

INTELLECTUAL PROPERTY IN NEW ZEALAND

**A User's Guide to Copyright,
Patents, Trade Marks and More**



PAUL SUMPTER

From small businesses filing patents to designers protecting their copyright, from a company's logo being ripped off by a competitor to a blogger posting photographs, New Zealanders encounter knotty intellectual property issues every day.

This handy little book, written by one of the country's leading intellectual property lawyers and author of the major texts on the subject, is an accessible introduction to patents, trade marks, copyright and other key elements of IP. Aimed at non-lawyers looking to understand basic concepts and key issues, the book will be a guiding light through the often murky waters of intellectual property law. What can be patented? Do you have to register a trade mark? How does copyright work on the internet?

Tackling common questions in concise and accessible prose, **Intellectual Property in New Zealand: A User's Guide** should sit on the desk of entrepreneurs and designers, journalists, inventors and many more across New Zealand. Costing about three minutes of a lawyer's time, it's worth owning.

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What is intellectual property?

Not long ago, intellectual property was a fairly mysterious subject to many people. A relatively small group of lawyers specialised in IP law, and patent attorneys dealt with patents and trade marks. But towards the end of the twentieth century, the phrase started to gain traction and began cropping up in media reports. These days the term intellectual property or ‘IP’ is almost as likely to be heard on talk-back radio as it is at law school. The impact of digital technology and the Internet and the growing economic importance of intellectual property laws have undoubtedly been pivotal to the rise in mainstream awareness of this area of the law.

Intellectual property laws are said to be protections for creations of the human mind. Usually these protections are bestowed by laws passed through Parliament (known as statutes or legislation). However, judges in the courts have also created some of the law over a long period of time – generally in England (this type of law is called ‘common law’).

The main IP laws are:

- trade marks, which protect brand identity, covered in the chapter entitled **Brands**;
- inventions covered by a patent, dealt with in the chapter entitled **Patents**;
- **Copyright**, which deals with a vast array of items and provides broad-brush protection for a particular creative output but not the ideas contained within it.

These three areas are covered by specific statutes (and brands have additional common law protection). They are characterised, as the umbrella name suggests, by the fact that they give rise to property rights. This property is not of course physical; it is intangible.

A fourth key IP law is the protection of undisclosed **Confidential Information**. This is not really a property right and nor is there a specific statute that deals with it.

In addition there are a raft of less commonly encountered laws, in some cases closely linked to the laws above. These include laws about registered designs, plant variety rights, geographical indications and certain cultural protections sought by indigenous people such as Māori. These are covered in the chapter entitled **A Miscellany of IP Laws**.

Rationale

Why do we have intellectual property laws? One justification is based on the biblical notion of reaping where you have not sown. If someone has come up with a useful idea through time, effort and creative thought then they, and not some 'copy-cat', should enjoy the fruits of that labour. Sometimes you can still see references to

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Brands

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Branding is a very old business. Prehistoric murals depicting bison painted during the late stone or early iron ages are said to show signs on their flanks to prove ‘ownership’. The Romans and Egyptians also knew something about the power of brands, with potters placing a distinctive mark on their work and inferior potters occasionally imitating the mark of the master. In the Middle Ages in England guilds of merchants and craftsmen made sure that ‘Sheffield’ was proudly marked on their knives to indicate origin and quality. But it was during the industrial revolution that trade marks came into their own.

Take soap. Originally shopkeepers would cut off nondescript greyish coloured chunks for their customers. But once improved manufacturing processes stabilised quality, big merchants began to see the potential for selling soap to the new urban masses. A distinctive brand became critical to the business. Men like Lever in England and Procter and his partner Gamble in the United States understood the appeal of an evocative name to sell the humble bar of soap. ‘Sunlight’ and ‘Ivory’ were amongst the very first trade marks to be registered in the late nineteenth century in England and the United States. The modern age of the brand had begun.

No sooner had merchants begun promoting their brands than imitators started to cash in. Soon after that the lawsuits began. Such cases led judges to develop the early law around trade marks. This common law, which would grant a remedy if it could be shown that another trader had copied a mark, became known as 'passing off'. In the 1870s, alongside common law, the English Parliament enacted a statutory system whereby applicants could register their rights in a trade mark. Along with bumblebees and rabbits the early New Zealand colony imported both the common law of passing off and the statutory trade mark registration system from the mother country.

The first proper trade marks legislation in New Zealand was enacted in 1908. The current law is the Trade Marks Act 2002. Up until the 2002 legislation the requirements for registration were extremely technical. Only a limited number of trade marks could qualify. Passing off continued to play a hugely significant role in protecting what are called 'non-traditional' marks, such as colours and shapes. In 1984, for example, the English House of Lords declared that The Coca Cola Company could not register the shape of its bottle. They said that the powerful United States corporate was attempting to obtain an 'unwarranted' monopoly which should only be gained through registration as a design or through some patent.

But that is all 'old hat' now and pretty much anything is capable of registration under the Trade Marks Act 2002 so long as it meets the rules.

A quick word on terminology. Trade mark, trade name, brand name or brand are words that can all be used interchangeably. The legislation uses trade mark (or trademark as the Americans prefer).

This chapter covers both the system for registration of marks and protection of unregistered marks, as follows:

- **Registered trade marks**
 - Registration process
 - Rights of a trade mark owner
 - Attacking or defending a registered trade mark
- **Protection of unregistered trade marks**
 - Passing off and the Fair Trading Act
 - Establishing a reputation or ‘goodwill’
 - Establishing confusion or misrepresentation

The chapter concludes with a discussion of some **brand issues in the twenty-first century**.

Registered trade marks

The registration process

If someone is already using a trade mark in business or has coined a new trade mark that they want to use then they can apply online to the Intellectual Property Office of New Zealand (IPONZ) to register that mark. IPONZ will examine the application against two main criteria set out in the Trade Marks Act: ‘absolute’ grounds of refusal (sections 17 and 18) and conflicts with earlier marks (section 25). If the trade mark passes those tests it is then accepted and published in the Patent Office Journal (an electronic publication) and for three months from the date of publication anyone may oppose the registration of that mark by filing a formal notice of opposition.

If no opposition is filed or an opposition is unsuccessful, the mark is registered and a certificate of registration sent to the happy applicant.

Trade mark registration initially lasts ten years but can be renewed for ten-year periods. Registration can last forever so long

as renewal fees are paid and no one applies to remove it from the register, say, on the grounds of non-use. The trade mark is a potent monopoly because registration grants to the owner the *exclusive* right to use that mark for the goods and/or services registered.

The trade mark application form looks beguilingly simple. But in fact it is easy to come unstuck. There are three important parts to get right.

The applicant must be the person or legal entity who is going to either use the trade mark or own the mark and grant permission to someone else to use it. Generally, someone in business will incorporate a company and the company would be the logical applicant. But a sole trader could file under his or her own name or as a partnership (putting down all the names of the partners in the application form). In the case of a group of inter-related companies it is sensible to have the principal company owning the mark even though a subsidiary might actually be making the widgets sold under that registered mark. So long as the principal company controls the subsidiary then all is well.

A trade mark is defined in the legislation as a 'sign' which can be represented graphically and which can distinguish the goods or services of one person from another. A sign can be (non-exhaustively) colours, shapes, smells, sounds and tastes as well as more traditional things such as words, numerals and logos. A word is easy enough to identify but much greater issues can arise if the mark is a colour or, more problematically, a taste or a smell. Not only may it be difficult to register these 'non-traditional' signs (see descriptiveness objection below) but there might also be an issue over providing IPONZ a graphical representation. For a colour the Pantone code will usually do, though sometimes a description of what the colour is applied to is required. A proper drawing of a shape mark should be acceptable while for sounds, tastes or smells expert help will be needed.

The description of the goods or services to which the mark will

apply should be reasonably concise – those for which the mark is currently used or is expected to be used in the near future. The IPONZ classification system divides all the goods and services under the sun into 45 classes and applying under the right classes for the right products is critical. If the description of goods or services applied for is too general IPONZ will raise an objection.

For those determined DIY people an essential reference is the Practice Guidelines found at the IPONZ website (www.iponz.co.nz). Registering a trade mark has enough potential potholes that it is usually preferable to instruct a professional such as a patent attorney or lawyer well-versed in trade mark law.

Assessment of the trade mark application

IPONZ gives each application a number and a date. The date is all-important because trade mark registration is a first come, first served system. The only way that someone can trump the date is if they have filed for registration overseas and then filed their application (for the same mark with the same details) in New Zealand within six months of the foreign filing date. In this scenario the foreign applicant can claim priority from the original home filing date.

The IPONZ examiner will assess the application in two key areas, issue a compliance report and set a deadline for response.

The first key area is known as the ‘absolute’ grounds for refusal, which includes trade marks that are deceptive, offensive or made in bad faith.

The trade mark can be intrinsically deceptive: including the word ‘Marlborough’ in relation to a wine product using grapes grown in Northland, for example. An objection can also be raised under this ground against trade marks which are not registered but which have a reputation in New Zealand whether through

use here or through spillover advertising from overseas. In an oft-quoted law case (*Pioneer Hi-Bred Corn v Hy-Line Chicks*, 1978), an Australian company registered the brand Hy-Line in New Zealand for live poultry but had copied the brand of a major United States poultry company which sold worldwide though not yet in New Zealand (or Australia). Unfortunately for the Australian company, New Zealand poultry farmers knew of the US brand name through trade magazines and this made the Australian company's mark 'deceptive' (because a significant number of people in the particular industry might be confused). It was removed from the register on the application of the US corporation.

The Trade Marks Act also excludes marks that are 'offensive'. An offensive mark might include an obscenity or insult to a particular group. This ground makes specific reference to Māori. Any application which contains a Māori word or symbol is automatically referred to a Māori advisory committee to consider possible cultural offence. This system works well and to date there have been no disputes over the committee's decisions. Less common but a bit trickier are 'risqué' words and the test usually boils down to what is socially acceptable. Another ground for refusal is if a mark is 'contrary to law'. This might occur because the trade mark includes a logo or design that infringes someone's copyright.

A more difficult area is where an application is made 'in bad faith'. While it is generally true that trade marks are country specific, that is to say a mark protected in New Zealand is not protected overseas and vice versa, nevertheless, in this increasingly global village, trade marks that are well known overseas and whose reputation has spilled over into New Zealand attract some rights in this country for their owners. The poultry brand mentioned above is a good example. A New Zealander choosing a mark known in a foreign country and applying to register that mark here might get away with it but might not. If there is any hint of dodgy dealing – for

instance, the applicant has had discussions with the foreign trade mark owner – then such an application might be said to be made in bad faith. Similarly, companies who register trade marks that they think competitors might want to use one day in New Zealand (called ‘stockpiling’) but which the registering company doesn’t itself intend to use can be caught out by this objection. The bad faith ground is a catch-all for any form of sharp practice.

A more common ‘absolute’ objection by IPONZ is that the mark is not sufficiently distinctive in relation to the goods or services but is a word that is descriptive in some way and ought to be left free for others to use. This is a longstanding ground for objection, summed up in 1909 by an English judge in the case of *Joseph Crosfield* who said that:

Wealthy traders are habitually eager to enclose part of the great common of the English language and to exclude the general public of the present day and the future from access to the enclosure.

The usual problem lies in choosing words which contain some laudatory or descriptive reference. For instance, you could not register ‘Best’ or ‘Perfection’ for almost anything. Nor could you register ‘Auckland’ on its own for almost anything. Both would be unfair to other traders. While ‘Auckland’ might fail to pass muster, if you were wanting to register a trade mark for fresh tropical fruit you might be able to use the word ‘Antarctica’ – perhaps not a very good marketing choice but perfect for passing the distinctiveness test in trade mark law.

Generic marks or those which are common to a trade or industry face the same problem. A red, white and blue barber’s pole, for instance, could not be registered for a hairdresser’s shop. Nor could a drawing of a sheaf of wheat for bread or stars for hotel accommodation.

There is a way round an objection that a mark is too descriptive of the goods and services. If the mark has been used a long time so that consumers have got accustomed to associating the name with a single source (who is the applicant for registration) then it might get accepted if evidence of this acquired distinctiveness is filed at IPONZ.

Conflicts with earlier marks

IPONZ also carries out a check for conflicting marks. This is the second key area for objection. Is there a confusingly similar mark already registered (or applied for earlier) for the same or similar goods or services? If so, that trade mark has priority and the new application will be rejected.

If you have coined a new trade mark you should always check on the IPONZ database first whether there are any other marks already registered or applied for that might be in conflict with your application. It's best to get professional help because if that search is not done properly the consequences can be nasty. Not only will the trade mark be refused but once your mark is used a lawyer's letter alleging infringement may quickly appear in your in-box. It is also sensible in the case of a new brand to carry out a check in the industry for any similar marks in use that may not be registered but which have common law rights (discussed later). Even if your mark is already being used it may still be a good idea to carry out an IPONZ search for similar registered marks that may not have been noticed.

If the IPONZ examiner locates a conflicting mark – and they often do – the compliance report will give particulars. The applicant can try to overcome these objections by arguing that the respective marks are not confusingly similar and/or that the goods or services are not the same or similar. The law in this area boils

down to whether or not relevant consumers would be confused by the two trade marks.

Where the two marks (the one being applied for and the one already registered or filed earlier) are identical and the goods or services are the same then the application will be denied. However, if the marks are merely 'similar' and/or the goods or services are also only 'similar' then IPONZ may argue (and in court if it gets that far) that a substantial number of consumers would likely be confused by the two marks. It is not necessary to prove that people actually have been confused, although this helps; the issue is whether there is a real likelihood that this would happen.

The judges have come up with a number of common sense tests to decide whether consumers are likely to be confused. These tests are used when IPONZ looks at a new application to register a trade mark that raises a conflict, in an 'opposition' proceeding (see under *Registration* below) and also when someone is sued for infringing a registered mark. Essentially, the comparison between marks is strictly mark for mark and doesn't take account of surrounding material (unlike passing off, discussed later). Do the respective marks look and/or sound the same? Are the goods or services the same or similar?

A common test is to ask if a consumer with 'imperfect recollection' would be confused or misled by the two trade marks. Consumers will often leave a shop with just a vague recollection of the particular trade marks, perhaps recalling the beginning of the mark or its most unique syllable or element. If enough consumers with such imperfect recollection are likely to be confused then the two marks are in conflict.

Another approach is to ask if the ideas in each mark are too similar. If closely sounding names for products are in fact expressing very different ideas, then they may be sufficiently distinct. Partly based on this factor, and by a close margin, the Privy Council in London (at the time New Zealand's final court of

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