could not, in any event, succeed.

[183] We are inclined to agree with the High Court that the use of the LEGO trade mark did indicate a characteristic of Zuru's products (namely compatibility with LEGO), but not a relevant intended purpose, for the reasons he gave. However, we also acknowledge that there may be some force in Mr Glover's submission that s 95(c)(i) concerns descriptive, not nominative use, of a trade mark. But in light of our conclusions that the s 89(2) gateway has not been passed because the use here is not use as a trade mark, and that Zuru may rely on the s 94 comparative advertising defence, it is unnecessary for us to form any definitive view on these points and we do not do so.

## Passing off and the FTA

[184] Lego's cross-appeal in relation to the FTA and passing off were only pursued in the event this Court were to allow Zuru's appeal in relation to trade mark infringement. Given our finding above, however, it is necessary now to consider that cross-appeal.

[185] At trial, Zuru rightly accepted — and the evidence confirmed — that Lego's trade mark had acquired strong goodwill and reputation in the field of toy building bricks in New Zealand, and worldwide. That meant that not just the FTA claim, but also the claim of passing off, turned on whether Zuru had used the LEGO trade mark so as to confuse or deceive the relevant public.<sup>175</sup> So we must now consider whether the Judge was wrong to find against Lego on that issue.

### *Likely to confuse, deceive or mislead: the High Court's analysis*

[186] The Judge undertook a more detailed analysis of this issue in relation to the claim of passing off, which he considered first.

[187] The Judge noted that Lego had not provided any evidence of actual confusion by consumers of toy building brick products.<sup>176</sup> Rather, Lego's argument rested on an assertion that the use of the word "LEGO" in the compatibility statements was likely to cause a significant number of persons who view them to be confused about, or deceived as to, whether Zuru's products are made by Lego or are endorsed in some way by Lego. Lego relied, in particular, on expert evidence about brand identification given by Professor Jill Klein.

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<sup>175</sup> The Judge noted, for example, that Lego's counsel had confirmed that Lego relied on the same submissions and evidence to establish its claim under s 9 of the FTA as it relied on for the claim of passing off. See judgment under appeal, above n 2, at [223].

<sup>176</sup> Judgment under appeal, above n 2, at [180].

[188] After summarising that evidence thoroughly, the Judge largely put it to one side, preferring to give his own assessment of why there was no likelihood of confusion, in context. In that regard, he noted:

- (a) consumers are very familiar with the LEGO logo on Lego products because it appears consistently at the top-left of packaging and its placement there makes it the first thing noticed, especially by Western consumers who read left to right;<sup>177</sup>
- (b) while consumers recognize the word “LEGO” it is less prominently displayed than the logo, so it attracts less immediate attention;<sup>178</sup>
- (c) on the Zuru packaging, the word “MAX” is the most prominent element due to its large size, white-on-black contrast, 3D styling, and studs resembling LEGO bricks;<sup>179</sup>
- (d) consumer attention is likely drawn to “MAX” first, similar to how attention is drawn to the LEGO logo;<sup>180</sup>
- (e) below “MAX”, the words “BUILD MORE” are noticeable and more prominent than “ZURU”, which is smaller and often embedded within the studs;<sup>181</sup>
- (f) Lego closely controls how its products are displayed in retail stores, with specific instructions on product order and placement: DUPLO is placed at the aisle start, followed by LEGO CLASSIC, then themed products; price bands and shelf partitions are provided by Lego to maintain consistent presentation;<sup>182</sup> and

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<sup>177</sup> At [191].

<sup>178</sup> At [192].

<sup>179</sup> At [193].

<sup>180</sup> At [194].

<sup>181</sup> At [195].

<sup>182</sup> At [196]–[197].

- (g) both the branding prominence and in-store display influence consumer attention and recognition of the products.<sup>183</sup>

[189] The Judge then referred to a site visit conducted during the trial and to a number of photographs of the two products as they are presented in stores (and in the Warehouse stores, in particular). He said:

[207] As the photographs above demonstrate, I consider colour to be a strong diagnostic cue for ZURU's products. ZURU's containers are bright red in colour and red is also the dominant colour on most of ZURU's packaging. The fact that ZURU's products are universally displayed in red containers or packaging means they will be readily distinguishable from LEGO's products. I therefore consider that prospective purchasers will readily recognise the distinction between ZURU's products and those made by LEGO. They will have no difficulty appreciating that they are not made by the same manufacturer.

[190] The Judge accepted Professor Klein's evidence that Zuru's products were unlikely to be known to most consumers before they enter a store. But he also accepted the evidence of Zuru's marketing experts who said that, once prospective purchasers encounter Zuru's products, they are immediately likely to notice the distinctive "MAX BUILD MORE" label and, but to a lesser extent, the ZURU brand name. Ultimately, he said:

[210] ... I do not accept Professor Klein's evidence that the presence of the word "LEGO" on the original compatibility statement was likely to confuse or deceive consumers who viewed ZURU's products for the first time in the store. Nor do I accept that confirmatory bias is likely to play any role in this context. Rather, I accept the evidence of ZURU's experts who said that consumers will be easily able to place the original compatibility statement in context. They will realise that the words "LEGO® BRICK COMPATIBLE" do not mean that the products are likely to be made by or associated with LEGO. They will understand that the words "LEGO® BRICK COMPATIBLE" mean only that the words indicate that the products are compatible with LEGO bricks.

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<sup>183</sup> At [194] and [196].

[191] The Judge recorded his view that “the prominence and distinctive nature of the ‘MAX Build More’ label is likely to be a strong diagnostic cue for prospective purchasers”,<sup>184</sup> and then concluded:

[214] I am therefore satisfied that the use of the word “LEGO” on the original compatibility statements was not likely to confuse or deceive prospective purchasers.

[192] The Judge then briefly turned to the FTA causes of action. As noted earlier, only the alleged breach of s 9 is now in issue so it is unnecessary to consider the other alleged breaches.

[193] As regards s 9, Lego had contended Zuru’s original compatibility statement was likely to mislead or deceive because it would “cause relevant members of the public to believe that ZURU’s products are products made by LEGO or are products licensed or endorsed by LEGO in some other way”.<sup>185</sup>

[194] The Judge rejected that contention for the reasons he had given for rejecting the passing off claim. He said:

[224] I have already concluded that, taken in context, the use of the word “LEGO” in the original compatibility statement would not confuse or deceive those who read it by causing them to erroneously believe that ZURU’s MAX Build More products are made or endorsed in any way by LEGO. For the same reasons I am satisfied the use of the word “LEGO” in that statement does not constitute conduct that is misleading or deceptive, or is likely to mislead or deceive, in terms of s 9 of the FTA.

### *Lego’s grounds of appeal*

[195] Lego takes issue on appeal with the Judge’s factual findings (and his underlying evidential preferences) that:

- (a) members of the public would be able to readily recognise the distinction between Lego’s products and those of Zuru;

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<sup>184</sup> At [208].

<sup>185</sup> At [223].

- (b) members of the public would not consider the Zuru MAX products to be sponsored or endorsed by Lego;
- (c) Lego had failed to establish that Zuru had used the LEGO trade mark in a manner that would confuse or deceive the relevant public, or would be likely to do so if not restrained; and
- (d) Lego had failed to establish that Zuru's use of the LEGO trade mark would be conduct that is misleading or deceptive, or likely to mislead or deceive.

[196] In assessing these challenges, we bear in mind the particular advantages experienced by the trial Judge in this case. Not only did he see and hear the experts give their evidence over several days, he had the physical packaging before him and also conducted site visits to several stores to assess how the Zuru and Lego products are displayed and would be perceived.

*Section 9 of the FTA: were the Judge's conclusions right?*

[197] The central question under s 9 is whether the relevant conduct (the display of the compatibility statements on the packaging) would likely have misled or deceived reasonable consumers. We note:

- (a) reasonable consumers are all consumers in the class targeted by the conduct, other than "outliers" (those who are unusually foolish, naïve or whose reactions would be extreme or fanciful);<sup>186</sup>
- (b) the impugned conduct is to be assessed objectively, by asking whether the conduct is capable of misleading and then whether it would be reasonable for consumers to be misled;<sup>187</sup>

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<sup>186</sup> *Godfrey Hirst NZ Ltd v Cavalier Bremworth Ltd* [2014] NZCA 418, [2014] 3 NZLR 611 at [20] and [47]–[50].

<sup>187</sup> *AMP Finance NZ Ltd v Heaven* (1997) 8 TCLR 144 (CA) at 152.

- (c) the impugned conduct is to be considered in context and as a whole: the focus should be on the overall impression given to the consumer, and on what is said, not unsaid;<sup>188</sup> and
- (d) when considering advertising or promotional material, a “degree of robust realism” is required.<sup>189</sup>

[198] It is useful at this point to repeat the images of the relevant statements, in their packaging context. It is the original compatibility statements on the packaging that allegedly constituted the misleading and deceptive conduct.



[199] These may be compared with an image of a similar Lego product:



<sup>188</sup> *Luxottica Retail New Zealand Ltd v Specsavers New Zealand Ltd* [2012] NZCA 357 at [40]–[41]; and *Geddes v New Zealand Dairy Board* CA180/03, 20 June 2005 at [80], citing *Parkdale Custom Built Furniture Pty Ltd v Puxu Ptd Ltd* (1982) 149 CLR 191.

<sup>189</sup> *Geddes v New Zealand Dairy Board*, above n 188, at [79], citing *Unilever New Zealand Ltd v Cerebos Gregg's Ltd* (1994) 6 TCLR 187 (CA) at 193; and *Stuart Alexander & Co (Interstate) Pty Ltd v Blenders Pty Ltd* (1981) 37 ALR 161 (FCA) at 164.



[200] And in terms of wider context, the photographs below are of product displays similar to those viewed by the High Court Judge.<sup>190</sup>



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<sup>190</sup> As we understand it, these photographs of displays were taken by one of the witnesses.



[201] We begin by making three preliminary points.

[202] First, we agree with the Judge that the issues of deception and misleading conduct here were not ones on which expert evidence was likely to be substantially helpful. That said, the Judge carefully assessed that evidence and we also refer to it, as necessary, below.

[203] Secondly, the compatibility statements themselves were not false.

[204] Thirdly, and as Zuru submitted (referring to comments made by Jacob LJ in the Court of Appeal of England and Wales): “a touch of reality is called for here. Consumers are not stupid”.<sup>191</sup>

The relevant consumers

[205] Zuru says the conduct at issue (the compatibility statements on Zuru’s products) was directed to members of the public considering or purchasing the products. These purchasers would be adults and young adults.

[206] Late in the trial, it appears a debate arose about whether the group of relevant consumers included children. In her reply brief, Professor Klein suggested that it did. This provided a foundation for Lego to argue that children might not understand the

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<sup>191</sup> *L’Oreal SA v Bellure NV* [2007] EWCA Civ 968, [2008] RPC 196 at [63].

word “compatible” and therefore could be misled by only noticing “Lego” on Zuru’s packaging.

[207] The Judge plainly did not regard this as a compelling point; he did not directly address it in the judgment. Nor do we see it as persuasive, essentially for the reasons given by Zuru.

[208] First, under the FTA, the relevant “consumer” is the purchaser. So while we acknowledge that children may have some influence over purchasing decisions of the relevant products, they must essentially be seen as “outliers” in terms of the relevant analysis.

[209] Secondly (and in any event), the packaging needs to be considered as a whole and as a matter of overall impression. Regardless of whether a child could read or understand the word “COMPATIBLE” they are unlikely to be misled because the packaging and Zuru brand elements, particularly “MAX BUILD MORE”, are dominant and clearly distinguish the products from Lego’s. We think that is so even though the relevant group of consumers (whether they be adults or children) is likely to be very familiar with the LEGO brand and may well be unfamiliar with Zuru’s MAX BUILD MORE brand until it is seen on the packaging. In essence, Lego’s argument requires a focus on a small part (one word) on the packaging and asks the Court to disregard the rest.

Is the conduct viewed in context, and as a whole, capable of misleading and would reasonable consumers be misled?

[210] In contending that there was a likelihood of deception and confusion here, Lego does not directly challenge any of the Judge’s specific factual findings, only his ultimate conclusion. In particular, Lego says the Court was wrong to reject the evidence of its expert, Professor Klein, and also emphasises the likelihood of initial interest confusion — again, a point not directly addressed by the Judge.

[211] As noted earlier, the judgment under appeal contains a thorough and careful summary of Professor Klein’s evidence. Her main thrust was that consumers would be misled because the only “perfectly diagnostic cue” on the products’ packaging was

the word “LEGO” and that all the other brand elements were not perfect or strong diagnostic cues.<sup>192</sup> That argument approached each brand element or diagnostic cue in isolation and contrasted it with the word “LEGO”. Zuru says Professor Klein had no empirical support for that view.

[212] We can discern no error in the Court’s rejection of Professor Klein’s argument that consumers would be misled by Zuru’s packaging, for the reasons that follow.

[213] First, we accept the common-sense proposition that reasonable consumers would view packaging as a whole and so would see the combination of prominent brand elements (ZURU, MAX BUILD MORE, distinctive colours and logos) which together make it clear the products are Zuru’s, not Lego’s. By the time a consumer’s eye reaches the small, single, word “LEGO” in the compatibility statement, they already know they are looking at Zuru products.

[214] Secondly, “LEGO” is not a perfectly diagnostic element because Lego makes other products (non-brick products). By definition, consumers rely on other cues when making purchasing decisions.

[215] Thirdly, we agree with Zuru that Professor Klein’s suggestion that “MAX” and “BUILD MORE” were descriptive and would not be seen as brand elements is difficult to sustain. MAX BUILD MORE is a registered trade mark and its use on the packaging is highly suggestive of that.

[216] We consider the Court was right to accept Professor O’Sullivan’s view that only an implausible chain of reasoning would cause a consumer to be misled here. Consumers in the 21st century are not easily fooled, are brand-aware, and would not reasonably think Zuru’s products were made by or associated with Lego. Because consumers would apply “at least a moderate level of involvement” and would

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<sup>192</sup> A cue is an attribute or feature used to assist people in the task of categorising objects. A cue with high validity is known as a diagnostic cue and, in the context of brand identification, a perfectly diagnostic cue will allow a person to identify a product as belonging to a particular brand every time.

“take some care in choosing”, consumers “will recognise that those displayed under the MAX Build More label are different products to those made by LEGO”.<sup>193</sup>

[217] It follows from the above that we also reject the contention of initial interest confusion. By the time consumers see the word “LEGO” on the compatibility statement, they would have already seen the distinctive packaging and the “MAX BUILD MORE” and “ZURU” brand elements. As already noted, these things will have led them to conclude that they are looking at a Zuru product and will not be misled by the word “LEGO”.

### *Passing off*

[218] The passing off appeal cannot succeed for essentially the same reasons. Although, as noted earlier, there is no dispute that the elements of goodwill and damage to that goodwill are met here, passing off requires consumer confusion or deception regarding the source of the products as a result of (here) the compatibility statement. This element “lies at the heart” of an action for passing off and without it any claim must fail.<sup>194</sup>

[219] As explained above, we can discern no error in the High Court’s conclusion that the compatibility statement would not cause confusion or deception. Consumers would readily understand the statement to mean what it said and not as suggesting that Lego made or was associated with Zuru’s products.

### **Declaratory relief**

[220] We have found that Zuru’s use of the sign “LEGO” on its original compatibility statements did not constitute use of the sign as a trade mark in terms of s 89(2) of the TMA02. If we are wrong in that we would also have found that Zuru’s use of the trade mark was protected by the specific comparative advertising defence. It follows that Zuru did not infringe Lego’s registered trade mark LEGO, and Zuru is entitled to a declaration to that effect.

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<sup>193</sup> Judgment under appeal, above n 2, at [209].

<sup>194</sup> *Genesis Energy Ltd v Z Energy Ltd* [2021] NZHC 2423, [2021] NZCCLR 19 at [78] (emphasis added).

[221] That finding seems to obviate the need for any anticipatory declaratory relief of the kind also sought by Zuru. For the avoidance of doubt, however, we record our agreement with the High Court that, in the absence of any certainty around the specific terms and layout of the proposed compatibility statements, declaratory relief was inappropriate.<sup>195</sup> As the authorities (and this case) make clear the analysis involved in any finding of infringement through use “as a trade mark” is intensely factual and contextual. It is not appropriate to make any kind of generalised, hypothetical, conclusion. To do so would be likely to garner confusion, rather than clarity.

## **Result**

[222] Zuru’s appeal is allowed.

[223] We make a declaration that the use of the word “LEGO” in Zuru’s original compatibility statement did not infringe the registered trade mark LEGO.

[224] Lego’s cross-appeal is dismissed.

[225] Zuru is entitled to band A costs for a standard appeal. We certify for second counsel.

## **COOKE J**

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[226] I agree that Zuru’s appeal should be allowed, but for different reasons. In my view, Zuru’s conduct in stating on its packaging and advertising that its product was “LEGO® BRICK COMPATIBLE” involved using the respondent’s LEGO trade mark

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<sup>195</sup> Judgment under appeal, above n 2, at [41]–[44].

under s 89 of the TMA02. But I consider that use was legitimate comparative advertising under s 94.

[227] Given that mine is a minority view, and the comprehensive majority judgment, I can explain my reasons reasonably concisely. Two issues are involved:

- (a) whether Zuru's conduct involves using the LEGO trade mark as a trade mark under s 89; and
- (b) whether such use is permitted by the TMA02, including particularly whether it is legitimate comparative advertising under s 94.

### **Use as a trade mark**

[228] I consider that Zuru has used the word LEGO as a trade mark under s 89(2) when applying it to its products and advertising. I would describe the competing interpretations a little differently from that summarised at [108] of the majority's judgment. As I see it, the two potential interpretations of "use as a trademark" are that:

- (a) It requires the use of the mark to involve some representation of an association with the owner of the trade mark. So, here it would require Zuru to claim that their toy bricks were a Lego product, or had some association with the Lego product. That is, it involves a form of misappropriation of the owner's intellectual property.
- (b) It requires the use of the mark to identify the trade mark owner's goods or services, but there is no requirement that there be such misappropriation. So, here the word "LEGO" is plainly used to identify the respondent's goods, but not in a way that involves any claim of association. That is, there is no misappropriation of intellectual property.



[229] Both interpretations seem to me to involve the use of the mark as a badge of origin, but the second interpretation involves no claim of a connection, and accordingly there is no misappropriation. It merely involves identification. This difference is particularly significant for comparative advertising for the reasons summarised by the majority at [156]. With comparative advertising, the whole point is that the user is saying that their goods are different from the trade marked goods — as she says, Zuru’s whole point is to claim “these MAX bricks are *not* LEGO bricks but can be used with them”.

[230] The issue is one of statutory interpretation which involves considering the text and purpose of the TMA02 in order to make it work as Parliament must have intended.<sup>196</sup> The key reason why I consider that the second interpretation is the correct one is that it is plain from the text of the TMA02, and its purpose, that when enacting it in 2002, Parliament intended to both authorise and regulate the use of trade marks for comparative advertising. The approach of the majority seems to me to undermine that purpose. The majority judgment involves a comprehensive reconciliation of the approach in the cases from a number of jurisdictions, and it provides an interpretation guided by the approach taken in those jurisdictions which I accept is logically tenable. But I do not consider it is ultimately possible to identify a coherent approach across the jurisdictions, and I consider the interpretation arrived at by the majority is inconsistent with what Parliament intended. The focus must be on identifying the meaning of the New Zealand statutory regime.

[231] As the majority has summarised, New Zealand followed England and Wales when enacting the Patents, Designs, and Trade-marks Amendment Act by effectively prohibiting the use of trade marks for comparative advertising. This is illustrated by *Villa Maria* where this Court held that Villa Maria’s comparative advertising using the Montana name infringed Montana’s trade mark by “importing a reference” under what was then s 8(1)(b) of the TMA53.<sup>197</sup> This effect of the legislation was subject to

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<sup>196</sup> *Fonterra Co-operative Group Ltd v The Grate Kiwi Cheese Co Ltd* [2012] NZSC 15, [2012]2 NZLR 184 at [13]; and *Northland Milk Vendors Assoc Inc v Northern Milk Ltd* [1988] 1 NZLR 530 (CA) at 537–538.

<sup>197</sup> *Villa Maria Wines Ltd v Montana Wines Ltd*, above n 9.



criticism, however. In *PC Direct*, Elias J observed that the legislation effectively prevented comparative advertising and went on to say:<sup>198</sup>

In cases where the name of the registered proprietor includes the trade mark it would make identification of the proprietor's products for the purposes of comment almost impossible and would constitute a significant fetter upon the freedom of speech, recognised by s 14 of the New Zealand Bill of Rights Act 1990.

She concluded, however, that the use of the trade mark where there was no confusion was nevertheless prohibited notwithstanding the “public interest in both effective competition and free speech”.<sup>199</sup>

[232] Such implications of the legislation had already been identified by the Ministry of Commerce in its December 1991 recommendations for legislative reform. These recommendations ultimately led to the new Act in 2002. In its report the Ministry said.<sup>200</sup>

## 6.2 COMPARATIVE ADVERTISING

...

Comparative advertising is generally permitted in overseas jurisdictions provided it is not misleading or deceptive. In addition, it should not dilute the goodwill of another proprietor's trade mark. On this basis it provides a useful way of providing consumers with information on competing goods or services.

Comments were divided as to whether comparative advertising should be permitted or prohibited. There was, however, general agreement that the main concern is comparative advertising which is misleading or deceptive or dilutes the goodwill of the trade mark.

...

The Ministry considers that a statutory prohibition of all forms of comparative advertising would be unnecessarily restrictive. Comparative advertising may be used as a means of providing the consumer with useful information on competing products. Therefore it is desirable that the legislation makes it clear that comparative advertising per se does not constitute infringement. Dilution of goodwill is considered further below.

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<sup>198</sup> *PC Direct Ltd v Best Buy Ltd*, above n 29, at 730.

<sup>199</sup> At 733.

<sup>200</sup> Competition Policy and Business Law Division *Reform of the Trade Marks Act 1953: Proposed Recommendations* (Ministry of Commerce, December 1991).

[233] These views were later adopted by the Government. In April 1999 (after Elias J's judgment in 1997), the Government agreed to promote legislation to "more clearly define the scope of rights protected by trade marks", including reforms:<sup>201</sup>

- x to amend the infringement provisions of the Act so that the use of another proprietor's trade mark for the purpose of comparative advertising is permissible for all trade marks, provided such advertising does not detrimentally affect the distinctive character or reputation of that proprietor's mark;

[234] I consider it significant that this involved both permitting the use of trade marks for comparative advertising, but also regulating it, given the legitimate concern arising from the potential effect on the holder of a trade mark. A balance was required.

[235] It was this balance that was then implemented in the terms of the TMA02. The purposes of the TMA02 are set out in s 3, including to "more clearly define the scope of rights protected by registered trade marks".

[236] The legislation then specified that the use of trade marks for comparative advertising was permitted, provided that certain conditions were met. It provides:

**94 No infringement for comparative advertising of registered trade mark**

A registered trade mark is not infringed by the use of the registered trade mark for the purposes of comparative advertising, but any such use otherwise than in accordance with honest practices in industrial or commercial matters must be treated as infringing the registered trade mark if the use, without due cause, takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the trade mark.

[237] Similar provisions were included to permit other similar uses of trade marks, including using a trade mark to indicate the intended purpose or other characteristic of goods (s 95(c)), or to indicate that something is an accessory or spare part for trade marked goods (s 95(d)).

[238] I consider it clear that Parliament intended to change, and more clearly define, the scope of rights given by registered trade marks, and to authorise the use of trade marks in comparative advertising provided the preconditions set out in s 94 were

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<sup>201</sup> Cabinet Economic Committee *Review of the Trade Marks Act 1953* (ECO (99) 34, 13 April 1999).

satisfied. Yet, on the majority approach, this section is rendered redundant. That is because, on their approach, comparative advertising does not involve use of a trade mark at all, so s 94 need not be applied. So, comparative advertising is effectively allowed even if the requirements in s 94 are not satisfied. I do not agree with the majority's explanation that s 94 is a remnant of the old concept of deemed infringement.<sup>202</sup> It was a significant feature of the reforms of the TMA02.

[239] Two further features of the legislation support the line of analysis I prefer. First, s 89(3) itself expressly provides that ss 92 to 98 “override this section”. I consider that this also indicates a legislative intent that these later provisions set out the requirements for when the categories of conduct they address will involve infringement. These sections were intended to be controlling.

[240] The second point focuses on the reasons why the TMA02 carried over the “use as a trade mark” requirement. Section 89(2) is the equivalent of s 8(1A)(d) of the TMA53.<sup>203</sup> Sections s 8(1A)(e) and (d) were not carried over. But in the face of the clear legislative intention to permit and regulate comparative advertising, I do not accept that carrying over only s 89(2) into the new Act was to be interpreted to render the subsequent provisions largely irrelevant, or to take New Zealand back to the approach in England and Wales in 1934 as described in *Yeast-Vite*.<sup>204</sup> Neither was that step designed to align New Zealand with Australia. There is no suggestion of such intentions in the materials surrounding the enactment of the TMA02. Those materials suggest the opposite.

[241] In my view, and in common with the High Court Judge, I consider s 89(2) was carried over to address a different issue that had been the subject of case law, arising when a trade mark involves a descriptive term.<sup>205</sup> Those cases, which I address below, found that it was only when the descriptive term is used as a trade mark, and not as a descriptive word, that there is prima facie infringement. In my view, Parliament was doing no more than ensuring a continuation of that approach. As the Commerce

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<sup>202</sup> See above at [139].

<sup>203</sup> Section 89(2) was amended in the Select Committee process, but not in a material way.

<sup>204</sup> *Irving's Yeast-Vite Ltd v F A Horsenail (trading as The Herbal Dispensary)*, above n 17.

<sup>205</sup> See judgment under appeal, above n 2, at [64].

Committee said when explaining a change it made to the provisions at the select committee stage:<sup>206</sup>

We also recommend an amendment to clause 89(2) to provide that a trade mark is infringed in the circumstances set out in clause 89(1) only if the use is in such a manner as to render the use of the sign likely to be taken as being use of as a trade mark. This amendment ensures the scope of infringement right currently provided under section 8(1A)(d) of the current Act is carried over into the bill.

[242] Officials supported that change in its report on submissions to the Commerce Committee. Significantly, however, submissions also proposed that the “importing a reference” provision in s 8(1A) should be carried across into the new legislation. Officials opposed doing so for the following reason:<sup>207</sup>

Disagree. The “importing a reference” provisions in the current Act are found in sections 8(1A)(e) and (f). They provide that it is an infringement to use another person’s trade mark in comparative advertising. These provisions are now combined into a simplified clause 94.

[243] So, it is apparent that it was understood that what became s 94 would now control the legitimacy of comparative advertising, *not* s 89. I consider this to be an answer to the argument that there is significance in the “importing a reference” provisions in s 8(1A)(e) and (f) not being carried across. It was understood that this was unnecessary as comparative advertising was regulated by the new s 94.

[244] The position might be different if it were not possible to interpret the plain words of the legislation to give effect to this intent. But that is not the case. By bringing s 89(1) across, Parliament was doing no more than addressing the issue considered by this Court in *Mainland* shortly before the enactment of the TMA02. This was not a comparative advertising case, but it addressed when the use of a descriptive word would be use as a trade mark. The defendant, Bonlac, had used the word “Vintage” to describe its cheese, and the plaintiff, Mainland, objected because they had a registered trade mark VINTAGE. This Court upheld the High Court finding

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<sup>206</sup> Trade Marks Bill 2001 (142-2) (select committee report) at 5.

<sup>207</sup> Ministry of Economic Development *Trade Marks Bill Clause by Clause Analysis* (November 2001) at 12.

that there had been infringement, notwithstanding that the word “Vintage” could be used in a descriptive sense. The Court said:<sup>208</sup>

It is not difficult to envisage use of the word “Vintage” on a cheese wrapper in a purely descriptive sense. An obvious example mentioned during the hearing is the incorporation of a statement such as “The perfect complement to vintage wine”. That is the kind of usage contemplated by the statutory exclusion from infringement of the exclusive right to use a word trade mark. While care must be taken not to extend unduly the ambit of protection of registered marks which are known words with meanings suggestive of relevant goods or services, care also must be taken to prevent erosion of the distinctiveness of a good trade mark by competitors with strategic motives claiming descriptive use. That is not to suggest that there has been any lack of good faith by Bonlac in this case. That was not asserted by Mainland and could not be, since Bonlac has been using its same packaging in Australia for some years alongside Mainland and others all using the word “Vintage” in relation to extra-tasty cheese.

[245] So, the word “Vintage” was being used as a trade mark, and not as a description. A similar issue then arose in *Tasman* where the defendant had used the terms “BATT”, “batt” and “batts” in describing its insulation product. The plaintiff had the registered trade mark BATTS.<sup>209</sup> This Court accepted that “batt” could be used as a descriptive term that did not involve it being used as a trade mark under s 89(2), but ultimately found that it was used as a trade mark in the circumstances of that case.<sup>210</sup> The Court said, however:<sup>211</sup>

[166] But it does not follow that whenever the terms “batt(s)” or “BATT” are used, they are used in such a manner as to render it likely they will be taken as use as a trade mark in terms of s 89(2). That would be so only if the word or words used are inherently incapable of being used other than in a proprietary sense. That may be the case for where, for example, the word at issue is a made-up or “fancy” word having no normal or descriptive meaning. And, as Gault J indicated in *Mainland*, even if the impugned word has not found its way into ordinary parlance, it may still be used descriptively rather than in a trade mark sense depending on the circumstances of the case.

[246] In the present case, the word “LEGO” is purely a made-up word. It has no descriptive meaning. It falls within the concept referred to in this paragraph — a word that is inherently incapable of being used other than in a proprietary sense. So it is not

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<sup>208</sup> *Mainland Products Ltd v Bonlac Foods (NZ) Ltd*, above n 29, at 351.

<sup>209</sup> *Tasman* CA, above n 70. *Tasman* also used the trade mark “PINK” under licence.

<sup>210</sup> At [165].

<sup>211</sup> Footnote omitted.

possible to use this word other than as a trade mark. It follows that it is the use of a trade mark in a sense contemplated by s 89(2) in terms of the analysis in *Mainland* and *Tasman*. I consider this to be the evident purpose of s 89(2). It also explains why s 89(2) is worded to refer to the use “as a trade mark” not “of a trade mark”.

[247] The overall position is confirmed when the comparative advertising decisions of this Court are considered. *Villa Maria* involved Villa Maria comparing its wines to Montana Wines in advertisements, and this was held to be a breach of Montana’s trade mark under the incorporating a reference provision of the TMA53.<sup>212</sup> *Mitre 10* addressed the position after the TMA02 had come into effect.<sup>213</sup> Bunnings had placed Mitre 10 advertising brochures outside its shops with stickers over the top identifying its own, lower prices. This advertising technique involved using Mitre 10’s trade mark. Mitre 10 argued that this was not permitted. The Court disagreed and applied s 94. The Court said:

[20] Under the new Act there is no longer a provision for infringement by importing a reference to the proprietor’s own goods. However, [counsel for the respondent] was inclined to accept that should comparative advertising not fall within the specific exemption, infringement may occur under s 89. Because of the view we have reached, we do not need to consider that.

[248] The view the Court had reached was that the use involved legitimate comparative advertising under s 94. It held that the conduct was permitted comparative advertising as the requirements of s 94 were met, stating:

[55] We have no evidence indicating that Benchmark’s activities, so far as they would otherwise constitute trade mark infringement, are inconsistent with honest commercial matters, but we see real difficulty in characterising these open and obvious comparisons as in some way lacking in honesty.

[249] The Court therefore discharged the injunction that had been entered by the High Court.<sup>214</sup> It is true that the Court did not specifically find that s 89(2) was engaged by use of the trade mark for comparative advertising, given the apparent acceptance of counsel. But the essence of the Court’s decision is to this effect. On the approach of the majority, the Court in *Mitre 10* addressed the wrong question — it

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<sup>212</sup> *Villa Maria Wines Ltd v Montana Wines Ltd*, above n 9.

<sup>213</sup> *Mitre 10 (New Zealand) Ltd v Benchmark Building Supplies Ltd*, above n 70.

<sup>214</sup> At [58].

should have concluded that Bunnings' use of the Mitre 10 trade mark did not involve use of a trade mark at all under s 89(2), and s 94 was accordingly irrelevant.

[250] I consider that approach involves a strained interpretation of *Mitre 10* and the legislation itself. Under the TMA53, it was held in *Villa Maria* that using trade marks in comparative advertising involved infringement.<sup>215</sup> And under the TMA02 in *Mitre 10* it was held that use of trade marks in comparative advertising was authorised under s 94.<sup>216</sup> I do not consider that the apparently clear purpose in enacting s 94 can be said to be displaced because of the carrying over of s 89(2), the use of the word “as” rather than “of” in that subsection, or the international jurisprudence. I also consider that the meaning of the legislation should not require the kind of elaborate analysis the majority has undertaken. The meaning of the provisions is tolerably clear, and to the extent that it is necessary to go further, the legislative purpose is apparent from the materials surrounding the TMA02, as well as the Act itself. The conclusion is supported by the New Zealand cases on comparative advertising.

[251] I do not agree with the majority's alternative potential interpretation — that s 94 deems what would otherwise not be an infringement for the purpose of the comparative advertisement defence.<sup>217</sup> First, s 94 begins by requiring there to be “use” as a trade mark, so I do not consider the interpretation is available on the plain words. Secondly, this approach would treat s 94 in a different way to s 95, when it seems clear that these provisions need to be considered together. The majority's approach effectively renders all the requirements for the permitted use addressed by these sections redundant. I do not consider that this can have been Parliament's intent. So I do not agree that this potential approach would solve the problem arising from the interpretation of s 89 preferred by the majority.

[252] Neither do I agree that the interpretation I favour would bestow an inappropriately broad intellectual property protection akin to copyright.<sup>218</sup> Section 89 only creates protection when a trade mark is used “in the course of trade”. When that is done, there is infringement, but the legislation has also identified when that is

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<sup>215</sup> *Villa Maria Wines Ltd v Montana Wines Ltd*, above n 9.

<sup>216</sup> *Mitre 10 (New Zealand) Ltd v Benchmark Building Supplies Ltd*, above n 70.

<sup>217</sup> See above at [139].

<sup>218</sup> See above at [124].

permitted, in ss 92 to 98A. So, a seller can use a competitor's trade mark for comparative advertising if it meets the requirements of s 94, or engages in other legitimate use as outlined in s 95, such as when selling products that are accessories or spare parts (s 95(d)).<sup>219</sup> I do not consider this involves an overly broad protection. Rather, it sets clear limits on the rights of expression when using someone else's trade mark, that are demonstrably justified.<sup>220</sup> The majority's approach means the prescribed limits on such use that Parliament has prescribed are avoided.

[253] For these reasons, I conclude that Zuru's use of the "LEGO" mark on its packaging and advertising involved use of that sign as a trade mark for the purposes of s 89.

### **Comparative advertising defence**

[254] Having reached the conclusion that Zuru's use of the "LEGO" trade mark involves use of a trade mark under s 89(2), it is necessary to consider whether Zuru can avail itself of any of the defences. I focus particularly on s 94. On this question, I disagree with the High Court Judge, and agree with the observations of the majority. In my view, the defence of comparative advertising is made out.

[255] Two issues arise for consideration:

- (a) whether Zuru's "LEGO® BRICK COMPATIBLE" statement involved comparative advertising; and
- (b) if it does, whether it meets the requirements for legitimate comparative advertising set out in s 94.

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<sup>219</sup> For example, when buying a new case for a type of cellphone, when the use of a trade mark identifies the type of phone.

<sup>220</sup> In accordance with s 5 of the New Zealand Bill of Rights Act 1990 — see *PC Direct Ltd v Best Buy Ltd*, above n 29.



*Was this comparative advertising?*

[256] I agree with the observations of the majority that the High Court Judge interpreted comparative advertising too narrowly.<sup>221</sup> It is not a defined term and carries its ordinary meaning. In my view, the identification of comparative advertising needs to be assessed in a realistic way. Such advertising would arise with claims of superiority (better than) but also with claims of equivalence (the same as). The latter category may be most important when it comes to goods and services competing with well-established brands.

[257] Here, a key aspect of the Lego product arises from the ability of the consumer to use it with an existing Lego collection and future Lego purchases. It is the ability to use the bricks to construct objects with existing and future Lego collections that is one of the key attractions of the product. For that reason, when a competitor claims that its toy bricks are able to be used in the same way, this involves promoting that product by comparison to a key aspect of Lego. So, in my view, the statement “LEGO® BRICK COMPATIBLE” clearly involves a comparison with the Lego product.

[258] That statement does not also say that the MAX bricks are cheaper, or that they are otherwise functionally equivalent to LEGO bricks. But those are elements that consumers may be understood to appreciate from their examination of a product that Zuru is offering. The fact that those matters are not expressly stated does not take away from the fact that Zuru is comparing its product to Lego’s product, and claiming functional equivalence at cheaper prices.

[259] For these reasons, the comparative advertising defence in s 94 is potentially engaged.

*Honest practices*

[260] Such comparison is permitted under s 94 only if it is in accordance with honest practices in industrial or commercial matters which do not take unfair advantage of,

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<sup>221</sup> See above at [164]–[171].

or are detrimental to the distinctive character or repute of, the trade mark, without due cause. I agree with the majority that some caution is necessary when applying the factors set out in *Samuel Smith*.<sup>222</sup> The difficulty with a long list of factors of this kind is that many of them may not be relevant to the particular circumstances of the case, even though they may be potentially relevant considerations. In my view, they should not be used as a checklist. I also prefer the simpler approach applied by this Court in *Mitre 10* by reference to the decision in *Cable & Wireless*.<sup>223</sup>

[261] In the present case, I consider the following considerations give rise to the conclusion that the honest use requirements are met. In particular:

- (a) The statements made by Zuru are true. Its toy bricks are compatible with Lego toy bricks.
- (b) There is no unfairness arising from what is not said, or the lack of any qualification on that statement. There is no evidence that Zuru's toy bricks are functionally inferior to Lego's toy bricks. They appear to be functionally equivalent. The comparison is fair.
- (c) There is no likely confusion arising from the manner in which Zuru has used the Lego trade mark. I consider it important in this context that Zuru has not used Lego's design mark characteristics, but only its word mark characteristics.<sup>224</sup> So, Zuru are only using the word LEGO as an identifier to make the comparative advertising claim. There is no attempt to co-opt the goodwill by using its brand. The trade mark is only used as an identifier to make the comparison.
- (d) The placement of the Lego word mark on the product and advertising does not otherwise involve any attempt to confuse consumers, or take unfair advantage of the Lego trade mark. It is simply a statement that informs consumers that the Zuru product is a substitute.

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<sup>222</sup> *Samuel Smith Old Brewery (Tadcaster) v Lee (t/a Cropton Brewery)*, above n 77.

<sup>223</sup> *Mitre 10 (New Zealand) Ltd v Benchmark Building Supplies Ltd*, above n 70; and *Cable & Wireless plc v British Telecommunications plc*, above n 71.

<sup>224</sup> For an example of the design mark's characteristics see [4] above.

[262] I see this case as effectively the same as *Mitre 10*, where an open and obvious comparison was said to not likely involve a lack of honesty.

[263] I agree with the observations of the majority to the effect the High Court Judge has erred in his assessment of honest practices. The fact that a competitor wishes to compete by “aggressive[ly]” comparing its goods to the other goods, and obtain some of its customers as a consequence, does not mean that they have not engaged in honest practices.<sup>225</sup> This is simply competition. The fact that Zuru unsuccessfully sought permission from Lego also does not, by itself, mean the use was not an honest practice precisely because TMA02 allows such use. Section 94 expressly authorises competition in using a trade mark for comparative advertising purposes. So, if the comparison involves no misrepresentation, or potential confusion, the fact that Zuru is seeking to take customers away from Lego is not an improper practice. Lego has not argued it has intellectual property in the toy brick design itself. It only has it in the trade mark. The Act permits competitors using the trade mark for comparative advertising purposes. That is so notwithstanding how effective, or, as the Judge said, aggressive, the comparison is, or that Lego will not consent to this competitive use.

[264] For these reasons, I accept that the comparative advertising requirements in s 94 are satisfied.

## **Conclusion**

[265] Given the above conclusions, I would allow the appeal on the basis that Zuru’s conduct did not involve infringement of Lego’s trade mark. In terms of the remaining claims and issues:

- (a) I agree with the majority that the application of s 95 is not straightforward in relation to this product. There are arguments both ways. I prefer not to express a concluded view on that question.

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<sup>225</sup> See judgment under appeal, above n 2, at [133].

- (b) I agree with the majority's views in relation to passing off and the Fair Trading Act.

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