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## Q245

### Taking unfair advantage of trademarks: parasitism and free riding

**Responsible Reporters: by Sarah MATHESON, Reporter General John OSHA and Anne Marie VERSCHUUR, Deputy Reporters General Yusuke INUI, Ari LAAKKONEN and Ralph NACK Assistants to the Reporter General**

National/Regional Group	New Zealand
Contributors name(s)	Richard WATTS and James MAXWELL
e-Mail contact	Richard.Watts@simpsongrierson.com
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#### I. Current law and practice

1) Do the laws of your jurisdiction provide for protection against:

a) the taking of unfair advantage of trademarks as defined in these Working Guidelines (see paragraphs 26) and 27) above); and/or

yes

Please comment:

Section 25(1)(c) of the Trade Marks Act 2002 (**Act**) (trade mark registrability) and section 89(1)(d) of the Act (trade mark infringement).

b) use that you consider similar but outside the scope of the definition in these Working Guidelines?

no

Please comment:

Other provisions of the Act and New Zealand consumer protection laws deal with deception or confusion or misrepresentation. There is no separate unfair competition law in New Zealand.

For the questions below, if b. applies either separately or in addition to a., please make that clear in any relevant answer.

2) What is this protection called, and is this a definition developed in case law or found in a statutory

provision? If such protection is characterised as a form of protection against dilution, please state this and provide any explanation as to the basis for such characterisation.

Sections 25(1)(c) and 89(1)(d) of the Act afford protection to owners of well-known marks. The statutory provisions correspond with the requirements under the TRIPS agreement. While both provisions are generally understood to provide protection against anti-dilution, they are broad enough to include protection against free riding and taking unfair advantage of reputation in a trade mark.

3) If such protection is available, what is the basis for the protection, e.g. trademark law (distinguishing between unregistered and registered trademarks where relevant), unfair competition, consumer protection law, common law? If multiple causes of action are available, is there an interaction between them, and if so, what?

Trade mark legislation (section 25(1)(c) of the Act provides protection for registered and unregistered trade marks that are well-known, while section 89(1)(d) of the Act only provides protection for registered trade marks that are well-known). Section 25(1)(c) of the Act is used in relation trade mark registrability, while section 89(1)(d) is used in relation to trade mark infringement.

Other provisions of the Act and New Zealand consumer protection laws deal with deception or confusion or misrepresentation (ie they are outside the scope of these Working Guidelines). There is no separate unfair competition law in New Zealand.

4) What are the elements of any available cause of action, e.g. the requirement for the trademark to be registered, reputation in the trademark, establishment of a link or association with the trademark, bad faith, change in the economic behaviour of consumers, actual advantage, potential future advantage? How are they proven?

There is limited New Zealand case law on both of these provisions with respect to taking unfair advantage of trade mark reputation in situations where deception or confusion is not also present. The New Zealand Courts are therefore likely to draw heavily on UK case law under the equivalent UK legislation.

The elements of a cause of action under **section 25(1)(c) of the Act** are (in an opposition example):

1. Is the opposed mark, or an essential element of it, identical/similar to the opponent's mark, which is well-known?
2. Are the opposed goods and services and the goods/services covered by the opponent's marks the same or similar? If not:
3. Would use of the opposed mark be taken as indicating a connection in the course of trade with the opponent?
4. If the answer to 2 or 3 is yes, would use of the opposed mark be likely to prejudice the interests of the opponent?

Under this provision, a well-known trade mark need not be registered. The standard for what amounts to well-known has been held to be the same as the level of reputation required for passing off.

It is generally accepted that a connection in the course of trade, required when the goods and services are not identical or similar, is most likely to be established by a finding of likelihood of confusion. If so, this evidence of confusion is likely to be sufficient to also amount to a form of prejudice.

Where the goods and services are similar or identical, and a connection in the course of trade is not required, elements such as evidence of bad faith, changes in the economic behaviour of consumers,

actual advantage, and likelihood of potential future advantage are likely to contribute to a finding of prejudice to the interests of the owner of the well-known mark (when not relying on deception or confusion).

The elements of a cause of action under **section 89(1)(d) of the Act** are:

1. Has a person, without the right to use the registered trade mark, used in the course of trade a sign?
2. Is the sign identical with or similar to the registered trade mark?
3. Is the sign used 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?
4. Does the sign take unfair advantage of, or is detrimental to, the distinctive character or the repute of the registered trade mark?

Under this provision, a well-known trade mark must be registered (cf section 25(1)(c)). The standard for what amounts to well-known has been held to be the same as the level of reputation required for passing off.

Neither a connection in the course of trade nor deception or confusion needs to be established to be successful under this provision. As the provision specifically refers to unfair advantage and detriment to the distinctive character or repute of the registered trade mark, evidence of bad faith, changes in the economic behaviour of consumers, actual advantage, and likelihood of future advantage are likely to contribute to successfully bringing an action under this provision (when not relying on deception or confusion).

5) Further to question 4):

a) what degree of reputation, if any, in the trademark is required?

The standard for what amounts to well-know has been held to be the same as teh level of reputation required for passing off.

b) who bears the burden of proof regarding the requirements?

The burden is different depending on the proceeding in question.

**Section 25(1)(c) (opposition):** An opponent has the initial onus of establishing that its mark was well-known in New Zealand at the relevant date. The onus then shifts to the applicant to establish that its mark is elegeble for registration.

**Section 25(1)(c) (invalidity):** An applciant for a declaration of invalidity has an initial onus of establishing that it is an "aggrieved person" for the purposes of the Act and that the registered mark was not elegeble for protection under the Act (on account of its well-known mark - a requirement that it also has the onus of establishing).

**Section 89(1)(d)(infringement):** The owner of the registered trade mark bringing the infringement action has the onus of establishing that its registered trade mark is well-known in New Zealand and that infringement has been made out.

c) must the use at issue cause confusion?

no

Please comment:

Under both sections 25(1)(c) and 89(1)(d) of the Act, confusion is not strictly required (although we note that section 25(1)(c) is likely to require confusion in order to establish the necessary connection in the course of trade when the goods and services in question are not identical or similar).

Under section 25(1)(c) of the Act only a "likelihood" of confusion need be established, whereas under section 89(1)(d) of the Act "actual" or "real risk" of confusion is likely to be required.

d) can the protection be invoked in case of both similar and dissimilar goods/services?

yes

Please comment:

Yes and No.

Section 25(1)(c) of the Act is applicable in cases of identical, similar and dissimilar goods and services. Section 89(1)(d) of the Act is only applicable in the case of dissimilar goods or services,

e) are there any other factors, even if not a separate requirement, that may be relevant, and if so, what are they?

No.

6) Are there any defences against and/or limitations to the protection?

yes

If so, what are they, and what are the elements of such defences/limitations?:

**Section 25(1)(c) (opposition and invalidity):** Section 26 of the Act provides a limitation to section 25 of the Act. This provision covers the giving of consent, cases where honest concurrent use is established, and other special circumstances. Honest concurrent use is likely to be the most relevant "defence" for the purpose of these Working Guidelines. However, other special circumstances may include the honesty of the use of the mark in question.

**Section 89(1)(d) (infringement):** There are many defences to registered trade mark infringement. The defences most relevant to these Working Guidelines are:

- No infringement for comparative advertising of a registered trade mark;
- No infringement when a person, in accordance with honest practices, uses:
  - the person's name or the name of the person's place of business;
  - the name of the person's predecessor in business or the name of the person's predecessor's place of business;
  - a sign to indicate-
    - the kind, quality, intended purpose, value, geographical origin, or other characteristics of the goods or services;
    - the time of production of goods or of the rendering of services;
  - the trade mark where reasonably necessary to indicate the intended purpose of the goods (in particular as accessories or spare parts) or services.
- No infringement for certain continuous use of an unregistered trade mark.
- No infringement in relation to parallel importation.

The central theme to the defence regime is the requirement that each defence, to some degree, relates to the honesty of use of a mark/sign.

7) Who bears the burden of proof in relation to any defences and/or limitations? In this context, please also consider the relationship with the element of "unfairness". For example, is it a defence that the use is with "due cause" (see paragraph 31 of the introduction) above and footnote 2) of the introduction? If so, can such use ever be "unfair"? Or is this just a matter of a shifted burden of proof?

**Section 25(1)(c) (opposition and invalidity):** The applicant/owner.

**Section 89(1)(d) (infringement):** The defendant.

The central theme to these to the defences is the requirement that they each, to some degree, relate to the honesty of use (eg "due course") of the mark.

8) If a defence exists or only limited protection is available, what rights does that give the free rider? For example, may the free rider simply use the trademark or may the third party obtain a separate trademark registration in respect of the goods and/or services in respect of which the free rider is using the trademark?

**Section 25(1)(c) (opposition and invalidity):** To the extent that honest concurrent use or other special circumstances can be established (section 26 of the Act), a mark will be registrable.

**Section 89(1)(d) (infringement):** Excluding the parallel importation, comparative advertising and "descriptive use" defences, to the extent that a mark is found not to infringe, it should be registrable (under section 26 of the Act).

9) Can the protection be invoked in:

a) court in civil proceedings;

yes  
Please comment:

**Section 25(1)(c) (invalidity):** Invalidity proceedings may be brought in either the New Zealand High Court or in the Intellectual Property Office of New Zealand.

**Section 89(1)(d) (infringement):** Infringement proceedings must be initiated in the New Zealand High Court.

b) court in other proceedings;

no  
Please comment:

N/A

c) opposition proceedings;

yes  
Please comment:

**Section 25(1)(c) (opposition):** Opposition proceedings must be initiated in the Intellectual Property Office of New Zealand.

d)	any other?
	no
	Please comment:
	N/A

10)	If the protection can be invoked in multiple proceedings, are there different requirements for different proceedings? If so, please state the requirements.
	In relation to invalidity proceedings, while the procedural requirements for Intellectual Property Office of New Zealand proceedings in New Zealand High Court proceedings are slightly different, the cause of action requirements remain the same.

## II Policy considerations and proposals for improvements of the current law

11)	Should there be protection against:
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a)	the taking of unfair advantage of trademarks as defined in these Working Guidelines; and/or
	yes
	Why?:
	There should be protection against unfair advantage of trade marks as defined in the Working Guidelines.
	Although there is limited case law on the is area in New Zelaand, the ability for owners of well-known marks to prevent others from free riding on their reputation is important. However, the extent of this additional protection should be more clearly articulated, and legislation more clearly drafted, to provide guidance on how such provisions are to be applied so as to limit owners of well-known mark from obtaining overly board protection.

b)	use that is similar but outside the scope of the definition in these Working Guidelines?
	no
	Why not?:
	N/A

12)	Is the basis for protection or the cause of action relevant?
	yes
	Why?:
	As above, if the basis of protection is more clearly defined/restricted, it should lead to clarity about how the provisions are to be applied.

13)	Should it be possible to invoke the protection in all types of proceedings mentioned above under 9) above?
	no
	Why not?:

N/A

14) How can your current law as it applies to the taking of unfair advantage of trademarks and/or the interpretation thereof (in particular, in case law) be improved?

As above, by improving the clarity around how and when the provisions are to be applied, and by aligning the opposition and infringement provisions.

### III Proposals for harmonisation

15) Is harmonisation in this area desirable?

no

Please comment:

There does not seem to be a material advantage to harmonisation from a New Zealand law perspective. The current law adequately addresses the issues and aligning with other jurisdictions is likely to only add further complexities.

If yes, please respond to the following questions without regard to your national or regional laws. Even if no, please address the following questions to the extent you consider your national or regional laws could be improved.

16) If your answer to question 11) is no in respect of a. and/or b., is it your view that no such protection should be available anywhere?

N/A

17) Should there be harmonisation of the definition of:

a) the taking of unfair advantage of trademarks as defined in these Working Guidelines; and/or

no

Please comment:

As above. Regardless of harmonisation, any such terms used in legislation should spell out how they differ from / relate to other defined terms within legislation (such as deception or confusion).

b) use that you consider similar but outside the scope of the definition in these Working Guidelines?

no

Please comment:

N/A

18) What should the basis for protection/cause(s) of action be?

Protection should be afforded to owners of registered or unregistered well-known trade marks where another identical or similar trade mark is used on or in relation to dissimilar goods and services.

19) What should the requirements for protection be? In your answer, please address at least the following, in addition to any other relevant factors: what level of reputation, if any, in the trademark should be required, and who should bear the burden of proof?

The level of reputation should remain as that required for passing off. The burden should remain where is currently is.

20) What defences against and/or limitations to the protection should be available? Please state the proposed requirements for any defence/limitation, and the effect of any defence/limitation.

No further defences needed. Curent protection is adequate.

21) Who should bear the burden of proof in respect of any defences and/or limitations?

The trade mark applicant (opposition) and owner (invalidity) and the user of a sign in the course of trade (infringement).

22) In what type(s) of proceedings should it be possible to invoke the protection?

As above. No changes required.

#### Summary

New Zealand trade mark law derives many of its legislative provisions from the UK and Singapore legislation. Consequently, New Zealand decision makers look to the decisions in courts in these, and other, Commonwealth jurisdictions when interpreting trade mark povisions under the New Zealand trade mark legislation.

Although the New Zealand trade mark legislation affords protection against taking unfair advantage of the reputation of a well known mark, this line of argument is rarely run in trade mark proceedings unrelated to deception and confusion arguments. If it were, it is likley that decision makers would look to the Commonwealth for statutory interpretation guidance.

Please comment on any additional issues concerning the taking advantage of trademarks in the sense of parasitism and free riding you consider relevant to this Working Question.

N/A