

Cure Kids v National SIDS Council of Australia Ltd 5

High Court Auckland CIV-2014-404-1408; [2014] NZHC 3366 10
 16 September, 24, 25 November; 19 December 2014
 Moore J

Trade marks – Removal from register – Whether trade marks should be revoked because of non-use in relevant period – Whether use was genuine and in course of trade – Whether use in relation to services for which mark registered – Whether discretion not to revoke available – Whether special circumstances existed – Whether special circumstances prevented use of mark – Whether use of mark likely to deceive or confuse the public or the relevant market – “Use of trade mark” – “Series of trade marks” – “Continuous period” – “Substantial” – Trade Marks Act 2002, ss 7 and 66. 15 20

Cure Kids’ charitable purposes were to support research into life threatening childhood diseases and conditions affecting New Zealand children and their families. One of its fundraising initiatives was Red Nose Day appeal. The initial appeal of 1989 was to raise funds for research into Sudden Infant Death Syndrome (SIDS). The fundraiser was highly successful and the campaign was repeated annually until 1997. In 1996 Dr Jim Sprott, a well-known New Zealand forensic scientist, had embarked on a very public crusade against Red Nose Day because he believed the research into the causes of SIDS was fundamentally flawed. His campaign was so successful the levels of donation slumped and Red Nose Day sponsors began to withdraw their support. It was 2010 before there was another Red Nose Day appeal and this was initially sparked by encouragement from the public and media to reactivate the day. 25 30

The National SIDS Council of Australia Ltd (SIDS and Kids) operated Red Nose Day in Australia. There was an analogous organisation in New Zealand: SIDS and Kids New Zealand. SIDS and Kids had filed its own trade mark application in New Zealand for Red Nose Day, but the application could not proceed because the marks were owned by Cure Kids. Sometime after Cure Kids’ decision to bring back Red Nose Day, SIDS and Kids applied to revoke the five trade marks Cure Kids had originally registered. SIDS and Kids claimed that Cure Kids had abandoned the trade marks; had not put them to genuine use in the three-year period before its application was filed; and that as SIDS and Kids had a presence in New Zealand and had registered its own trade marks, Cure Kids’ use of its trade marks was likely to deceive or confuse the public. SIDS and Kids’ application to revoke Cure Kids’ trade marks was heard by the Intellectual Property Office of New Zealand (IPONZ). Most significantly, IPONZ found under s 66(1)(a) of the Trade Marks Act 2002 (the TMA), that Cure Kids had not genuinely used the Red Nose Day trade marks in the course of trade in the relevant period and that, whilst the Dr Sprott 35 40 45

controversy amounted to special circumstances, it did not prevent Cure Kids from using the trade marks. IPONZ revoked Cure Kids' trade marks. Cure Kids appealed and SIDS and Kids cross appealed in relation to some of the IPONZ findings.

5 Section 66 of the TMA required that the following questions be answered:

- (a) Did Cure Kids genuinely use the trade marks in the course of trade in New Zealand in relation to the goods and services in respect of which it was registered (s 66(1)(a))?
- 10 (b) Was the Dr Spratt controversy "special circumstances" for the purposes of s 66(2)?
- (c) Was IPONZ wrong to refuse to exercise its discretion to find there were other circumstances to justify the continued registration of the Red Nose Day trade marks (s 66(1))? and
- 15 (d) Was Cure Kids' use of the trade marks likely to deceive or confuse the public (s 66(1)(e))?

Held: 1 The grounds for revoking registration of a trade mark were set out in s 66(1)(a) of the TMA. To avoid revocation an owner was required to have made "genuine use" of its trade mark at some time during the relevant period (being May 2007 to May 2010). Late in 2009 Cure Kids began to have
20 discussions with various companies about the possibility of re-introducing the Red Nose Day appeal and, over a period of time, gave a series of formal presentations to potential partners and sponsors. The fact that this was preparatory work did not preclude it from being considered in the analysis of "genuine use". The use of the mark in the presentations was consistent with the
25 function of a trade mark in that it was building on the residual reputation of Red Nose Day and that was sufficient to amount to "genuine use in the course of trade in New Zealand". The use was external to Cure Kids, significantly more than token and ultimately led to the successful re-launch of Red Nose Day in 2010.

30 2 THE RED NOSE DAY (192207) was the only registered trade mark used by Cure Kids during the relevant period. Marks using these words and accompanied by a stylised head should be considered as composite marks and those marks had not been used in the relevant period (see [49]–[69]). Neither had marks that included "nose" or "nose day" but omitted the word "red" (see
35 [70]–[81]).

Elle Trade Marks [1997] FSR 529 discussed.

Bud & Budweiser Budrau Trade Marks [2002] EWCA Civ 1534, [2003] RPC 25 discussed.

40 *Colorado Group Ltd v Strandbags Group Pty Ltd* [2007] FCAFC 184, (2007) 243 ALR 127 discussed.

E & J Gallo Winery v Lion Nathan Australia Pty Ltd [2010] HCA 15, (2010) 241 CLR 144 discussed.

3 "Genuine use" was not enough. The use had to be "in relation to goods or services in respect of which [the trade mark] was registered". THE RED
45 NOSE DAY was registered in class 41 being "the promotion of education and training of persons for fundraising for charities and other causes". The presentations within the relevant period did not promote the education and training of persons for fundraising. They were aimed at securing a sponsor or partner (see [69], [82], [85], [118], [119], [121], [122], [123], [127], [128],
50 [130]).

Ansul BV v Ajax Brandbeveiliging BV [2003] RPC 717, [2005] Ch 97 adopted.

Laboratories Goemar SA v La Mer Technology Inc [2005] EWCA Civ 978, [2006] FSR 5 adopted.

4 Despite THE RED NOSE DAY trade mark not qualifying for non-revocation in terms of s 66(1), a trade mark “may not be revoked for its non-use if its non-use was due to special circumstances which were outside the control of the trade mark’s owner” (s 66(2)). The circumstances of the Dr Sprott’s attacks were “peculiar or abnormal” and arose through “external forces” as distinct from being voluntary acts of Cure Kids; the controversy made it impracticable, in a business sense, to use the trade mark given the clear evidence of the dramatic drop in public patronage and donations following Dr Sprott’s campaign and showed a direct causal link between Dr Sprott’s campaign and the non-use of the trade mark. The Dr Sprott controversy amounted to a special circumstance in terms of s 66(2) and it did prevent the use of the mark in the initial years following the controversy (see [142], [147], [148], [153], [154], [158]).

Woolly Bull Enterprises Ply Ltd v Reynolds [2001] FCA 261, (2001) 51 IPR 149 adopted.

5 The use of the word “may” in s 66(1) indicated that the Court had a discretion not to revoke a trade mark. The TMA was silent on the factors to be taken into account in the exercise of the discretion but the authorities suggested the following:

- (a) Did the owner intend to abandon the mark?
- (b) Were genuine steps taken to revive the mark and unrelated to the application for revocation?
- (c) during the period of dormancy did the owner have a residual reputation in the mark?
- (d) Had there been a credible and effective use of the mark after the relevant period ended?
- (e) Would anyone be deceived or confused or likely to be, if the mark remained on the register? and
- (f) Would the continued ownership of the trade mark block another’s legitimate desire to use the trade mark?

Cure kids did not abandon the relevant marks. It continued to renew its registrations rather than letting them lapse. A campaign to revive the Red Nose Day, that appeared to have been a spontaneous initiative driven by the public and the media, commenced in January 2008. By the time SIDS and Kids’ application for revocation was filed, planning for Red Nose Day in 2010 was well underway. Further, the preparations involving promoting and advertising of Red Nose Day continued into 2010. No one was likely to be deceived or confused if the mark remained on the register. In exercising the discretion it was more appropriate to have regard to the factors to be taken into account than the level of exceptionality. The discretion was exercised in favour of Cure Kids, but only in relation to the mark “THE RED NOSE DAY” registration number 192207. IPONZ did not err in revoking the other four trade marks (see [171], [172], [173], [174], [175], [176], [178], [179], [180], [181], [182], [194], [195], [196], [199], [207], [209], [214], [220], [221], [222], [223]).

Friskies Ltd v Heinz-Wattie Ltd [2003] 2 NZLR 663 (HC) applied.

Manhaas Industries (2000) Ltd v Fresha Export Ltd [2012] NZHC 1815, (2012) 96 IPR 560 applied.

Hermes Trade Marks [1982] RPC 425 adopted.

5 *Paragon Shoes Ply Ltd v Paragini Distributors (NSW) Ply Ltd* (1988) 13 IPR 323 considered.

6 In terms of s 66(1)(e), Cure Kids preparatory use of the trade mark was not likely to deceive or confuse the public because in seeking partners and sponsors for the running of the 2010 Red Nose Day its use was confined to third parties, not the public. Further, there was no evidence that the public at large
10 was deceived by the re-launch of Red Nose Day to raise money for research into children's health generally, as opposed to the initial purpose of raising money for research into SIDS alone. SIDS and Kids claimed its reputation in Australia had "spilt over" to New Zealand but there was no evidence to support the claim that members of the New Zealand public were at any time deceived
15 or confused into believing that the goods and services provided by Cure Kids in relation to the relevant marks would be identified with SIDS and Kids (see [231], [232], [236], [241], [242], [255], [256], [257], [258], [273]).

Pioneer Hi-Bred Corn Co v Hy-Line Chicks Pty Ltd [1978] 2 NZLR 50 (CA) applied.

20 **Result:** Appeal allowed in part. Cross appeals dismissed.

Other cases mentioned in judgment

Austin, Nichols & Co v Stichting Lodestar [2007] NZSC 103, [2008] 2 NZLR 141.

25 *Bud & Budweiser Budbrau Trade Marks* [2002] EWCA Civ 1534, [2003] RPC 25.

Buying Systems Australia Pty Ltd v Studio SRL [1995] FCA 1063, (1995) 30 IPR 517.

CA Henschke & Co v Rosemont Estates Pty Ltd [1999] FCA 1561, (1999) 47 IPR 63.

30 *Canterbury Ireland Ltd v Societe des Produits Nestle SA* [2007] NZIPOTM 4. *DB Breweries Ltdv Society of Beer Advocates, Inc* [2011] NZIPOTM 19.

Finance Facilities Pty Ltd v Federal Commissioner of Taxation (1971) 127 CLR 106.

Laboratoires Goemar SA v La Mer Technology Inc [2002] ETMR 34.

35 *Mitchell v Sprott* [2002] 1 NZLR 766 (CA).

Premiere Brands UK Ltd v Typhoon Europe Ltd [2000] EWHC 1557, [2000] FSR 767 (Ch).

Ritz Hotel Ltd v Charles of the Ritz Ltd (1988) 15 NSWLR 158, (1988) 95 FLR 418.

40 *Royal New Zealand Yacht Squadron v Daks Simpson Group Plc* [2002] NZAR 187 (HC).

Stella Products Ltd Application (Riviera) (2003) BL 0/104/03.

Tyler v Attorney-General [2000] 1 NZLR 211 (CA).

45 *Wing Joo Loong Ginseng Hong (Singapore) Co Pte Ltd v Qinghai Xinyuan Foreign Trade Co Ltd* [2009] SGCA 9, [2009] 2 SLR 814.

Appeal

This was an appeal by Cure Kids, appellant, from the Intellectual Property Office of New Zealand's decision, [2014] NZIPOTM 22, to revoke Cure Kids' five trade marks. The National SIDS Council of Australia Ltd, respondent, had

applied for revocation of the trade marks alleging Cure Kids had abandoned them and not put them to genuine use in the three-year period before its application was filed. The National SIDS Council cross appealed in relation to some of the Intellectual Property Office's findings.

Julian Miles QC and *Jessica Miles* for Cure Kids.

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C Elliott QC for National SIDS Council of Australia Ltd.

Cur adv vult

MOORE J.

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A. Introduction

- 35 [1] Cure Kids operates Red Nose Day in New Zealand and SIDS and Kids Australia operates Red Nose Day in Australia.
- [2] Cure Kids first started Red Nose Day in 1989 to fund raise for research into SIDS, or Sudden Infant Death Syndrome. Red Nose Day was highly successful and the funds raised by donation were substantial.
- 40 [3] However, in 1996 the late Dr Jim Sprott, the well-known forensic scientist, embarked on a very public crusade against Red Nose Day and its organisers because he believed the research into the causes of SIDS was fundamentally flawed. His campaign was successful. The levels of donation

slumped. Cure Kids decided not to hold a 1997 Red Nose Day appeal. In fact no Red Nose Day appeal took place in New Zealand until 2010, when Cure Kids reactivated it following public and media interest in its reinstatement.

[4] Sometime after Cure Kids made the decision to bring back Red Nose Day, SIDS and Kids applied to revoke the trade marks Cure Kids had originally registered to protect their brand. 5

[5] Amongst various grounds advanced, SIDS and Kids claimed that Cure Kids had abandoned the trade marks and had not put them to genuine use in the three year period before the application was filed.

[6] SIDS and Kids also claimed that because they also have a presence in New Zealand and have registered their own trade marks to protect their interests in the Red Nose Day trade mark, Cure Kids' use of its trade marks is likely to deceive or confuse the public. 10

[7] The application to revoke Cure Kids' trade mark was heard by the Intellectual Property Office of New Zealand. It revoked Cure Kids' trade marks. 15

[8] This appeal is brought by Cure Kids against those revocation orders. SIDS and Kids cross appeals in relation to some of the findings contained in the decision.

B. Background

[9] The appellant, Cure Kids, was founded over 30 years ago. It is a New Zealand charitable organisation. Its purposes are to support research into life threatening childhood diseases and conditions affecting New Zealand children and their families. To support its activities and purposes it runs a number of fundraising initiatives. One of those, and certainly a most successful one, is the annual Red Nose Day appeal. 20 25

[10] The idea of a fundraising event centred around a Red Nose Day was not original. An Auckland paediatrician, Dr SL Tonkin, became aware of various Red Nose Day events overseas including the Red Nose Day appeal in the United Kingdom organised by Comic Relief. Inspired by the campaign's evident success Dr Tonkin contacted the 1988 Red Nose Day appeal organisers in the United Kingdom and began preparations for running a similar event in New Zealand on behalf of the New Zealand Cot Death Association (NZCDA), of which Dr Tonkin was the national co-ordinator. NZCDA was a division of the National Child Health and Research Foundation (NCHRF) which is now known as Cure Kids. 30 35

[11] The first New Zealand Red Nose Day appeal was held the following year in 1989. New Zealand fundraising initiative at that time was sudden infant death syndrome (SIDS) or cot death as it was then referred. The first Red Nose Day campaign was an overwhelming success and the decision was made by NZCDA to repeat it annually. Annual campaigns ran from 1989 to 1997. 40

[12] Between 1989 and 1995 the Red Nose Day fundraising campaign grossed very substantial revenues of the order of \$1m annually. But in 1996 the levels of donation slumped. It seems to be generally accepted that the primary reason for this lay in a concerted campaign mounted by Dr Jim Sprott. Dr Sprott had a national reputation within New Zealand. He enjoyed a level of trust in the eyes of the New Zealand public, no doubt at least in part, for the prominent role he played in the Thomas Royal Commission of Inquiry. Dr Sprott steadfastly did not accept that the causes of SIDS or the means by which its risks could be mitigated or eliminated were the same as those being advanced by NZCDA. He was adamant that SIDS was linked to the emission 45 50

of toxic gases produced by the cot mattresses on which babies slept. He developed a plastic wrapping which he claimed prevented the emission of these gases thus effectively eliminating the risk of SIDS.

5 [13] The differences of view around the cause of SIDS and how the risks might be mitigated erupted into a most unpleasant, vitriolic, campaign against NZCDA launched and promoted by Dr Sprott. Dr Sprott wrote to sponsors, schools and various government departments campaigning against the Red Nose Day appeal. He placed advertisements in leading New Zealand newspapers in which he encouraged the public to boycott the event.

10 [14] His campaign was most effective. In 1996 donations fell to \$750,000. The following year donations dropped to a mere \$280,000.

15 [15] By 1997 Dr Sprott's attacks had led to a number of prospective sponsors withdrawing their support. NZCDA decided to make the 1997 campaign its last. Subsequent Red Nose Day appeals were put on hold but Cure Kids' claim it was always NZCDA's intention to hold further Red Nose Day events in the future subject to regularly reviewing the viability of doing so.

20 [16] In January 2008 a group calling itself "Bring Back Red Nose Day" was formed on the popular social networking website, Bebo. This, it seems, was the first external indication there was public support for the restoration of Red Nose Day. In November 2008 Cure Kids started to receive enquiries from the media as to whether they intended to bring Red Nose Day back. Stories appeared in major daily newspapers.

25 [17] Enthused by the level of interest and public support for a re-launch of Red Nose Day, Cure Kids began preliminary discussions in November or early December 2009 documents, a business case report and draft budgets were prepared. Two new employees were recruited. Their tasks, at least in part, were to assist in the support and planning of the 2010 Red Nose Day.

30 [18] Potential sponsors were approached. In early March 2010 Cure Kids made powerpoint presentations for certain key partners. At the same time the CEO of Cure Kids, Ms Lee, met with Mr Rob Smith, the Chief Executive of the Paper Plus Group. Encouraged by that encounter more formal and focused meetings with the Paper Plus Group were arranged.

35 [19] Between April and August 2010 there were further meetings with and presentations to, Paper Plus and other potential partners/sponsors. The campaign was also supported by Cadbury. Other partners approached throughout 2010 included Harvey Norman, Air New Zealand, Briscoe Group, Ports of Auckland, Sovereign Insurance and Ernst & Young.

40 [20] The actual collection day chosen for the 2010 campaign was 19 November. The formal announcement of the appeal was on 23 September and the media launch was the following month on 27 October. Promotional red nose products including plastic noses, car noses, button badges, collector badges, balloons and a revised promotional song, were available for sale from Paper Plus and Shell outlets throughout New Zealand from 1 November 2010.

45 [21] In May 2010 Cure Kids made the decision to approach the organisers of the Red Nose Day appeal in Australia, the respondent and cross-appellant, SIDS and Kids Australia. The purpose of this approach was to ascertain whether Cure Kids might be able to source excess stock or place joint orders for products. Ms Lee sent an email to the CEO of SIDS and Kids Australia in late May 2010. She received no response. She re-sent her email a week later. This
50 request was also met with silence.

[22] As a consequence, Cure Kids abandoned its appeal to Australia and, instead, ordered products from local sources. These included:

- (a) 240,000 noses;
- (b) 34,000 button badges;
- (c) 30,000 car noses; and
- (d) 20,000 wrist bands.

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[23] A further order of 110,000 noses was placed in August.

[24] The 2010 Red Nose Day appeal was highly successful. It has been continued annually since.

[25] In the development and early years of Red Nose Day, Cure Kids registered five trade marks, the details of which are listed in the table below: 10

Number	Trade Mark	Class	Goods/services	Deemed date of registration
192041	 RED NOSE DAY	28	small plastic/paper "red noses"	31 March 1989
192207	THE RED NOSE DAY	41	the promotion of education and training, of persons, for fundraising for charities and other causes	7 April 1989
192691	 RED NOSE DAY	36	charitable and fundraising services and activities	26 April 1989
206883	NOSE DAY	28	games and playthings	27 June 1995
206884	NOSE	36	charitable and fundraising services and activities	14 December 1990

[26] It appears that as a result of Ms Lee making contact with SIDS and Kids Australia, SIDS and Kids learned that Cure Kids was intending to revive Red Nose Day in New Zealand. On 29 June 2010 SIDS and Kids filed an application under s 66(1) of the Trade Marks Act 2002 (the TMA) seeking to revoke Cure Kids' trade marks on the grounds that up to one month before the date of the application a continuous period of three years or more had elapsed following the date of registration during which the trade mark was not put to genuine use by Cure Kids in the course of trade in New Zealand. 15 20

[27] The respondent, the National SIDS Council of Australia (SIDS and Kids), is an Australian public company. Its directors are representatives of state and territory-based charitable associations which provide education and bereavement services to families and others in relation to SIDS, sudden unexpected death in infancy (SUDI), still birth and the sudden unexpected death of children. 25

[28] The state and territory member organisations of SIDS and Kids carry out fundraising activities using the mark RED NOSE DAY (under licence from the National SIDS Council of Australia and Kids). The majority of SIDS and Kids' revenue is derived from Red Nose Day fundraising campaigns, corporate partnerships and associated activities. 30

[29] SIDS and Kids held its first Australian Red Nose Day in September 1988, the year before the first Red Nose Day appeal was launched in New Zealand. Since then, a Red Nose Day has been held every year throughout Australia. 35

[30] There is an analogous, albeit not formally associated, organisation in New Zealand. This is SIDS and Kids NZ. This provides a free national help line

and pays for professional counselling for parents and family who have lost children from SIDS. It has developed a basinet loan system which it operates in conjunction with various kohanga reo groups.

5 [31] Despite there being no formal or structural connection between the Australian and New Zealand organisations, SIDS and Kids NZ obtains considerable assistance from the Australian organisation. For example, much of the material distributed by SIDS and Kids NZ is downloaded from the Australian website. The New Zealand organisation also refers local enquiries to the Australian website.

10 [32] SIDS and Kids Australia has filed a trade mark application for RED NOSE DAY in classes 38, 36 and 41. Because the marks are owned by Cure Kids the application has been prevented from going further.

15 [33] SIDS and Kids NZ are also the owner of a trade mark registration for the mark RED NOSE DAY in New Zealand in respect of the following goods and services:

- (a) Class 9: Apparatus for recording, transmissional reproduction of sound or images; magnetic data earners; recording discs; videos, DVD's, CD's; including all of the aforementioned in pre-recorded format including but not limited to subject matter in relation to Sudden Infant Death Syndrome issues.
- 20 (b) Class 16: Printed matter, stationery, books and other publications, posters, photographs; paper, cardboard and goods made from these materials; instructional and teaching material.
- 25 (c) Class 20: Furniture, including cots, bassinets, cradles, high chairs, play pens, mobiles; beds, bedding, mattresses; pillows; chests for toys; mirrors; picture frames; goods of wood, plastic, cork, cane not included in other classes.
- (d) Class 24: Textiles and textile goods, not included in other classes; bed and table covers; blankets; sheets; towels; bath towels; flannel; linen, mattress covers; covers for cushions; bed clothes; bed covers; rugs; runners; table linen.
- 30 (e) Class 25: Clothing, footwear, headgear.
- (f) Class 28: Exercise and sporting equipment; playing cards.
- 35 (g) Class 30: Coffee, tea, cocoa, sugar, rice, tapioca, sago, artificial coffee; flour and preparations made from cereals, bread, pastry and confectionery, ices; honey, treacle; yeast, baking powder; salt, mustard; vinegar, spices (condiments); spices; ice; confectionery, lollies; chocolate; ices.
- 40 (h) Class 35: Retail, wholesale and online selling services; retail, wholesale and online selling services in relation to the sale of storage medium for sounds and/or images, including compact discs, video tapes, audio tapes, pre-recorded compact discs, prerecorded audio and video tapes, pre-recorded cd's and dvd's, printed matter, stationery, books and other publications, posters, photographs, playing cards, instructional and teaching material, adhesives, paper, cardboard and goods made from these materials, clothing, footwear, headgear, toys, games and other playthings, sporting equipment, confectionery, lollies, chocolate, ices, furniture, including cots, bassinets, cradles, high chairs, play pens, mobiles, beds, bedding and blankets, mattresses, pillows, chests for toys, mirrors, picture frames, goods of wood, plastic, cork, cane.
- 45
- 50

- (i) Class 41: Entertainment; sporting and cultural activities; entertainment, sporting and cultural activities in relation to assisting in raising awareness of infant health and mortality including Sudden Infant Death Syndrome.
- (j) Class 44: Medical services; provision of medical services in relation to infant health and mortality including Sudden Infant Death Syndrome; rehabilitation services; psychologist services; pharmacist services; nursing and mid wife services. 5
- (k) Class 45: Counselling services; grief counselling, bereavement services; personal and social services rendered by others to meet the needs of individuals. 10

[34] On 29 June 2010 SIDS and Kids Australia applied to the Intellectual Property Office of New Zealand for an order that the five trade marks registered by Cure Kids be revoked. The grounds relied upon were:

- (a) up to the date one month before the date of the application a continuous period of three years or more elapsed following the actual date of registration during which the Red Nose Day trade marks were not put to genuine use in the course of trade in New Zealand by the owner in relation to the registered goods and services; 15
- (b) use of the Red Nose Day trade marks had been suspended for an uninterrupted period of three years; 20
- (c) in consequence of the use of the Red Nose Day trade marks by the owner Cure Kids, the Red Nose Day trade marks were likely to deceive or confuse the public, for instance as to the nature, quality or geographical origin of the goods and services. 25

[35] Cure Kids filed a counter statement putting the respondent to proof of its claim to be an aggrieved person and denying the grounds of non-use claimed. Alternatively, Cure Kids pleaded that there were special circumstances which prevented it from using the Red Nose Day trade marks.

C. Assistant Commissioner's decision 30

[36] Assistant Commissioner Glover, in a decision dated 13 May 2014, ordered Cure Kids' five trade mark registrations be revoked as at 29 June 2010.¹

[37] The Assistant Commissioner held that in terms of s 66(1)(a) of the TMA that: 35

- (a) the Red Nose Day trade marks had not been genuinely used in the course of trade in New Zealand by Cure Kids during the relevant period; and
- (b) the Dr Sprott controversy amounted to special circumstances but did not prevent Cure Kids from using the Red Nose Day trade marks during the relevant period; and 40
- (c) there were no exceptional circumstances to justify exercising the discretion not to revoke any of the Red Nose Day trade mark registrations.

[38] The Assistant Commissioner also held that in terms of s 66(1)(e) of the TMA that: 45

¹ *Cure Kids v National SIDS Council of Australia Ltd* [2014] NZIPOTM 22.

- (a) Cure Kids did not make any use of the relevant marks during the period in which the confusion/deception was alleged to have occurred. On that ground alone the application failed but, in any event;
- 5 (b) SIDS and Kids did not demonstrate that, as at the date of application for revocation, members of the public of New Zealand were deceived or confused into thinking that the New Zealand Red Nose Day event was associated solely with SIDS; and
- 10 (c) SIDS and Kids did not demonstrate that as at the date of the application for revocation a sufficient number of people within the relevant market were aware of the Australian Red Nose Day event/marks. Accordingly, it did not meet the initial threshold test for establishing that members of the relevant market were deceived or confused into believing that the New Zealand Red Nose Day event was associated with SIDS and Kids.

15 D. The appeals

[39] Cure Kids appeals this decision. SIDS and Kids cross appeal.

[40] Cure Kids appeals on the following grounds:

- (a) there was genuine use of the Red Nose Day trademarks during the relevant period being November 2009 until 30 June 2010;
- 20 (b) the Red Nose Day mark registered in class 41 for “the promotion of the education and training, of persons, for fund raising for charities and other causes” was used during the relevant period;
- (c) the Red Nose device marks registered for charitable and fundraising services and activities is use of the Red Nose Day mark as it is “used in a form differing in elements that do not alter the distinctive character of the trademark in the form which it was registered.”;
- 25 (d) the Assistant Commissioner was wrong to find that the non-use during the relevant period was not due to special circumstances;
- (e) the Assistant Commissioner was wrong to refuse to exercise her discretion not to revoke the trademarks.
- 30

[41] SIDS and Kids cross appeal on the following grounds:

- (a) the Assistant Commissioner adopted an overly lenient approach in assessing Cure Kid’s evidence;
- 35 (b) the Assistant Commissioner erred in finding that in the period between 1996 and 2001 Dr Sprott’s attacks were peculiar and abnormal, arose through external forces, made use of the relevant marks during this period impracticable in the business sense and caused the non-use. In particular the Assistant Commissioner:
- 40 (i) failed to take into account the nature of the relevant market;
- (ii) gave insufficient weight to the true context of the dispute within a charitable fundraising context; and
- (c) downplayed the management of the equivalent situation in Australia.

E. Approach on appeal

[42] This is an appeal by way of rehearing. Thus the principles in *Austin, Nichols & Co v Stichting Lodestar* apply.² Elias CJ stated in that case:³

45

² *Austin, Nichols & Co v Stichting Lodestar* [2007] NZSC 103, [2008] 2 NZLR 141.
³ At [3].

The short answer is that the general appeal under s 27(6) requires the High Court to come to its own view on the merits. The weight it gives to the decision of the Commissioner is a matter of judgment. If the High Court is of a different view from the Commissioner and is, therefore, of opinion that the Commissioner's decision is wrong, it must act on its own view. 5

[43] The Court reached the following conclusion:⁴

An appeal Court makes no error in approach simply because it pays little explicit attention to the reasons of the Court or tribunal appealed from, if it comes to a different reason to result. On appeal, the appeal Court has the responsibility of arriving at its own assessment of the merits of the case. 10

F. First overarching question: Did Cure Kids genuinely use the trade mark in the course of trade in New Zealand in relation to the goods and services in respect of which it was registered?

[44] The application for revocation was brought under s 66(1)(a) of the TMA.⁵ This provides: 15

(1) The registration of a trade mark may be revoked on any of the following grounds:

- (a) that, up to the date 1 month before the date of the application for the revocation of the registration of the trade mark, a continuous period of 3 years or more elapsed following the actual date of registration during which the trade mark was not put to genuine use in the course of trade in New Zealand, by any owner for the time being, in relation to the goods or services in respect of which it is registered; 20 25

[45] The Assistant Commissioner determined that Cure Kids had made genuine use of the mark but not in relation to the relevant registered goods or services.

[46] To assess whether the grounds in s 66(1)(a) have been established it is necessary to determine the following questions: 30

- (a) Was each mark, as registered, used?
 (b) Was the trade mark genuinely used in the course of trade in New Zealand?
 (i) What steps were taken by Cure Kids to use the mark during the relevant period? 35
 (ii) Can preparatory steps amount to genuine use?
 (iii) Did the preparatory steps taken by Cure Kids amount to genuine use?
 (c) Was the use of the trademark in relation to the goods or services in respect of which it was registered? 40

[47] I will now address each of these questions in turn.

(a) *Was the mark, as registered, used?*

[48] The first consideration is whether each mark as it is registered was used. It is not disputed that the actual use of the registered marks in the promotion of

⁴ At [5].

⁵ Section 66(1)(a) has been amended and s 66(1)(b) has been repealed by the Trade Marks Amendment Act 2011 which came into force on 16 September 2011.

Red Nose Day since its re-activation in 2010 has been confined to the use of the word mark “RED NOSE DAY”. The five registered marks are variants to a greater or lesser extent of that word mark with the exception of 192207 which is “THE RED NOSE DAY”. It was not suggested in argument that the addition of the definite article changed “RED NOSE DAY” such that the mark was not used.

[49] However, in relation to the other four marks it must be determined whether the use of “RED NOSE DAY”, which involves combinations of words and marks, amounts to use of the registered mark. I will now discuss each mark in the context of the wider question of whether it was used.

(i) Registered marks 192041 and 192691 (marks including device)

192041	 RED NOSE DAY	28	small plastic/paper “red noses”	31 March 1989
192691	 RED NOSE DAY	36	charitable and fundraising services and activities	26 April 1989

[50] Registered marks 192041 and 192691 are identical. They are composite marks consisting of a simplified, smiling, cartoon-like, right sided profile of a stylised head with what appears to be a bulbous nasal prosthesis. To the immediate right of this device mark are the words, “RED NOSE DAY”.

[51] Under s 7 of the TMA the word “use” is defined to include:

7 Meaning of use of trade mark – (1) In this Act, unless the context otherwise requires, use, in relation to a trade mark, includes —

(a) 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;

[52] Mr Miles QC, for Cure Kids, submits that the Assistant Commissioner relied on outdated law in her analysis of whether use of the word mark RED NOSE DAY during the relevant period was use of these trade mark registrations. He submits that she primarily based her analysis on whether use of a word mark can be use of a device mark as was discussed in *Elle Trade Marks*.⁶ That case held the removal of the device (the international symbol for female; a circle with an inverted cross at the bottom) and the use of the word mark “ELLE” in capitals rather than lowercase letters, significantly and substantially altered the distinctive character of the mark from its registered form. He submits that by following the approach in *Elle* the Assistant Commissioner failed to apply the correct legal test and case law which led her to wrongly find that the device was a distinctive and important aspect of the Red Nose Day device marks and that its omission altered the distinctive character of the mark.

[53] Mr Miles further submits that the leading decision which reflects modern principle is *Bud & Budweiser Budbrau Trade Marks* (Budweiser).⁷

[54] Budweiser incorporates a two stage test which Lord Walker described as follows:⁸

The first part of the necessary enquiry is, what are the points of difference between the mark as used and the mark as registered? Once those

6 *Elle Trade Marks* [1997] FSR 529.

7 *Bud & Budweiser Budbrau Trade Marks* [2002] EWCA Civ 1534, [2003] RPC 25.

8 At [490].

differences have been identified, the second part of the enquiry is, do they alter the distinctive character of the mark as registered?

[55] On the question of the distinctive character of a trade mark the assessment can be made by a “visual, aural and the conceptual” analysis of the characteristics of the mark in order to undertake a “global appreciation” of its impact on the average consumer.⁹ Such an analysis can be paraphrased as ascertaining the “central message” of the mark.¹⁰ He continued:¹¹

It is of course correct that the “central message” of a mark is not the statutory test, and it is not always helpful to paraphrase a statutory test before applying it. But as the Court of Justice observed in *Lloyd Schuhfabrik*, the average consumer normally perceives a mark as a whole, so that “central message” may not be too bad a paraphrase, so long as it is understood that comprehending the essential “visual, aural and conceptual” qualities which combine to give a mark its distinctive character.

[56] Mr Miles submits that applying this test to an examination of the composite mark, the question which should be asked is what are the points of difference between the RED NOSE DAY word mark and the RED NOSE DAY device mark and do they alter the distinctive character of the mark? He emphasises that the only point of difference is that the registered marks include the addition of a device which merely illustrates the word aspect of the mark. He submits that the average consumer would view the “central message” of the marks as being the same; specifically the “central message” of the marks are the words RED NOSE DAY. That, he submits, is the dominant and distinctive feature of both the RED NOSE DAY word mark and the RED NOSE DAY device marks whether assessed or individually comparatively. The only difference between the two marks is that a pictorial form of the word mark has been added. He points out that in many circumstances, for example in radio advertising, the device is not and cannot be used.

[57] On this issue the Federal Court of Australia’s decision in *Colorado Group Ltd v Strandbags Group Pty Ltd* assists.¹² The registered trade mark in that case was for the word “Colorado”. This mark had been used in conjunction with a mountain peak device which reinforced the geographical connotation of the word. Allsop J found that the mark used was a composite mark and that the mountain peak device was not a mere descriptor, but rather a distinguishing feature.¹³

[58] In contrast, in *E & J Gallo Winery v Lion Nathan Australia Pty Ltd* the Court found that the word mark “Barefoot” was supported by the use of the word BAREFOOT together with the image of a bare foot.¹⁴ In discussing this case the authors of *Shanahan’s Australian Law of Trade Marks and Passing Off* note that:¹⁵

[t]he addition of the device to the registered trade mark is not a feature which separately distinguishes the goods or substantially affects the

9 *Budweiser*, above n 7, at [490].

10 At [491].

11 At [491].

12 *Colorado Group Ltd v Strandbags Group Pty Ltd* [2007] FCAFC 184, [2007] 164 FCR 506.

13 At [110].

14 *E & J Gallo Winery v Lion Nathan Australia Pty Ltd* (2010) 86 IPR 224.

15 Mark Davison and Ian Horac *Shanahan’s Australian Law of Trade Marks and Passing Off* (5th ed, Thomson Reuters, Pyrmont, 2012) at 70–72.

identity of the registered trade mark because consumers are likely to identify the product it is sold under the registered trade mark with the device by reference to the word BAREFOOT. The device is an illustration of the word.

5 On the basis of the following finding:¹⁶

The High Court held that the word trade mark “Barefoot” was not materially different from the word “bare foot” used in combination with a simple device of a drawing of a bare foot.

10 [59] Mr Miles submits the same principle applies here. He submits that the central message of the composite mark is a fun day where you put “a red thing” on your nose. The device mark is not necessary to inform this message. The obvious perceptual manifestation of a red nose would be a clown’s nose. He submits that it follows that the central message of the mark as used is no more than Red Nose Day as the dominant and distinctive feature of both marks. The
15 only point of difference between the two marks is that a pictorial form of the word mark has been added.

[60] For SIDS and Kids, Mr Elliott QC submits that in making this assessment it is necessary to divorce oneself from any prior knowledge of the connection between the Red Nose Day appeal and the general knowledge that
20 the fundraising activities associated with the day involve supporters wearing red plastic clowns’ noses. The device and the words need to be examined objectively and without the extraneous subjective influence of one’s prior personal knowledge of the event. He submits that the device is not a mere descriptor. In fact, it is not a descriptor at all. The only common element
25 between the device and the words is the nose. He points out that the nose, as depicted on the device mark, is not red and the concept of a “day” has no descriptive or other connection to what is shown on the device. For that reason he submits the device:

- (a) is neither simple nor purely descriptive; and
- 30 (b) is by no means an illustration of the word or vice versa.

[61] Other than referring to subsequent judgments Mr Miles did not specify why the Assistant Commissioner was wrong to apply *Elle*. I am not aware of any criticism of the approach taken in *Elle*, on the contrary it is referred to favourably in *Budweiser* and elsewhere.¹⁷ Furthermore, considering the
35 similarity of the two cases it is entirely unsurprising that the Assistant Commissioner applied *Elle* to the current case. Overall the principles in *Elle* are not at odds with any of the subsequent authorities referred to by Mr Miles, and I am satisfied that the same outcome would be reached applying the test contained within those authorities.

40 [62] Applying the *Budweiser* “central message” two-stage test, the first question I must ask is what are the points of difference between the mark as used and the mark as registered? The mark as used is RED NOSE DAY. The difference is that the mark as registered contains both the words mark and the device; the device being the cartoon face with an exaggerated round nose.

16 *E & J Gallo Winery*, above n 14, at [69].

17 Paul Sumpter *Trade Marks in Practice* (2nd ed, LexisNexis, Wellington, 2011) at TMA 66.7.

[63] Secondly I must ask, do the differences alter the mark as registered, and what is the “central message” of the mark, ie, the “visual, aural and conceptual” qualities which combine to give the mark its distinctive character?

[64] Plainly, the device on its own and viewed in isolation does not convey a particular day when people place a bulbous, red, plastic, nasal prosthesis on their face. But, as Mr Miles submits, it does convey a sense of jocular and lightheartedness through the depiction of a face, in cartoon form, with an exaggerated, clown-like nose. The combination of the device mark and the word mark conveys a fun day which involves wearing a red bulbous nose. 5

[65] Applying the *Colorado* test the device informs the word mark. As was the case in *Colorado* the image of the mountains is not a mere descriptor of the word mark. As the mountain peak device reinforced the geographical connotation of the word Colorado so too does the clown-like image with a large round nose reinforce the words RED NOSE DAY. 10

[66] Furthermore, applying *E & J Gallo Winery*, it must be considered whether the addition of the device to the registered trade mark is a feature which substantially affects the identity of the registered mark because consumers are likely to identify the product under the registered trade mark by reference to the word RED NOSE DAY. There the registration of the word “barefoot” alone was wide enough to include the word together with a device which did not substantially affect the identity of the registered trade mark. 15 20

[67] But in my view that is not the case here. The words RED NOSE DAY are not wide enough to include both the word and the device without substantially affecting the identity of the registered trade mark.

[68] In my view the two marks are entirely different. The differences alter the mark as registered because, as earlier noted, the device adds to and informs the word mark by illustrating central aspects of the identity of Red Nose Day. This is not apparent from the word mark alone, absent prior knowledge of Red Nose Day. It is not a situation where the principles in *E & J Gallo Winery* apply because the device is not simply a pictorial representation of the word mark. 25 30

[69] In my view the use of the words RED NOSE DAY without the device is not use of the registered trade marks 192041 and 192691 in terms of s 66.

(ii) Was the registered mark used in relation to 206883 and 206884 (marks excluding the device)?

206883	NOSE DAY	28	games and playthings	27 June 1995	35
206884	NOSE	36	charitable and fundraising services and activities	14 December 1990	40

[70] These two marks are “NOSE DAY” and “NOSE”. Both include components of RED NOSE DAY.

[71] The Assistant Commissioner held that the use of RED NOSE DAY did not constitute use of “NOSE” or “NOSE DAY”.

[72] The mark “NOSE DAY” is registered in class 28 in respect of “games and play things”. The mark “NOSE” is registered in class 36 in respect of “charitable and fundraising services and activities”. 45

[73] Mr Miles submits that s 7(3) of the TMA provides a complete answer to whether use of RED NOSE day amounts to use of NOSE or NOSE DAY. Section 7(3) provides:

- 5 (3) The use of the whole of a registered trade mark is also a use of any registered component part of a trade mark registered in the name of the same owner.

[74] That section provides that the use of the whole of the registered mark, in this case trade mark registration 192207 “THE RED NOSE DAY”, is also use of any registered component part of a trade mark registered in the name of the same owner. He submits, therefore, that the use of the “THE RED NOSE DAY” trade mark is, by virtue of s 7(3) use of the marks “NOSE DAY” and “NOSE”.

[75] Mr Elliott submits that s 7(3) may not be resorted to in a case such as the present where the marks are very different and where the goods and services are also different.

15 [76] The commentary on s 7(3) states that the section was intended “to re-enact s 39(2) of the 1953 Act which was aimed, in particular, at the protection (against an attack for non use) of a series registration”. The TMA defines a “series of trade marks” as meaning:

20 ... a number of trade marks for the same goods or descriptions of goods or the same services or description of services (as the case may be) that —

- (a) resemble each other in their material particulars; and
(b) differ only in respect of one or more of the following matters —
25 (i) statements of goods or services for which they are, or are proposed to be used;
(ii) statements of number, price, quality, or names or places;
(iii) other matters of a non distinctive character that do not substantially affect the identity of the trade marks;
(iv) colour.

[77] On the basis of this description I do not accept Mr Elliott’s submission that s 7(3) does not apply where the goods and services are different. Differences in relation to the use of goods or services do not exclude the operation of s 7(3), as stated by para (b)(i). However, I cannot see how “NOSE” and “NOSE DAY” can be described as a series. They are substantially different from each other and from the registered mark “THE RED NOSE DAY”. In my opinion they do not resemble each other in their material particulars. While individual components of the two marks can be found in the words “THE RED NOSE DAY” they are not part of a series as defined by the Act. Overall I am not satisfied that s 7(3) was intended to apply in a situation where the marks are entirely different, not part of series, but merely a smaller component of the mark that has been used.

[78] For that reason I am not prepared to find that s 7(3) applies to save these marks.

[79] Furthermore, the use of the word mark “RED NOSE DAY” needs to be compared with the word mark “NOSE DAY” in an assessment as to whether the use of the former is “use in a form different in elements that do not alter the distinctive character” of the registered trade mark and therefore use under s 7(1)(a). The addition of the word “RED” plainly alters the distinctive character of the mark as used. As the Assistant Commissioner observed, the word “RED” invokes a different concept, namely a day that relates to red noses.

The possible associations with “NOSE DAY”, without further qualification, are numerous. However, “RED NOSE DAY” immediately refines the concept to one suggestive of a clown’s nose. The use of the mark “RED NOSE DAY” does not constitute use of the mark “NOSE DAY”.

[80] The position is even clearer, in my view, in relation to the registered trade mark “NOSE”. The use of the word mark “RED NOSE DAY” is far removed from the use of the word “NOSE” on its own. The addition of the words “RED” and “DAY” to qualify “NOSE” fundamentally alters the distinctive character of the registered mark. 5

[81] For these reasons I am satisfied that Cure Kids did not make genuine use of trade mark registration 206883 (“NOSE DAY”) or trade mark registration 206884 (“NOSE”) in the course of trade in New Zealand during the relevant period. 10

(iii) Conclusion

[82] The analysis set above out necessarily leads to the conclusion that the only registered trade mark that was used during the relevant period was “THE RED NOSE DAY” (192207). 15

[83] As a result of this conclusion it is necessary only to consider whether that mark was “genuinely used” or used in relation to its respective registration.

(b) Was the trade mark genuinely used in the course of trade in New Zealand? 20

[84] The question under this head is whether during the relevant period the registered trade mark was put to genuine use by Cure Kids in the course of trade in New Zealand. “Continuous period” is defined in s 66(1)(a) as the period which commences from the date after the actual date of registration and continues uninterrupted up to the date of one month before the application for revocation. 25

[85] The application for revocation was filed on 29 June 2010. Thus the relevant period is three years from one month before the filing of the application for revocation, in other words 29 May 2007–29 May 2010. The Assistant Commissioner recorded in her decision that it was common ground between the parties that was the relevant period.¹⁸ 30

[86] There was some discussion before me as to whether the relevant period in fact expired on 29 June. However, given both the wording of s 66 and the fact that at the hearing before the Assistant Commissioner the period was agreed, I shall use the same relevant period for the purposes of this appeal. In any event, for reasons which follow, there is no practical consequence which flows from not extending the end of the period by a month to 30 June 2010. 35

[87] Although the relevant period covers three years it is accepted there was no use of the marks in 2007 and 2008. 40

[88] Having established the relevant period it is now necessary to examine whether the registered trade mark “THE RED NOSE DAY” (192207) was genuinely used. For the purposes of this exercise the following questions are posed:

- (a) What steps were taken by Cure Kids during the relevant period? 45
- (b) Can preparatory steps amount to genuine use?
- (c) If so, did the preparatory steps taken by Cure Kids amount to genuine use?

18 *Cure Kids v National SIDS Council of Australia Ltd*, above n 1, at [42].

(i) *What steps were taken by Cure Kids during the relevant period?*

[89] At the Cure Kids' board meeting in December 2009 approval was given to hire two new employees to assist in fundraising efforts including the Red Nose Day appeal in 2010. Both employees commenced employment in late
5 April/early May 2010.

[90] In late 2009 Ms Lee began informal discussions with Pacific Magazines in relation to the possible promotion of Cure Kids fundraising events including a RED NOSE DAY appeal.

[91] At the end of January 2010 Cure Kids examined the issue of engaging a public relations company for the RED NOSE DAY appeal. Cure Kids prepared a public relations brief and started negotiations the following month with Magnifi Ltd. It seems no agreement between the parties was reached.

[92] Also in January 2010 Cure Kids started a concerted search for sponsors for the 2010 Red Nose Day. A meeting took place in January 2010 with Harvey
15 Norman. Among the items discussed was the possible sponsorship and support of the 2010 RED NOSE DAY appeal.

[93] At the beginning of March 2010 Cure Kids presented a brand brief to the Hyde Group which led to some preparatory artwork being completed for the RED NOSE DAY appeal.

[94] On 9 March 2010 the RED NOSE DAY trade mark was used to promote the Red Nose Day event by way of a powerpoint presentation to all its key partners. Specific reference was made to Red Nose Day as one of the fundraising initiatives for the year. That presentation, under the heading, "Key
20 Initiatives" listed a number of bullet points including:

- 25 (a) "key partner review and development of strategically aligned plans";
(b) "key partner acquisition. Event review and development including national and regional reach programme".

[95] It is plain that in this powerpoint Cure Kids was making prospective sponsors aware of the brand and how it was to be developed at both a national
30 and regional strategy level.

[96] On or about 2 March 2010 Cure Kids arranged to meet with Air New Zealand. This meeting took place on 11 March 2010. Cure Kids presented a report in relation to its activities. That report promoted and advertised Red Nose Day for 2010.

[97] On or about 22 March 2010 discussions commenced between Cure Kids and Briscoe Group. It was agreed that Cure Kids would make a formal presentation at the Briscoe Group conference including promoting its 2010 fundraising events including the RED NOSE DAY appeal.

[98] On 26 March 2010 a Cure Kids staff member emailed the CEO of Paper Plus Group, Mr Rob Smith, to arrange a follow up meeting to discuss sponsorship opportunities in 2010 including the plans to bring back Red Nose Day. This email followed a discussion which Ms Lee had had with Mr Smith on 9 March 2010 during which Mr Smith indicated an interest to become involved with Cure Kids' fundraising activities.

[99] In April 2010 a powerpoint presentation was given to Harvey Norman where the RED NOSE DAY appeal was promoted.

[100] These presentations, which expressly referred to Red Nose Day, were promoted to potential partners against the background of a commitment by Cure Kids to proceed with a Red Nose Day in 2010.

[101] On 16 April 2010 Cure Kids met with Mr Smith of Paper Plus and formally discussed that organisation's sponsorship of Red Nose Day.
50

[102] On 23 April 2010 Cure Kids met again with representatives of the Paper Plus Group and discussed an exclusive retail partnership between Cure Kids and Paper Plus.

[103] On 26 May 2010 there was a further meeting held between Cure Kids and Paper Plus. The purpose of that meeting was to organise Paper Plus' sponsorship and support for the 2010 Red Nose Day. This was in preparation for a formal presentation made on 24 June 2010 which explicitly dealt with Red Nose Day and the benefits of the sponsorship. 5

[104] On or about 27 May 2010 Cure Kids approached Ports of Auckland. A meeting was arranged for Cure Kids to formally promote and advertise its 2010 fundraising events including Red Nose Day. That presentation took place on 3 June 2010. 10

[105] At the end of May or the beginning of June 2010 Sovereign Insurance approached Cure Kids. On 9 June 2010 Cure Kids gave a presentation to Sovereign which included promoting and advertising their 2010 fundraising events such as a Red Nose Day. 15

(ii) *Can preparatory steps amount to genuine use?*

[106] It is not suggested that the above steps amount to anything more than preparatory steps. The Assistant Commissioner found that preparatory steps may amount to use. As I understood the argument before me neither party challenges the general principle that preparatory use may in certain circumstances amount to genuine use of a trade mark notwithstanding there is no actual end use in the consumer market. The Australian Courts have held that the distribution of business cards, use of letterheads on correspondence to potential advertisers and the production of a brochure was preparatory use which was genuine use.¹⁹ 20 25

[107] Thus the issue in this case is whether the preparatory steps taken were sufficient to amount to genuine use.

(iii) *Did the preparatory steps taken by Cure Kids amount to genuine use in the course of trade in New Zealand?* 30

[108] Mr Elliott relies on *Ansul BV v Ajax Brandbeveiliging BV* and the principles which, he submits, emerge from that decision on the question of the interpretation of what amounts to genuine use.²⁰ These include:

- (a) public and external use, directed at the outside world;
- (b) use of the mark must relate to goods or services already marketed or about to be marketed; 35
- (c) use consistent with the function of the trade mark ... to distinguish the origin;
- (d) neither token nor internal.²¹

[109] From this, Mr Elliott submits that the evidence of the preparatory work relied on by Cure Kids amounts to internal use only and does not constitute genuine use in the course of trade. He submits that the use of a trade mark requires: 40

- (a) use of the trade mark on the market for goods and services; and

19 *Buying Systems Australia Pty Ltd v Studio SRL* [1995] FCA 1063, (1995) 30 IPR 517 at [9].

20 *Ansul BV v Ajax Brandbeveiliging BV* [2003] RPC 717, [2005] Ch 97.

21 See also the summary of the principles in Sumpter, above n 17, at TMA 66.7.

- (b) such use not being just internal use; and
- (c) such use must relate to goods and services already marketed or about to be marketed.

5 [110] Mr Miles relies principally on *Buying Systems Australia Pty Ltd*. In that case the managing director of Buying Systems undertook a number of steps in order to set up a new fashion magazine in the Australian market. These steps included the obtaining of business cards and the printing of letterhead as well as contacting potential advertisers. It was held that these steps amounted to sufficient activity to constitute relevant use of the mark for the purpose of
10 indicating a connection in a course of trade between the relevant mark and the new magazine.

[111] Mr Miles also relies on *La Mer* where Neuberger LJ adopted the following comments in *Ansul* on the question of genuine use:²²

15 “Genuine use” must therefore be understood to denote use that is not merely token, serving solely to preserve the rights conferred by the mark. Such use must be consistent with the essential function of a trade mark, which is to guarantee the identity of the origin of the goods or services to the consumer or end-user by enabling him, without any possibility of confusion, to distinguish the product or service from others which have
20 another origin.

[112] It follows that:²³

25 “Genuine use” of the mark entails use of the mark on the market for the goods or services protected by the mark and not just internal use by the undertaking concerned. ... Use of the mark must therefore relate to goods or services already marketed or about to be marketed and for which preparations by the undertaking to secure customers are underway, particularly in the form of advertising campaigns.

30 [113] In *La Mer* the use was made only in relation to an agent. There was no evidence of any sales of the goods to members of the public as consumers or end users. The agent had been making preparations to sell the products by appointing members of the public as sub-agents selling via private parties based on the “Tupperware” model. But there was no evidence that this method of sale to the public ever got off the ground. The Court held:²⁴

35 There was no suggestion in the evidence that the transactions were otherwise than at arm’s length. Although the quantities involved were modest and although there was no evidence of sales on by the importer to consumers and end users that does not mean that the use of the mark in the United Kingdom was internal or akin to internal use by [the owner].

40 [114] The authorities make it plain that purely internal use will not amount to genuine use but the concept of genuine use does not necessarily require use by the end consumer.

[115] Mr Elliott submits that there must be an explicit decision made by the owner to market the goods and thereby he attempts to distinguish *Buying*

22 *Ansul*, above n 20, at [36]; cited in *Laboratories Goemar SA v La Mer Technology Inc* [2005] EWCA Civ 978, [2006] FSR 5.

23 At [37].

24 *La Mer*, above n 22, at [24].

Systems. He refers to *Woolly Bull Enterprises Pty Ltd v Reynolds*²⁵ which drew a distinction between investigating whether to use the mark and actually planning to use it. Mr Elliott submits that the Court’s focus should be drawn to the state of mind of Cure Kids during the relevant period. There must be some evidence of a commitment to use the mark rather than acts and declarations merely designed to assess the feasibility of using the mark. He submits that if the latter was the case there may well be perpetual, albeit ultimately fruitless, discussions about the possible use of a trade mark which, if Cure Kids’ interpretation was to be adopted, would, nonetheless, amount to genuine use. Mr Elliott submits that in the present case unless and until an actual sponsor or partner was committed within the relevant period to support Cure Kids and Red Nose Day any preliminary steps would not amount to genuine, albeit preparatory, use.

[116] However, I accept Mr Miles’ submission that this is too narrow an approach. As Neuberger LJ observed in *La Mer*.²⁶

Once the mark is communicated to a third party in such a way as can be said to be “consistent with the essential function of a trade mark” as explained in paragraphs [36] and [37] of the judgment of *Ansul*, it appears to me that genuine use for the purpose of the directive will be established.

[117] I now apply these principles to the facts of the present case.

[118] While Mr Elliott is correct when he says that by 29 May, that is the end of the relevant period, there was no confirmation that Paper Plus or any other sponsor was committed to sponsoring Cure Kids’ Red Nose Day appeal, I am of the view, that the preparatory activities on the part of Cure Kids represent actions which go beyond mere internal use. The actions were directed at potential sponsors or partners entirely external to Cure Kids and were significantly more than token. Furthermore, the use of the mark in the presentations to external organisations was entirely consistent with the function of a trade mark in that it was building on the residual reputation of Red Nose Day. Furthermore I am satisfied that Red Nose Day amounted to goods or services about to marketed and for which “preparations by the undertaking to secure customers are underway.”²⁷ The decision had been made to run a Red Nose Day for 2010. Cure Kids was committed to this course. The various steps listed above represent the relevant use of the mark for the purpose of ensuring Red Nose Day proceeded.

[119] In terms of *La Mer* and *Ansul* I am satisfied that the use was not token or undertaken solely to preserve the rights conferred by the mark. The activity was to secure supporters for the Red Nose Day campaign.

[120] That these preliminary steps were later succeeded by more detailed and sophisticated strategies which ultimately led to the successful re-launching of Red Nose Day in 2010 demonstrates that they represented the early stages of a continuum or course of conduct undertaken for the purpose of ensuring the success of the 2010 Red Nose Day appeal.

[121] Unlike some of the cases referred to above this preliminary use translated into a course of actual use culminating in the successful re-launch of Red Nose Day in New Zealand in 2010.

25 *Woolly Bull Enterprises Pty Ltd v Reynolds* [2001] FCA 261, (2001) 51 IPR 149.

26 *La Mer*, above n 22, at [48].

27 *Ansul*, above n 20, at [37].

[122] I am satisfied on this evidence that the preparatory steps taken by Cure Kids are sufficient to amount to genuine use in the course of trade in New Zealand.

(c) *Was the use of the trade mark in relation to the goods or services in respect of which it was registered?*

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[123] The next enquiry is whether the trade mark was used in relation to the goods or services in respect of which it was registered. “THE RED NOSE DAY” (192207) is registered in class 41, “the promotion of education and training, of persons for fundraising for charities and other causes”.

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[124] Mr Miles submits that this class focuses on the training and promotion of staff and employees who are involved in fundraising. He submits that the appellants fundraises by partnering with other commercial organisations whereby Cure Kids educates and trains the organisations’ staff to carry out fundraising activities such as the Red Nose Day event. The training of staff on to how to promote the brand is an integral component of the way Cure Kids commercialises its Red Nose Day trade marks. It is in this sense, Mr Miles submits, that Cure Kids “promotes” the education and training of persons for fundraising.

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[125] Mr Miles also submits that the presentations to potential sponsors given by Cure Kids amounted to “the promotion of education and training of persons for fundraising for charities and other causes”. He points out that the specification does not require there to be an end market use of the mark for it to have been put to genuine use. Cure Kids needs only to show that it “promoted” the specified activities during the relevant period.

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[126] It is Mr Miles’s submission that because of the partnering relationship between Cure Kids and its sponsors, the sponsors have to be educated on how to fundraise for Cure Kids in a manner which is consistent with Cure Kids’ reputation and its brand.

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[127] Although I accept there may be merit to this submission, I am not satisfied there is sufficient supporting evidence to persuade me that the presentations within the relevant period actually promoted the education and training of persons for fundraising.

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[128] The focus of the activities in the relevant period and notably between January 2010 and May 2010 was aimed at securing a sponsor or partner having regard to the commitment Cure Kids had made to proceed with Red Nose Day.

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[129] Although the powerpoint slides of the presentations made during the relevant period refer to key initiatives such as brand awareness, brand development plans, key partner review and development of strategically aligned plans and national and regional reach programmes, there is no reference, express or implied, to the promotion of education and training of persons for fundraising for charities and other causes. Nor may it be inferred from either the wording of the promotional material or the other evidence of the presentations or negotiations taking place between Cure Kids and others at time. The primary focus of Cure Kids at this time was to secure a partner or partners. Issues around educating those partners in their support and promotion of Cure Kids’ fundraising activities would have been a secondary consideration reserved for later in the evolution of the negotiations. But in terms of an assessment of the activity within the relevant time, the trade mark was not being used in relation to the registered services for mark 192207.

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[130] It follows I am not satisfied that the trade mark was genuinely used in the course of trade in relation to the goods or services in respect of which it was registered during the relevant period.

G. Second overarching question: Was the Dr Sprott controversy “special circumstances” for the purposes of s 66(2)?

[131] Despite s 66(1) a trade mark may not be revoked for its non-use if its non-use is due to special circumstances which are outside the control of the trade mark’s owner.

[132] Section 66(2) of the TMA provides as follows:

(2) However, despite subsection (1), a trade mark may not be revoked for its non-use if its non-use is due to special circumstances that are outside the control of the owner of the trade mark.

[133] Two questions are thus posed:

(a) Was the Dr Sprott controversy a special circumstance?

(b) If so, did it prevent the use of the trade mark?

[134] The Assistant Commissioner found that the Dr Sprott controversy amounted to special circumstances for the purposes of s 66(2). However, she determined that the controversy did not prevent Cure Kids’ use of the trade mark during the relevant period. Cure Kids appeals her finding in relation to the second issue and SIDS and Kids challenges the Assistant Commissioner’s finding of special circumstances.

[135] I am thus required to consider each of these issues separately.

(a) Was the Dr Sprott controversy a “special circumstance”?

[136] In *Woolly Bull Enterprises Pty Ltd* the Court set out six criteria in examining whether special circumstances exist of which three of which are relevant.²⁸ These are:

(a) for circumstances to be special they must be “peculiar or abnormal” and arise through “external forces as distinct from the voluntary acts of [the registered owners of the trade mark in question]”;²⁹

(b) it is not necessary to show that the “special circumstances” made use of the trade mark impossible. It is enough to show that those circumstances made it impracticable, in a business sense, to use the trade mark;³⁰

(c) there must be a causal link between any circumstances and the nonuse of the trade mark.³¹

[137] The Assistant Commissioner held that:³²

(a) the circumstances arising as a result of Dr Sprott’s attacks were peculiar and abnormal;

(b) the circumstances arose through external forces in contrast to the voluntary acts of Cure Kids;

28 *Woolly Bull Enterprises Pty Ltd v Reynolds*, above n 25.

29 At [45](3).

30 At [45](5).

31 At [45](6).

32 The Assistant Commissioner cited *Manhaas Industries (2000) Ltd v Fresha Export Ltd* [2012] NZHC 1815, (2012) 96 IPR 560 at [28] and applied the criteria set out by the High Court. These are the same as those referred to in *Woolly Bull*.

- (c) the actions of Dr Sprott made the relevant marks during that period impracticable in a business sense;
- (d) there was a direct causal link between the actions of Dr Sprott and the non-use of the relevant marks.
- 5 [138] Mr Elliott submits that the Assistant Commissioner erred in finding that in the period between 1996 and 2001 Dr Sprott's attacks on Red Nose Day were peculiar and abnormal, arose through external forces and made use of the relevant marks during this period impracticable in the business sense and caused the non-use.
- 10 [139] In particular, he submits that the Assistant Commissioner:
- (a) failed to take into account the nature of the relevant market in that in 1997, when the decision was made to cease the Red Nose Day appeal, there was already considerable academic information available to debunk Dr Sprott's theories;
- 15 (b) gave insufficient weight to the true context of the dispute within a charitable fundraising context; namely that the decision to cease use was no different to a business ceasing to use a trade mark from which it no longer derives profit;
- (c) downplayed the management of the equivalent situation in Australia;
- 20 (d) while the decision to cease use of the Red Nose Day mark might have been understandable, it could not be characterised as unusual as it arose from Cure Kids' mismanagement of the Sprott controversy and the controversy over the misapplication of funds. This is supported by the fact that the Sprott controversy was successfully managed in
- 25 Australia.
- [140] Conversely, Mr Miles submits that Dr Sprott did not launch a campaign in Australia to destroy the Red Nose Day in New Zealand nor did he launch a public attack against SIDS and Kids in the same way he did against Cure Kids.
- 30 [141] He further submits that there does not appear to be substantial evidence linking the decision to discontinue Red Nose Day to mismanagement of funds rather than the Dr Sprott controversy.
- [142] In my view the Assistant Commissioner was entirely correct to describe the circumstances as abnormal and peculiar, arising from external events and directly impacting on Cure Kids' ability to use the mark. My reasons follow.
- 35 [143] Before Dr Sprott's attacks, Red Nose Day appeals generated approximately \$1 m in donations each year. In 1997 the donations dropped to \$280,000, a little more than 25 per cent of what had been previously generated annually.
- [144] I do not accept Mr Elliott's submission that Cure Kids could have managed the Dr Sprott controversy more effectively and thus minimised the damage he caused. It was submitted that SIDS and Kids had dealt with the same issue a good deal more effectively in Australia. However, that submission ignores the evidence which shows the overwhelming focus of Dr Sprott's predations was NZCDA. Furthermore, Dr Sprott's profile was
- 40 New Zealand-centric arising from his involvement in the Thomas Royal Commission.
- [145] Dr Sprott made it publicly known that it was his mission to "destroy" the New Zealand Red Nose Day. He approached this in a systemic, sustained and comprehensive fashion which was not reflected in Australia.
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[146] Mr Elliott made some mention, although he did not press the point in oral argument that the decision to discontinue Red Nose Day may also have been influenced by the claim contained in the evidence of SIDS and Kids New Zealand that there had been some misapplication of donations to the Red Nose Day fundraising event and other events run by NCHRF. However, the evidence before me plainly demonstrates that the overwhelming body of evidence supports Cure Kids’ claim that it was the attacks by Dr Sprott which led to the decision to suspend Red Nose Day after 1997. 5

[147] Applying the test in *Woolly Bull* I am satisfied:

- (a) the circumstances, namely Dr Sprott’s focused campaign against Cure Kids, was “peculiar or abnormal” and arose through “external forces” as distinct from the voluntary acts of Cure Kids; 10
- (b) these circumstances made it impracticable, in a business sense, to use the trade mark given the clear evidence of the dramatic drop in public patronage and donations following the start of Dr Sprott’s campaign; 15
- (c) there is a direct causal link between Dr Sprott’s campaign and the non-use of the trade mark.

[148] I am thus satisfied that the Dr Sprott controversy amounted to a special circumstance in terms of s 66(2) of the TMA.

(b) Did the Dr Sprott controversy prevent the use of the trade mark? 20

[149] Despite a finding of special circumstances, the Assistant Commissioner concluded that these did not prevent the use of the Red Nose trade marks beyond 2001.

[150] The significance of 2001 is that SIDS and Kids claim that by that time, at the latest, Dr Sprott’s campaign had been neutralised. That being the case, after 2001 there was no impediment to Cure Kids re-launching Red Nose Day. Mr Elliott submits that Cure Kids failed to monitor the post-2001 situation. No steps were taken to assess public perception and it was only when the “Bring Back Red Nose Day” campaign was initiated by external sources in 2009 that Cure Kids turned its mind to re-launching Red Nose Day. The essence of his submission is that for 13 years Cure Kids did nothing. 25

[151] In response, Mr Miles submits that it was only once Cure Kids considered that Dr Sprott’s influence had waned to the point it represented a minimal risk and the controversy had all but been forgotten by the public, that holding a Red Nose Day appeal presented as a viable option. He submits it was not until 2008–2009 that the risk was sufficiently minimal and the Dr Sprott controversy had faded in the public memory. 35

[152] The difficulty in making an assessment of the practicalities of when it was viable to re-launch the Red Nose Day is the lack of evidence on this point. It is well documented that Dr Sprott’s attack on NZCDA and the Red Nose Day started in 1996 and continued until approximately 2001 when the Court of Appeal’s decision in *Mitchell v Sprott* was delivered in November 2001 that Dr Sprott appeared to be neutralised and silenced.³³ As the Assistant Commissioner observed it would have taken some time:³⁴ 40

... for the lingering effects of Dr Sprott’s campaign to dissipate and for the Red Nose Day brand to be rehabilitated. 45

33 *Mitchell v Sprott* [2002] 1 NZLR 766 (CA).

34 *Cure Kids v National Council of SIDS of Australia*, above n 1, at [132].

[153] Furthermore, those individuals who had been bruised by Dr Sprott's ad hominem attacks would have been naturally reluctant to expose themselves and their organisations to any further risk of damage until certain the risk had gone forever. I accept this may have taken some years after 2001 but I cannot accept that a hiatus of more than a decade is justified in the absence of evidence to support that proposition.

[154] It follows that I am not satisfied that the special circumstances of Dr Sprott's campaign prevented the use of the trade mark during the period 29 May 2007 until June 2009.

[155] The next question is whether, for the balance of the relevant period, namely from June 2009 until 29 May 2010, the special circumstances of the Dr Sprott controversy constitute a special circumstance justifying non-use of the mark during that period.

[156] The significance of June 2009 is that this was when Ms Lee commenced as the CEO of Cure Kids. In her evidence she expressed surprise at the level of support there appeared to be for another Red Nose Day appeal when she took over the role.

[157] Plainly, on Ms Lee's evidence the decision to re-launch Red Nose Day was influenced by external forces, namely the public and the media rather than by any internal consideration or conscious decision on the part of Cure Kids that the Dr Sprott controversy had dissipated to the point a re-launch of Red Nose Day could be contemplated.

[158] For these reasons I also conclude that there were no special circumstances preventing the use of the mark between June 2009 and 29 May 2010.

H. Third overarching question: Was the Assistant Commissioner wrong to refuse to exercise her discretion to find there were other circumstances to justify the continued registration of the Red Nose Day trade marks?

[159] This question requires consideration of two issues:

- (a) Does the Assistant Commissioner have such a discretion?
- (b) If so, should that discretion be exercised?

(a) Does the Assistant Commissioner have a discretion?

[160] Mr Miles submits that the use of the word "may" in s 66(1) of the TMA incorporates a residual discretion not to revoke a trade mark even where grounds for revocation under the section are established. In support of this submission he relies on decisions of the Assistant Commissioner and of this Court where he says the existence of the discretion has been confirmed.³⁵

[161] Mr Elliott submits that in New Zealand the use of the word "may" can have two possible interpretations:

- (a) first, it could introduce a discretion to exercise a power; or
- (b) secondly, it may be used to require the decision maker to be satisfied of something before exercising a power.³⁶

[162] I note that the position in Australia is more straightforward because there the Interpretation Act 1901 defines "may" as expressly conferring a

35 *Canterbury Ireland Ltd v Societe des Produits Nestle SA* [2007] NZIPOTM 4; *Manhaas Industries*, above n 32.

36 *Tyler v Attorney-General* [1999] NZCA 217, [2000] 1 NZLR 211; *Finance Facilities Pty Ltd v Federal Commissioner of Taxation* (1971) 127 CLR 106.

discretionary power. New Zealand's Interpretation Act 1999 has no such definition. Despite this I find useful the discussion in *Ritz Hotel Ltd v Charles of the Ritz Ltd*,³⁷ where the discretion under the 1955 Act was considered:³⁸

The Court's powers to order rectification of the register under s 22(1) and to order the removal of the trade mark under s 23 (1) are in each case of a discretionary nature. This is the natural and ordinary meaning of the words used and promotes the underlying policy of the Act by giving the Court a sufficient degree of flexibility to give effect to public interest considerations. The existence of a discretion to withhold relief even if a ground for rectification or removal has been made out is also well established by authority.

[163] Mr Elliott refers to the footnote to s 66 which indicates that it was based on the equivalent provision of the Trade Marks Act 1998 of Singapore. The Singapore Act was, itself, based on the Trade Marks Act 1994 (UK). He thus submits that considerable assistance in the interpretation of the word "may" can be derived from the Singapore Court of Appeal's decision in *Wing Joo*.³⁹ This case was considered and relied on by Assistant Commissioner Jones in *DB Breweries Ltd v Society of Beer Advocates, Inc*⁴⁰ which, Mr Elliott submits, should provide some weight in the New Zealand context.

[164] In *Wing Joo* it was held that the word "may" does not confer a residual discretion. From this, Mr Elliott submits the Assistant Commissioner erred when she concluded she was bound to follow the judgment of Ronald Young J in *Friskies Ltd v Heinz-Watties Ltd* where his Honour concluded a residual discretion existed.⁴¹ In doing so, he submits the Assistant Commissioner did not take into account the differences in the provisions and policy objectives of the non-use provisions in the 1953 Act and the 2002 Act.

[165] Mr Elliott also submits that under the relevant provision in the 1953 Act the onus fell on the revocation applicant to show the mark had not been used. However, under the present legislation the onus now rests on the owner of the mark to demonstrate that the mark has been used in the relevant period. He submits this shift in onus is significant because it marks a change in policy which must be taken into account.⁴² He submits that where the onus is borne by a revocation applicant to demonstrate a trade mark has not been used, logically the policy objective is to maintain registrations for marks unless there is abandonment of the trade mark which is obvious to the world at large; the overriding policy consideration being the public interest in diminishing consumer confusion. However, where the onus rests with the owner to demonstrate use the focus shifts to removing disused marks from the register to reduce barriers to trade and increase competition. He submits that in these circumstances, absent an express provision creating a residual discretion, interpreting the word "may" as creating a discretion is inconsistent with this shift in policy.

[166] I accept that *Wing Joo's* application in New Zealand was not in relation to whether a discretion under s 66(1) existed but rather in relation to revocation

37 *Ritz Hotel Ltd v Charles of the Ritz Ltd* (1988) 15 NSWLR 158, (1988) 95 FLR 418.

38 At 481–482.

39 *Wing Joo Loong Ginseng Hong (Singapore) Co Pte Ltd v Qinghai Xinyuan Foreign Trade Co Ltd* [2009] SGCA 9, [2009] 2 SLR 814.

40 *DB Breweries Ltd v Society of Beer Advocates, Inc* [2011] NZIPOTM 19.

41 *Friskies Ltd v Heinz-Wattie Ltd* [2003] 2 NZLR 663 (HC).

42 Interpretation Act 1999, s 5(1); *Tyler v Attorney-General*, above n 36.

on the grounds of genericism.⁴³ Although it is peripherally relevant how the Singaporean jurisprudence has developed, I am of the view that the New Zealand jurisdiction has developed differently. As seen by Neuberger J's discussion in *Premiere Brands UK Ltd v Typhoon Europe Ltd* this is not a clear cut issue and there are strong arguments both for and against the discretion.⁴⁴ Based on this I am satisfied that is open to New Zealand Courts to take a different approach.

[167] Neuberger J in *Premiere Brands* concluded "with diffidence" that there was no discretion although he added that he did not find any of the reasons supporting either view particularly strong. He did, however, note that it did seem somewhat odd if the legislature had specifically provided for no revocation in the event of there being good reason for non-use, but nonetheless left the Court with a residual discretion without giving any indication as to what factors should be taken into account when exercising that discretion.⁴⁵ However one of the key factors present in Neuberger J's consideration was the presence of the European Trade Marks Directive which is not a relevant factor in New Zealand.

[168] I agree with Mr Miles that the frequency of the use of the word "must" elsewhere in the 2002 Act indicates that if the discretion previously found in the 1953 Act was to be removed then clear words would have been used by Parliament to signal the change rather than retaining "may" from the previous Act. The drafting of the 2002 Act was post-Neuberger J's decision and Parliament would have been aware that the United Kingdom no longer recognised a discretion but, nonetheless, chose to retain "may" and with it the discretion.

[169] I do not accept Mr Elliot's submission that the inclusion of the word "may" relates to the fact that certain requirements must be fulfilled before the Judge must make the order. This is redundant, as the Judge would clearly not have the jurisdiction to make the order if the requirements had not been met.

[170] On the question of onus and policy I accept Mr Miles' submission that the change of onus in the 2002 Act merely recognises that it makes more sense for the trade mark owner to establish the mark as being used because it is the owner who has access to the factual basis and evidence to support proof of use. This has no bearing on whether "may" continues to confer a discretion under the 2002 Act.

[171] Overall I am satisfied that the use of the word "may" in s 66(1) does confer a discretion to revoke when the other grounds for revocation under that provision are made out.

[172] This is consistent with the approach adopted to date in New Zealand and in particular in *Friskies*. Ronald Young J, in considering s 35 of the Trade Marks Act 1953, rejected the submission there was no discretion. He observed:⁴⁶

15. ... I therefore conclude there is a residual discretion left to the adjudicator in s 35 to refuse rectification even if non use is established.

16. In the context of this section, therefore, it seems probable that

43 *DB Brewers Ltd v Society of Beer Advocates Inc*, above n 40, at [112].

44 *Premiere Brands UK Ltd v Typhoon Europe Ltd* [2000] EWHC 1557, [2000] FSR 767 (Ch).

45 At 811.

46 *Friskies v Heim-Wattie Ltd*, above n 41, at [15]–[16].

parliament did intend that s 35 contained a residual discretion to be exercised only in exceptional circumstances.

[173] Furthermore, in *Manhaas* this Court was asked to exercise its discretion where special circumstances were not established.⁴⁷ It seems that the question of whether the discretion existed was not argued. The existence of the discretion was assumed. 5

[174] For these reasons I am satisfied that a residual discretion under s 66(1) does exist.

(b) Should the discretion be exercised in favour of Cure Kids?

[175] The statute is silent on what factors the Court may take into account in deciding how the discretion should be exercised. However, the following authorities provide some assistance as to what considerations have been taken into account. 10

[176] Of particular assistance is *Hermes Trade Marks*.⁴⁸ *Hermes* involved an application for revocation for non-use. The appellant was a French company dealing in the United Kingdom in watches and clocks under the name “Hermes”. They sought to rectify the Register of Trade Marks by expunging the respondents’ registration of HERMES for watches and clocks on the grounds of five years of continuous non-use. The registered proprietors admitted that there had been no actual sale of watches and clocks under the mark HERMES within the relevant period but claimed as part of their case that there was use of the trade mark during the relevant period. The claim in that regard was based on certain advertisements in a directory of trade names, invoices for repairs to Hermes watches and the preparations made in 1976 for a re-launch of Hermes watches on the market. In support of their defence they particularly relied on certain orders made to their suppliers and some price lists which were prepared by the registered proprietors with a view to re-launching Hermes watches on the market. Falconer J agreed with the Assistant Registrar that the steps taken by the registered proprietors during the relevant period constituted use of the trade mark. In particular he said:⁴⁹ 15
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I respectfully agree with the Assistant Registrar’s reasoning and conclusions in that passage. I would particularly endorse his view that the phrase “in the course of trade” must be wide enough to embrace the steps necessary for the production of the goods as well as the actual placing of them on the market. 35

[177] Although Falconer J did not need to consider whether it was appropriate to exercise the discretion to retain the mark he, nonetheless, addressed the issue and considered that in any event the discretion would have been exercised in favour of the proprietor.

[178] He listed five factors identified by the Assistant Registrar which he endorsed as relevant to the exercise of the discretion. Three of those have relevance to the present case. They are: 40

(a) the registered proprietors did not intend to abandon their mark and

47 *Friskies v Heim-Wattie Ltd*, above n 41, at [15]–[16].

48 *Hermes Trade Marks* [1982] RPC 425.

49 At 432.

took bona fide steps to revive it which had nothing to do with the application for revocation;⁵⁰

- (b) although the market had been dormant for a number of years the registered proprietors still had a residual reputation in the mark;⁵¹
- 5 (c) there had been sales of Hermes watches by the registered proprietors since the relevant period ended.

[179] In *Paragon Shoes Pty Ltd v Paragini Distributors (NSW) Pty Ltd*, Woodward J listed three emerging considerations from a review of the authorities:⁵²

- 10 The first is the importance of the public interest – whether anyone has been deceived or is likely to be if the mark remains on the register; whether, on the other hand, the public has an interest in the preservation of an established mark. The second is the significance of an unimpeached title to the mark and its continued use and good faith by the person entitled to it.
- 15 Finally, if the public interest is not adversely affected and such title and use are shown, then technicalities or defects in legal formalities may be overlooked.

[180] In *CA Henschke & Co v Rosemont Estates Pty Ltd* Finn J held that if he was incorrect in the view taken on non-use, he would, in any event, exercise the discretion to preserve the registration as, inter alia:⁵³

- (a) there was no evidence that the public had been deceived (by the mark remaining registered); and
- (b) no public interest had been adversely affected.

[181] The leading New Zealand authority on the circumstances in which the discretion will be exercised is the *Manhaas* decision where, on the question of what factors should be taken into consideration in assessing the discretion, Collins J said:⁵⁴

Discretion

[35] MIL asks the Court to exercise its discretion to continue to own the trade mark OCEAN QUEEN even if it does not establish special circumstances.

[36] In my assessment the following three factors weigh heavily against MIL's plea that the Court exercise its discretion in its favour:

(1) *Integrity of the Register*

35 The OCEAN QUEEN trade mark has been owned by MIL since 21 July 2005. There is no evidence that it has ever been used. The Registrar of Trade Marks is being unnecessarily clogged by MIL's failure to use its trade mark.

(2) *Absence of any use of the trade mark*

40 The absence of any evidence of use of the trade mark by MIL is a feature that counts heavily against MIL.

50 At 433.

51 At 434.

52 *Paragon Shoes Pty Ltd v Paragini Distributors (NSW) Pty Ltd* (1988) 13 IPR 323 at 345.

53 *CA Henschke & Co v Rosemont Estates Pty Ltd* [1999] FCA 1561, (1999) 47 IPR 63 at [170].

54 *Manhaas Industries*, above n 32, at [35]–[36].

(3) *Competition*

MIL's continued ownership of the trade mark is blocking FI's legitimate desire to use the trade mark to capitalise upon its reputation for OCEAN QUEEN acquired through using that trade mark in the Pacific for the past 15 to 20 years.

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[182] From the authorities discussed above the following principles emerge in terms of the relevant factors to be taken into account in the exercise of the discretion under s 66(1). These are:

- (a) Did the owner intend to abandon the mark?
- (b) Were the steps taken to revive the mark bona fide and unrelated to the application for revocation? 10
- (c) During the period of dormancy did the owner, nonetheless, have a residual reputation in the mark?
- (d) Has there been a credible and effective use of the mark after the relevant period ended? 15
- (e) Will anyone be deceived or confused or likely to be deceived or confused if the mark remains on the register?
- (f) Will the continued ownership of the trade mark block another's legitimate desire to use the trade mark?

[183] While there may be other considerations of relevance, these appear to me, at least for the purposes of the present case, to be key considerations and I shall now consider each in turn. 20

(i) Did the owner intend to abandon the mark?

[184] The Assistant Commissioner made a determinative finding that Cure Kids did not abandon the mark. This finding has not been appealed. In any event for the reasons that follow I agree with the Assistant Commissioner's finding. 25

[185] The 1997 the Red Nose Day appeal grossed only about 25 per cent of what it had in the past. Undoubtedly Dr Sprott's campaign was the principal cause. 30

[186] Ms Lee said that Cure Kids decided to put future Red Nose Day events on temporary hold but that it was always their intention to hold further Red Nose Day events.

[187] Mr Elliott submits that Cure Kids abandoned all rights to the relevant marks after the unsuccessful 1997 appeal. SIDS and Kids filed evidence from the parent representative who was on the board of NZCDA between 1995 and 1997. She said that there was a discussion in 1997 about whether to hold a Red Nose Day fundraiser and the decision was taken to abandon Red Nose Day not only because of Dr Sprott's attack but also a general public concern relating to the misapplication of donations. 35 40

[188] Contemporaneous media reports indicate that after the 1997 appeal the future of Red Nose Day hung in the balance. For example, on 15 August 1997, the *Waikato Times* reported:

Today's Red Nose Day may be the last because of fall out from the stand off between the Cot Death Association and forensic scientist, Jim Sprott. 45

[189] On the same day the *Christchurch Press* reported the Cot Death Association's chairwoman stating that the 1997 Red Nose Day might be the last because of the fall out with Dr Sprott.

[190] *The Dominion* reported that:

[The Cot Death Association] would have to do “a lot of soul searching” about how the result would affect its project. It would also review the possibility of holding future appeals.

- 5 [191] While this body of evidence suggests there was considerable uncertainty as to the future of Red Nose Day it does not convey a clear intention to abandon Red Nose Day. The possibility of holding future events was not discounted as the following media report conveys:⁵⁵

10 Association chairwoman Riripeti Haretuku confirmed that Red Nose Day would go ahead next year but fundraising would be spread over the year rather than focused on one day.

[192] The following year, on 17 July 1998, Ms Haretuku made a public statement announcing that Cure Kids was looking forward to “launching an even bigger and more innovative Red Nose campaign in 1999”.

- 15 [193] Furthermore, on 24 August 1998, the report of the NZCDA to the NCHRF stated:

2 Red Nose Day

Not to be held in 1998, but planning one in 1999.

- 20 [194] I am satisfied that this evidence demonstrates that Cure Kids did not abandon the relevant marks at the time.

[195] Furthermore, of particular significance on the issue of abandonment, Cure Kids continued to renew the trade mark registrations for the relevant marks rather than letting them lapse.⁵⁶ This, together with the other factors discussed above, conveys a clear intention to keep the marks alive in the expectation that at an appropriate time in the future RED NOSE DAY would be re-launched.

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(ii) *Were the steps taken to revive the marks bona fide and unrelated to the application for revocation?*

[196] As has already been described the “Bring Back Red Nose Day” campaign commenced in January 2008 and later that year Cure Kids started to receive enquiries from the media as to whether they intended to bring back Red Nose Day. This led to Cure Kids beginning preliminary discussions in November or early December 2009 about reviving Red Nose Day for the following year. The approach to prospective partners/sponsors, the recruitment of new employees, the creation of planning documents, business reports and draft budgets were all undertaken well in advance of SIDS and Kids’ application for revocation.

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[197] The catalyst for the revocation appears to have been the approach which Ms Lee made to SIDS and Kids seeking supplies and/or initiating discussions about a joint venture to source supplies.

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[198] By the time of this approach, planning for RED NOSE DAY had been advanced to the point Cure Kids was actually looking to order product.

55 New Zealand Press Association, 24 September 1997.

56 Trade mark registration number 206884 was renewed on 10 December 1997, trade mark registration number 192041 was renewed on 28 September 2009 and trade mark registration number 206883 was renewed on 31 January 2002.

[199] Thus, by the time SIDS and Kids' application for revocation was filed, planning for Red Nose Day in 2010 was well underway. Thus it follows that the steps taken to revive Red Nose Day were undertaken in good faith well before the application was filed and were unrelated to the application.

(iii) *During the period of dormancy did the owner, nevertheless, have a residual reputation in the mark?* 5

[200] In my view the best evidence on this question is to be found in a survey commissioned by Cure Kids undertaken by UMR Research.

[201] Seven hundred and fifty New Zealanders participated. The relevant results of the survey are set out below: 10

- (a) The first substantive question asked, "Have you heard of Red Nose Day?": 74 per cent of the respondents answered "Yes".
- (b) The second question asked, "Do you think Red Nose Day is for a New Zealand or overseas charity?": 73 per cent of the respondents said they thought it was a New Zealand charity. 15

[202] These figures can be compared with the survey referred to in *Friskies* which was designed to assess the level of latent awareness of the Felix brand of cat food. The survey indicated that 44 per cent of respondents made an association between Felix and cat food which was described as "strong residual awareness".⁵⁷ The level of residual awareness in the present case is very much higher and demonstrates that in the New Zealand paradigm Red Nose Day is closely connected in the public consciousness as being a New Zealand charity. 20

[203] Mr Elliott criticises not only the methodology of the survey but also the conclusions which Cure Kids claims it shows. Certainly, there was a poor response to the question, "What organisation ran Red Nose Day?" with 74 per cent indicating they had no idea although 12 per cent linked it to children's organisations. 25

[204] He also submits that little or no weight should be given to the survey and its results because it was conducted in September 2010 which is outside the relevant period. In my view the difference of a few months when one considers that no Red Nose Day appeals had been run since 1997 is inconsequential. 30

[205] Notwithstanding these criticisms, the mark did have a substantial residual reputation in the community even if the majority of those polled were unable to identify the name of the organisation linked to the mark.

[206] This high level of residual awareness is unsurprising given the evidence that between 1989 and 1997 there was a very high level of publicly, promotion of the mark and public engagement. Some of these initiatives are listed in the Assistant Commissioner's decision and are reproduced below: 35

- (a) In 1991 over 2,000 retail outlets sold products associated with the Red Nose Day appeal. 40
- (b) In 1992 the Red Nose Day appeal song, "You Make The Whole World Smile" was released. The music video featured many famous New Zealanders. It reached number one on the charts and sales for this single went "Gold" and then "Platinum" in New Zealand. It is the only song ever to hit number one twice in separate years. 45
- (c) In 1993 Coopers & Lybrand changed all the white bulbs at the top of

57 *Friskies*, above n 41, at [24].

the Coopers & Lybrand Tower in Auckland to red bulbs for a week in support of the Red Nose Day appeal.

- (d) In 1993 the Yellow Bus Company placed Red Nose Day bus noses on the front of 500 buses.
- 5 (e) In 1993 a street parade was held. A mandatory requirement for inclusion in the parade was that all participants dressed their horses, floats or people with red noses. Hundreds of people lined the streets and the parade was covered on prime time television by TVNZ and TV3 and appeared on the front cover of the New Zealand Herald and
- 10 was referred to on various radio stations.
- (f) In 1994 over 500 schools actively promoted the sale of red noses and were involved with Red Nose Day competitions.
- (g) In 1996 approximately 613,974 Red Nose Day products were distributed throughout New Zealand.

- 15 **[207]** Furthermore, the claim of residual reputation of the New Zealand Red Nose Day appeal was reinforced by the considerable publicity around the “Bring Back Red Nose Day” campaign. This appears to have been a spontaneous initiative driven by the public and the media. It reflects the strong residual awareness around the mark and the brand generally, despite the hiatus
- 20 of nearly 13 years.

(iv) Has there been credible and effective use of the mark after the relevant period

[208] I shall not repeat the evidence in detail. It has already been discussed earlier in this judgment.

- 25 **[209]** However, by way of summary, the preparations involving promoting and advertising prior to the filing of the notice of revocation continued into 2010. This was a successful campaign. It was followed by further successful campaigns in subsequent years.

- 30 **[210]** There can be no doubt that after the relevant period ended there has been credible and effective use of the mark “RED NOSE DAY” (192207) by Cure Kids.

- (a) On 14 June 2010 Cure Kids gave a powerpoint presentation to Mr Rob Smith, the CEO of Paper Plus. This presentation focused on the nature of the partnership and Red Nose Day as a national fundraiser to improve the health of “Kiwi children through Kiwi research and its outcomes”. It refers to the money being raised being used for medical research into all childhood diseases.
- 35 (b) On 24 June 2010 the presentation was formally given to the board of Paper Plus.
- 40 (c) In August 2010 Cure Kids promoted Red Nose Day at a Paper Plus conference.

- [211]** These powerpoints explicitly referred to Paper Plus’ role in local fundraising efforts and street collections on Red Nose Day co-ordinated with Rotary and local schools. Furthermore, although noted as “to be confirmed” the powerpoint referred to the way in which the funds would be split. The powerpoint also made direct reference to “Paper Plus Marketing, advertising agency, PR agency and team of franchise owners to work with Cure Kids to develop and execute campaign”; “assist Cure Kids to recruit media partners and
- 45

celebrities”. I am satisfied that one of the purposes of the presentations was to promote the education and training of the prospective partner in terms of their role in the upcoming Red Nose Day campaign.

[212] However in respect of the remaining marks, the reasons which I have already outlined as to why there was no use during the relevant period, apply equally after the relevant period. Essentially the marks that include the device (192041 and 192691) and the marks NOSE DAY (206883) and NOSE (206884) cannot be said to have been used during the relevant period or subsequently. 5

(v) *Will anyone be deceived or confused or likely to be deceived or confused if the mark remains on the register?* 10

[213] The issue of whether the public is likely to be deceived or confused by the use of the trade mark is discussed later in this judgment in the consideration of s 66(1)(e) of the TMA.

[214] For the reasons developed more fully in that section I am satisfied that no one will be deceived or confused or likely to be deceived or confused if the mark remains on the register. 15

(vi) *Will the continued ownership of the trade mark block another’s legitimate desire to use the trade mark?*

[215] This is the third consideration in *Manhaas*. Mr Elliott submits that SIDS and Kids has a significant interest in the Red Nose Day mark in Australia which has led to its Red Nose Day mark building a significant and ongoing reputation which has existed in New Zealand during the 13-year hiatus. 20

[216] Mr Miles flatly rejects that submission. He says that there is no reliable evidential foundation for this submission and described SIDS and Kids New Zealand as “a small New Zealand charity which aligns itself to Australia”. He dismissed it as a “side show organisation”. 25

[217] There can be no doubt that compared to Cure Kids, SIDS and Kids New Zealand is a very much smaller organisation. Its effectiveness and ability to operate in New Zealand is substantially reliant on its very much larger and more sophisticated counterpart across the Tasman. It utilises the services of SIDS and Kids Australia to a substantial extent drawing information off the Australian website and referring those in need of assistance to the Australian website. 30

[218] While I hesitate to adopt Mr Miles’ description, I do not accept that SIDS and Kids Australia has built a significant ongoing reputation in New Zealand during the period of non-use of the mark by Cure Kids. 35

[219] In that respect this case is very different from what confronted Collins J in *Manhaas* where effective commercial competition was blocked despite the fact that the competitor had been successfully using the mark in the Pacific for the past 15–20 years. 40

(c) *Conclusion*

[220] I am thus satisfied that s 66(1) does create a discretion which permits me not to revoke the trade mark even if the grounds for revocation set out in the section are made out.

[221] The Assistant Commissioner, who considered she was bound to follow *Friskies* on this issue, adopted Ronald Young J's test that while the section⁵⁸ contained a residual discretion it should only be exercised in exceptional circumstances. She was unable to find exceptional circumstances.

5 [222] In my view, I am not satisfied that it is necessary for the discretion to be exercised only in exceptional circumstances. While the unique circumstances of this case may meet the description of exceptionality given that no other case, despite the legions of authority referred to me over three full days of legal argument are even broadly similar on their facts, I am of the view that the level
10 of exceptionality is not necessary before the discretion can be invoked. Rather it is appropriate to have regard to the factors which I have outlined.

[223] I am satisfied that for the reasons more fully set out above it is appropriate for me to exercise my discretion in favour of Cure Kids, but only in relation to the mark that has subsequently been used. I thus order that the
15 mark "THE RED NOSE DAY" registration number 192207, in class 41 is not revoked.

I. Fourth overarching question: Was the use of the trade marks deceptive (s 66(1)(e))?

(a) Introduction

20 [224] The question of deception is an issue which is specifically addressed in s 66. Section 66(1)(e) provides:

(e) that, in consequence of the trade mark's use by the owner or with the owner's consent in relation to the goods or services in respect of which
25 the trade mark is registered, the trade mark is likely to deceive or confuse the public, for instance as to the nature, quality, or geographical origin of those goods or services.

[225] Mr Elliott submits that the Assistant Commissioner:

(a) took into account irrelevant considerations and wrongly assumed that
30 by 29 June 2010 the appellants had taken steps to specifically state that Red Nose Day appeal was being used for broader purposes; and
(b) gave undue weight to whether other charities may have broadened their focus; and
(c) failed to properly assess Red Nose Day had particular significance for the public.

35 [226] He also submits the Assistant Commissioner mischaracterised the basis for the respondent's complaint and gave insufficient weight to the contention that:

(a) the Red Nose Day mark is associated with SIDS and SUDI rather than
40 broader purposes associated with all health issues; and
(b) Cure Kids focuses only on research, rather than bereavement support and education in relation to safe sleeping and SIDS; and
(c) SIDS and Kids' Red Nose Day mark had a reputation by the relevant date which had reached New Zealand and which over ran the reputation of the Red Nose Day mark associated with Cure Kids prior
45 to any campaign being recommenced.

58 Ronald Young J was considering s 35 of the 1953 Act, the relevant parts of which are identically expressed to s 66 of the TMA 2002.

[227] Finally he submits that the Assistant Commissioner misconstrued the evidence relating to the nature of SIDS and SUDI and failed to give weight to the evidence which established that the categories of deaths overlap.

(b) *Is preparatory use likely to deceive or confuse the public?*

[228] Mr Miles' first submission is that this ground of appeal is misconceived. His proposition is a simple one. It relies on the plain meaning of the words as they appear in the statute. He submits that s 66(1)(e) only applies where there has been end market use in the public arena as at the relevant date which, in this case, is 29 June 2010, the date of the revocation application. He submits that because Cure Kids made genuine use of the Red Nose Day trade marks because it had made preparatory use of the marks, the use was preparatory use and not end use or use in the wider public arena. The issue under s 66(1)(e) is whether the public is likely to be deceived or confused by Cure Kids' use of the Red Nose Day trade marks. However, because there has been no end use in the consumer market, s 66(1)(e) is not engaged because the public cannot be misled by use of the marks they have no knowledge of because the use at the relevant time was not public.

[229] Mr Miles' interpretation is consistent with the wording of s 66(1)(e) which begins with the words, "In consequence of the trade mark's use by the owner or with the owner's consent ...".

[230] The essence of Mr Elliott's submission is that the alleged deception/confusion arises from Cure Kids' use of the relevant marks during the period from 2009 up until the date when the application was filed, ie until 29 June 2010.

[231] I agree with Mr Miles that in that period Cure Kids did not use the marks in a fashion likely to deceive or confuse the public because the use involved third parties and not the public. As I have already found, the use was confined to third parties for the purposes of seeking partners/sponsors for the purposes of running the 2010 Red Nose Day.

[232] On this basis I am satisfied that the application must fail. However, if I am wrong I turn now to consider whether the Assistant Commissioner erred in her determination of s 66(1)(e).

(c) *Legal principles*

[233] In *Friskies* the Court examined the policy behind the non-use provisions by reference to s 35 of the 1953 Act. The Court said that the policy:⁵⁹

... is concerned to ensure that the monopoly use of a mark only exists so long as it is bona fide used. The five-year grace period is designed to reflect the commercial reality that the use of marks may wax and wane depending upon the marketability of the mark. And the fact that bona fide use is part of the test illustrates that the section is concerned with "real" use of a mark rather than, for example, limited use simply to prevent competition. Section 35 is, therefore, mostly concerned with public rights. While individuals will make applications under s 35 it is the broader public interest fostering competition and avoiding the power of the State being used to protect marks that are not being used that is to be forefront.

[234] While Mr Miles is correct that this passage from *Friskies* was in relation to whether there is a discretion and revocation generally under the previous

59 *Friskies Ltdv Heinz-Wattie Ltd*, above n 42, at [14].

1953 Act, the comments do have relevance to this case in the sense that the passage quoted emphasises that marks which are not being bona fide used deserve to be revoked in service of the wider public interest in fostering competition and avoiding improper resort to the protections under the Act in order to prevent competition.

5 [235] I shall now deal with the various matters raised by Mr Elliott in his submissions.

(i) *Steps taken to educate the public of broader purposes; undue weight given to broader focus of other charities; failure to assess the significance of Red Nose Day*

10 [236] In essence, these submissions are that the Assistant Commissioner erred in her analysis of s 66(1)(e).

[237] Mr Elliott submits that as at the relevant date, namely 29 June 2010, Cure Kids had not taken any, let alone adequate, steps to educate the public as to the wider purposes for which the Red Nose Day mark was to be used. He submits that the Assistant Commissioner's conclusion that there was an international trend of expansion of use of the Red Nose Day mark for broader charitable purposes was unfounded and that she misunderstood the definitions of SIDS and SUDI in concluding that the worldwide trend of expansion of charitable purposes of such organisations exists. It is the wider use of the Red Nose Day mark for research into children's illnesses generally which SIDS and Kids contend was likely to deceive or confuse the public.

20 [238] Furthermore, Mr Elliott submits that the Assistant Commissioner erred in her assessment of the significance of Red Nose Day because her assessment was directed to the approach of foreign entities in the use of the mark rather than the mindset of the New Zealand-based donor. He submits there was a wealth of material which showed that up until the time the Red Nose Day campaign ceased in 1997 it was exclusively associated with SIDS. Thus the use of Red Nose Day for wider purposes is likely to mislead and deceive and the Assistant Commissioner should have so found.

30 [239] Mr Miles submits that from the first steps of the re-launch Cure Kids was clear that Red Nose Day would be used to fundraise for children's health generally. He accepts that originally Cure Kids ran Red Nose Day to raise funds in relation to cot death but the shift to a wider charitable purpose is one which similar organisations, including SIDS and Kids, had to make due to the significant and most pleasing reduction in SIDS' related deaths.

35 [240] I accept Mr Miles' submission. On 14 June 2010 Cure Kids made a formal presentation to the CEO of Paper Plus which included a powerpoint presentation with the following statements:

- 40 (a) Red Nose Day: national fundraiser for Cure Kids to improve the health of [New Zealand] children through [New Zealand] research and its outcomes;
- (b) Refresh Cure Kids: Rotary stories;
- 45 (c) Raise awareness and understanding of the Cure Kids' brand nationwide: Money raised by Red Nose Day for medical research into all childhood diseases – after success with cot death.

[241] It is plain from that summary that Cure Kids was educating its fundraising partners/sponsors that Red Nose Day was for a wider charitable purpose and had now raised funds for research into child health generally because of its success in reducing the incidence of cot death.

[242] Furthermore, as Mr Miles submits, there is no evidence that the public at large was deceived by the re-launch of Red Nose Day to raise money for research into children's health.

(ii) *The Assistant Commissioner mischaracterised the basis for the respondent's complaint, misconstrued the evidence relating to the nature of SIDS and SUDI* 5

[243] Mr Elliott submits that at the heart of the Assistant Commissioner's error was her mischaracterisation of SIDS and Kids' complaint.

[244] Mr Elliott submits that the reputation of the Red Nose Day mark is tied to "unexpected deaths of children" in New Zealand, specifically SIDS and not to researching other diseases affecting children such as "childhood leukaemia and other cancers, heart disease, cystic fibrosis, ... Type 1 diabetes and asthma." 10

[245] Cure Kids investing funds raised under the Red Nose Day brand for "all childhood illnesses" was conduct which, Mr Elliott submits, led to the marks becoming deceptive as at the relevant date of 29 June 2010. The public was likely to be misled and deceived because they would expect the funds to be also directed to bereavement support and safe sleeping education consistent with SIDS and Kids' activities both locally and in Australia. 15

[246] Mr Elliott also submits that the Assistant Commissioner appeared to misunderstand the definitions of SIDS and SUDI and concluded that the activities of SIDS and Kids have expanded to other purposes. He submits that SUDI engages a broad category of deaths relating to all sudden and unexplained deaths in infants and early childhood. The Assistant Commissioner failed to appreciate the meaning of SUDI as having a broad definition albeit still linked to sudden unexpected deaths. 20 25

[247] I do not agree that the Assistant Commissioner misunderstood the definitions of SIDS and SUDI and thus led her to wrongly conclude that there is a worldwide trend of expansion of charitable purposes of such organisations. SUDI is an acronym for Sudden Unexpected Death Infancy. It is used in the context of the death of an infant less than one year of age where there is no ascertainable or attributable cause. SIDS and Kids has also expanded its own services to include bereavement services where there has been a sudden and unexpected death of a child from a variety of causes including SIDS and SUDI but also accidental deaths where the cause is more obvious, such as drowning. This is apparent from SIDS and Kids' own website which states that it has expanded its bereavement services to include sudden and unexpected infant deaths regardless of cause. 30 35

[248] Mr Miles accepts that when the Red Nose Day event first began in New Zealand the focus on fundraising was for research into cot death. However, as SIDS mortality rates declined, the focus of research necessarily broadened into research into other fatal childhood diseases. Since the re-launch in 2010 that purpose has been promoted and explicitly stated. I am satisfied that the public is not likely to have been deceived or confused as to the nature or purpose of the fundraising activities associated with the Red Nose Day mark as a result of the way Cure Kids uses the mark. 40 45

[249] This is evident from the Cure Kids' website which contains the following statements:

- (a) "Donate to Cure Kids to find cures and better treatments for children's life-threatening illnesses, first we need to fund the research."

- (b) “At Cure Kids, our purpose is simple. Every single day, we’re driven to find cures for the life-threatening illnesses that affect many of our children.”
- 5 (c) “We’re searching for cures for, among others, childhood leukaemia and other cancers, heart diseases, cystic fibrosis, Sudden Infant Death Syndrome, Type 1 diabetes and asthma.”
- (d) “Funds raised through Cure Kids’ Red Nose Day will be invested in vital medical research into all childhood diseases.”

(d) Spill over reputation

10 [250] SIDS and Kids claim its reputation in Australia has “spilt over” to New Zealand as a result of a number of factors including:

- (a) Many of the partners/sponsors of SIDS and Kids Australian Red Nose Day also have a presence in New Zealand. These include Dick Smith Electronics, the Wiggles, Mobil and Spotlight.
- 15 (b) In October 2010 SIDS and Kids co-hosted the first conference of the International Society for the Study and Prevention of Parental and Infant Death. This conference was attended by 331 delegates from Australia and New Zealand. 37 came from New Zealand.
- 20 (c) SIDS and Kids have been providing assistance to SIDS and Kids New Zealand since 1994. It has, for example, permitted SIDS and Kids New Zealand to download information in relation to safe keeping and information for bereaved parents. As part of that process, SIDS and Kids New Zealand have been directing clients to the Australian website on which the Red Nose Day mark is in prominent use.
- 25 (d) SIDS and Kids first established a website in 2000. It has other websites. Over the period between April and October 2011 a small, but significant, percentage of visitors to those sites were from New Zealand. For example, 2.98 per cent of total users to the site www.rednoseday.com.au were from New Zealand.

30 [251] The Assistant Commissioner determined that some of these factors carried little weight. She observed that on its own, the mere fact that the partners/ sponsors of SIDS and Kids’ Australian Red Nose Day also have a presence in New Zealand does not increase the New Zealand public’s awareness of the Australian Red Nose Day. Nor does the fact that New Zealand delegates attended a conference of the International Society for the Study and Prevention of Parental and Infant Death, co-hosted by SIDS and Kids add much. The materials distributed by SIDS and Kids New Zealand do not include any reference to Red Nose Day and are therefore unlikely to give rise to an association between Red Nose Day and SIDS and Kids.

40 [252] She concluded the most compelling evidence in support of the claim of “spill over” relates to the Australian websites which have been visited by members of the New Zealand public. Some of those visiting were specifically directed to those sites by SIDS and Kids New Zealand.

45 [253] Given the size of the relevant market the Assistant Commissioner concluded that the number of visitors to the websites of SIDS and Kids did not support the submission that “a substantial number of persons” in that market had awareness, cognisance or knowledge of the Australian Red Nose Day marks.

50 [254] Mr Elliott submits that the Assistant Commissioner fell into error because she failed to appreciate the combined effect of SIDS and Kids’

promotional and other activities and that she should not have dissected the evidence and weighed each component separately. Instead she looked at the combined effect of the marketing and engagement activities in her assessment of whether there had been spill-over of the reputation of the Red Nose Day brand in New Zealand.

[255] I do not agree. In my view a reading of the relevant portion of her judgment⁶⁰ demonstrates that while she considered each of the factors in turn her final assessment was referable to all of the factors in combination and I agree with her conclusion that SIDS and Kids had not demonstrated that sufficient numbers within the relevant market were aware of the Australian Red Nose Day event/marks and thus the threshold test for establishing confusion/deception was not reached.

(e) Multiple markets

[256] In relation to the same passage of the Assistant Commissioner's decision discussed above, the Assistant Commissioner concluded that the relevant market is large, presumably the entire New Zealand public. Mr Elliott submits the Assistant Commissioner fell into error in not considering sub-markets; the research market, fundraising partners and bereaved parents. It is the fundraising partners particularly, which Mr Elliott submits is of particular concern to SIDS and Kids because the fundraising partner market includes fundraising partners of SIDS and Kids which have a presence in New Zealand. Furthermore, he submits that one crucial market is that of bereaved parents of children who have died from SIDS or SUDI and have been directed to the Australian organisation's websites. He submits these people would clearly consider that a donation to Red Nose Day in New Zealand would assist with bereavement support. Mr Elliott submits the Assistant Commissioner did not seem to take this evidence into account.

[257] I do not accept that the relevant market contains three sub-markets. There is no evidence to support this submission or that those who have been directed to the Australian websites would consider that donations to the Red Nose Day would be for bereavement support. There is evidence of a modest number of individuals being referred to the Australian websites but there is a dearth of evidence to support the proposition that those who have been referred to the websites would automatically assume that a Red Nose Day appeal in New Zealand would be to support bereavement services. I accept that this sort of evidence would be difficult, if not impossible, to obtain. However, I do not accept that the inference Mr Elliott urges is available on the evidence.

[258] The relevant market must be the general public. Red Nose Day is a nationwide fundraising event which is aimed at the general public of New Zealand. The Assistant Commissioner did not err.

(f) Meaning of "substantial" and the significance of the confusion

[259] Mr Elliott submits that the Assistant Commissioner fell into error when she concluded that SIDS and Kids' Red Nose Day mark does not have a reputation amongst a substantial number of persons. He submits that the relevant test is whether the reputation is of "substance". He submits that the reputation of the Red Nose Day brand amongst bereaved parents is clearly of substance and the risk of deceiving this sub-market is high in light of the emotionally charged nature of SUDI and SIDS events.

60 *Cure Kids v National Council of Sids Australia Ltd*, above n 1, at [206]–[209].

[260] The leading New Zealand authority on “substantial” is *Pioneer Hi-Bred Corn*.⁶¹ The test in that case was expressed as follows:

5 The test of likelihood of deception or confusion does not require that all persons in the market are likely to be deceived or confused. But it is not sufficient that someone in the market is likely to be deceived or confused. A balance has to be struck. Terms such as “a number of persons”, “a substantial number of persons”, and “any considerable section of the public” and “any significant number of such purchasers” have been used.

10 [261] Mr Elliott submits that the Assistant Commissioner fell into error when she concluded that the Progressive Supermarket chain’s contact of SIDS and Kids Australia to assist in distributing Red Nose Day materials was not a significant instance of confusion.

15 [262] The background to this claim is that in November 2010 SIDS and Kids’ Australian public relations consultant was contacted by a member of the New Zealand-based Progressive Supermarket chain offering to sell Red Nose Day merchandise. The outlet in question was a store in Ruakaka. Mr Elliott submits that although the contact was made by a shop in a small rural community, it represents a major supermarket chain contacting SIDS and Kids because it was aware of the reputation of its Red Nose Day campaign. He submits it also demonstrates that the reputation of the Red Nose Day mark was associated with SIDS and Kids in November 2010. It is submitted this is a substantial instance of confusion and should have been given greater weight.

20 [263] The other instance relied upon by Mr Elliott was the approach made by Novelli to source red noses from SIDS and Kids. Novelli had been engaged by Cure Kids to manufacture Red Nose Day merchandise. The evidence of Cure Kids is that the contact made by Novelli was not as a result of confusion but was, in fact, deliberate because Novelli wished to know if SIDS and Kids would be interested in a collaboration to manufacture the red nose product. Mr Elliott submits that the evidence relied on by Cure Kids to refute SIDS and Kids’ claim is mere submission and not evidence of the intentions of Novelli. He further submits that the evidence is hearsay and should have been excluded or treated with much greater caution.

25 [264] The evidence of Ms Lee is that in July 2010 the artwork produced by the Hyde Group was sent to Novelli, a manufacturing business in Auckland. All Red Nose Day appeal products were sourced through Novelli and it was on 26 July 2010 that the large order referred to earlier in this judgment was placed. Thus there is direct evidence that Novelli was engaged by Cure Kids to manufacture Red Nose Day products. The logical inference which could be drawn from Novelli making contact the following month with SIDS and Kids in Australia is that it was for the purpose of initiating some discussion about obtaining product from or manufacturing product for SIDS and Kids. In my view the contact is entirely explicable and would not have been as a consequence of confusion. This evidence does not support SIDS and Kids’ claim of confusion.

45 [265] While I accept Mr Elliott’s submission that proof of confusion in these sorts of cases is notoriously difficult to quantify and that a single reported

61 *Pioneer Hi-Bred Corn Company v Hy-Line Chicks Pty Ltd* [1978] 2 NZLR 50 (CA).

incident is likely to reflect a greater level of actual confusion, I cannot accept that the test in *Pioneer* is anywhere near satisfied by the single reported instance of confusion involving the Ruakaka store or by the Novelli approach.

(g) Investment practices and non-aligned application of funds

[266] There was some evidence adduced by SIDS and Kids that concerns 5
practices which were aired in the public arena about the questionable investment
practices adopted by Cure Kids which, SIDS and Kids claim, gave rise to
deception/confusion. The Assistant Commissioner noted that while the
allegations were denied by Cure Kids she did not believe that they constituted
trade mark issues and elected to ignore them for the purposes of her assessment 10
under s 66(1)(e).

[267] Mr Elliott submits that in doing so she failed to appreciate that the
application and use of funds raised through donations by reference to particular
brands is what was in issue in the dispute. He submits that the use of the money
raised under the Red Nose Day mark for what he submitted were questionable 15
investment purposes is a matter likely to mislead or deceive the public when the
brand is understood by donors to be used for a defined charitable purpose.

[268] Even if I was to accept that this evidence was relevant for the purposes
of the present exercise, I am satisfied that the limited publicity on this issue
would have little or no influence on any question of public deception or 20
confusion.

J. Assessment of the evidence

[269] I leave this ground of appeal to last. Mr Elliott submits that the Assistant
Commissioner adopted an overly lenient approach in assessing much of Cure
Kids' evidence resulting in her unduly affording it the benefit of the doubt on 25
a number of issues.

[270] In support of his submission he referred to *Riviera*.⁶²

[271] Although in his treatment of this ground he did not specify those parts of
the evidence which he claims involve the Assistant Commissioner adopting "an
overly lenient approach in [her assessment]", Mr Elliott did develop this 30
criticism in relation to specific aspects of the evidence in the course of
argument. With limited exceptions his submissions on the evidence went to
issues of weight and inference rather than admissibility.

[272] To the extent that it has been practically possible I have endeavoured to
deal with the evidential issues raised by Mr Elliott in the course of my 35
treatment of the issues in this judgment.

K. Conclusion

[273] I find that SIDS and Kids does not succeed in its claim that as at 29 June
2010 members of the public were deceived or confused into believing that the
goods and services provided by Cure Kids in relation to the relevant marks 40
would be identified with SIDS and Kids. Indeed, I do not accept that even if
that timeframe was widened there is any sufficiently cogent or persuasive
evidence to support the claim that at any time members of the public were
deceived or confused in the fashion claimed.

62 *Stella Products Ltd Application (Riviera)* (2003) BL 0/104/03; *Laboratoires Goemar SA v La Mer Technology Inc* [2002] ETMR 34; *Royal New Zealand Yacht Squadron v Daks Simpson Group Plc* [2002] NZAR 187 (HC).

L. Result

[274] The appeal is allowed in part.

[275] The order that trade mark registration number 192207 “THE RED NOSE DAY” be revoked is quashed.

5 [276] The Assistant Commissioner’s determinations in relation to the balance of the trade mark registrations are upheld.

[277] The cross appeals brought by SIDS and Kids, Australia, are dismissed.

M. Costs

10 [278] Given that the appeal has been successful in part I invite counsel to file memoranda as to costs.

[279] I direct that the appellant is to file and serve its memorandum as to costs by 5:00 pm on Friday, 13 February 2015 and the respondent/cross appellant by 5:00 pm on Friday, 20 February 2015.

15 [280] Leave is reserved for counsel to apply to the Court for further directions if considered necessary

Appeal allowed in part. Cross appeals dismissed.

Solicitors Cure Kids: *AJ Park Law* (Auckland).

Solicitors for National SIDS Council: *James and Wells* (Auckland).

Reported by: Edith PA Shelton, Barrister