

IN THE SUPREME COURT OF NEW ZEALAND

SC 47/2016
[2017] NZSC 14

BETWEEN CROCODILE INTERNATIONAL PTE
LTD
Appellant

AND LACOSTE
Respondent

Hearing: 30 August 2016

Court: William Young, Glazebrook, Arnold, O'Regan and
Ellen France JJ

Counsel: D A Laurenson QC, B M Sullivan and G F Arthur for Appellant
J G Miles QC, R M Wallis and T A Huthwaite for Respondent

Judgment: 21 February 2017

JUDGMENT OF THE COURT

- A The appeal is allowed. Registration of trade mark 70068 is revoked from 12 December 1999.**
- B Costs of \$25,000 plus usual disbursements are awarded to the appellant (to be fixed by the Registrar if necessary). We certify for two counsel.**
- C Costs in the courts below should be set by those courts in the light of this judgment, if they are not able to be agreed.**
-

REASONS
(Given by Glazebrook J)

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Introduction

[1] In 2008 Crocodile International Pte Ltd (Crocodile International) made an application, under s 66(1)(a) of the Trade Marks Act 2002 (the 2002 Act), to revoke trade mark 70068 (owned by Lacoste) on the basis that Lacoste had not used it for three years.¹

¹ Crocodile claims that there has been no genuine use of trademark 70068 in three separate “non-use periods”. The first non-use period is 12 December 1996 to 12 December 1999. The second non-use period is 25 August 2001 to 25 August 2004. The third non-use period is 24 May 2005 to 24 May 2008. The parties were in agreement that, if use is shown during non-use period three, then trademark 70068 cannot be revoked.

[2] Lacoste accepted that it had never used trade mark 70068 in the form registered but maintained that it had used trade marks that differed in ways that did not alter the distinctive character of trade mark 70068. Therefore, on the basis of the extended definition of use of a trade mark in s 7(1)(a) of the 2002 Act, it had used trade mark 70068.

[3] The Assistant Commissioner held that Lacoste's use of the one other trade mark she considered² did not constitute use of trade mark 70068.³ That decision was overturned by Collins J, who also discussed two other trade marks used by Lacoste.⁴ He held that the points of difference between the trade marks used by Lacoste and trade mark 70068 were insignificant and did not alter the distinctive character of trade mark 70068.⁵ His decision was upheld by the Court of Appeal.⁶

[4] Leave to appeal to this Court was granted on 19 July 2016.⁷ The appeal raises the following issues:

- (a) What is the appropriate test under s 7(1)(a)?
- (b) Are deletions of elements treated differently from additions of elements?
- (c) What is the relevance of consumer recognition and reputation?
- (d) On the basis of the appropriate test, has trade mark 70068 been used by Lacoste?
- (e) If not, is there a discretion not to revoke?

² The Lacoste device mark pictured at [19] below.

³ *Lacoste v Crocodile International Pte Ltd* [2014] NZIPOTM 11 (Assistant Commissioner Walden) [*Lacoste* (IPONZ)] at [46]. For the procedural history of the matter see [4]–[6] of that decision.

⁴ *Lacoste v Crocodile International Pte Ltd* [2014] NZHC 2349 [*Lacoste* (HC)]. Collins J discussed all three Lacoste marks pictured at [19] below: *Lacoste* (HC), at [42].

⁵ At [48]–[49].

⁶ *Crocodile International Pte Ltd v Lacoste* [2016] NZCA 111, (2016) 14 TCLR 333 (Wild, French and Kós JJ) [*Lacoste* (CA)].

⁷ *Crocodile International Pte Ltd v Lacoste* [2016] NZSC 88.

[5] Before we address these issues, we set out relevant extracts from the legislation, the factual background and the survey evidence.

The legislation

[6] The 2002 Act repealed and replaced the Trade Marks Act 1953, which was considered no longer fit for purpose.⁸ A significant driver of the reform was the internationalisation of intellectual property protection.⁹ The wording of the 2002 Act is based on the Trade Marks Act 1998 (Singapore) (Singapore Act), which itself is based on the Trade Marks Act 1994 (UK) (UK Act).¹⁰ The UK Act was in turn based upon a 1988 European Directive.¹¹

[7] At the time of the application for revocation, ss 65, 66 and 67 of the 2002 Act read as follows:¹²

65 Application for revocation of registration of trade mark

- (1) An aggrieved person may apply to the Commissioner or the court for the revocation of the registration of a trade mark.
- (2) The Commissioner or the court may refuse any application for the revocation of the registration of a trade mark that is vexatious.

66 Grounds for revoking registration of trade mark

- (1) The registration of a trade mark may be revoked on any of the following grounds:

⁸ See 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).

⁹ Section 3(e) of the Trade Marks Act 2002 (the 2002 Act) provides that a purpose of the Act is to “ensure that New Zealand’s trade mark regime takes account of international developments”.

¹⁰ Ian Finch (ed) *James & Wells Intellectual Property Law in New Zealand* (2nd ed, Thomson Reuters, Wellington, 2012) at [7.1.1]–[7.2.1].

¹¹ Directive 89/104/EEC First Council Directive of 21 December 1988 to approximate the laws of the Member States relating to trade marks [1988] OJ L040.

¹² Section 66 of the 2002 Act was amended on 16 September 2011 by the Trade Marks Amendment Act 2011, s 7. Section 66(1) was amended by repealing paras (a) and (b) and substituting a new para (a). A new subs (1A) was inserted and the language of s 66(3) was altered to reflect the amendment to subs (1). Section 67 was also amended by the 2011 Amendment Act to reflect the amendment to s 61(1): see s 8. Section 67 had been earlier amended by the Trade Marks Amendment Act 2005, s 9. This judgment proceeds on the basis of the law in force when the application to revoke was made: that is, after the 2005 amendment but before the Trade Marks Amendment Act 2011 came into force.

- (a) that, up to the date 1 month before the date of the application for the revocation of the registration of the trade mark, a continuous period of 3 years or more elapsed following the actual date of registration during which the trade mark was not put to genuine use in the course of trade in New Zealand, by any owner for the time being, in relation to the goods or services in respect of which it is registered:
 - (b) except as provided in subsection (3), that the use of the trade mark has been suspended for an uninterrupted period of 3 years:
 - (c) that, in consequence of acts or inactivity of the owner, the trade mark has become a common name in general public use for a product or service in respect of which it is registered:
 - (d) that—
 - (i) the article or substance was formerly manufactured under a patent or the service was formerly a patented process; and
 - (ii) a period of 2 years or more has elapsed since the expiry of the patent; and
 - (iii) the word is or the words are the only practicable name or description of the article, substance, or service:
 - (e) that, in consequence of the trade mark's use by the owner or with the owner's consent in relation to the goods or services in respect of which the trade mark is registered, the trade mark is likely to deceive or confuse the public, for instance as to the nature, quality, or geographical origin of those goods or services.
- (2) However, despite subsection (1), a trade mark may not be revoked for its non-use if its non-use is due to special circumstances that are outside the control of the owner of the trade mark.
 - (3) The registration of a trade mark must not be revoked on the grounds in subsection (1)(a) or (b) if that use is commenced or resumed after the expiry of the 3-year period and before the application for revocation is made.
 - (4) Any commencement or resumption of use referred to in subsection (3) after the expiry of the 3-year period but within the period of 1 month before the making of the application for revocation must be disregarded unless preparation for the commencement or resumption began before the owner became aware that the application may be made.

67 Onus of proof for revocation of registration of trade mark for non-use

If an owner or a licensee intends to oppose an application for the revocation of the registration of a trade mark under section 66(1)(a) or (b), the owner or the licensee must, within the period specified by the Commissioner or the court,—

- (a) provide proof of the use of the trade mark if the grounds in section 66(1)(a) or (b) form the basis for the application; or
- (b) raise the special circumstances that justify the non-use of the trade mark if section 66(2) applies.

[8] Section 7 deals with the meaning of use of a trade mark. The language in s 7(1)(a) of the 2002 Act is effectively identical to that in s 46(2) of the UK Act and s 22(2) of the Singapore Act. In relevant part, s 7 provides:

7 Meaning of use of trade mark

- (1) In this Act, unless the context otherwise requires, **use**, in relation to a trade mark, includes—
 - (a) use in a form differing in elements that do not alter the distinctive character of the trade mark in the form in which it was registered; and

...

[9] We also set out ss 17(1)(a), 25(1)(b)–(c) and 70. The parties are agreed that these sections are not directly relevant to the issue of use. They are, however, indirectly relevant to Lacoste’s argument that there is a residual discretion to refuse revocation.¹³ Section 17(1)(a) provides:¹⁴

17 Absolute grounds for not registering trade mark: general

- (1) The Commissioner must not register as a trade mark or part of a trade mark any matter—
 - (a) the use of which would be likely to deceive or cause confusion;

...

¹³ See below at [88]–[98].

¹⁴ This is the form of the provision from 15 December 2005 onwards. The Trade Marks Amendment Act 2005, s 3 replaced the prior s 17 with this form.

[10] Section 25(1)(b) and (c) provide:¹⁵

25 Registrability of identical or similar trade mark

(1) The Commissioner must not register a trade mark (**trade mark A**) in respect of any goods or services if—

...

(b) it is similar to a trade mark (**trade mark C**) that belongs to a different owner and that is registered, or has priority under section 34 or section 36, in respect of the same goods or services or goods or services that are similar to those goods or services, and its use is likely to deceive or confuse; or

(c) it is, or an essential element of it is, identical or similar to, or a translation of, a trade mark that is well known in New Zealand (**trade mark D**), whether through advertising or otherwise, in respect of those goods or services or similar goods or services or any other goods or services if the use of trade mark A would be taken as indicating a connection in the course of trade between those other goods or services and the owner of trade mark D, and would be likely to prejudice the interests of the owner.

...

[11] Section 70 provides:

70 Disclaimer of trade mark as condition of not revoking its registration

If the grounds specified in section 66(1)(c) or (d) exist, the Commissioner or the court may, as a condition of the registration of a trade mark not being revoked, require the owner of the trade mark to disclaim any right to the exclusive use of a word or words in relation to any goods or services.

Background

[12] René Lacoste was a famous French tennis player. The American press gave him the nickname Crocodile, following a bet made with the captain of the French tennis team concerning a suitcase made from crocodile skin. It is said that the name conveyed the tenacity he displayed on the tennis court.

¹⁵ This was also amended by the Trade Marks Amendment Act 2005, specifically s 5. Paragraph (1)(a) was replaced and para (1)(b) was amended.

[13] In 1933 René Lacoste and André Gillier formed a partnership to distribute polo shirts embroidered with a crocodile design, which had been created for René Lacoste's personal use. The partnership was incorporated as a company in 1946.¹⁶ Lacoste is the successor business. Its "crocodile" trade marks are registered in a number of jurisdictions, including New Zealand, Australia, Germany, Spain, Portugal, Slovakia and the United Kingdom.

[14] Since 1983 Lacoste products have been sold in New Zealand through Lacoste boutiques and other retailers. The items sold include, but are not limited to, shirts and footwear. Lacoste maintains that all of their products sold in New Zealand used one of their crocodile trade marks.¹⁷

[15] Crocodile International is incorporated in Singapore. It can trace its origins to various business entities owned by the Tan family, which produced and sold garments. The Tan family entities have used various crocodile related trade marks in Asia since 1947, this being the year that a trade mark identical to trade mark 70068 was created and first used. These trade marks appear to be well known in certain Asian jurisdictions. In 1954 the family divided the business interests among five of the brothers. This division was along geographic lines. The various Tan family entities often collaborated but over time their ownership changed and the businesses are no longer exclusively held by the Tan family.

[16] In the 1970s Lacoste expanded into Asia. It experienced difficulties with the pre-existing Crocodile trade marks. An agreement was concluded in 1980 between Lacoste and Crocodile Garments Ltd (Crocodile Garments) of Hong Kong. We understand that Crocodile International and Crocodile Garments are not under common control. The agreement records that the parties "entered into negotiations with a view to settling their disputes in Hong Kong, the United Kingdom and Denmark". As part of this agreement Crocodile Garments would distribute Lacoste products in Hong Kong and undertook not to register any trade mark confusingly similar with the Lacoste emblem outside of Hong Kong.

¹⁶ See generally Patricia Kapferer and Tristan Gaston-Breton *Lacoste: The Legend* (Le Cherche Midi, Paris, 2002).

¹⁷ This includes marks not included in the table at [19] below.

[17] Trade mark 70068 had been registered in New Zealand in December 1961 by Crocodile Garments. In October 2003 Lacoste and Crocodile Garments entered a settlement agreement to resolve global issues relating to intellectual property. Relevant to the current appeal, this agreement provided for the assignment of the rights to the New Zealand trade mark 70068 from Crocodile Garments to Lacoste.¹⁸ This assignment had an effective date of 29 June 2004. As part of the 2003 settlement agreement the parties (Lacoste and Crocodile Garments) agreed that trade mark 70068 and the Lacoste device mark were “confusingly similar”.¹⁹


[18] Lacoste has never used trade mark 70068 in the form registered. The purpose of acquisition from Crocodile Garments was to preclude the use of trade mark 70068 in the New Zealand market.

[19] For convenience we set out trade mark 70068 and the Lacoste marks referred to in the courts below:

Trade mark 70068	
Lacoste device mark	

¹⁸ There had been skirmishes in a variety of countries in the interim including, but not limited to, China and the Philippines. These disputes covered various trademarks and included opposition to registration and litigation relating to whether particular marks were too similar.

¹⁹ The settlement agreement also included reference to a variant on the Lacoste device mark not in issue in this case. The settlement agreement also transferred the rights in a mark equivalent to trade mark 70068 in Saudi Arabia (no 92/80). These two trade marks were the only named trade marks but the settlement agreement provided for the transfer of any and all global trade marks in this form from Crocodile Garments to Lacoste. Crocodile Garments was also precluded from the future registration of any trade marks in this form.

Lacoste device-and-word mark	
Lacoste word mark	CROCODILE

[20] There has been ongoing litigation between Lacoste and a number of Crocodile companies in New Zealand.²⁰ Indeed, when this appeal was heard, another case between Lacoste and Crocodile International was before the Court of Appeal.²¹

The survey evidence

[21] Evidence of two surveys conducted by a market research company, Phoenix Research Ltd, were before the High Court.²² The first survey essentially asked respondents which company or brand they would associate particular logos with. The logos included: the crocodile device in trade mark 70068 pictured facing both ways but without the stylised word crocodile; the crocodile in the Lacoste device mark facing both ways; and a mark similar to the Lacoste device-and-word mark pictured at [19] above.

²⁰ Limiting ourselves to cases at the High Court the cases include: *Lacoste v Crocodile International Pte Ltd* HC Wellington CIV-2009-485-2536, 1 March 2011, which concerned Lacoste’s application to register the word mark “Crocodile”; *La Chemise Lacoste v Crocodile Garments Ltd* HC Wellington AP32/02, 18 November 2002, which concerned an application by Lacoste to remove trade mark 70068 (then owned by Crocodile Garments) from the Register on the basis of non-use; and *Crocodile International Pte Ltd v Lacoste* [2013] NZHC 2265, [2013] NZAR 1391 which concerned whether Crocodile had standing to bring this application for revocation and was limited to the issue whether or not Crocodile was an “aggrieved person”. Westlaw indicates that nine further decisions have been made by the Intellectual Property Office of New Zealand.

²¹ Being the appeal from *Crocodile International Pte Ltd v Lacoste* [2015] NZHC 2432 which concerns an application by Lacoste to register a mark identical to trade mark 70068 in class 25.

²² The first is dated June 2006 and the second October 2009. It is important to note that this survey evidence was commissioned with regard to a different dispute and thus was not prepared for the purpose of assisting with the current dispute.

[22] With regard to the crocodile device in trade mark 70068, some 60.4 per cent of respondents said that they identified the logo with a brand (while 64.1 per cent said that they identified it with a brand when it was facing in the other direction). The Lacoste device mark was identified with a brand by 69.9 per cent of respondents (falling to 67.3 per cent for the device-and-word mark and 65 per cent for the Lacoste device mark facing the other way).

[23] Overall some 43 per cent of the respondents²³ then identified (unprompted) all of the crocodile logos with Lacoste (rising to 56.4 per cent for the device-and-word mark). When asked to pick names from a list, the percentages of respondents identifying all of the crocodile devices with Lacoste rose to around 60 per cent (and to 79.2 per cent for the Lacoste device-and-word mark).

[24] The conclusion drawn by the director of Phoenix, David Fougere, was that the Lacoste brand name is well known to the New Zealand public and that “any clothing logo including a crocodile the same as or similar to the designs shown in the survey, as part of its design, is likely to be thought by a significant number of people from the public of New Zealand to be associated with Lacoste”.

[25] The second survey asked 314 people if they had seen trade mark 70068 in New Zealand: 243 people (or 77.4 per cent) said they had not. If those who responded that they did not know are added, 79 per cent of the respondents were unfamiliar with the trade mark in New Zealand. Only 66 people (21 per cent of respondents) said they had seen the trade mark in New Zealand.

[26] Of the 66 people who said they had seen trade mark 70068 in New Zealand, only 35 associated it with a particular brand and, of those, only 16 associated it with

²³ Rounded from 42.7 and 43.4 to a uniform 43 per cent.

Lacoste. This means that only 5.1 per cent of the 314 respondents associated trade mark 70068 with Lacoste.²⁴

[27] The report said that it was highly unlikely that any of those surveyed had actually seen trade mark 70068 used in New Zealand.²⁵ Therefore the report concluded that those who had identified trade mark 70068 with Lacoste must have thought that the trade mark was the Lacoste trademark. The report then concluded that “the two marks, in the minds of consumers, are either the same logo or are in forms which, whilst not identical, do not differ in material respects”.

[28] We are unable to see how this last conclusion follows from the fact that 16 out of 314 (only 5.1 per cent) respondents identified trade mark 70068 as being associated with Lacoste.²⁶ The fact that just under 95 per cent of respondents said they had never seen the trade mark in New Zealand²⁷ or, if they had seen it, did not associate it with Lacoste would in our view point to the opposite conclusion.²⁸

²⁴ In its submissions Lacoste claimed that “[m]ore than 24% of respondents identified [trade mark 70068] with Lacoste”. This is misleading. The figure of 24 per cent is reached by taking the 16 people who associated the mark with Lacoste out of a population of 66, that is the number of respondents who had seen the mark in New Zealand. But this ignores the fact that the actual number of respondents was 314. We do note that, if a person responded that they had not seen the mark in New Zealand they were asked no further questions. It is possible that some of those who had not seen the mark in New Zealand may have associated it with Lacoste if asked, due to overseas experience of Lacoste. But that was not the question asked. It is also possible that those who had seen the mark offshore would have associated it with the Crocodile companies.

²⁵ The researcher had been instructed to use as a premise: “that, to the extent to which Lacoste has made any use of [trade mark 70068] in New Zealand, such use has been very small, and certainly of a much smaller order of magnitude than use by Lacoste of the crocodile device trade mark that Lacoste uses”.

²⁶ Indeed, Phoenix Research, in discussing the margins of error applicable to the results, said that the range, with 95 per cent confidence, of the New Zealand public who would identify trade mark 70068 with Lacoste was 2.6 per cent to 7.4 per cent.

²⁷ Or did not know if they had.

²⁸ There have been developments in the United Kingdom to require greater stringency in receiving survey evidence. While of interest, these trends are not directly in issue here. For more, see James Mellor and others *Kerly’s Law of Trade Marks and Trade Names* (15th ed (online), Sweet & Maxwell, London, 2011) [*Kerly’s*] at [S21–018]–[S21–042].

The appropriate test

Lord Walker's test

[29] Both parties accept that the appropriate test is that set out by Lord Walker in *Bud and Budweiser Budbräu Trade Marks*.²⁹ In interpreting a definition of “use” effectively identical to that in s 7(1)(a) of the 2002 Act, Lord Walker, in *Bud and Budweiser Budbräu Trade Marks*, said that in this context “elements” does not mean “the basics or essentials of a matter” but must have a weaker sense of “features” or “details”.³⁰ This is because “a basic or essential difference in the form in which a trade mark is used would be very likely to alter its distinctive character”.³¹

[30] Lord Walker then set out the process to be followed:³²

The first part of the necessary inquiry is, what are the points of difference between the mark as used and the mark as registered? Once those differences have been identified, the second part of the inquiry is, do they alter the distinctive character of the mark as registered?

[31] Lord Walker recognised that the distinctive character of a trade mark, “what makes it in some degree striking and memorable”, would seldom be analysed by the average consumer but said that it was capable of analysis.³³ He considered that it is:³⁴

[F]or the registrar, through the hearing officer’s specialised experience and judgment, to analyse the “visual, aural and conceptual” qualities of a mark and make a “global appreciation” of its likely impact on the average consumer who:

“normally perceives a mark as a whole and does not proceed to analyse its various details”.

[32] Lord Walker acknowledged that the quotations in the passage above were taken from a case relating to infringement and confusion between trade marks.³⁵

²⁹ *Budejovicky Budvar Narodni Podnik v Anheuser-Busch Inc* [2002] EWCA Civ 1534, [2003] RPC 25 [*Bud and Budweiser Budbräu Trade Marks*].

³⁰ At [41].

³¹ At [41].

³² At [43].

³³ At [44].

³⁴ At [45].

³⁵ Case C-342/97 *Lloyd Schuhfabrik Meyer & Co GmbH v Klijsen Handel BV* [1999] ECR I-3819 at [26].

Both parties in *Bud and Budweiser Budbräu Trade Marks*, however, had agreed that this test was apposite when considering revocation for non-use.

[33] The hearing officer in *Bud and Budweiser Budbräu Trade Marks*, GW Salthouse, had referred to the “central message” of the trade mark.³⁶ Lord Walker accepted that the “central message” of a trade mark is not the statutory test and that “it is not always helpful to paraphrase a statutory test before applying it”.³⁷ However, given that the average consumer normally perceives a trade mark as a whole:³⁸

... “central message” may not be too bad a paraphrase, so long as it is understood as comprehending the essential “visual, aural and conceptual” qualities which combine to give a mark its distinctive character.

Three-stage test?

[34] Mr Laurens QC, for Crocodile International, argues for an additional step to be added to the two-stage Lord Walker test set out at [30]. In support of this proposition, he points to the case of *The London Taxi Corp Ltd*.³⁹ He submits that at some stage it is necessary to identify the essential visual, aural and conceptual elements which combine to give the trade mark as registered its distinctive character (that which makes it in some degree striking and memorable). Mr Miles QC, for Lacoste, supports the Court of Appeal’s view that a three-stage test would make the exercise a mathematical one instead of an evaluative one.⁴⁰

[35] The first appearance of the three-stage formulation of the test, supported by Crocodile International, was in England in the Intellectual Property Office’s decision *NIRVANA Trade Mark*.⁴¹ After citing *Bud and Budweiser Budbräu Trade Marks* and

³⁶ *Bud and Budweiser Budbräu Trade Marks*, above n 29, at [47].

³⁷ At [47].

³⁸ At [47].

³⁹ *The London Taxi Corp Ltd v Frazer-Nash Research Ltd* [2016] EWHC 52 (Ch), [2016] FSR 20 [London Taxis] at [377].

⁴⁰ See *Lacoste (CA)*, above n 6, at [12].

⁴¹ *Re Registered Trade Mark Nos 365200, 1199776 and 1384452* UK Intellectual Property Office Trade Mark Decision O/262/06, 18 September 2006 [*NIRVANA Trade Mark*].

the European jurisprudence, Sir Richard Arnold QC, then sitting as an Appointed Person, set out three questions:⁴²

- (a) What is the distinctive character of the registered trade mark?
- (b) What are the differences between the mark used and the registered trade mark?
- (c) Do the differences identified in (b) alter the distinctive character identified in (a)?

[36] There is no indication in Sir Richard Arnold’s reasons in *NIRVANA* that he saw his formulation as departing from *Bud and Budweiser Budbräu Trade Marks* or the European jurisprudence. Indeed, he saw this formulation as merely breaking down Lord Walker’s test into “sub-questions”.⁴³ In *London Taxis* Arnold J referred to his analysis in *NIRVANA* and applied the three-stage test.⁴⁴

Our view

[37] We consider that it is implicit in Lord Walker’s reasoning that the distinctive character of a trade mark must be identified before it is possible to analyse whether any additions, alterations or deletions have altered that distinctive character. The *London Taxis* three-stage formulation is merely an elaboration of the process that would in any event be required by Lord Walker’s test.

⁴² At [33]–[34]; see also *Re Registered Trade Mark No 1580900* UK Intellectual Property Office Trade Mark Decision O/061/08, 28 February 2008 [*REMUS Trade Mark*] at [35].

⁴³ At [34]. The same view was expressed by Appointed Person Anna Carboni in *Re Trade Mark Registration No 1193215* UK Intellectual Property Office Trade Mark Decision O/299/08 [*ORIENT EXPRESS Trade Mark*] at [67]. See further *OAO “Alfa-Bank” v Alpha Bank AE* [2011] EWHC 2021 (Ch) at [12]–[13]; and *Ricotti v Quasar Manufacturing (Q-Zar Trade Mark)* [2014] RPC 25 at [6]. As to Singapore see *Bluestar Exchange (Singapore) Pte Ltd v Teoh Keng Long* [2003] SGHC 169, [2003] 4 SLR(R) 92; *Capitol Records LLC v Steven Corp Pte Ltd* [2010] SGIPOS 14; and *Love & Co Pte Ltd v The Carat Club Pte Ltd* [2008] SGHC 158, [2009] 1 SLR(R) 561.

⁴⁴ *London Taxis*, above n 39, at [236]–[238].

Are deletions treated differently from additions?

Submissions

[38] In Mr Laurenson's submission, the issue in cases involving an addition to the registered trade mark is whether the registered trade mark is still operating as a trade mark (badge of origin)⁴⁵ despite the additions. There is a different inquiry, in his submission, where elements are removed. If an essential element of the trade mark is removed, then the distinctive character of the trade mark is not present.

[39] Mr Miles, for Lacoste, rejects this contention. In his submission, the test is the same, whether elements have been deleted from or added to a trade mark. Further, in his submission, Crocodile International's approach wrongly ignores the totality of a trade mark and improperly focuses on its constituent elements, which is not how consumers are taken to register a trade mark.

Discussion

[40] We agree with Lacoste's submission that concentration on individual elements risks a lack of the required concentration on the trade mark as a whole. On the other hand, the word elements is used in s 7(1)(a) and so having regard to elements added or removed accords with the statutory language.

[41] We do not accept Crocodile International's submission that there is a different test where elements are removed as against where elements are added. The essential question remains whether removing or adding elements has altered the distinctive character of the trade mark. We do accept, however, that whether elements are added or taken away may affect the practical application of the test.

[42] This is because it will be harder to alter the distinctive character of a trade mark by the addition of elements. The totality of the registered trade mark will have satisfied the legal requirement of having a distinctive character. With each additional

⁴⁵ As *Kerly's* explains, "A trade mark is (or should be) a badge of origin. In other words it indicates the source or the trade origin of the goods or services in respect of which it is used. A trade mark may do other things as well, but it must act as a badge of origin": *Kerly's*, above n 28, at [2-003].

embellishment the totality of the trade mark having the distinctive character is still present, whereas, if elements are removed, the distinctive character in that totality may be more easily eroded.

[43] Certainly, as Lord Walker discusses, if an element that is removed or significantly altered is an essential element, then it will most likely mean that the distinctive character of the trade mark has been altered.⁴⁶

Relevance of reputation

Submissions

[44] Lacoste places heavy reliance on its position in the market and associated brand recognition. The argument is that images of crocodiles on clothing (at least if in a horizontal pose) are associated by consumers in New Zealand with Lacoste. For the proposition that reputation is relevant, Mr Miles refers to *Specsavers International Healthcare Ltd*.⁴⁷

[45] Mr Laurensen counters that *Specsavers*, if applied as Mr Miles suggests, would result in a significant broadening of the protection given to trade marks. He likened this to a trade mark owner gaining protection for the “penumbra of the penumbra”. Such extension of protection is, in his submission, outside the scheme of the trade mark regime.

[46] We interpolate that the term umbra is used to denote the protection given to trade marks by stopping anyone else from using, or seeking to register, the exact trade mark registered. This is the strongest protection available. The term penumbra is used to denote the protection given to trade marks by stopping anyone else from using, or seeking to register, a similar trade mark to the trade mark registered. This protection is not as strong as the umbra.⁴⁸



⁴⁶ *Bud and Budweiser Budbräu Trademarks*, above n 29, at [41].

⁴⁷ *Specsavers International Healthcare Ltd v Asda Stores Ltd* [2014] EWCA Civ 1294, [2015] FSR 8.

⁴⁸ These terms are used in the following cases: *Laboratoire de la Mer Trade Marks* [2002] FSR 51 (Ch) at [19]; and *Maier v ASOS plc* [2015] EWCA Civ 220, [2015] FSR 20 at [63] citing with approval Jacob J in *ANIMAL Trade Mark* [2003] EWHC 1589 (Ch), [2004] FSR 19.

The authorities

[47] In *Specsavers* the word mark “Specsavers” had been registered, as well as what was termed a “shaded logo mark” (words superimposed on overlapping ovals) and a “wordless logo mark” (superimposed ovals on their own).⁴⁹ We set these out for convenience:

Wordless logo mark	
Shaded logo mark	

[48] Specsavers had never used the wordless logo mark and the question was whether it should be deregistered for non-use. The Court of Appeal of England and Wales considered the “powerful evidence” of extensive use of the shaded logo mark and the strong consumer perception linking overlapping ovals with Specsavers.⁵⁰ In “the rather unusual circumstances of this case and notwithstanding [his] initial impression to the contrary” Kitchin LJ held that Specsavers had established genuine use of the wordless logo mark. He, however, described it as “an unusual case” and “emphasise[d] that each and every case must be decided on its own facts and in the light of all the relevant circumstances”.⁵¹

⁴⁹ The judgment in question was the resumed hearing of an appeal to the England and Wales Court of Appeal following a reference to the European Court of Justice. Specsavers sought to overturn the revocation of the wordless logo mark by Mann J. The underlying dispute was whether or not Asda had infringed Specsavers’ trade mark.

⁵⁰ *Specsavers*, above n 47, at [23]–[25] per Kitchin LJ (with Black LJ and the Lord Chief Justice of England and Wales both agreeing with Kitchin LJ’s reasons).

⁵¹ *Specsavers*, above n 47, at [37]. There seems to have been only one subsequent case that has cited *Specsavers*: *L&D SA v Julius Samann Ltd* UK Intellectual Property Office Trade Mark Decision O/193/15, 15 April 2015 [*Fir Tree*].

Our assessment

[49] The *Specsavers* approach insofar as it gives significant weight to reputation, may be justified on the basis that the impression of a trade mark depends not just on what is said (or depicted) but also on how it is understood. It may also be justified by the fact that distinctive character can be either inherent or acquired.⁵²

[50] On the other hand, the *Specsavers* approach could be seen as diluting the statutory focus on the comparison between the trade mark as registered and the trade mark as used. The 2002 Act sets out a test for whether a mark is “used” and a different test for whether a mark would be likely to deceive or cause confusion.⁵³ The different tests must have been created for a reason.

[51] The *Specsavers* approach could also be seen as undermining the purpose behind the provision relating to revocation for non-use, often referred to as the “use it or lose it” provision.⁵⁴ The purpose was set out by Jacob J as follows:⁵⁵

There is an obvious strong public interest in unused trade marks not being retained on the registers of national trade mark offices. They simply clog up the register and constitute a pointless hazard or obstacle for later traders who are trying actually to trade with the same or similar marks. They are abandoned vessels in the shipping lanes of trade.

[52] We are inclined to reconcile these considerations by keeping a focus on the statutory language but accepting that a strong reputation in a trade mark may mean that greater changes can be made before distinctive character is lost than would be the case for a less established brand. We do note that the Court in *Specsavers* was dealing with a narrow issue: whether a registered device trade mark had been used where it had only ever been used in combination with a registered word trade mark.

⁵² See generally *Kerly's*, above n 28, at [8–019]–[8–030]. The 2002 Act explicitly refers to “acquired” distinctive character in ss 18 and 73. For a discussion of these sections, see *Fredco Trading Ltd v Miller* (2006) 11 TCLR 751 (CA). Paul Sumpter describes s 18(2) in these terms: “This is the ‘nurture’ provision and allows for the fact that a mark which has been used extensively and exclusively by one business may have acquired a secondary meaning in the sense that a significant number of the relevant consumers upon seeing the sign recognise it as a badge of origin and not as something describing the goods/services or otherwise non-distinctive.”: Paul Sumpter *Trade Marks in Practice* (3rd ed, LexisNexis, Wellington, 2015) at 76.

⁵³ Compare ss 7 and 17 of the 2002 Act.

⁵⁴ *Tasman Insulation New Zealand Ltd v Knauf Installation Ltd* [2014] NZHC 960, (2014) 108 IPR 162 at [72].

⁵⁵ *Laboratoire de la Mer*, above n 48, at [19](a).

It did not purport to provide a universal answer, even in those circumstances. As *Kerly's* says of the situation in *Specsavers*, it.⁵⁶

... depends on the facts but if each element in the combination has its own distinctive character and role, then use of the combination can constitute genuine use of each of the distinctive elements. This will not apply automatically to every combination mark but, in relation to combinations which are very widely used and are well known, the conclusion of genuine use accords with what the average consumer would perceive.

Has there been use of trade mark 70068?

[53] We propose to deal with this question by first setting out more detail on the decisions below. We then analyse the differences between the decisions of the Assistant Commissioner and the High Court and Court of Appeal and make some comments on the appellate approach. Next, we summarise the parties' submissions and assess whether the registration of the trade mark should be revoked by applying the test ourselves. We then consider the survey evidence, the policy behind the provisions for revocation for non-use and the effect of s 7(3) of the 2002 Act.

The decisions below

[54] Assistant Commissioner Walden held that the registration of trade mark 70068 should be revoked.⁵⁷ She rejected Lacoste's argument that use of the Lacoste device mark constituted use of trade mark 70068.⁵⁸ Lacoste had argued that the "central message" of both trade marks is "crocodile".⁵⁹ The Assistant Commissioner did not consider the "central message" test to be of assistance in this case.⁶⁰ In her view the differences between the trade marks, on a "global appreciation", would be perceived by the consumer as striking and memorable and they did alter the distinctive character of the trade mark.⁶¹

⁵⁶ *Kerly's*, above n 28, at [S10-084a].

⁵⁷ *Lacoste (IPONZ)*, above n 3, at [47].

⁵⁸ At [31]-[41].

⁵⁹ At [31].

⁶⁰ At [35].

⁶¹ At [37].

[55] In a table the Assistant Commissioner listed six differences between the two trade marks.⁶² These were:

- (a) the addition of the word “crocodile” to the trade mark;
- (b) the stylised nature of the word;
- (c) the way in which the crocodiles were drawn such that one was stylised and the other more realistic;
- (d) one would have more variety in colour tone;
- (e) one was facing left and the other right; and
- (f) one crocodile had its jaws open while the other was relaxed.

[56] In the High Court, Collins J overturned the Assistant Commissioner’s decision.⁶³ As well as the Lacoste device mark, he considered the Lacoste device-and-word mark.⁶⁴ The main differences he noted between the first two Lacoste marks and trade mark 70068 were that the crocodile faces a different way and that the word “crocodile” appears in one image but not the others.⁶⁵ He did not consider these significant differences. In his view the prominent feature of all three trade marks was a crocodile depicted in a similar way:⁶⁶

... the crocodile is drawn side on, with its jaws open slightly. The tail of each crocodile curves back in a similar arch. The scales, eyes, claws and teeth details are visible on each crocodile.

He said that he was “certain the average consumer ... would conclude that the visual and conceptual message associated with each of [the] marks was distinctively similar”.⁶⁷

⁶² At [29].

⁶³ *Lacoste* (HC), above n 4, at [1] and [64].

⁶⁴ At [42].

⁶⁵ At [44]–[45].

⁶⁶ At [45]. Collins J noted that he “[did] not understand why the Assistant Commissioner thought it appropriate to only compare the Lacoste device mark with trade mark 70068” (at [42]) but for his purposes did not need to consider the word mark.

⁶⁷ At [49].

[57] Collins J did not find it necessary to examine the survey evidence but considered that, had the Assistant Commissioner analysed that evidence properly, she would have found it supported Lacoste’s case.⁶⁸ Collins J was of the view that Lacoste had established use of trade mark 70068 “throughout all the periods of non-use alleged”.⁶⁹ Accordingly, he allowed the appeal and set aside the order revoking trade mark 70068.⁷⁰

[58] The Court of Appeal upheld the decision of the High Court.⁷¹ The Court held that the crocodile is depicted in a similar manner in all three device marks.⁷² The main point of visual difference between the images is that trade mark 70068’s crocodile is facing in the opposite direction and that it has the word “crocodile” while the others do not.⁷³ The Court considered that “the crocodile is the central idea and message. As we put it to Mr Laurenson, it is all about the crocodile.”⁷⁴

Comments on the decisions below

[59] The Assistant Commissioner based her decision on a “global appreciation” of the trade marks. She emphasised the stylistic differences, including the stylised nature of the word and the more natural looking crocodile in trade mark 70068.⁷⁵ The Court of Appeal, and to a lesser extent the High Court, focused more on the “central idea and message” of the trade mark, an approach which the Assistant Commissioner had rejected.⁷⁶ Looked at through that lens, they saw the differences as minor.

[60] The focus on the central idea and message does not accord with the test in *Bud and Budweiser Budbräu Trade Marks*. In that case it was stated that “the average consumer normally perceives a mark as a whole”. This meant that “central

⁶⁸ At [50]–[53].

⁶⁹ At [62]. This was recognised by Collins J to be obiter as it was, and is in this Court, only necessary to show use in the final period of alleged non-use. See above at n 1.

⁷⁰ At [64]–[65].

⁷¹ *Lacoste* (CA), above n 6, at [27]. The Court of Appeal also, albeit implicitly, did not see the need to deal with the word mark extensively. It appears the basis of the Court of Appeal decision was that the Lacoste device alone or in conjunction with the word “Lacoste” amounted to use of trade mark 70068: see [18]–[25].

⁷² At [21].

⁷³ At [19].

⁷⁴ At [20].

⁷⁵ See above at [55].

⁷⁶ *Lacoste* (HC), above n 4, at [47]; and *Lacoste* (CA), above n 6, at [20] and [22].

message” may be an acceptable paraphrase, but only to the extent it is understood to encompass the essential “visual, aural and conceptual” qualities which combine to give a trade mark its distinctive character.⁷⁷

[61] The distinction between the Assistant Commissioner’s approach of a “global appreciation” and the focus in the courts below on a “central idea or message” in our view could have significant consequences. As was made clear by Lord Walker, there must be a wider inquiry than looking at the “central idea and message”. Concentrating on the central message risks ignoring or downplaying potentially significant visual differences between trade marks. It would thus mean that trade marks that are not in fact used continue on the Register, contrary to the policy of not clogging the Register.

[62] The “central message” approach also risks extending the penumbra of protection for a trader.⁷⁸ Such extension would be counter to the balance created by the 2002 Act. In addition, it could give a significant first-mover advantage. It could potentially allow a trader to register trade marks for multiple representations of a particular animal, use only one image, and still retain protection over all the trade marks.⁷⁹

[63] Further, trade marks may be taken to have multiple messages.⁸⁰ Trying to ascertain a central concept of a trade mark could lead to greater uncertainty than a general assessment of all the similarities and differences between trade marks, which is the exercise required by the statutory language of s 7(1)(a). As was noted by Lord Walker, paraphrasing statutory language can create more problems than it solves. His warning is borne out in this case.

⁷⁷ See above at [33]. See also *Lacoste* (IPONZ), above n 3, at [35].

⁷⁸ As discussed above at [45].

⁷⁹ To this effect see Earl Grey, Richard Watts and Janelle Simpson “‘It’s all about the crocodile ...’: Court of Appeal puts New Zealand trade mark law into a tail spin...” (13 April 2016) Simpson Grierson <www.simpsongrierson.com>.

⁸⁰ See the discussion in Deven Desai “Response: An Information Approach to Trademarks” (2012) 100 *Geo L J* 2119.

Appellate approach

[64] The appellate approach in England and Wales is different from that taken in New Zealand.⁸¹ All of the judges in *Bud and Budweiser Budbräu Trade Marks* held that the hearing officer in that case had not erred in principle and therefore that the Deputy Judge of the Chancery Division should not have overturned the decision.⁸² This is despite Lord Walker describing the hearing officer's decision as "surprising" and saying that, if he had "free choice between the hearing officer's decision and that of the deputy judge I would unhesitatingly choose the latter".⁸³

[65] In New Zealand, unlike in England and Wales, appellate courts are not required to defer to the assessment of the Commissioner in this way. An appellate court is obliged to consider the Commissioner's view but must then decide what weight is to be given to it. If it considers that the Commissioner's view is wrong, the court must act on its own view.⁸⁴

[66] In this case, the issue for decision is focused on the aural, visual and conceptual qualities of a trade mark containing a device and a stylised word.⁸⁵ Given the wide range of trade mark decisions that Commissioners are called upon to make, they may be expected to have a broader and more nuanced appreciation of the trade mark Register than judges, whose experience will generally be limited to the particular contested applications that come before them. This may mean that, where an appeal raises this type of issue, the appellate court should hesitate to depart from the Commissioner's qualitative assessment (although being prepared to do so if

⁸¹ See Rupert Jackson (ed) *Civil Procedure* (2016 ed, Thomson Reuters, London, 2016) vol 1 at [52.11].

⁸² *Bud and Budweiser Budbräu Trademarks*, above n 29, at [12]–[14] and [32] per Sir Martin Nourse, at [35] per Lord Walker, and at [55] per Pill LJ.

⁸³ At [48] and [52]. Sir Martin Nourse was more restrained in his phraseology and said at [12]: "I am unable to hold that Mr Salthouse was not entitled to take the view that he did. It is true that another hearing officer might, as indeed did the judge, have taken a different view. But it cannot be said that Mr Salthouse's view was one to which no reasonable hearing officer could have come." Pill LJ merely stated that he agreed Mr Salthouse was entitled to reach the conclusion he did.

⁸⁴ *Austin, Nichols & Co Inc v Stichting Lodestar* [2007] NZSC 103, [2008] 2 NZLR 141 at [3].

⁸⁵ The marks in the present case could be seen as raising issues of more subtlety and nuance than in *Austin, Nichols & Co Inc* which concerned marks with words only: at [8].

ultimately satisfied that the Commissioner's view is erroneous). As this Court said in *Austin, Nichols & Co Inc*:⁸⁶

The tribunal may have had a particular advantage (such as technical expertise or the opportunity to assess the credibility of witnesses, where such assessment is important). In such a case the appeal court may rightly hesitate to conclude that findings of fact or fact and degree are wrong.

This is an issue on which we have not heard argument and which we do not need to resolve in the present case.

Submissions

[67] In this case it is submitted for Crocodile International that the word crocodile, combined with the crocodile device, gives trade mark 70068 its distinctive character. The word "crocodile" is distinctive in script, its prominent size and positioning in relation to the crocodile device. The trade mark is visually significantly different without the word. The Court of Appeal's view that the omission of the word did not alter the trade mark's distinctive character rested on the proposition that the word described or illustrated the crocodile device. In Mr Laurenson's submission this failed to take into account the visual quality, which is integral to the distinctive character of a trade mark which includes, or is solely, a device.

[68] Lacoste submits that the differences between the Lacoste marks and trade mark 70068 are minor, being limited to the direction in which the crocodile faces, the fact that the crocodile device in mark 70068 is slightly thinner than the Lacoste Crocodile and the specific stylisation of the word "crocodile". In its submission these differences do not alter the distinctive character of the trade mark, which is clearly a crocodile. They continue that the "elements" of the mark carry the same message.

Our application of the test

[69] Assessing the differences between trade marks, in terms of distinctive character, involves a global appreciation of the "visual, aural and conceptual

⁸⁶ At [5].

qualities” of the trade mark as registered and the mark as used.⁸⁷ Starting with the conceptual qualities of the trade marks, this has been said to mean “analogous semantic content”⁸⁸ or the meaning or “idea” it portrays.⁸⁹

[70] In this case the simplest idea conveyed by both the device and word part of trade mark 70068 is crocodile. The word crocodile is also used as an internal marker to make it clear that that the animal is a crocodile and not an alligator. The use of a crocodile motif may also be intended to denote such concepts as strength, tenacity and durability. When trade mark 70068 was originally registered, the word part of the trade mark was a direct allusion to the identity of the supplier, Crocodile Garments.

[71] Turning to the Lacoste marks, again the simplest idea is crocodile, with the same intended allusions (one assumes) to strength, tenacity and durability. It is also a reference back to René Lacoste and his nickname, for those who remember. Lacoste presumably considers that it has an established reputation in its particular crocodile motif (meaning that it denotes crocodile, even without any word in either its device or the device-and-word mark to make it clear that the creature is not an alligator).

[72] We accept that there is conceptual similarity between trade mark 70068 and the Lacoste marks, except to the extent that they reference back to Lacoste or the Crocodile companies. The same can be said about the comparison between the aural properties of the trade marks.

[73] As to visual differences, we accept that some are minor – for instance the direction the crocodile is facing. There are also similarities, including the fact that all the crocodiles are depicted side on. However, we consider that there are significant visual differences between trade mark 70068 and the Lacoste marks. In particular:

⁸⁷ See above at [31].

⁸⁸ Case C-251/95 *Sabel BV v Puma AG, Rudolf Dassler Sport* [1997] ECR I-6191 at [24]. See also David Kitchin and others *Kerly's Law of Trade Marks and Trade Names* (13th ed, Sweet & Maxwell, London, 2001) at [16–18]–[16–19].

⁸⁹ As to “idea”, again borrowed from the confusion context, see: *Kerly's*, above n 28, at [18–205]–[18–208]; *Jafferjee v Scarlett* (1937) 57 CLR 115; and *Hannaford & Burton Ltd v Polaroid Corp* [1976] 2 NZLR 14 (PC).

- (a) The depiction of the word “Crocodile” in a cursive script and on an angle in trade mark 70068 is absent in the device and device-and-word marks as used by Lacoste.
- (b) A stylised representation of the animal is used in the Lacoste marks, compared to the more realistic representation in trade mark 70068.

[74] In our view, the distinctive character of trade mark 70068 has two essential visual elements: the stylised word and the crocodile device. The fact that one of the essential visual elements is missing from the Lacoste devices as used would in itself likely mean that the use of the Lacoste trade marks is in a form differing in elements which mean that the distinctive character of trade mark 70068 is altered.⁹⁰ When the significant differences in the depiction of the crocodile are added, this conclusion is, in our view, inescapable.⁹¹

[75] In coming to the contrary view, the Court of Appeal relied on the High Court of Australia decision *E & J Gallo Winery*.⁹² In that case Gallo owned a trade mark of the word “BAREFOOT”. The High Court did not consider that adding the image of a foot to the word changed the identity of the trade mark because the products would still be identified with the term “BAREFOOT”.⁹³ In that case it could be said that the core message of the term was “barefoot” and this was communicated by the word regardless of the image accompanying it. The image merely operated as an illustration of the word.⁹⁴ However, unlike in this case, in *Gallo* the word mark as registered remained a core element of the trade mark as used. If the company had trademarked a particular image of a foot and used a quite different image of a foot on

⁹⁰ See the marks as set out above in [19]. Neither the Lacoste device mark nor the Lacoste device-and-word mark include the word “crocodile”. The Lacoste word mark does not include a crocodile device. *Bud and Budweiser Budbräu Trademarks*, above n 29, at [41].

⁹¹ It has been argued that consumers are becoming more brand conscious, meaning that they better perceive differences between trade marks, even where these are subtle: see for example Julius Stobbs “What is distinctive about ‘distinctive character’ and who decides?” (2015) 53 *World Trademark Review* 40. This argument would suggest an interpretation of the language of s 7(1)(a) that limits the extent to which alterations can be made before altering the distinctive character of the trade mark as registered, even for well established trade marks. We do not need to consider this further as we consider the alterations in this case to have been extensive. Therefore, we should not be taken to be endorsing or mandating this view.

⁹² *E & J Gallo Winery v Lion Nathan Australia Pty Ltd* [2010] HCA 15, (2010) 241 CLR 144.

⁹³ At [69].

⁹⁴ This was the Court of Appeal’s approach to this case: see *Lacoste* (CA), above n 6, at [23].

their products, the result would in our view have been different. The same applies if the trade mark as registered had two elements, both a word and a device, particularly if the word was in a visually arresting form. This is of course the situation here. Trade mark 70068 is registered with a particular device and a visually arresting form of the word. Accordingly, the Court of Appeal's reliance on *Gallo* was misplaced.

Survey evidence

[76] The survey evidence does suggest that the crocodile device in trade mark 70068 and that in the Lacoste marks is associated in New Zealand with Lacoste to a reasonably significant degree.⁹⁵ Even had trade mark 70068 consisted just of the crocodile device, however, we do not consider this case on all fours with *Specsavers*. While there was a relatively strong association with Lacoste, neither of the crocodile devices was exclusively associated with Lacoste, unlike the overlapping ovals in *Specsavers*. Further, the crocodile devices in our case have a number of visual features which are different, unlike *Specsavers* where the same overlapping ovals were used. At the risk of repetition, Kitchin LJ's caution in *Specsavers* about the general applicability of the approach must also be borne in mind.⁹⁶ Finally, whether the Phoenix research goes directly to all three elements — “visual, aural and conceptual” — is open to doubt. Indeed, the survey respondents were not asked to compare the devices visually, conceptually or otherwise.

[77] Trade mark 70068, however, consists of two elements: the stylised words and the crocodile device. What use we can make of the survey evidence on the composite trade mark 70068 appears to support Crocodile International's position. Only 16 of 314 respondents in the second survey linked trade mark 70068 to Lacoste.⁹⁷ Lacoste thus has little reputation in trade mark 70068 on this evidence. That so few respondents associated trade mark 70068 with Lacoste (despite the other survey results associating the crocodile part of trade mark 70068 with Lacoste) also

⁹⁵ See above at [23]. Of course this sort of evidence is static, it represents a snap shot in time. The Crocodile brand appears to be well known in certain Asian countries. As more people emigrate from these countries, or indeed as more New Zealanders (unfamiliar with the Crocodile brand) visit these countries, the associations captured by the survey evidence may become outdated. Survey evidence may in any event need to be treated with caution. This is especially the case here where the survey evidence was not commissioned for the purpose of this dispute: see above at n 22 and 28.

⁹⁶ See above at [52].

⁹⁷ See our full discussion of the survey evidence above at [21]–[28].

supports our conclusion as to the significant differences between trade mark 70068 as registered and the Lacoste marks used.

Policy considerations

[78] We accept Mr Laurenson’s submission that the approach urged upon us by Mr Miles would result in an inappropriately large ambit of protection and would not accord with the policy behind the “use-it-or-lose-it” provision discussed above.⁹⁸

[79] Rob Batty and Richard Watt argue that the traditional justifications for trade mark protection do not apply where a trade mark is not used:⁹⁹

- (a) The law and economics argument in favour of trade marks is that it reduces consumer search costs. The trade mark communicates a message and that communication is useful. However, when a trade mark is not used there is no communication to consumers in the market and therefore this justification falls away.¹⁰⁰
- (b) The “reap and sow” justification (that the trader’s labour should be rewarded by the creation and maintenance of its “brand” through trade mark protection) also fails because, if there is no use of the trade mark and associated “sowing” leading to building a brand, then there are no benefits to “reap” from the trade mark.¹⁰¹
- (c) A single existing registration may present a large “no go” zone. This zone is often enhanced because traders register multiple trade marks with wide specifications of goods and services in multiple classes. In such cases, the penumbra of protection is large and operates as a barrier for new market entrants.¹⁰² This barrier may be justifiable if

⁹⁸ See above at [51].

⁹⁹ Rob Batty and Richard Watts “Aggrieved No More: Is There a Need for Standing to Remove Unused Trade Marks?” [2013] NZ L Rev 1. The parties did not refer to this article in their submissions.

¹⁰⁰ At 8–9, citing William M Landes and Richard A Posner “The Economics of Trademark Law” (1988) 78 Trademark Rep 267 at 280; Belinda Isaac *Brand Protection Matters* (Sweet & Maxwell, London, 2000) at 222; and Lionel Bently and Robert Burrell “The Requirement of Trade Mark Use” (2002) 13 AIPJ 181 at 185–186.

¹⁰¹ Batty and Watts, above n 99, at 9.

¹⁰² See the discussion above at [45]–[46] and [62].

the trade mark is in use, but, without use, the justification is much weaker.¹⁰³

[80] Trade mark 70068 has never been used by Lacoste. All policy indications support trade mark protection only when a trade mark is in use.

Section 7(3)

[81] Section 7(3) of the 2002 Act provides:

The use of the whole of a registered trade mark is also a use of any registered component part of a trade mark registered in the name of the same owner.

[82] Section 7(3) “dovetails” with s 11(c), which provides:¹⁰⁴

11 Additional matters that relate to rights attaching to registered trade marks

Subject to section 100, the rights referred to in section 10—

...

(c) are conferred in respect of each of the registered trade mark’s component parts that are registered as separate trade marks;

...

[83] The UK Act contains no provisions comparable to ss 7(3) and 11(c). Nor does the Singaporean legislation. The United Kingdom Trade Marks Act 1938 (UK 1938 Act) did, however, have similar provisions and it seems this was the basis for the provisions being in the New Zealand Trade Marks Act 1953 (1953 Act).¹⁰⁵ These provisions were not, however, included in the European Directive which consequently meant that equivalent provisions were not included in the UK Act or the Singapore Act.

¹⁰³ Batty and Watts, above n 99, at 11–13.

¹⁰⁴ To borrow a phrase from Paul Sumpter: above n 52, at 30.

¹⁰⁵ See Trade Marks Act 1938 (UK) I & II Geo 6 c 22, ss 21 and 30; and Trade Marks Act 1953, ss 30 and 39.

[84] The Trade Marks Bill that became the 2002 Act did not include an equivalent clause to s 7(3) when it was introduced but it did include a clause equivalent to s 11(c).¹⁰⁶ The Commerce Select Committee reported the Bill back to the House with the clause which would become s 7(3). However, the report included no details on why the amendment was made.¹⁰⁷ The Commerce Committee had received a submission from the New Zealand Institute of Patent Attorneys. The Institute submitted “clause [7] should include a re-enactment of section 39(2) of the current Act to be consistent with clause 11(c).”¹⁰⁸

[85] Sections 7(3) and 11(c) represent a hang over from the previous trade marks regime. Under the previous regime the equivalents to ss 7(3) and 11(c) formed part of a bundle of rights that attached to “associated trade marks”.¹⁰⁹ However, the notion of an associated trade mark was not carried forward into the 2002 Act.

[86] It seems to us that the existence of s 7(3) supports Crocodile International’s position. It could suggest that, absent this provision, use of a composite mark does not equate to use of the component marks.¹¹⁰ Further there is no vice versa in that there is no provision that says use of component marks separately amounts to use of the composite mark.

¹⁰⁶ New Zealand Trade Marks Bill 2001 (142-1).

¹⁰⁷ New Zealand Trade Marks Bill 2001 (142-2) (select committee report).

¹⁰⁸ In *Cure Kids v National SIDS Council of Australia* [2014] NZHC 3366, [2015] 3 NZLR 90 at [73]–[78] Moore J (likely relying on an earlier incorrect commentary) held that s 7(3) of the 2002 Act was to re-enact s 39(2) of the 1953 Act, “which was aimed, in particular, at the protection (against an attack for non use) of a series registration.” This is not the case. The provision which formed the basis of s 7(3) was not related to series marks at all: Sumpter, above n 52, at 29–30.

¹⁰⁹ Associated trade marks could not be assigned independently. The Commissioner was empowered to require applications for registration, or existing registrations, to be entered onto the Register as associated marks. This power was available where a trade mark was identical with the other(s), the trade marks were in the name of the same proprietor and were in respect of the same goods. There was also the power to make trade marks associated where the use of the mark by another person would be likely to deceive or cause confusion. See generally TA Blanco White and Robin Jacob *Kerly’s Law of Trade Marks and Trade Names* (11th ed, Sweet & Maxwell, London, 1983) [*Kerly’s* 11th ed] at [5–07]–[5–10].

¹¹⁰ The language of s 39(2) of the 1953 Act included the terminology “deemed to be”. This suggests that there was a need to create, in Lord Walker’s terminology a “statutory hypotheses”, or a “statutory fiction”. This in turn suggests that without the deeming provision the “truth” of the matter is that use of a composite mark does not equate to use of the component marks. See Lord Walker of Gestingthorpe “‘As If...’—The Wonderland of Statutory Hypotheses” (2016) 37 Stat LR 183 at 183; and see generally Ross Carter *Burrows and Carter Statute Law in New Zealand* (5th ed, LexisNexis, Wellington, 2015) at 450–454.

Conclusion

[87] Trade mark 70068 has not been used by Lacoste within the extended use definition of s 7(1)(a) of the 2002 Act. The trade marks used by Lacoste are sufficiently different from trade mark 70068 to have altered the distinctive character of trade mark 70068.¹¹¹

Discretion

Submissions

[88] Lacoste submits that, even if Lacoste has not made use of trade mark 70068, the Court has a residual discretion, still available under the 2002 Act, to retain the trade mark on the Register. This argument is premised on s 66(1) using the word “may”.

[89] Lacoste submits that, even if it has not used trade mark 70068, the discretion should be exercised to retain the trade mark on the Register. Lacoste took an assignment of the trade mark in good faith. It has continued to renew the trade mark to maintain its registration and has applied to register further trade marks identical in form. It uses various crocodile trade marks which are substantially identical, it remains the only company selling the relevant goods in New Zealand using a crocodile device, and it has a strong reputation in New Zealand as the “crocodile” brand.

[90] Further, Lacoste submits that no other trader would be able to use trade mark 70068 in New Zealand (as such use would likely constitute trade mark infringement, breach of the Fair Trading Act 1986 and passing off). This means that removal of the trade mark could be potentially conducive to deception or confusion. In Lacoste’s submission, trade mark 70068 is not an unfair barrier to any other trader.

[91] Mr Arthur, who presented this part of the argument for Crocodile International, submits that Lacoste’s submission that there is an inherent residual

¹¹¹ See above at [53]–[86].

discretion to refuse revocation is incorrect and, if there is one, it should not be exercised.

Discussion

[92] Under the 1953 Act, the High Court had held that there was a residual discretion not to revoke for non-use.¹¹² The existence of a residual discretion was consistent with the position in the UK under the UK 1938 Act.¹¹³

[93] We accept Crocodile International's submission that s 66 of the 2002 Act is different from s 35 of the 1953 Act:

- (a) Section 35(3) had narrow exceptions to revocation (non-use due to special circumstances in the trade and circumstances attributable to war). Section 66(2) has broader grounds (special circumstances outside the control of the owner) for declining removal.
- (b) Section 35 was limited to removal for non-use. Section 66 covers several grounds for removal.

[94] We accept that it could be seen as inconsistent with the specific exception in s 66(2) for there also to be an unlimited discretion not to revoke but with no statutory guidance as to when such a discretion should be exercised. It is also significant, as Crocodile International points out, that the Trade Marks Bill was drafted and the law enacted in 2002 knowing that the same words in the precursor UK statute had been interpreted as not including a residual discretion.¹¹⁴ We also agree that it would have been a simple task for Parliament to give a discretion expressly, as is the case in Australia.¹¹⁵

¹¹² *Friskies Ltd v Heinz-Wattie Ltd* [2003] 2 NZLR 663 (HC) at [10]–[16].

¹¹³ *J Lyons & Coy Ltd's Application to rectify the register in respect of Trade Mark No 418,577("Hostess")* [1959] RPC 120 at 130; and *Kerly's* 11th ed, above n 109, at [11–40].

¹¹⁴ *Premier Brands UK Ltd v Typhoon Europe Ltd* [2000] FSR 767 (Ch) was released on 21 January 2000. This case stands for the proposition there was no residual discretion. The New Zealand Trade Marks Bill 2001 (142-1) was introduced on 26 June 2001. The issue is not dealt with explicitly in any of the legislative materials.

¹¹⁵ Trade Marks Act 1995 (Cth), s 101.

[95] We were also referred to a Singaporean case *Wing Joo Long Ginseng Hong (Singapore) Co Pte Ltd v Qinghai Xinyuan Foreign Trade Co Ltd*.¹¹⁶ In obiter comments the Court of Appeal of Singapore discussed a provision materially similar to s 66(2). The judgment canvassed the history of the provision, case law and academic works. The Court concluded that there was no discretion. Much of what is canvassed by the Court of Appeal is common history with the New Zealand section.¹¹⁷

[96] We also accept Crocodile International's submission that, if there is a residual discretion not to revoke for non-use (that is under s 66(1)(a)), then that would also extend to the other grounds in s 66(1).¹¹⁸ As regards s 66(1)(c) and (d), s 70 empowers the Commissioner or the court to require a disclaimer of exclusive rights as a condition of not revoking a trade mark. This could suggest that there is a discretion not to revoke contained in s 66(1), but only to be exercised where there is a disclaimer. On the other hand, s 70 may be interpreted as itself providing a limited discretion. As regards s 66(1)(e), we accept Crocodile International's submission that it is unlikely that Parliament intended a general discretion to allow the Commissioner or the court to retain trade marks on the Register that are deceptive or confusing to the public.

[97] We consider the above considerations mean that there is no residual discretion. Even if there had been a discretion, however, we accept Crocodile International's submission that it would not have been appropriate to exercise it in this case. The historical position was that the discretion could only be exercised in exceptional circumstances where the public interest in retaining the trade mark outweighs the strong public interest in removing unused trade marks from the Register.¹¹⁹

¹¹⁶ *Wing Joo Long Ginseng Hong (Singapore) Co Pte Ltd v Qinghai Xinyuan Foreign Trade Co Ltd* [2009] SGCA 9, [2009] FSR 13 at [137]–[157].

¹¹⁷ For instance the Singapore judgment traces its Act back to the European Directive and prior English case law – all of which is relevant for New Zealand.

¹¹⁸ The sections we will be discussing are set out above at [7] and [11].

¹¹⁹ See for instance *Friskies*, above n 112, at [33]; and “*Astronaut*” *Trade Mark* [1972] RPC 655 (Ch) at 672.

[98] In the present case this standard is not met. Lacoste has never used the trade mark anywhere in the world. There is thus no reason to retain it on the Register. Whether Crocodile International or any other trader could register a trade mark the same as, or similar to, trade mark 70068 is a different question, requiring consideration of ss 17 and 25 of the 2002 Act. The discretion to retain a registration has always been focussed upon the public interest. The public interest is broader and more complex than Lacoste's private interest in brand protection.¹²⁰ The two questions of whether a trade mark has been used and whether another party could register a similar trade mark should be kept separate.

Result

[99] The appeal is allowed. Registration of trade mark 70068 is revoked from 12 December 1999, given there was no use in the three year period ending on that date.¹²¹

[100] Costs of \$25,000 plus usual disbursements are awarded to the appellant (to be fixed by the Registrar if necessary). We certify for two counsel.

[101] Costs in the courts below should be set by those courts in the light of this judgment, if they are not able to be agreed.

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¹²⁰ A similar point is made in *Friskies*, above n 112, at [32].

¹²¹ For the alleged periods of non-use see above n 1.