



**BELL GULLY**

# Intellectual Property Update

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**Welcome to *Intellectual Property Update*, a regular review of issues and developments in this area of New Zealand law from Bell Gully.**

In this issue, we feature:

- Trade marks: The Madrid Protocol is to be adopted in New Zealand.
- Trade marks: The *Tick Tock* case.
- The Unsolicited Electronic Messages Act 2007: Spammer ordered to pay \$100,000 fine.
- Copyright: Will the proposed amendments to the commissioning rule simplify copyright?
- Sunlec International Pty Ltd v Electropar Ltd: Can there be copyright in an advertising slogan?

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***Disclaimer:*** *This publication is necessarily brief and general in nature. You should take professional advice before taking any action in relation to the matters dealt with in this publication.*

## **Madrid is coming to New Zealand**

*New Zealand is one of the few countries in the developed world which has not yet joined the Madrid Protocol, which provides a system of international registration for trade marks. This is about to change. The Trade Marks (International Treaties and Enforcement) Amendment Bill, which will amend our Trade Marks Act 2002 to allow for Madrid Protocol applications to be filed in New Zealand, has been introduced into Parliament.*

### **What is the Madrid system?**

The Madrid system is governed by two treaties – the Madrid Agreement and the Madrid Protocol and it is administered by the International Bureau (**IB**) of the World Intellectual Property Organisation (**WIPO**) in Geneva, Switzerland. The Madrid Agreement concerning International registration of trade marks dates back to 1891 but the Madrid Protocol relating to the Madrid Agreement became operational in April 1996. Initially signatories were mainly European countries but today many countries, including many of New Zealand's trading partners have become members. There are over 80 signatories (contracting states) to Madrid.

Simply stated the system provides trade mark owners with a simplified method of applying for protection of a trade mark in many countries by filing a single trade mark application in one language and by paying a single set of fees instead of filing separate applications and paying separate fees in each of those countries. The filing of a Madrid application can be made without enlisting legal representation in each country. Although some companies do make a conscious decision not to use the system (more about possible disadvantages of the system are discussed below), many trade mark owners are attracted by the potential savings and simpler procedures of filings under the Madrid Protocol as compared to national or regional filings.

### **How does the system work?**

When the Madrid Protocol comes into effect in New Zealand, trade mark owners who qualify will be able to file an application with the Intellectual Property Office of New Zealand (IPONZ) (the originating office) and nominate the overseas countries for which trade mark protection is desired – provided those countries are also members of the Madrid Protocol. The applicant for an International application must live in, be a national of, or carry on business in, the member country.

The local trade marks office (IPONZ in New Zealand) certifies that the international application details are the same as the national application and sends it to the IB. The IB does not examine applications for substantive matters but checks fees and formalities and if no irregularities are found grants the International registration. Once the IB grants the international registration it notifies the originating office and sends a certificate to the applicant and advises the national offices of the nominated countries. The national offices then have between 12 and 18 months to examine the application according to their own domestic trade mark legislation. If there are any objections raised during this examination process or if oppositions are filed by third parties, the nominated country must inform the IB which in turn informs the applicant. If no objections are raised the nominated country gives effect to the International registration as if it were a trade mark registered as a result of a national application.

Of course not only will New Zealand brand owners be able to potentially benefit by this change but also overseas trade mark owners will be able to use the Madrid Protocol to protect their brands in New Zealand.

### **What are the advantages and disadvantages?**

Clearly the Madrid system brings convenience and potential cost savings to applicants. However, there are pros and cons to be weighed up before an applicant elects to file under Madrid.

Certain parameters must be met for an International application to be valid:

- The mark in the Madrid application must be the same as in the basic application;

- The applicant of the Madrid application must be the same as the proprietor of the basic application; and
- The goods and/or services in the Madrid application must be within the scope of the basic application.

As the mark in the International application must be the same as in the basic application and the same for each country nominated in the International application, Madrid Protocol filings may not be suitable where a mark is to be used in different languages in different countries. For example, a New Zealand business wishing to register a translation or transliteration of its trade mark in China will not be able to include China in an International application filed in New Zealand for the same mark in English.

Furthermore, some large businesses with operations in various countries like to organise ownership of trade marks by different companies within the group. In view of the requirement that the applicant for the International application must be the same as in the basic application, these businesses will have to decide whether to use the Madrid system which will require one of the companies becoming the common owner of the brand in all of the countries, or to file outside the Madrid system.

As the goods and services in the Madrid application must be the same as, or narrower than that of the basic application, this means that protection in all of the countries nominated will need to be aligned to that in the basic application. Should broader coverage be required in some countries than can be achieved in the basic application, the Madrid system may not be the best option for the applicant.

Another risk that the Madrid protocol brings with it is what is known as "central attack". After the expiry of the first five years the International registration will become independent of the basic application. However, for the first five years from the date of an International registration, anything that affects the basic application also affects all of the nominations of the International registration. Accordingly, should the basic application be refused or come under attack resulting in a limitation in its scope, this will also affect the scope of protection in all of the nominated countries. If the basic application is successfully opposed or cancelled, then the rights in the designated countries will also fail. This is a downside of the system.

If the basic application does collapse, the trade mark owner can request that the International registration be transformed into national applications in some or all of the nominated countries. These applications are then treated as if they were filed on the filing date of the International registration but can be subject to re-examination by the respective trade marks offices depending on how far examination of the International application had progressed before the date of transformation. Additional transformation fees will be payable at this stage and a foreign agent will likely have to be appointed to represent the owner in each country.

There are of course advantages of the system and one is that the International registration has one registration date and is renewed as a single registration. A single renewal is filed with the IB and the renewal is effective for all nominated countries.

Although this single renewal system applies, it must be noted that maintenance of protection in some jurisdictions will still involve more than simple renewal, for example a United States registration must still be maintained by filing declarations of use at the 6th and 10th anniversaries of the registration, as happens with a stand alone U.S. registration. Furthermore with no U.S. agent likely having been appointed in securing the International registration, there will be no agent watching out for these types of deadlines.

Another advantage is that any changes in the name or address of the trade mark owner need only be notified to the IB which in turn notifies the office of each jurisdiction covered by the registration. The owner does not have to arrange for such changes to be recorded individually.

International registrations are assignable in whole or in part but there are restrictions on the transferee. The new owner must be incorporated in, a citizen of, be domiciled in or have a "real and effective industrial or commercial establishment in" a contracting state to the Madrid Protocol at the time of the application to record the change in ownership. If this is not the case then the IB will not record the change in ownership.

This limitation on transferability of International registrations potentially has a significant impact on the value of a trade mark and can create complications in structuring transfers in future. It is therefore important that trade mark owners appreciate this at the outset.

In conclusion, this new development in the trade mark law in New Zealand, whilst not suiting all businesses, will for many open the door to a simplified, cost effective solution to obtaining widespread protection for brands.



**Need more information?**

For more information on trade mark issues please email Colleen Cavanagh at [colleen.cavanagh@bellgully.com](mailto:colleen.cavanagh@bellgully.com) or call Colleen on 64 9 916 8646.

## **Trade Marks: The *Tick Tock* case**

*In February 2007, the Assistant Commissioner of Trade Marks came to the rather remarkable conclusion that the trade mark TICK TOCK (which a company called Wistbray had sought to register in relation to tea) would be likely to deceive or cause confusion because of its similarity to Ferrero's trade mark TIC TAC, which is registered in New Zealand in respect of confectionery.*

*Even more surprisingly, the Assistant Commissioner decided that the similarity between the two marks was such that it would be taken as indicating a connection in the course of trade between Ferrero's goods and those of Wistbray.*

*These findings were appealed to the High Court where Justice Dobson reversed them. In doing so, His Honour has helpfully outlined what is required to successfully oppose a mark on the basis of s25(1)(c) of the Act. We consider Justice Dobson's decision in *Wistbray Ltd v Ferrero S.p.A.* (the "Tick Tock" case).*

### ***S 17(1)(a) – Confusion and deception***

Justice Dobson dealt quickly with the Assistant Commissioner's finding that the mark TICK TOCK should not proceed to registration because it would be likely to deceive or cause confusion due to its similarity to TIC TAC.

In essence, the Assistant Commissioner had come to his decision because he reasoned that the very strong brand recognition that was enjoyed by the mark TIC TAC (around 98% consumer recognition) in conjunction with the possibility of imperfect recollection of the mark, was likely to cause deception or confusion in the market.

Justice Dobson disagreed. His Honour considered that in reaching this decision the Assistant Commissioner had failed to undertake the critical analysis as to whether confusion or deception was likely to arise when Wistbray would only be using the TICK TOCK mark in relation to tea which was a substantially different product from the TIC TAC candy mints for which Ferrero enjoyed such a strong reputation.

In this regard, the Judge said:

The products are of a starkly different type. They would be most unlikely to be presented to purchasers alongside each other, and indeed the profile of potential purchasers is also likely to be different. TIC TACs are prominently displayed near point-of-sale counters in dairies, service stations and supermarkets, whereas tea is commonly presented to purchasers in the shelves of supermarket aisles. If requested by a buyer, TICK TOCK tea would likely be described in just those terms. At least until its own reputation was established, TICK TOCK on its own would not be treated by someone requesting it as a sufficient description. In contrast, TIC TAC mints, if ever requested, are sufficiently identified by simply using the trade mark on its own.

These distinctions were sufficient to eliminate the realistic prospects of confusion or deception as between the products. Thus, the judgment highlights that considerable weight may be placed on the dissimilarity of the goods involved when analysing the prospects of deception or confusion between two marks.

Accordingly, His Honour held that there was no sufficient likelihood of deception or confusion under s17(1)(a) of the Act as to prevent the Commissioner from registering it.

### ***S 25(1)(c) – A connection in the course of trade and prejudice***

His Honour then considered the Assistant Commissioner's finding that Ferrero's TIC TAC trade mark was well-known in New Zealand and, accordingly, registration of Wistbray's TICK TOCK mark would be contrary to s 25(1)(c) of the Act, in that it would be taken as indicating a connection in the course of trade with Ferrero and that this would be likely to prejudice its interests.

Justice Dobson rightly outlined that the Assistant Commissioner had completely failed to set out any reasons for coming to these conclusions. In this regard, His Honour stated:

There was no reasoning on how the use of TICK TOCK for tea would be taken to indicate a trade connection between the appellant's tea and Ferrero. Nor was there any analysis of how the use of TICK TOCK for tea would be likely to prejudice Ferrero's interests as owner of TIC TAC.

Justice Dobson then helpfully considered the relevant elements of this ground of opposition.

In relation to the element of establishing that the opposed mark would be taken as "indicating a connection in the course of trade" His Honour referred to two leading UK cases – *Jaguar Cars Ltd v Manufacture Des Montres Jaguar SA* and *Intel Corporation Inc v CPM United Kingdom Ltd*.

The Judge referred to the *Jaguar* case because it demonstrated that potential customers do not always assume a trade connection merely because the same or similar names are used for disparate goods.

His Honour referred to the *Intel* case because in that case it was argued that for the purposes of the equivalent of New Zealand's s 25(1)(c), it was sufficient for there to be any kind of mental association between the later mark and the earlier mark, and that a mere "bringing to mind" of the earlier mark was enough to give rise to the prospect of prejudice. In the Court of Appeal, Justice Jacob rejected this argument stating:

I would require that a "link" requires more than such a tenuous association between the two marks. If a trade mark for particular goods or services is truly inherently and factually distinctive it will be robust enough to withstand a mere passing bringing to mind when it or a similar mark is used for dissimilar goods or services. The average consumer is a reasonably sensible individual. He is used to lots of trade marks in different fields – some of which may resemble trade marks for other fields. In this country for example, for a long time Jif lemon juice and Jif washing up liquid co-existed happily, not to mention Jiffy for padded bags and condoms. Sometimes, but perhaps not surprisingly, trade mark owners of big brands want more protection than they really need.

As to what further factors should be taken into account, the Judge proposed:

Whether, having regard to the nature of the goods or services for which the later mark is used, the average consumer would consider that there is an economic connection between the owners of the two marks.

Whether the distinctiveness or repute of the earlier mark for the goods or services for which it is registered *is really likely* to be affected if the later mark is used for the specific goods or services covered by its registration.

Further, as to the prospects of harm, Justice Jacob emphasised that:

... it is very important that the harm or prospect of harm must be real and tangible. A mere possibility or assertion of damage is just too remote and would leave trade mark owners in too monopolistic a position. Trade mark law is there to protect a proper system of competition, not to provide trade mark owners with overreaching rights which may obstruct trade.

Justice Dobson considered this to be a useful contemporary analysis of the requirements of s 25(1)(c) and taking it into account held that while New Zealand consumers might well have TIC TAC "brought to mind" when confronted with TICK TOCK tea, they were unlikely to go on and assume from the similarity of the name that there was a connection between the producers of the dissimilar products - a connection in the course of trade requires more than such a tenuous association.

His Honour also concluded that the required prospect of harm was "less than real and tangible":

A loyal buyer of TIC TAC mints is hardly likely to think less of that product (or its manufacturer) because of an adverse experience with TICK TOCK tea.

Accordingly, Justice Dobson upheld Wistbray's appeal and ordered that the mark TICK TOCK should proceed to registration.

Justice Dobson's helpful analysis of the elements required to successfully oppose a mark under s 25(1)(c) of the Act do, however, indicate that successful oppositions under this ground are likely to

be rare. It is also clear that it will be necessary for the opponent to demonstrate that consumers believe there to be an economic connection as a consequence of the use of the respective marks and that there is real and tangible damage or harm or a real and tangible prospect of such occurring.

** Need more information?**

For more information on trade marks or any other intellectual property issues please email Garry Williams at [garry.williams@bellgully.com](mailto:garry.williams@bellgully.com) or call Garry on 64 9 916 8661.

## **The Unsolicited Electronic Messages Act: \$100,000 penalty for spamming ordered**

*The High Court has recently considered the Unsolicited Electronic Messages Act 2007 for the first time, and ordered a spammer to pay \$100,000.*

The Act prohibits the sending of junk e-mail or spam. It creates civil liability for sending unsolicited emails or harvesting email addresses and is enforced by the Department of Internal Affairs. The Act provides penalties of up to \$200,000 for individuals, and up to \$500,000 for organisations (which includes companies, partnerships and unincorporated associations).

In Chief Executive, *Department of Internal Affairs v Atkinson* (High Court, Christchurch, 19 December 2008) Justice French considered the penalty to be imposed on the second defendant, who had agreed to provide assistance to the Department with a view to resolving the matter. The case is continuing against the first and third defendants, who have contested the allegations that they breached the Act.

The Court heard an agreed statement of facts, and described the operation as being a large-scale commercial spamming operation which was "one of the largest in the history of the internet". In the circumstances, Justice French held that the starting point for the penalty should be \$200,000 to ensure the deterrent effect of a penalty. Atkinson was, however, entitled to a substantial discount on that figure because:

- (a) it was not illegal to send spam when the activity began (although the activity continued after the legislation came into force); and
- (b) Atkinson had co-operated and provided an undertaking in relation to future compliance with the Act (which is enforceable under section 34 of the Act).

The Court therefore ordered Atkinson to pay \$100,000.

The decision shows that the Courts are prepared to enforce the legislation. It will be interesting to see what penalties are awarded against the other defendants if they are found to have breached the Act.

### **Need more information?**

For more information on the Unsolicited Electronic Messages Act or any other intellectual property issues please email Garry Williams on [garry.williams@bellgully.com](mailto:garry.williams@bellgully.com) or call Garry on 64 9 916 8661.

## **Will the proposed amendments to the commissioning rule simplify copyright?**

*In September 2008 the Copyright (Commissioning Rule) Amendment Bill 2008 was introduced into Parliament by then Associate Commerce Minister Judith Tizard. It proposed the abolition of the commissioning rule. While the new Government has dropped it from the current legislative programme pending a more comprehensive review of New Zealand's copyright legislation, we consider whether the proposal has merit.*

Currently, where a person pays for certain works that attract copyright (other than literary and dramatic works), such as photographs, drawings, paintings, films and computer programmes, the person paying for the work to be created owns the copyright in that work. This is known as the commissioning rule for copyright and is one of the few exceptions to the underlying principle of copyright – that the person creating the work ought to have copyright protection in light of the time, effort and originality associated with creating the work.

Of course, creators and the parties paying for their work can currently contract out of the commissioning rule. It is not uncommon, particularly for photographers, artists and computer programmers (and their respective commissioning clients) to agree to do so. However, should the proposals be enacted the commissioning rule would be abolished and copyright would automatically vest in the creator of the works.

This change is proposed in order to:

- grant greater control to the creator over how their works are used and adapted;
- provide more incentive for creators to continue to develop new works;
- enable creators to licence their work as necessary to other users, without prohibiting the creator from using that work as a base for future work;
- remove the confusing distinction between the types of work covered by the commissioning rule and those which automatically give rise to copyright in favour of the creator; and
- enable New Zealand creators to enjoy a level of copyright protection similar to that already or soon to be enjoyed by their overseas counterparts.

In theory the proposed change will grant greater control to the creator over their works, and provide incentive to create more works. Not only would this provide the creator with the power to ensure that the quality of their work, and their associated reputation, is not harmed by a third party adapting their work, but enhanced creator control may result in an increased number of licensing agreements under which the creator retains ownership and control, while still allowing the commissioner adequate use of the work.

In practice it is possible that such benefits will not necessarily be realised should the proposal be enacted. Bargaining power and thus copyright ownership could remain in the hands of the party paying for the work, as creators might sacrifice contractually what would be their legislative right to copyright ownership to gain a commission. Although the obligation will shift to the commissioning party to contract out of the rule granting copyright to the creator, if the commissioning party wishes to own first copyright, it seems unlikely that this will lead to less demand for commissioned works.

In fact, it implies that what is unlikely to change is the use of contracts to determine copyright ownership. In fact, where there are two sophisticated parties involved, the current contractual outcomes are not expected to alter greatly if the commissioning rule is repealed. Given this is the case, some have questioned the rationale for changing a familiar backdrop to business dealings. However, the abolition of the commissioning rule would also avoid the situation where creators breach copyright in their own work. Such a breach can sometimes occur when creators use their own prior, commissioned work as a basis for further commissions. Currently, avoiding such breaches can be difficult for creators, such as architects, whose designs may be very similar to one another or may be built on over time from an original design.

What the proposal currently fails to address is how the repeal of the commissioning rule for a design work under the Copyright Act will sit alongside the commissioning party's right to register a design under the Designs Act. In such circumstances, despite having copyright under the Copyright Act, a creator's right to commercialise their design or a similar design would be restricted by any registered design protection held by the commissioning party. Although this issue can be addressed in contract, it may be that an amendment to the Designs Act would be required to achieve consistency by also removing the commissioning rule in the Designs Act.

On the whole, the removal of the commissioning rule from the Copyright Act would give rise to much needed clarity for creators and commissioners alike. There would no longer be a distinction between different kinds of copyright work, in contrast with the current distinction between 'artistic' and 'literary' works. This would avoid the need, in relevant cases, to treat certain parts of a commissioned work differently to another under a contract or otherwise; for example, a computer program, which is currently covered by the commissioning rule, and a manual relating to that program, which as a literary work is not. Whilst this would significantly simplify a number of contracts, particularly for technology and multimedia contracts, the removal of the commissioning rule in a situation where there are multiple creators involved in the creation of a work (such as text, images and layout) brings forth its own complications. Copyright in each element would be automatically granted to the applicable creator, unless the party commissioning the work manages to agree otherwise with each creator. In situations where a creator of one or more elements refuses to agree, the commissioner may have copyright in some but not all of the commissioned work.

It may surprise some people who commission a work to find that they do not own copyright if the proposal is ultimately enacted, unless they have agreed otherwise. However, the rationale for the change is reasonable. In reality, with the ability to contract out, the current practice of determining ownership and copyright interests contractually would continue to be important and is unlikely to change.



**Need more information?**

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## ***Sunlec International Pty Ltd v Electropar Ltd: Can there be copyright in an advertising slogan?***

*In Sunlec International Pty Ltd v Electropar the High Court held that copyright subsisted in the following eight-word advertising slogan: "Field Friendly – the best choice for field work". So just when will copyright be held to subsist in such minimalist works?*

This decision is surprising in light of strong UK precedent that copyright cannot subsist in advertising slogans – particularly where the amount of independent skill, labour and judgment involved in the composition of the slogan has been too small to justify copyright.

The reason that copyright has traditionally been found not to subsist in advertising slogans is that slogans are too insubstantial, and the amount of independent labour and judgment involved in their composition is simply too small to give rise to a copyright work.

A further reason is that they have not been considered by the Courts as affording sufficient information, instruction or literary enjoyment to qualify as a "work" for the purposes of copyright.

The Court in *Sunlec* noted that there has been little consideration of this issue in New Zealand authorities.

Justice Wylie held that it was wrong to assert that copyright cannot subsist in an advertising slogan merely because it is a slogan. Rather, enquiry should be made into the circumstances in which the slogan has evolved and been created. If independent skill, labour and judgment has been involved in its creation such that it satisfies the requirement of originality, and if it conveys information, instruction, or pleasure, then, in Wylie J's view, a slogan can attract copyright protection.

In *Sunlec*, the plaintiff gave evidence that it had spent a considerable amount of time devising the slogan, and it had apparently reviewed and rejected a number of different phrases. The Court was satisfied that although the language used in the slogan was taken from the common stock of English language, the slogan used language in a succinct and relatively memorable way. The Court held that on balance, it could not be said that the slogan was hackneyed.

The decision of the High Court in *Sunlec* is questionable and an unwelcome development, as it opens the door for copyright to subsist in passages of text that had previously been considered to be too insubstantial to provide the basis for copyright.

### **Need more information?**

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