

IN THE COURT OF APPEAL OF NEW ZEALAND

**CA607/2014
[2016] NZCA 111**

BETWEEN CROCODILE INTERNATIONAL PTE
LIMITED
Appellant

AND LACOSTE
Respondent

Hearing: 23 February 2016

Court: Wild, French and Kós JJ

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

Judgment: 11 April 2016 at 11.00 am

JUDGMENT OF THE COURT

- A The appeal is dismissed.**
- B The appellant must pay the respondent costs for a standard appeal on a band A basis with usual disbursements. We certify for second counsel.**
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REASONS OF THE COURT

(Given by French J)

Introduction

[1] Lacoste is the owner of a registered trade mark with the registration number 70068. Mark 70068 depicts the image of a crocodile with the word “crocodile”

written in italics above it.¹ The appellant, Crocodile International Pte Ltd, has applied to revoke mark 70068 under s 66 of the Trade Marks Act 2002 (the Act) on the ground Lacoste has not used the mark for three years.

[2] Section 66(1)(a) of the Act provides that the registration of a trade mark may be revoked if the owner has not put the mark to “genuine use” in the course of trade in New Zealand at any time during a continuous period of three years or more.

[3] Lacoste acknowledges it has never used mark 70068. It has, however, used other marks, which it says constitute use of mark 70068 for the purposes of s 66(1)(a) by virtue of the Act’s extended definition of “use of trade mark”.

[4] The extended definition of “use of trade mark” is contained in s 7 of the Act. Section 7(1)(a) provides that “use” in relation to a trade mark includes:

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; ...

[5] The key issue for determination is whether the use of the other Lacoste marks qualifies as use of mark 70068 in terms of that definition. The Assistant Commissioner, who considered only one mark used by Lacoste (the device mark), held it did not.² This decision was overturned in the High Court by Collins J.³ Justice Collins held the Assistant Commissioner was wrong to consider only the one mark. In addition to the mark considered by the Assistant Commissioner, Collins J considered another mark also used by Lacoste (the device-and-word mark). He compared both with mark 70068 and concluded that, while there were differences, the use of each of the two marks constituted use of mark 70068 within the meaning of s 7(1)(a).

[6] Crocodile International now appeals the High Court decision on the ground Collins J adopted the wrong approach to s 7. In particular, it is submitted he erred,



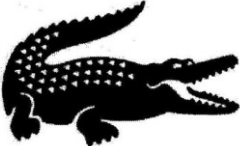
¹ The mark was registered in New Zealand in December 1961 by Crocodile Garments Ltd, a company with links to Crocodile International Pte Ltd. In June 2004 Crocodile Garments assigned the mark to Lacoste as part of a settlement of another dispute between these parties.

² *Lacoste v Crocodile International Pte Ltd* [2014] NZIPOTM 11.

³ *Lacoste v Crocodile International Pte Ltd* [2014] NZHC 2349.

first, by failing to identify the essential elements of mark 70068 and, second, by applying principles that are only relevant in cases involving passing off or deception.

[7] For the purposes of the appeal, the parties agreed we could consider the two marks examined by Collins J, as well as one other mark also used by Lacoste during the relevant period (the word mark).⁴ To assist understanding of this judgment, we now set out mark 70068 with the three other marks alongside.

Trade mark 70068	
Lacoste device-and- word mark	
Lacoste device mark	
Lacoste word mark	CROCODILE

What is the correct approach to s 7(1)(a)?

[8] Justice Collins held that in assessing whether a trade mark has been used within the meaning of s 7(1)(a) it is necessary to undertake a two-stage analysis:⁵

- (a) First, the court must assess the points of difference between the mark as used and the mark as registered.

⁴ The parties agreed the crucial period was the three-year period expiring one month before the filing of the application for revocation, this being 24 May 2005 to 24 May 2008.

⁵ *Lacoste v Crocodile International Pte Ltd*, above n 3, at [40].

- (b) Second, once the differences have been identified, the court must ascertain if the differences alter the distinctive character of the mark as registered.

[9] In formulating the test to be applied in those terms, Collins J was following well-established authority.⁶

[10] Counsel for Crocodile International, Mr Laurenson QC, acknowledged this was the orthodox approach, but argued that, before embarking on the two-stage inquiry, Collins J should first have identified the essential elements of mark 70068, that is, those elements that give it its “distinctive character”. Mr Laurenson submitted this was a logical and crucial starting point and the failure to address it led Collins J into error.

[11] Mr Laurenson developed this argument by contending there were at least two essential elements to mark 70068, namely the depiction of the crocodile and the word “crocodile”. He then pointed out that none of the three marks relied on by Lacoste contains both elements. The word “crocodile” was missing from two of the marks and the third omitted the crocodile device. It followed, in Mr Laurenson’s submission, that this was the end of the inquiry. All essential elements of the registered mark needed to be present in the marks as used before the extended definition of “use” could apply.

[12] In our view, the addition of a starting point to the standard two-stage inquiry is to add an unnecessary refinement and to create conceptual difficulties. Instead of a two-stage test, it creates an overly complicated three-stage test. The analysis as applied by Mr Laurenson to the facts of this case also smacks somewhat of a “boot strap” argument in that it takes no account of whether the two elements identified as essential are effectively saying the same thing, in this case “crocodile”. In effect, it reduces the exercise to a purely mathematical one instead of an evaluative one.

⁶ *Bud and Budweiser Budbräu Trade Marks* [2002] EWCA Civ 1534, [2003] RPC 25 at [43]; *Specsavers International Healthcare Ltd v Asda Stores Ltd* [2014] EWCA Civ 1294, [2015] FSR 8 at [22]; Ian Finch (ed) *James & Wells Intellectual Property In New Zealand* (2nd ed, Thomson Reuters, Wellington, 2012) at [7.16.5(1)(c)].

[13] Significantly, there is no authority for the suggested addition of a starting point other than some rather oblique obiter comments in an English Court of Appeal decision (*Bud and Budweiser Budbräu Trade Marks*),⁷ and even then one of the members of that Court, Lord Walker, stated he was inclined to think a separate assessment of the elements of the mark was to over-complicate the issue.⁸

[14] Mr Laurenson's analysis is also inconsistent with a number of decisions such as *Specsavers International Healthcare Ltd v Asda Stores Ltd*, *E & J Gallo Winery v Lion Nathan Australia Pty Ltd* and *Budweiser* itself.⁹ In those cases, marks without words and/or images were compared with marks containing words and/or images. In all of them the registered owner succeeded in establishing use notwithstanding the fact the mark as registered and the mark as used did not have the same number of features or elements. The absence of an element — even an essential one — was not of itself fatal to a finding of use.

[15] Mr Laurenson attempted to distinguish those cases by saying they all concerned a registered mark comprising a single element (either a word on its own or a device on its own), whereas in the present case the mark as registered is a composite mark (word and device).

[16] We do not accept this is a proper basis on which to distinguish these cases. In our view, there is no reason in principle why different considerations should apply when the mark as registered is a composite mark. We note too that none of the authorities draw such a distinction, including the three cases cited above.

[17] We are satisfied Collins J's articulation of the two-stage inquiry was correct. We are also satisfied the Judge did not err when, after articulating the two-stage test, he went on to say the crucial issue is the likely impact of the mark in question on the average consumer and that the analysis is undertaken by reference to the central message of the mark, which can be deduced from the visual, aural and/or conceptual

⁷ *Bud and Budweiser Budbräu Trade Marks*, above n 6, at [8]–[10].



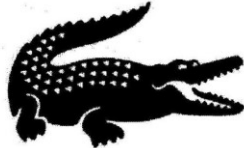
⁸ *Bud and Budweiser Budbräu Trade Marks*, above n 6, at [43].

⁹ *Specsavers International Healthcare Ltd v Asda Stores Ltd*, above n 6; *E & J Gallo Winery v Lion Nathan Australia Pty Ltd* [2010] HCA 15, (2010) 241 CLR 144; and *Bud and Budweiser Budbräu Trade Marks*, above n 6.

qualities of the mark.¹⁰ Both statements are derived from the relevant authorities and are orthodox.¹¹ The argument that in using terms such as “central message” the Judge was erroneously applying passing off principles is not sustainable.

The application of the two-stage inquiry to the facts

[18] For convenience, we again set out the relevant marks:

Trade mark 70068	
Lacoste device-and- word mark	
Lacoste device mark	
Lacoste word mark	CROCODILE

[19] As Collins J noted, the main point of visual difference between mark 70068 and the Lacoste device mark and the Lacoste device-and-word mark is that the crocodile is facing in the opposite direction.¹² Other differences are the different font types used in the marks and the placement of the word “crocodile” in relation to the image. In mark 70068 the word “crocodile” is above the image, whereas in the Lacoste device-and-word mark it is placed below the image. The stylised word in mark 70068 also has what the Assistant Commissioner described as a “ribbon effect

¹⁰ *Lacoste v Crocodile International Pte Ltd*, above n 3, at [41].

¹¹ *Bud and Budweiser Budbräu Trade Marks*, above n 6, at [45]–[47]; *Cure Kids v National Sids Council of Australia Ltd* [2014] NZHC 3366, [2015] 3 NZLR 90 at [55].

¹² *Lacoste v Crocodile International Pte Ltd*, above n 3, at [44].

underlining”.¹³ There is also the obvious difference that two of the comparator marks do not contain the word “crocodile”. One has the word “Lacoste” and the other has no word at all.

[20] In our assessment, however, in terms of the overall impression these differences are insignificant and do not alter the distinctive character of trade mark 70068, which is dominated by the image of the crocodile. The crocodile is the central idea and message. As we put it to Mr Laurensen, it is all about the crocodile.

[21] Importantly, the various images of the crocodile are similar. The key feature of all of them is of a crocodile depicted with its mouth ajar and body arched as if about to launch an attack. In all three marks, the crocodile is drawn side-on with its jaws open slightly. The shape and point of the tail are similar, the tail of each crocodile curving back in an arch. The scales, eyes, claw and teeth details are visible on each crocodile.¹⁴

[22] As for the presence of the stylised word “crocodile” in mark 70068 — a factor on which Mr Laurensen set so much store — we accept Lacoste’s argument that the word only serves to reinforce the dominant element and adds little or nothing to the distinctiveness of the mark. The key element of mark 70068 is the crocodile device. It follows the addition of the word “crocodile” does not alter the central message because the word merely describes the device and adds nothing more.

[23] We consider the case to be closely comparable to the Australian decision *E & J Gallo Winery*.¹⁵ In *Gallo* the registered mark was the word “BAREFOOT”, while the comparator mark was a composite mark comprising both the word “BAREFOOT” and the image of a bare foot. The High Court of Australia held the

¹³ *Lacoste v Crocodile International Pte Ltd*, above n 2, at [29].

¹⁴ Our conclusion that the differences between the crocodile marks are insignificant is consistent with findings made in three other High Court decisions involving the same parties: *Crocodile International Pte Ltd v Lacoste* HC Wellington CIV-2009-485-2534, 1 March 2011 (Simon France J – Cartelo decision); *Crocodile International Pte Ltd v Lacoste* [2011] NZHC 166 (Simon France J – crocodile word mark); *Crocodile International Pte Ltd v Lacoste* [2015] NZHC 2432 (Clifford J – copyright decision).

¹⁵ *E & J Gallo Winery v Lion Nathan Australia Pty Ltd*, above n 9.

image was simply an illustration of the word and therefore not an addition that substantially affected the identity of the registered mark.¹⁶

[24] In contrast, the cases relied on by Mr Laurenson involved comparator marks that either added or removed a feature to the central message of the registered mark and so altered its distinctive character.¹⁷ In those cases, device marks were not simply pictorial representations of the word marks and vice versa.

[25] It follows we agree with Collins J that Lacoste has used mark 70068 in terms of the extended definition of use under s 7(1)(a) and that the application to revoke its registration should not be granted. We also agree with the Judge that in reaching this conclusion it is not necessary to resort to survey evidence adduced by Lacoste that indicated a close association between Lacoste and crocodiles in the minds of New Zealand consumers.

[26] Finally, for completeness we record that it has also been unnecessary for us to consider whether the Court would still have a residual discretion under s 66(1)(b) of the Act to decline to revoke registration even if it found use had not been established.¹⁸

Outcome

[27] The appeal is dismissed and the decision of the High Court confirmed.

[28] Counsel agreed costs should follow the event and be calculated as for a standard appeal on a band A basis together with usual disbursements, with certification for second counsel. We so order.

Solicitors:
Henry Hughes Law Ltd, Wellington for Appellant
Baldwins Law Ltd, Wellington for Respondent

¹⁶ At [69].

¹⁷ *ELLE Trade Marks* [1997] FSR 529 (Ch); *Cure Kids v National Sids Council of Australia Ltd*, above n 11; *Colorado Group Ltd v Strandbags Group Pty Ltd* [2007] FCAFC 184, (2007) 74 IPR 246.

¹⁸ This was an issue raised by Lacoste in its notice of intention to support the judgment on other grounds.