

## Question Q214

**National Group:** New Zealand

**Title:** **Protection against the dilution of a trade mark**

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### Questions

#### I. **Analysis of current law and case law**

The Groups are invited to answer the following questions under their national laws:

**1. *Do the laws of your country provide for protection against dilution of a trademark? If so, which laws?***

There are two provisions in the Trade Marks Act 2002 (the Trade Marks Act) that protect a trade mark against dilution.

The first relates to registerability and applies to registered and unregistered marks.

Section 25(1)(c) provides:

“The Commissioner must not register a trade mark (trade mark A) in respect of any goods or services if ... 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.”

This section is designed to protect famous/well known trade marks from being undermined by identical/ similar trade marks, even though there may not be a risk of actual confusion or deception.

The second is an equivalent infringement provision, which is worded differently. Section 89(1)(d) requires:

“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 ... 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”.

The reasons for the different in wording between sections 25(1)(c) and 89(1)(d) are unknown.

In addition, the Fair Trading Act 1986 (the Fair Trading Act) and the common law tort of passing off provide protection against dilution.

## **2. *Is there a legal definition of dilution in your legislation or case law?***

There is no definition of dilution in the Trade Marks Act, nor has there been any specific definition developed by case law under the Trade Marks Act.

In relation to passing off, dilution of goodwill occurs where a trade mark owner's distinctiveness is eroded or inundated by another party's use of similar distinctive features.

### **3.1. *Which trademarks are afforded protection against dilution? What are the eligibility criteria? (Please only briefly list the eligibility criteria here; more detailed explanations will be required below).***

Under sections 25(1)(c) and 89(1)(d) the trade mark must be “well known”.

The Fair Trading Act and common law tort of passing off require the trade mark to have goodwill and a reputation.

### **3.2. *To be eligible for protection against dilution, does a mark need to be distinctive? If so, does the protection depend upon the mark being inherently distinctive or are marks that have acquired distinctiveness through use also protected?***

To be eligible for protection under either of sections 25(1)(c) or 89(1)(d) of the Trade Marks Act, the mark must be well known and therefore must have acquired distinctiveness through use.

- 3.3. To be eligible for protection against dilution, does a mark need to have a reputation or be well known or famous? If so, when does a mark have a reputation, when is it well known or when is it famous? Are the factors mentioned in paragraph 15 and 22 above relevant for determining whether a mark has a reputation, is well known or famous? For what point in time does this have to be assessed?**

The Trade Marks Act requires that the trade mark must be “well known”. Well known is not defined in the Act. Well known is more than just having a reputation and is akin to being famous.

The date for assessing whether a mark is well known under the Trade Marks Act, is:

- (a) in an opposition, the date of application of the conflicting mark, and
- (b) in an infringement case, the date of the infringing activity.

The date for assessing well known under passing off and the Fair Trading Act, is the date of the infringing activity.

- 3.4. For a mark to have a reputation or to be considered well known or famous, must it meet a certain knowledge or recognition threshold? If so, what is that threshold? What percentage of population awareness is required? How widespread must the awareness be across the country? If a mark is well known or famous in one country, what effect, if any, does this have with regard to other countries?**

There are no hard and fast rules about what knowledge or recognition threshold a trade mark must meet. The reputation or fame must be amongst the relevant section of the public.

Generally, the awareness must be throughout the country, but there may be exceptions to this rule. It is possible for a mark that is famous or well known in another country to be afforded protection in New Zealand under the Trade Marks Act, passing off, and the Fair Trading Act, but generally speaking, use or trade in New Zealand will be necessary.

- 3.5. What is the relevant population in determining the knowledge, recognition or fame of the mark, the general public at large or the relevant sector of public? Is recognition or fame in a limited product market (“niche market”) sufficient?**

Fame in a niche market would be sufficient. The relevant population is the relevant sector of the market.

- 3.6 To be eligible for protection against dilution, is it required that the mark has been used in, or that the mark has been registered or that an application for**

***registration of the mark has been filed in the country where protection is being sought?***

In an opposition, the well known trade mark may be registered or unregistered. In an infringement case, the well known mark must be registered.

Generally under passing off and the Fair Trading Act, use in New Zealand is required, but it might be possible to establish that the mark is well known by virtue of overseas use – commonly referred to as “spill over” reputation.

**3.7 *Are there any other criteria a mark must comply with to be eligible for protection against dilution?***

N/A

**3.8 *Is eligibility for protection against dilution a matter of law or an issue of fact? Who bears the burden of proof regarding the eligibility criteria? How does one prove that a mark meets the eligibility criteria? Are sales and advertising figures sufficient or is survey evidence required? Which evidential standard must this proof satisfy?***

Under sections 25(1)(c) and 89(1)(d) of the Trade Marks Act it is a question of fact and the burden of proof is on the trade mark owner to show the trade mark is well known on the balance of probabilities.

However, in *Zespri Group Limited v ENZA Limited* (unreported, CIV-2008-485-1072, High Court Wellington, 18 September 2008, Simon France J) the Court was asked to consider whether Enza’s proposed label for kiwifruit which included a stylised representation of a slice of kiwifruit was similar to Zespri’s label for kiwifruit, which also included a stylised representation of a slice of kiwifruit. One of the issues was whether Zespri’s label was well known under section 25(1)(c).

The Court noted that evidence of sponsorship, advertising and marketing were not adequate for establishing the level of reputation required for section 25(1)(c) and that survey or market evidence of brand awareness is required.

In a later case, Dobson J in *New Zealand Milk Brands Limited v NV Sumatra Tobacco Trading Company* (unreported, CIV-2007-485-2485, High Court Wellington, 28 November 2008, Dobson J) disagreed with the necessity for expert or survey evidence in order to enable a finding that a mark is well known.

In *LG v Atspec* (unreported, CIV-2008-485-1792, High Court Wellington, 23 April 2009, Simon France J) the Court was required to decide if LG’s stylised representation of a human face was well known.

The Court noted that sponsorship and advertising evidence can support the assertion of a trade mark being well known but does not on its own prove the trade mark is well known.

For traders relying on passing off or the Fair Trading Act it is also a question of fact on the balance of probabilities. For passing off: the plaintiff would have to establish that the mark has a reputation and that there is goodwill, and then show that there has been damage to that goodwill. For the Fair Trading Act: the plaintiff will have to show that there has been misleading or deceptive conduct in trade, but there is no requirement to establish damage. There is no requirement for survey evidence, but it may assist.

**3.9 *Is there any registry of eligible marks in your country? If so, what is the evidentiary value of registration? Can it be challenged in litigation?***

There is a trade mark register.

The evidentiary value of registration is that it is prima facie evidence of validity (section 162).

It is possible to challenge a registered mark by applying to have the mark invalidated.

**4 *Does your law require the existence of a ‘mental association’ or ‘link’ between the earlier trademark and the later trademark? If so, in which circumstances does a ‘mental association’ or ‘link’ between the earlier trademark and the later trademark exist? Are the factors mentioned in paragraph 27 and 28 above relevant for assessing the existence of such a ‘mental association’ or ‘link’? Are there other factors to take into account? Is the assessment of a link a question of fact (so something that can be established by market surveys), or is it a question of law to be established by the courts or authorities on the basis of such factors?***

Section 25(1)(c) requires, for dissimilar goods or services, a connection in the course of trade, rather than a mental link.

Section 89(1)(d) requires that “the use of the sign takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the mark” to establish dilution. There is no requirement to establish a mental association or link.

**5 *Does such ‘mental association’ or ‘link’ between the earlier trademark and the later trademark automatically result in detriment to the earlier trademark’s repute or distinctive character? Or does detriment have to be proved over and above the existence of a ‘mental association’ or ‘link’?***

It has to be proved that consumers will assume a connection in the course of trade or the taking unfair advantage of or detrimental to the distinctive character.

**6 Are the same factors taken into consideration to assess the existence of detriment as those already discussed for the link? Are there additional ones?**

This is not yet tested in New Zealand and it is unknown what factors a New Zealand court will take into account under the Trade Marks Act. New Zealand courts would likely look to passing off cases for guidance.

**7 Must actual dilution be proved or is a showing of likelihood of dilution sufficient? Whose burden of proof is it? How does one prove dilution or likelihood of dilution? Does detriment require evidence of a change in the economic behaviour of the average consumer or that such change in behaviour is likely? If so, what is a change in the economic behaviour of the average consumer? Is reduced willingness to buy goods sold under the earlier mark a change in the economic behaviour? How do you prove a change in the economic behaviour of the average consumer or likelihood of such change in behaviour?**

Under section 25(1)(c), only likely prejudice to the trade mark owner must be shown.

Actual dilution must be shown under section 89(1)(d). The trade mark owner must prove the dilution. This has not yet been tested in New Zealand.

**8 What is the extent of protection afforded to marks which are eligible for dilution protection? May the owner of the earlier trademark object**

- **to the registration of a later trademark?**

Yes, an owner of an earlier mark can oppose or invalidate a later registered mark.

However, once a mark has been registered and after 7 years, there is a presumption of validity. Specifically, under section 75(1)(c):

“The registration of a trade mark is, after the expiration of 7 years from the deemed date of registration, deemed to be valid unless—

- (a) the registration was obtained by fraud; or
- (b) the trade mark should not have been registered on any of the grounds set out in section 17(1) or (2); or
- (c) the registration may be revoked on any of the grounds set out in section 66”.

- **to the actual use of a later trademark?**

Yes, an owner may have a cause of action under passing off or the Fair Trading Act, but not the Trade Marks Act.

- **in respect of dissimilar goods only or also in respect of similar goods?**

For dissimilar goods only in respect of section 89(1)(d), but for section 25(1)(c) for similar and dissimilar goods.

**9 What are the legal remedies? May the owner of the earlier trademark file an opposition and/or a cancellation action? May he ask for injunctive relief or preliminary injunctive relief? Does your trademark office refuse the registration of a later trademark on grounds of likelihood of dilution?**

The remedies available are:

- Pre-registration opposition;
- Post-grant invalidation or revocation; and/or
- Injunctive relief – both interim and permanent.
- The Commissioner may also refuse to register a trade mark on the ground of dilution.

**II. Proposals for adoption of uniform rules**

The Groups are invited to put forward proposals for adoption of uniform rules with a view to protecting trademarks against dilution. More specifically, the Groups are invited to answer the following questions:

**1. Which trademarks should be eligible for protection against dilution? What should the eligibility criteria be? Should recognition or fame in a limited product market (“niche market”) be sufficient?**

No comment.

**2. Should it be a criteria for being eligible for dilution protection that the mark has been used in, or that the mark has been registered or that an application for registration of the mark has been filed in the country?**

No comment.

**3. Should there be a registry of eligible marks? If so, what should the evidentiary value of registration be? Should it be possible to challenge it in litigation?**

No comment.

**4. Should the existence of a ‘mental association’ or ‘link’ between the earlier trademark and the later trademark be an independent requirement for a trademark dilution claim?**

No comment.

- 5. Should detriment to the distinctive character or reputation of the earlier mark require evidence of a change in the economic behaviour of the average consumer or that such change in behaviour is likely?**

No comment.

- 6. What should the remedies be for dilution of a mark?**

No comment.

National Groups are invited to comment on any additional issue concerning the protection of a mark against dilution.

## **SUMMARY**

The New Zealand Trade Marks Act 2002 has two dilution provisions. The first prohibits registration of trade marks that conflict with well-known trade marks and the second prohibits infringement of registered trade marks that are also well-known. It may also be possible to prevent dilution of a well-known or famous trade mark by way of passing off, or under the Fair Trading Act which prohibits misleading or deceptive conduct in the course of trade.