

**IN THE HIGH COURT OF NEW ZEALAND  
AUCKLAND REGISTRY**

**CIV-2011-404-8141  
[2014] NZHC 960**

UNDER The Trade Marks Act 2002

IN THE MATTER OF Infringement of New Zealand trade mark  
registration number 105507

BETWEEN TASMAN INSULATION NEW  
ZEALAND LIMITED  
Plaintiff

AND KNAUF INSULATION LIMITED  
First Defendant

AND ECO INSULATION LIMITED  
Second Defendant

AND BUILDFORNEXTGEN LIMITED  
Third Defendant

Hearing: 9-13, 16-20, 23-26 September and 21-22 November 2013

Counsel: J G Miles QC, K W McLeod and J D Miles for the Plaintiff  
C L Elliott QC, J G Hazel and B Cain for the Defendants

Judgment: 9 May 2014

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**JUDGMENT OF BROWN J**

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This judgment was delivered by me on 9 May 2014  
at 4 pm, pursuant to r 11.5 of the High Court Rules

Registrar/Deputy Registrar

Solicitors: A J Park, Auckland  
James & Wells Solicitors, Auckland

Counsel: J G Miles QC, Auckland  
C L Elliott QC, Auckland

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## Introduction

[1] It is common ground that beyond New Zealand the word “batt” is not the subject of trade mark protection for insulation materials.<sup>1</sup> Although not common ground, there was evidence that when used as an alternative name for a slab or segment of building insulation material, the word “batt” is generic and of common usage abroad.<sup>2</sup> In New Zealand, however, since 27 August 1973 the plaintiff (“Tasman”) has been the registered proprietor of Trade Mark 105507 for the sign “BATTS” in respect of insulating materials in class 17.

[2] Unsurprisingly therefore Tasman contends that use of the word “batts” in New Zealand to describe other manufacturers’ insulation products constitutes an infringement of Tasman’s registered trade mark. In particular Tasman sues for trade mark infringement in relation to the use of the words “batt” and “batts” both on the first defendant’s (“Knauf’s”) EARTHWOOL<sup>®</sup> insulation product<sup>3</sup> and on the website *www.earthwool.co.nz*.

[3] However the primary trade mark issue, in this litigation stems from the defendants’ contention that Tasman’s trade mark registration is not valid because even in New Zealand the word “batts” has become generic. The statutory ground for such a challenge in s 66(1)(c) of the Trade Marks Act 2002 (“the Act”) requires the defendants to prove not only that the word “batts” has become a common name in general public use but also that that state of affairs is as a consequence of the acts or omissions of Tasman.

[4] In addition to the trade mark issues, the parties’ various trading and marketing activities in New Zealand have excited claims and counterclaims of contraventions of the Fair Trading Act 1986. Tasman’s primary concern relates to alleged representations by the defendants concerning Knauf’s EARTHWOOL<sup>®</sup> branded product. These representations, according to Tasman, convey the misleading impression that the product is manufactured substantially from animals’ wool whereas in fact it is manufactured from recycled glass.

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<sup>1</sup> See Tasman’s September 2010 Guidelines at [165] below.

<sup>2</sup> See Fletcher Insulation’s presentation at [355] below.

<sup>3</sup> Knauf is the New Zealand agent for New Zealand trade mark registration 810389 EARTHWOOL in class 17 for insulation materials.

[5] The defendants' concerns relate first to a representation by Tasman as to the compression ratio of Tasman's packaged product and secondly to Tasman's conduct of a demonstration comparing Tasman's PINK<sup>®</sup>BATTS<sup>®</sup> insulation product and the Knauf EARTHWOOL<sup>®</sup> product floating on water. This demonstration, which I refer to as the immersion test, was dubbed "the Titanic test" by Tasman itself.

[6] Throughout this judgment I will refer to PINK, BATTS and EARTHWOOL followed by the <sup>®</sup> symbol because each of those words is a registered trade mark in New Zealand. However, where the parties use a different format in documents which are referred to in the judgment (e.g. the plaintiff's use of Pink Batts and the defendants' use of EarthWool<sup>®</sup>), the form of the words actually used will be adhered to.

### **The New Zealand insulation market and participants**

[7] The total market in New Zealand for insulation products is approximately 15 million square metres per year. Insulation can take several forms depending on the mode of application. When insulating wall cavities the most common form of insulation is a rectangular segment, whereas for ceiling cavities and attic spaces segments or rolls of insulation are more commonly used. Blown insulation and sheets of polystyrene are also commonly used.

[8] Such materials are primarily made from glass, polyester or wool. Insulation made from glass is the most commonly used, it being less expensive than polyester which in turn is less expensive than wool insulation. Numerous companies import from overseas insulation made from recycled glass whereas the importation of wool in large quantities into New Zealand is difficult due to New Zealand's regulatory requirements. The raw material cost of wool is also higher.

[9] The term "glass wool" is often used by people in the insulation trade to refer to insulation made from glass whereas consumers in the general public tend to use the word "fibreglass".

[10] Tasman, which is the only New Zealand manufacturer of insulation products made from recycled glass, manufactures in excess of seven million square metres of product per year. Since at least 1973 Tasman has sold its insulation under the

PINK<sup>®</sup>BATTS<sup>®</sup> brand name. The PINK<sup>®</sup> trade mark is owned by Owens Corning and is used by Tasman under licence in New Zealand.

[11] Bradford Gold, Premier and EARTHWOOL<sup>®</sup> are imported brands of insulation products made from recycled glass. Knauf markets and sells insulation under the EARTHWOOL<sup>®</sup> brand. Eco Insulation Ltd (“Eco Insulation”), the second defendant, markets and sells natural wool, polyester and polyester/wool blend insulation in New Zealand and is a New Zealand distributor of Knauf’s EARTHWOOL<sup>®</sup> insulation. Buildfornextgen Ltd (“BFNG”), the third defendant, is also a marketer and distributor in New Zealand of EARTHWOOL<sup>®</sup> insulation. In addition to Eco Insulation, companies manufacturing and selling insulation made from recycled and virgin sheep or other animal wool include Terra Lana.

[12] Key segments in the insulation market are:

- (a) New build houses;
- (b) Alterations and additions;
- (c) Retrofit of existing houses; and
- (d) Commercial builds.

[13] The decision-maker in relation to the choice of insulation varies dependent on the market segment and the supply channels but the evidence indicated that:

- (a) For new build houses the choice is made either by the architect, the builder or the home owner;
- (b) For alterations and additions, again the architect, builder or homeowner will select the insulation but if the work is DIY then the homeowner will usually decide;
- (c) For the retrofit of existing houses the homeowner usually decides; and

- (d) For commercial builds the specifier (e.g. architect or project manager) or installer generally decides.

[14] There was a divergence in the evidence as to the extent to which homeowners influence the decision. Mr Hall of BFNG considered that in relation to categories (a) and (b) the insulation choices were largely driven by the architect, designer and perhaps builder whereas Ms Roberts for Tasman considered that homeowners had a more significant impact. In relation to new homes it was her view that approximately 50 per cent of the time the home owner made the choice, with the builder or occasionally the architect making the choice the other 50 per cent of the time. She considered that the percentage could be even higher in favour of the home owner in the case of alterations and additions where the home owner will sometimes still be resident in-house, perhaps have an account with the merchant and may pay the cost of the insulation directly to the insulation supplier.

[15] Ms Roberts explained that the reason why Tasman's TV campaigns and advertising over the years have had such a strong consumer focus was because of its view that consumers are the primary audience while the builders in the trade are a secondary audience. That view had been influenced by research undertaken by Tasman, in particular the new home survey in which people who have had houses built in the previous 12 months are asked to complete an on-line questionnaire. In 2012 the survey involved some 700 people which she considered was a reasonably good sample size.

#### **Derivation of the word "batt"**

[16] It appears that the word "batt" originated in 1830-1840 and is derived from the word "batting" which originated in the period 1605-1615. "Batting" means cotton, wool or synthetic fibres in batts or sheets used as filling for quilts or bed covers.

[17] The word "batt" first appeared in The New Zealand Dictionary in 1994. The entry read:

Also often **pink batt** (a proprietary name, from the colour). A thick rectangular piece of matted fibre or fibreglass, usually intended for the insulation of houses.

[extended use of British *bat(t)* a felted mass of fur, etc., used in hat-making]

[18] The definition that appears in the *New Zealand Oxford Dictionary* (2005) is:

1. A thick rectangular wad of fibreglass etc., used as insulation in a ceiling or between the interior and exterior walls of a house etc.
2. A piece of felted material used for lining or insulating items such as quilts or sleeping bags. [ORIGIN: Middle English in the sense 'lump, piece', of unknown origin]

[19] While on the subject of dictionaries it is convenient here to note the point made by Tasman that the *Oxford Dictionary* contained a form of disclaimer with reference to the inclusion of proprietary names while the 2009 *Collins New Zealand Dictionary* contained no entry for “batt” or “batts”.

[20] The word “batts” is used descriptively in other countries such as Australia<sup>4</sup> and the USA to describe pre-cut pieces of insulation material, usually of rectangular shape, suitable for installation in building cavities. Other descriptive terms for the same material include “blankets”, “slabs”, “segments” and “pieces”.

[21] Apparently believing that also in New Zealand the words “batt” and “batts” were generic terms for pieces of insulation material, in 2011 Knauf exported some of its EARTHWOOL<sup>®</sup> product into New Zealand in packaging displaying the words “batt” and “batts” in the installation instructions. That step was the catalyst for the events the subject of this litigation.

### **Summary of events relevant to the claims and counterclaims**

#### *The arrival of EARTHWOOL<sup>®</sup> insulation into New Zealand*

[22] In December 2010 Knauf Australia commenced exportation of insulation product to a New Zealand customer (which was not Knauf New Zealand) in transparent packaging. The primary brand name on the packaging was LoftRoll but the EARTHWOOL<sup>®</sup> brand also appeared in smaller print in an information panel.

[23] Subsequently in 2011 Knauf Australia exported a modest amount of its EARTHWOOL<sup>®</sup> product for the purpose of gauging the potential market acceptance for the product in New Zealand. The product was contained in white and blue packaging

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<sup>4</sup> An example is the Fletcher Insulation presentation “Why Pink Batts are Superior to Knauf Batts” at [355] below.

which displayed the words “batt” and “batts” in several places in the installation instructions printed on the packaging.<sup>5</sup>

[24] On becoming aware of the importation of product with packaging displaying those words Tasman sent a letter to Eco Insulation dated 26 October 2011 which included the following paragraphs:

It has come to our attention that you are using the word “Batts” on Knauf Earthwool packaging to refer to insulation products.

“Batts” is not a generic term for insulation products. It is a registered trade mark. “Batts” can only be used with our authorisation to refer to our BATTS® insulation products.

Please cease distribution and immediately remove all references to the word “Batts” from your packaging where it is used to refer to insulation products generally.

[25] Eco Insulation forwarded that letter to Mr Stuart Dunbar of Knauf who in turn instructed Knauf’s New Zealand attorneys, James & Wells, to send a response. The James & Wells’ letter of 1 November 2011 included the following contentions:

Our client acknowledges that your company currently has a trade mark registration for BATTS in New Zealand (Registration No. 105507). However, our client has taken all appropriate steps to ensure it is using the word “batts” in relation to its insulation products in a way that describes the goods, and not in a way that could be construed as being use in a trade mark sense as in, for example, PINK BATTS®. Such steps include ensuring that the word “batts” begins with a lower case “b”, except if it is in a descriptive title such as “With Existing Batt Insulation”, and that the word is not given prominence by being, for example, capitalised.

...

Further, our client believes that “batts” has become a generic term in New Zealand, as well as in many other countries around the world, to most accurately and appropriately describe a type of insulation material. Consequently, our client considers it should be allowed to use the word “batts” freely on its packaging and in the marketing materials for its goods.

As a result of the aforesaid, our client will not be ceasing and desisting from using the words “batts” on its packaging and in its marketing materials as your company has requested it immediately does.

[26] A J Park responded on 4 November 2011 advising that Tasman was unmoved by James & Wells’ letter, that the trade mark BATTS® was not a generic term in New

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<sup>5</sup> Two extracts are set out at [181] below.



Zealand, that Tasman had a comprehensive compliance programme in place for its BATTTS<sup>®</sup> trade mark and was confident of the validity of its registration. The letter repeated the request that the use of the BATTTS<sup>®</sup> trade mark in relation to insulating materials, packaging for insulating materials and promotional materials should immediately and permanently cease.

[27] On 18 November 2011 James & Wells wrote to A J Park recording that, while trade mark infringement was denied, Knauf would cease any use of references to “batts” and steps were taken to amend the design of the proposed packaging and marketing material to secure that objective.

[28] In October 2011 Knauf New Zealand commenced importation of the EARTHWOOL<sup>®</sup> insulation product. The product imported by Knauf was contained in green and white packaging and originated in the United States.

[29] Like the earlier importations, the packaging carried a statement that the product was “made using recycled glass bottles”. However whereas the previously imported product had featured the catchphrase “insulation bonded with nature”, the catchphrase on the new product was “the feel good insulation”.

[30] The EARTHWOOL<sup>®</sup> brand name and the catchphrase were printed in the following format:



[31] The “EARTH” part of the trade mark and the words “feel good” were printed in orange while the “WOOL” part of the trade mark and the other words in the catchphrase were printed in green.

[32] However Knauf did not embark immediately upon a wide-scale marketing campaign because the Rugby World Cup was in progress and the cost of media exposure was very expensive. Knauf considered that at that particular point in time the market would be distracted and so it waited until after the Christmas period of 2011-2012 before commencing wider marketing of the EARTHWOOL<sup>®</sup> product.

[33] Then on 17 November 2011 Mr Dunbar was advised that a shipment of Knauf insulation product had been detained by New Zealand Customs as a result of a Customs notice filed by Tasman. Customs had detained a total of 96 bales of insulation material because the goods' packaging featured the words "batt" or "batts" in the installation instructions.

[34] Mr Dunbar deposed that this came as a great surprise to him because of the advice to Tasman that Knauf would remove any reference to the word "batts" on the packaging until the issue concerning such usage was resolved. He decided to forfeit the 96 bales detained by Customs rather than be diverted by litigation about that particular importation. Although there was no evidence of further instances of the use of the word "batt" on installation instructions, the word "batt" did appear in the description of the specification of the EARTHWOOL<sup>®</sup> product in a packaging label on the product.

[35] On 23 November 2011 Knauf filed an originating application (CIV-2011-404-007656) for revocation of trade mark registration No 105507 on the grounds that in consequence of the acts or inactivity of Tasman the BATTSS<sup>®</sup> trade mark had become a common name in general public use for a product in respect of which it was registered. Tasman then launched its trade mark infringement proceeding on 19 December 2011. The two proceedings were consolidated by an order of Potter J on 3 February 2012.

*The marketing of the EARTHWOOL<sup>®</sup> product*

[36] Prior to the commencement of its 2012 marketing campaign, during 2011 Knauf had distributed in New Zealand a small brochure introducing the EARTHWOOL<sup>®</sup> product and employing a play on Knauf's name, namely "KN'OATH!" That brochure referred to EARTHWOOL<sup>®</sup> as "a new generation of glasswool" and stated that EARTHWOOL<sup>®</sup> was made using recycled glass bottles and sand.

[37] The 2012 marketing campaign commenced with the release of the EARTHWOOL<sup>®</sup> Product Guide dated 1 January 2012. It contained the following statement including an allusion to the fact that the Rugby World Cup was over:

The rest of the World has left, but we are here for good to bring New Zealand softer, more environmentally friendly insulation. Made from ECOSE<sup>®</sup> technology EARTHWOOL<sup>®</sup> is proud to offer Kiwis a friendlier, more

sustainable choice of home insulation. To learn more about EARTHWOOL<sup>®</sup>, please visit [www.knaufinsulation.co.nz](http://www.knaufinsulation.co.nz).

[38] Subsequent media releases maintained the light hearted tone. In the Sunday Star Times of 1 April 2012 an advertisement was placed which commenced:

INTRODUCING EARTHWOOL<sup>®</sup> FROM KNAUF INSULATION (Our competitors hope this is an April Fool's Day ad).

This advertisement advised that EARTHWOOL<sup>®</sup> insulation was available for installation through Eco Insulation and RightHouse. It advised that DIY and builders could buy directly through the website at [www.earthwool.co.nz](http://www.earthwool.co.nz).

[39] One week later the Sunday Star Times of 8 April 2012 featured an advertisement which read:

ENVIRONMENTALLY FRIENDLIER, SOFTER AND CHEAPER.

No wonder Earthwool<sup>®</sup> is driving our competitors batty.

[40] This advertisement stated that the “revolutionary EARTHWOOL insulation” was made using recycled glass bottles and that it was “a major leap forward compared to traditional glasswool products”. It concluded with the statement:

Find out why Earthwool is causing other manufacturers to choke on their Easter eggs at: [www.earthwool.co.nz](http://www.earthwool.co.nz).

[41] Then on 20 May 2012 the Sunday Star Times contained an advertisement headed “Looks Like We're Driving our Competitors Totally Bats”. It included the following statement:

The arrival of Earthwool<sup>®</sup> is welcome news for New Zealand builders and home owners. But it's giving some competitors the shivers.

After years of market dominance, healthy competition has caused some to start complaining. Not everyone likes the idea that Earthwool<sup>®</sup> is a more environmentally friendly and softer glasswool insulation product.

[42] The advertisement prominently featured a price per m<sup>2</sup> comparison of the PINK<sup>®</sup>BATTS<sup>®</sup>, Autex Greenstuf and EARTHWOOL<sup>®</sup> R2.2 wall products, the prices being \$10.36, \$21.09 and \$5.78 respectively.

*Tasman reacts*

[43] It would appear that the EARTHWOOL<sup>®</sup> marketing campaign stirred Tasman to respond on the marketing front. Three different steps taken by Tasman subsequently gave rise to a number of the Fair Trading Act matters which are the subject of the litigation.

[44] First, in approximately mid 2012 Tasman produced a presentation called “Why Pink<sup>®</sup>Batts<sup>®</sup> Insulation”. A number of the pages in the presentation made references to the EARTHWOOL<sup>®</sup> product (albeit only in one instance by reference to the brand name) including comparative statements about the Tasman and Knauf products. In particular:

- (a) Under the heading “Product Durability” it was stated that the Knauf product was “susceptible to slumping” and “requires strapping” and this was accompanied by photographs apparently supporting those statements;
- (b) Under a subheading “Stiffness” there were comparative photographs of a PINK<sup>®</sup>BATTS<sup>®</sup> product and a Knauf product placed across a bar which showed that the Knauf product was considerably less stiff: the adjacent statement made was “5 x as slumpy”.

[45] In response Knauf placed an advertisement in the Sunday Star Times of 26 August 2012 the first part of which read:

WHY BROWN MAKES PINK SEE RED

Over the past few weeks, a competitor has been trying to discredit EarthWool<sup>®</sup> claiming that our insulation is ‘bendy, slumpy, bulgy and bursty’.

Enough is enough.

We know Earthwool<sup>®</sup> is made using state of the art German technology and is arguably the best insulation in the world. We provide a 50 year warranty to prove it.

Here’s just a few reasons why our competitor is feeling left out in the cold:

The word ‘competitor’ was printed in a red/purple hue.

[46] At about the same time BFNG issued by email a press release containing essentially similar statements. That press release also announced a special purchase offer for EARTHWOOL<sup>®</sup> insulation. In order to take up that special offer it was necessary for purchasers to enter as the “promo code” the words “TASMAN-BS”.

[47] Tasman took objection to that advertisement because it considered that the reference to “a competitor” was intended to be a reference to Tasman. Tasman considered that the statement thus attributed to it was false and misleading in as much that Tasman had not released any statement in which it had tried to discredit the defendants’ EARTHWOOL<sup>®</sup> product by referring to it as “bendy, slumpy, bulgy and bursty”. Correspondence was exchanged between A J Park and James & Wells on this and other matters.

[48] The second of Tasman’s initiatives was the demonstration which Tasman called the “Titanic test”. In the last quarter of 2012 and in the first quarter of 2013 demonstrations were provided at a number of outlets which stocked PINK<sup>®</sup>BATTS<sup>®</sup> products involving a comparison of the Tasman PINK<sup>®</sup>BATTS<sup>®</sup> insulation and the Knauf EARTHWOOL<sup>®</sup> insulation. The instructions provided by Tasman to its staff performing the demonstrations stated:

#### TITANIC

##### Test Kit Instructions

Objective: Demonstrate this test to as many builders as you can

Target: 10 sessions before the 16<sup>th</sup> of November 2012

##### Test Kit instructions:

1. Place white cardboard liner on table – it allows the water colour change to be observed
2. Fill test containers with water
3. Place the container on the white cardboard
4. Float one sample of each product on its side in the container
5. Wait for 1-2mins. Do not leave product in for more than 5mins
6. Allow observers to observe (No need to comment)

7. Remove samples. Place in zip lock bag. Do not leave anything on site or allow photos etc.
8. Collect business cards of all observers write date, session number out of 10 on the back of the business card and send back to TINZ Head office
9. Dispose of samples in public rubbish bins off site

Prize for the TM that has completed all 10 sessions and has had the most observers in before the 16 November 2012.

[49] One such demonstration occurred on the morning of 5 February 2013 at a builders' breakfast held at Carters, Petone, Lower Hutt hosted by Tasman. The demonstration involved placing a small piece of Tasman's PINK<sup>®</sup>BATTS<sup>®</sup> insulation and a small piece of Knauf's EARTHWOOL<sup>®</sup> insulation each in separate containers of water. After a period of minutes the water permeated the EARTHWOOL<sup>®</sup> product and it sank to the bottom of the bowl with the water in the bowl becoming discoloured. However the PINK<sup>®</sup>BATTS<sup>®</sup> product remained floating in its container for the period during which the presentation was conducted.

[50] Tasman's third initiative was its statement concerning the compression ratios of the packaging of its product, the context for which is as follows. In the promotional materials for EARTHWOOL<sup>®</sup> a number of statements were made to the effect that its packaging achieved improved compression with more square metres per bag with consequential reduced demands for space for storage compared with other insulation. Indeed a number of quite specific statements were made at various points in time on the *www.earthwool.co.nz* website including the statement that "up to 7 times as much insulation is contained in a single pack of EARTHWOOL<sup>®</sup> compared to traditional glass wool and polyester insulation".

[51] While it was not clear whether Tasman's statements were made as a reaction to the EARTHWOOL<sup>®</sup> promotional material, in its publication "Our Sustainable Future" Tasman claimed on pages 4-5 that its PINK<sup>®</sup>BATTS<sup>®</sup> products were "on average over 7:1 compression packed to reduce transport emissions". The same claim was made in "Element", a New Zealand Herald supplement in August 2012.

[52] Subsequently in January 2013 Knauf commissioned McGlade Consulting Group Ltd ("MCGL") to order independent testing to verify Tasman's compression ratio claim.

MCGL purchased six packs of Tasman's PINK<sup>®</sup>BATTS<sup>®</sup> insulation (four packs of wall insulation (90mm) and two packs of ceiling insulation (180mm)) from a Placemakers store in Auckland and sent them to SGS New Zealand Ltd in Auckland for analysis.

[53] SGS conducted tests the results of which showed a variance of compression ratios from as low as 2.19:1 to as high as 7.39:1. In the majority of instances the compression ratio was an average of 5:1 or below. Those results provided the impetus for the defendants' "compressibility" counterclaim under the Fair Trading Act.

#### **The *www.earthwool.co.nz* website**

[54] At the outset of the litigation Tasman's trade mark infringement claim was confined to the use of the words "batts" on the packaging of the imported EARTHWOOL<sup>®</sup> product. However subsequently Tasman took objection to use of the words "batt" or "batts" on the website *www.earthwool.co.nz* which was controlled by BFNG. Two different complaints were made.

[55] First, on the website the following statement appeared:

The unique compression packaging of EarthWool<sup>®</sup> has increased the quantity of batts in every bag and therefore increased the m<sup>2</sup> per bag.

[56] Secondly, BFNG had also used the word "Batt" in the HTML code on the website. This computer code, which is not visible on the landing page of the website, can be accessed and viewed by an internet user. What the user would see would be the notation "Batt%20MastaBag.jpg". BFNG had used the code "Batt" so that an internet user searching for the trade mark BATTS<sup>®</sup> could be directed to the *www.earthwool.co.nz* website and the differently branded products marketed there.

[57] Although it ceased to refer to "batt" or "batts" on the packaging of its product, Knauf continued to import into New Zealand its EARTHWOOL<sup>®</sup> branded product. That product was marketed by Eco Insulation on the *www.ecoinsulation.co.nz* website and by BFNG on the *www.earthwool.co.nz* website. Tasman alleged that that activity was misleading and deceptive conduct in breach of ss 9 and 10 of the Fair Trading Act because it conveyed the impression that the Knauf product was made from the wool of sheep or other animals when it was not.

[58] With reference to Knauf's use of the EARTHWOOL<sup>®</sup> brand Tasman drew attention to the mode of presentation of the brand with the word "earth" printed in orange and the word "wool" printed in green above the caption "the feel good insulation". Tasman's complaint was that such use would cause consumers to be misled or deceived into believing that the EARTHWOOL<sup>®</sup> insulation products were made predominantly from a natural product, including sheep's wool and wool from other types of animals, when in fact they were made from recycled glass bottles, sand and other materials.

**The *www.ecoinsulation.co.nz* website**

[59] In relation to the marketing of EARTHWOOL<sup>®</sup> on the *www.ecoinsulation.co.nz* website, two specific complaints were made by Tasman. The first was the presence of the following statement:

The award winning innovators behind the use of natural wool in home insulation in New Zealand.

This was set against the image of a house wrapped in a knitted scarf (which Tasman contended was woollen) together with the EARTHWOOL<sup>®</sup> mark, the words "wool insulation" and a prominent link to a page entitled "Advantages of Wool".

[60] The second complaint concerned the following statements on the page entitled "Advantages of Sheep's Wool":

Research shows that wool retains indoor air pollutants such as sulphur dioxide, nitrogen dioxide, and formaldehyde, which are emitted from gas stoves, heaters and building materials;

Our products are safe to handle and easy to install. No protective clothing is necessary;

Contains no carcinogenic chemicals. No asbestos or glass fibres. No toxic glues;

Our products are manufactured in New Zealand from pure, natural New Zealand wool;

A pure, natural safe product, wool helps protect our environment.



[61] Tasman also took objection to the manner in which BFNG promoted the EARTHWOOL<sup>®</sup> product on the *www.earthwool.co.nz* website. In particular it drew attention to the following statement:

EarthWool<sup>®</sup> provides installers and home-owners with unrivalled benefits not associated with traditional glass wool or polyester.

[62] Tasman alleged that that conduct was liable to mislead the public as to the nature, manufacturing process or characteristics of Knauf's EARTHWOOL<sup>®</sup> insulation products and in particular was likely to mislead or deceive consumers into believing that those products were made predominantly of a natural product including sheep's wool and wool from other types of animals.

[63] The various statements and activities recited above resulted in claims and counterclaims alleging contravention of the Fair Trading Act 1986 being added to the litigation concerning the alleged infringement and invalidity of Trade Mark 105507.

### **Pleadings and issues**

[64] At trial the most recent iteration of the parties formal cases comprised Tasman's third amended statement of claim, the defendants' fourth amended statement of defence and counterclaim and Tasman's reply (albeit in response to an earlier version of the defence). In order to further define the scope of the hearing the parties participated in an Issues Conference on 30 July 2013 which led to the compilation of a List of Issues for Trial.

#### *Trade mark issues*

[65] Tasman alleges infringement by Knauf's importation of insulation materials featuring the words "batt" and "batts" on the packaging or on a label attached to the packaging of EARTHWOOL<sup>®</sup> insulation. Tasman alleges infringement by BFNG by its use of the trade mark on the *www.earthwool.co.nz* website in the two respects described in [55] and [56] above. In opening Mr Miles QC abandoned an allegation of infringement by Knauf and BFNG in connection with the use of the promo code "TASMAN-BS" in the press release in August 2012.

[66] The defendants deny that they have infringed Tasman's trade mark: they say that they used the word "batt" and/or "batts" in accordance with honest practices in industrial or commercial matters as a sign to indicate the kind, intended purpose or other characteristics of their goods, relying upon s 95 of the Act, and not as a trade mark.

[67] The defences and counterclaim involve a two-pronged attack:

- (a) New Zealand trade mark registration 105507 BATTTS<sup>®</sup> is not a valid registration and should be revoked pursuant to s 66(1)(c) of the Act because, in consequence of acts or inactivity of Tasman, "batts" is and had become by the alleged date of infringement a common name in general public use to describe insulating materials (typically rectangular in shape) and consequently does not and cannot function as a trade mark; and
- (b) New Zealand trade mark registration 105507 BATTTS<sup>®</sup> is not a valid registration and should be revoked pursuant to s 66(1)(a) of the Act because at no time during a continuous period of three years or more did Tasman put trade mark registration 105507 to genuine use in the course of trade in New Zealand in relation to insulating materials being the goods in respect of which the trade mark is registered.

[68] Knauf and BFNG also counterclaim against Tasman alleging that Tasman's proceedings are unjustified proceedings in terms of s 105 of the Act as a consequence of the three trade mark issues raised, namely:

- (a) the s 95 defence;
- (b) the s 66(1)(a) genuine use challenge; and
- (c) the s 66(1)(c) genericism challenge.

[69] Reflecting the logic that trade mark infringement and revocation claims are best dealt with in reverse order<sup>6</sup> the List of Issues for Trial (amended to reflect the developments in Tasman’s opening) structured the trade mark issues in the following way:

### **Revocation**

- [1] Does [Tasman’s] use of “Pink Batts” and “Batts” constitute genuine use of the BATTTS<sup>®</sup> trade mark: s 66(1)(a), Trade Marks Act 2002? [It is accepted that [Knauf] is an aggrieved person.]
- [2] Has the BATTTS<sup>®</sup> trade mark become a common name in general public use for insulating materials in consequence of the acts or inactivity of [Tasman]: s 66(1)(c), Trade Marks Act 2002?

### **Trade mark infringement**

- [3] Does [Knauf’s and/or BFNG’s] use of:
  - (a) the words “batt” or “batts” on the packaging of the “Earthwool” insulation products;
  - (b) [deleted]
  - (c) the words “batt” or “batts” on the website *www.earthwool.co.nz*constitute:
  - 1. Use of a sign;
  - 2. In the course of trade?
- [4] If so, is the sign either:
  - 1. Identical to the BATTTS<sup>®</sup> trade mark; or
  - 2. Similar to the BATTTS<sup>®</sup> trade mark such that the use would be likely to deceive or confuse?
- [5] Do [Knauf and/or BFNG] have an available defence under s 95 of the Trade Marks Act 2002?
- [6] Do [Knauf and/or BFNG] have an available defence (and counterclaim for revocation) on the basis of alleged genericism pursuant to s 66(1)(c) of the Trade Marks Act 2002?

### **Unjustified proceedings**

- [7] Was [Tasman] not justified in bringing the trade mark infringement proceedings against [Knauf and/or BFNG]?

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<sup>6</sup> *Anheuser-Busch Inc v Budweiser Budvar National Corporation* [2001] 3 NZLR 666 (HC) at [29].

*Fair Trading Act issues*

[70] Tasman alleges various contraventions of the Fair Trading Act 1986 by each of the defendants. Knauf counters with allegations of contraventions by Tasman. The essence of those several allegations is captured in paragraphs 8-13 of the List of Issues for Trial:

**Fair Trading Act 1986: “Earthwool” brand**

- [8] Is [Knauf’s] “Earthwool” brand, the use of the “Earthwool” name, and the way in which the “Earthwool” product was distributed and marketed:
1. Liable to mislead the public as to the nature, manufacturing process or characteristics of the “Earthwool” insulation products, in particular that the products are made of sheep wool or wool from other types of animals when they are not;
  2. Misleading or deceptive, or likely to mislead or deceive the public into thinking that the products are made of sheep wool or wool from other types of animals when they are not?
- [9] Is the manner of Eco Insulation’s sale, advertising, and marketing of the “Earthwool” product on its website *www.ecoinsulation.co.nz* as pleaded in paragraphs 18 – 22 of the third amended statement of claim liable to mislead the public as to the nature, manufacturing process or characteristics of the “Earthwool” product, in particular
- (i) That the “Earthwool” product is made of sheep wool or wool from other types of animals when it was not and
  - (ii) As the said website fails to distinguish between the “Earthwool” product and another insulation product made from wool distributed by Eco Insulation?
- [10] Is the manner in which the “Earthwool” insulation products are being marketed on the *www.earthwool.co.nz* website as pleaded in paragraphs 35 – 36 of the third amended statement of claim;
1. Liable to mislead the public as to the nature, manufacturing process or characteristics of the “Earthwool” insulation products advertised on the website, in particular that the products are not made from glass or polyester but are instead made of sheep wool or wool from other types of animals when they are not;
  2. Misleading or deceptive or likely to mislead or deceive the public into thinking that the “Earthwool” insulation products are not made from glass or polyester but are instead made of sheep wool or wool from other types of animals when they are not?
- [11] Did Tasman use the alleged discrediting words referred to as paraphrased in the press release by [Knauf and/or BFNG] on 26 August

2012 asserting that “a competitor” had been trying to discredit the “Earthwool” brand of insulation products?

**Fair Trading Act 1986: Tasman’s conduct**

[12] Was the statement, that PINK<sup>®</sup>BATTS<sup>®</sup> insulation products are on average over 7:1 compression ratio packed, accurate?

If the statement was not accurate;

1. Was it misleading or deceptive or likely to mislead or deceive;
2. Was it liable to mislead the public as to the nature, manufacturing process, characteristics, suitability for purpose or quantity of goods;
3. In connection with the supply or possible supply of goods or with the promotion by any means of the supply or use of goods, was it a false or misleading representation that goods are of a particular kind, standard, quality, grade, quantity, or composition?

[13] Are the presentations comparing Tasman’s insulation products with the “Earthwool” brand of insulation products by placing both products in water;

1. An acceptable comparison of those products?
2. If not, then were presentations:
  - a) Misleading or deceptive or likely to mislead or deceive;
  - b) Liable to mislead the public as to the nature, manufacturing process, characteristics, suitability for purpose or quantity of goods?

[71] In opening, without admissions of liability, Tasman offered undertakings to the Court in relation to the defendants’ counterclaims as follows:

- (a) No average compression claim will be made in relation to Tasman products again in the future; and
- (b) The comparative product presentations complained about by Knauf will not be repeated in the future.

**Issue 1: Has there been genuine use of the BATTS<sup>®</sup> trade mark?**

[72] Registration of a trade mark in New Zealand confers exclusive rights to the use of that mark reflected in the prohibitions on use detailed in Part 4 of the Act. However

the philosophy which underpins the Act is one of “use it or lose it”. Reflecting that philosophy s 66(1)(a) provides:

**66 Grounds for revoking registration of trade mark**

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

(a) that at no time during a continuous period of 3 years or more was the trade mark put to genuine use in the course of trade in New Zealand, by the owner for the time being, in relation to goods or services in respect of which it is registered:

...

(1A) For the purposes of subsection (1)(a), continuous period means a period that commences from a date after the actual date of registration and continues uninterrupted up to the date 1 month before the application for revocation.

[73] The application for revocation having been filed on 23 November 2011, the continuous period of three years for consideration in the present case ran from 23 October 2008 to 23 October 2011.

[74] Section 67 addresses the issue of the onus of proof in relation to an application for revocation under s 66(1)(a). It provides:

**67 Onus of proof for revocation of registration of trade mark for non-use**

If an owner or a licensee intends to oppose an application for the revocation of the registration of a trade mark under section 66(1)(a) ..., the owner or the licensee must, within the period specified by the Commissioner or the Court,—

(a) provide proof of the use of the trade mark if the ground in section 66(1)(a) forms the basis for the application;

[75] Tasman’s argument was that it need only establish that during the continuous three year period BATTTS<sup>®</sup> was put to genuine use in the course of trade in New Zealand by Tasman in relation to insulation materials. “Genuine use” includes actual use of the mark in a manner consistent with the essential function of a trade mark as a badge of origin.<sup>7</sup> Tasman contended that its use of BATTTS<sup>®</sup> in advertising campaigns and on its

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<sup>7</sup> *Ansul BV v Ajax Brandbeveiliging BV* [2003] RPC 40 (ECJ) cited on this point in *Sambbasivam v Chetty* (2011) 94 IPR 214 (HC).

insulation products sold on the insulation market during the three year period plainly amounted to genuine use.

[76] The defendants' argument did not challenge the fact that the word "batts" had been used by Tasman. Rather it involved the proposition that there was no evidence that any product produced by Tasman had been marketed under or by reference to the word BATTIS alone. The defendants submitted that all relevant products had been branded PINK<sup>®</sup>BATTIS<sup>®</sup> and that such usage had been a deliberate course of conduct in accordance with the direction in, for example, the 2007 style guide<sup>8</sup> that the trade mark BATTIS<sup>®</sup> should never be used alone but always in association with the licensed trade mark PINK<sup>®</sup>. In opening Mr Elliott QC described the trade mark as being at its highest point a limping mark<sup>9</sup> by design. In closing the defendants reconsidered that stance as being far too generous.

[77] On the basis that the evidence showed, or should be interpreted as showing, that BATTIS (on its own) had not been used as a trade mark, the defendants' contention was that the only real question was whether the use of the word BATTIS in the context of PINK BATTIS amounted to genuine use. Reliance was placed on passages from the dissenting judgment of Lockhart J in *Johnson & Johnson Australia Pty Ltd v Sterling Pharmaceuticals Pty Ltd*<sup>10</sup> who viewed the use of the term "caplets" as being descriptive of a dosage form and not as an association in a trade mark sense.

[78] On the issue of descriptive use not amounting to genuine trade mark use, Tasman argued that the majority judgments of Gummow and Burchett JJ in *Johnson & Johnson* were to be preferred, drawing attention in particular to the following passage from the judgment of Burchett J:<sup>11</sup>

In my opinion, this aspect of the appeal fails. The respondent's packets of Panadol and Panadeine each bore the word "Caplets", quite prominently displayed immediately after the word "Panadol" and the word "Panadeine". In each case, an asterix directed attention to a notification of the fact that "Caplets" as well as the other brand name, is a registered trade mark. These packets also

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<sup>8</sup> See [165] below.

<sup>9</sup> Adopting Jacob J's description of a secondary mark as a "limping" trade mark in *Philips Electronics BV v Remington Consumer Products* [1998] RPC 283 (Patents Court) at 296.

<sup>10</sup> *Johnson & Johnson Australia Pty Ltd v Sterling Pharmaceuticals Pty Ltd* (1991) 101 ALR 700 (FCA) at 713.

<sup>11</sup> At 719-720.

bore writings describing the form of the contents by the word “tablet”, and stating the quantity as a specified number of “capsule-shaped tablets”.

In that context, I think that the use of the word “Caplets”, in association with the words “Panadol” and “Panadeine” and with a statement that each is a registered trade mark, must be regarded as trade mark use. If it is not, I have difficulty in seeing how the respondent could have made a trade mark use of its registered trade mark, which must (by virtue of s 59 of the Act) be deemed to have been validly registered.

[79] Tasman submitted that the law is clear that the use of a registered trade mark, even if solely in conjunction with other trade marks, is “use” for the purposes of s 66(1)(a) and is therefore sufficient use to protect the registered trade mark from removal.<sup>12</sup>

[80] Certainly there is no rule that a secondary or even a third level product identifier cannot be a trade mark.<sup>13</sup> Such secondary or even third level product identifiers can function as trade marks if they indicate to the consumer that the product originates from a particular undertaking.<sup>14</sup> Each case will depend on its own facts. While there is no New Zealand authority directly on point, I consider that the principle finds support in the acceptance by the Court of Appeal in *Fredco Trading Ltd v Miller*<sup>15</sup> of the proposition that it is possible for a mark to acquire distinctiveness even as part of another mark. The Court noted that that was the conclusion of the European Court of Justice in *Société des produits Nestlé SA v Mars UK Ltd*<sup>16</sup> and quoted the following passage:<sup>17</sup>

Yet, such identification [as originating from a given undertaking], and thus acquisition of distinctive character, may be as a result both of the use, as part of a registered trade mark, of a component thereof and of *the use of a separate mark in conjunction with a registered trade mark*.

[81] If it is possible for a sign to acquire distinctive character as a result of its use in conjunction with a registered trade mark, then it must follow in my view that the use of

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<sup>12</sup> *George Weston Foods Ltd v Manildra Flour Mills Pty Ltd* (1999) 47 IPR 145 (IP AUST); *Safari Trade Mark* [2002] RPC 23 (Trade Mark Registry UK); *Levi Strauss & Co v Shah* [1985] RPC 371 (EWHC); *Richemont International SA v Da Vinci Collections Pte Ltd* [2006] SGHC 150, [2006] 4 SLR (R) 369 (Singapore).

<sup>13</sup> *Safari Trade Mark*, above n 12 at [21].

<sup>14</sup> *Richemont International*, above n 12, at [14].

<sup>15</sup> *Fredco Trading Ltd v Miller* (2006) 8 NZBLC 101,761 (CA) at [81].

<sup>16</sup> *Société des produits Nestlé SA v Mars UK Ltd (Judgment)* (ECJ Second Chamber) C-353/03, 7 July 2005 at [30].

<sup>17</sup> At [30] (emphasis added).



the former sign (once registered as a trade mark) in conjunction with another registered trade mark is not disqualified from consideration as genuine use for the purposes of s 66(1)(a).

[82] In my assessment Tasman’s manner of use of “BATTS” in its advertising campaigns and on the packaging of its insulation products was not as mere description (in the manner which the defendants contend was Knauf’s style of use of the words “batt” and “batts” in the installation instructions on the EARTHWOOL<sup>®</sup> packaging<sup>18</sup>) but as a trade mark. It was plainly a use of the word in a style calculated to signal that its role was to denote the source of the goods and hence to function as a badge of origin. This was reinforced by the requirement that the trade marks be used as an adjective, not as a noun: i.e. PINK BATTS INSULATION.<sup>19</sup>

[83] That the mark BATTS was being used by Tasman as a trade mark was supported by the fact that in several instances the word was marked with the symbol ®. As the hearing officer remarked in the *George Weston* case:<sup>20</sup>

... The kangaroo is marked with a symbol ®, not just once but twice. This can have no purpose except to put anyone who cares to look on notice that the kangaroo device is a registered trade mark.

... The latter question [the use or non-use of a particular trade mark] should, in my opinion, allow a careful examination of all of the elements in use. When that is done here, the symbol ®, carefully used for an obvious purpose, must tip the scale.

[84] Consequently I reject the arguments that there was non-use or no genuine trade mark use by Tasman of the BATTS<sup>®</sup> trade mark during the relevant continuous three year period. The first counterclaim is accordingly dismissed.

## **Issue 2: Has the BATTS<sup>®</sup> trade mark become generic in New Zealand?**

### *The law*

[85] The issue of genericism of trade marks was formerly addressed in s 24(1) of the Trade Marks Act 1953 which provided that the registration of a trade mark would not be

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<sup>18</sup> See [181] below.

<sup>19</sup> See [160] below.

<sup>20</sup> *George Weston*, above n 12, at 150.

deemed to have become invalid by reason only of any use, after the date of registration, of a word or words as the name or description of an article. That saving was subject to two provisos, the first of which was:

- (a) That there is a well known and established use of the word or words as the name or description of the article or substance by person or persons carrying on a trade therein, not being use in relation to goods connected in the course of trade with the proprietor or a registered user of the trade mark ...

[86] Where the proviso applied, and if the trade mark consisted solely of that word or words, the registration of the trade mark was deemed for the purposes of s 41 to be an entry wrongly remaining on the register so far as regards registration in respect of the article or substance in question or of any goods of the same description.

[87] It is apparent from the legislative history<sup>21</sup> that s 66(1)(c) (clause 67(1)(c) at the time of drafting) reflects a change from the approach in former s 24:

#### **Grounds for revoking registration of a trade mark**

Clause 67(1)(c) provides that a registered trade mark may be revoked if the trade mark has become a common name in general public use. This is a shift from the Act where a trade mark may be revoked if it has become a common name in trade use.

This change is based on a specific policy decision concerning the grounds on which a trade mark registration may be revoked. The rationale for the decision is that a trade mark is a marketing tool. If a trade mark is used generically by the public it ceases to be able to function properly as a trade mark as it is no longer able to distinguish the owner's goods and services from those of other persons.

Owners are expected to take action to safeguard against a trade mark becoming a common name in general public use. For example, owners must use their trade marks correctly, as adjectives not nouns, for example in advertising, the term 'Levi jeans' should be used, and not just "Levi's" to prevent Levis becoming a generic term.

[88] Giving effect to that legislative policy s 66(1)(c) provides:

#### **66 Grounds for revoking registration of trade mark**

...

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<sup>21</sup> Trade Marks Bill 2002 (142-1) (Select Committee report) at 4-5.

- (c) that, in consequence of acts or inactivity of the owner, the trade mark has become a common name in general public use for a product or service in respect of which it is registered:

[89] Section 66(1)(c) has its genesis in s 22(1)(c) of the Trade Marks Act 1998 (Singapore) which in turn is materially identical to s 46(1)(c) of the Trade Marks Act 1994 (UK). It will be noted that an applicant for revocation alleging genericism must prove only that the trade mark has become “a” common name in general public use, not “the” name in general public use. Although the legislation in both England and Singapore includes the definite article, those equivalent provisions have been interpreted to mean that it is sufficient to demonstrate that the mark is “a” common name in the trade.<sup>22</sup>

[90] The English provision is also different to the extent that it continues to refer to the trade mark becoming a common name “in the trade” for a product or service. However reference to “in the trade” has been interpreted expansively. In particular in *Bjornekulla Fruktindustrier AB v Procordia Food AB*<sup>23</sup> the Court of Justice of the European Communities (Sixth Chamber), after considering the different language versions of Article 12(2)(a) of the Trade Mark Directive, said:<sup>24</sup>

In general, the perception of consumers or end users will play a decisive role. The whole aim of the commercialisation process is the purchase of the product by those persons and the role of the intermediary consists as much in detecting and anticipating the demand for that product as in increasing or directing it.

Accordingly, the relevant circles comprise principally consumers and end users. However, depending on the features of the product market concerned, the influence of intermediaries on decisions to purchase, and thus their perception of the trade mark, must also be taken into consideration.

[91] The burden of proof which an applicant for revocation must satisfy has been described as a heavy burden.<sup>25</sup> Proof that the mark has become a common name must

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<sup>22</sup> *Hormel Foods Corporation v Antilles Landscape Investments MV* [2005] EWHC 13 (Ch), [2005] RPC 28; *Wing Joo Long Ginseng Hong (Singapore) Co Pte Ltd v Quinghai Xinyuan Foreign Trade Co Ltd* [2009] FSR 13.

<sup>23</sup> *Bjornekulla Fruktindustrier AB v Procordia Food AB* [2004] RPC 45, (ECJ Sixth Chamber).

<sup>24</sup> At [24]-[25].

<sup>25</sup> *Wing Joo*, above n 22, at [59].

be established by cogent evidence.<sup>26</sup> The nature of the task is discussed in *Kerly's Law of Trade Marks and Trade Names*:<sup>27</sup>

Whether a mark has become the common name in the trade for a product or service is a question of fact to be decided in the circumstances. It is a qualitative test rather than quantitative. This ground depends on the evidence put forward in support of it. A tribunal would expect to see substantial independent evidence relating to the relevant product or service market. The evidence might come from surveys (as in *Bjornekulla*) or from persons of standing within the trade or from trade organisations and the like, showing the mark in use as the common name in the trade for a relevant product or service.

[92] Whether a trade mark has become “a common name in general public use” is a question of degree.<sup>28</sup> The word “common” suggests that the use of the name must be established or widespread in the trade for the relevant goods.

[93] What is clear in all comparable jurisdictions is that merely some descriptive use of a registered trade mark does not make it a common name in the trade.<sup>29</sup> Similarly, where a mark has become a household name, some use by way of synecdoche does not mean the mark has become truly generic or that such use is due to the acts or inactivity of the owner. Consumers who are aware of the trade mark significance of a name may nevertheless use it on occasion in a purely generic sense.

[94] Tasman’s submissions illustrated this by reference to use of the GOOGLE<sup>®</sup> trade mark:<sup>30</sup>

The GOOGLE<sup>®</sup> example referred to in the OHIM Manual for Cancellation Proceedings is illustrative of synecdoche use of a trade mark. When someone is doing research on the internet they may say that they will “google”, but this shorthand does not make the GOOGLE<sup>®</sup> trade mark a generic term. This “shorthand” does not mean that the source indication function of the mark has been lost.

[95] The ability of a mark to retain its source significance while occasionally being used by way of synecdoche was specifically recognised by Richard Arnold QC in *Hormel*:<sup>31</sup>

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<sup>26</sup> *Rousselon Frères et Cie v Horwood Homewares Ltd* [2008] EWHC 1660 (Ch), [2008] RPC 30 at [85].

<sup>27</sup> *Kerly's Law of Trade Marks and Trade Names* 15th ed, (Sweet & Maxwell, London, 2011) at [10-119].

<sup>28</sup> *Kerly*, above n 27, at [10-123].

<sup>29</sup> *Kerly*, above n 27, at [10-123].

<sup>30</sup> Tasman’s closing submissions at [36].

As to s 46(1)(c), since 1938 the claimant's mark has become a household name. In such circumstances it is not surprising that occasionally it is used by way of synecdoche to stand for canned luncheon meat generally in the same way as, for example, PERRIER is sometimes used to stand for carbonated mineral water generally (the synecdoche being the use of the species to stand for the genus). This does not mean that it has necessarily become truly generic, still less that this is due to the acts or inactivity of the claimant.

[96] The applicant for revocation also carries the burden of proving the causation element, namely that the state of the trade mark being a common name in general public use is as a consequence of the acts or inactivity of the owner. This causation requirement was discussed in what appears to be the only New Zealand case to consider s 66(1)(c), *DB Breweries Ltd v Society of Beer Advocats Inc*,<sup>32</sup> in which it was held that RADLER was not generic for beer. The Assistant Commissioner of Trade Marks there said:<sup>33</sup>

120. The "acts" component plainly refers to use of the mark by the owner in a manner that undermines its ability to distinguish the products or services of the trade mark owner from those of other undertakings.
121. The inactivity component is less obvious, but must plainly relate to situations where use has been made of the mark by another party in a manner that undermines its distinctive character and the owner has not taken steps to prevent this.

[97] Although in *Hormel*<sup>34</sup> Richard Arnold QC suggested that a proprietor who registers a highly descriptive trade mark bears "a heavier burden" to take steps to prevent it becoming a common name from one who registers an inherently distinctive mark, the burden of proof of causation remains on the applicant.

*Decision of Commissioner of Trade Marks of 17 March 1977*

[98] The registration history for Trade Mark 105507 is noted in a decision of Assistant Commissioner K S Dalefield delivered in the context of a hearing of applications for rectification in respect of the registered trade marks ZEROBATT, THERMOBATTS, INSULBATTS AND BATTSULATION. The decision records that the application to register Trade Mark 105507, which was only made on 27 August 1973 some three months after the applications for rectification were made, was advertised in

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<sup>31</sup> *Hormel*, above n 22, at [176].

<sup>32</sup> *DB Breweries Ltd v Society of Beer Advocats Inc* [2011] NZIPOTM 19.

<sup>33</sup> *DB Breweries*, above n 32, at [120]-[121].

<sup>34</sup> *Hormel*, above n 22, at [172].

the usual way, was open to opposition for three months from the date of the advertisement and, no notice of opposition having been filed, the application proceeded to registration in the normal manner.

[99] Consideration of the applications for rectification raised the issue, which was argued before Assistant Commissioner Dalefield, whether the word “BATTS” was generic. As Mr Dalefield recognised, he would have been placed in a most difficult position were he to have found that the word “BATTS” was generic (and hence insisted on disclaimers in the cases before him) when there was extant on the Register a mark consisting of the word “BATTS” alone, namely Trade Mark 105507.

[100] He concluded:

It seems to me for the reasons given above that I must find that the applicant for rectification has not discharged the onus placed upon it of proving that the word BATTS is generic and that I should therefore dismiss its applications. However, that is not to say that I find that the word BATTS is not generic. I am mindful of the possibility that the word might be generic, that registration No. 105507 BATTS exists and that whatever the reason, no action has been taken by the applicant for rectification in respect of this mark. For these reasons I am of the opinion that at this stage disclaimers of the word BATTS should not be required in respect of registrations 86531 ZEROBATT, B90168 THERMOBATTS, B90169 INSULBATTS and B90829 BATTSULATION.

[101] The defendants contended that this decision was relevant to the present litigation because it demonstrated that:

- (a) from the outset the BATTS trade mark operated as a type of “pseudo” or “shadow” mark, at all times forming part of other “real” marks until BATTS<sup>®</sup> was registered in 1973;
- (b) the risk of the mark being or becoming generic must have been apparent from at least 1977 such that Tasman and its predecessors must have known that a serious question mark hung over the mark in terms of its being generic; and
- (c) from at least 1977 onwards Tasman and its predecessors must have known that the BATTS<sup>®</sup> trade mark was at real risk.

[102] Tasman submitted that the decision, which did not concern the BATTSS<sup>®</sup> trade mark registration itself, provided no basis for the defendants' submission because the decision said nothing about the factual distinctiveness of the BATTSS<sup>®</sup> mark in 1973, let alone as at the relevant date in 2011. Tasman made the further point that the defendants' argument baldly ignored the statutory presumption as to validity of registration in s 75 of the Act.

[103] I apprehend that one reason for the defendants referring to that decision was in support of their contention that the word "batts" was a factually generic term prior to Tasman's predecessor securing a trade mark registration. Notwithstanding the period of registration, the defendants contended that a fundamental issue was whether BATTSS was ever capable of functioning, and did in fact function, as a trade mark. It was suggested that its use as a descriptive term overseas, and allegedly in New Zealand, raised the question as to how the trade mark registration was secured in the first place.

[104] I do not accept that contention. This is not an appeal from a decision to register the trade mark. That registration has been on foot since 1973. Tasman's point about the presumption as to validity is well made. In order to succeed, the current application must satisfy the requirements of s 66(1)(c) which do not involve an inquiry into the sufficiency of the original application for registration. However the focus on initial registration, together with the defendants' reference to Tasman's apprehension of the risk of the mark becoming generic in the period from at least 1977 onwards,<sup>35</sup> serves to highlight the important issue of the baseline in time for the consideration of the defendants' genericism attack.

*An issue of retrospectivity*

[105] The date on which the relevant parts of the Act came into force was 20 August 2003.<sup>36</sup> Given the reference to events prior to that date, and indeed as far back in time as 1977 (Knauf claimed to rely on evidence of alleged misuse and neglect "well before the Internet age") questions arose as to the relevance of evidence prior to that date. There were two aspects to this issue. The first, and perhaps more obvious, question was

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<sup>35</sup> A schedule B annexed to the defendants' closing submissions intended to summarise acts and inactivity by Tasman extended back to 1983.

<sup>36</sup> Trade Marks Regulations 2003, reg 2.

whether acts or inactivity of the trade mark owner prior to 20 August 2003 can be taken into account in the consideration of the question whether the trade mark has become a common name in general public use.

[106] The second question followed from the fact of the causative component. If only acts or omissions since 20 August 2003 are relevant then, since the state of being a common name in general public use must be as a consequence of the acts or omissions, was evidence of the state of the trade mark prior to that date relevant?

[107] Whereas there are specific transitional provisions in respect of applications for revocation under s 66(1)(a) and (b),<sup>37</sup> there is no transitional provision in respect of applications under s 66(1)(c). Consequently the question falls to be determined by reference to general principles.

[108] Although s 7 of the Interpretation Act 1999 states that an enactment does not have retrospective effect, that is qualified by s 4 which provides that the Interpretation Act prevails unless another enactment provides otherwise or the context of that other enactment requires a different interpretation. Consequently s 7 establishes a presumption that an enactment is not retrospective.

[109] The strength of the presumption depends on the nature and degree of the injustice that would result from the statute being given retrospective operation. Where palpable injustice would result the presumption should be given its fullest weight. On the other hand, where it might be considered to cause some injustice to one party but is clearly required to rectify manifest injustice to others, there would seem little reason to give much weight to the presumption.<sup>38</sup> The ultimate question is one of the construction of the statute.

[110] One of the purposes in the statement of purpose section, in s 3(a) of the Act, is to clearly define the scope of rights protected by registered trade marks. That purpose statement reflects the emphasis in the Hansard material on the purpose of the Act being to clarify and provide certainty for the operation of trade mark law. Such emphasis on

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<sup>37</sup> Trade Marks Act 2002, ss 208(4)-(7).

<sup>38</sup> *Doro v Victoria Railway Commissioners* [1960] VR 84 (Vict SC) at 86 per Adam J.



clarity and certainty suggests that it is unlikely that the Act was passed with the intention that it would have retrospective effect save to the extent that that is addressed in the several focused transitional provisions.<sup>39</sup>

[111] Consequently I consider that the presumption against retrospectivity is not rebutted. It follows that whether the trade mark has become a common name in general public use can only be considered to the extent that such a state of affairs has occurred as a result of the acts or inactivity of Tasman since 20 August 2003.

*The defendants' evidence*

[112] The defendants' case that BATTTS<sup>®</sup> has become a common name in general public use was primarily based on two sources of evidence: material from Trade Me and an analysis of the collection of discovered material.

[113] In May 2012 the operators of the New Zealand auction website, *trademe.co.nz*, provided to Knauf's New Zealand attorneys a spreadsheet which contained all listings incorporating the word "batt" and "batts". These were listings posted by private sellers (as one-off sales) and trades people on *trademe.co.nz* since 10 April 2002, which it appears is the first date from which Trade Me's data is available.

[114] Because a number of the listings were for irrelevant products (e.g. batteries), Mr Hanssens, the marketing coordinator of Knauf Australia, was tasked with filtering out those irrelevant listings so that the instances of use related only to insulation. The filtering process removed 10,470 listings leaving 12,653 potentially relevant listings.

[115] Mr Hanssens then sorted the remaining information into five colour-coded categories (by reference to the title and the body of the listings):

1. "Pink Batts" used in the title and body, or just title of the listing (pink);
2. "Pink Batts" in the title and "batts" in the body of the listing (light blue);
3. "Batts" in the title and "Pink Batts" in the body of the listing (dark blue);
4. "Batts" in the title and/or body of the listing; no reference to "Pink Batts" (orange); and

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<sup>39</sup> Sections 202-209.

5. No reference to “Pink Batts” or “batts” in the title; “Pink Batts” used in the body of the listing only (yellow).

[116] In response to criticism by Tasman Mr Hanssens re-filtered the spreadsheet to remove certain other entries which were not for insulation products. The end result for the period between 2002 and 2012 for the five categories described above were:

1. 6417 listings;
2. 1870 listings;
3. 321 listings;
4. 2383 entries;
5. 1318 entries.

[117] Those figures were adjusted again during cross-examination to remove entries subsequent to November 2011, being the date of commencement of the proceeding. From the orange category 183 entries were removed for this reason, leaving approximately 2200 listings<sup>40</sup> in that fourth group.

[118] Mr Hanssens explained that the spreadsheet was designed to be an unbiased illustration of the use of the word “batts” in New Zealand society. He made the point that, while it was possible that entries where “batts” had been used would be references to “Pink Batts” insulation products, the spreadsheet contained listings where the word “batts” was being used descriptively in relation to insulation products that were not “Pink Batts” products.

[119] Tasman was critical of this volume of material suggesting that the defendants had in effect “trawled” through the internet. The defendants were uncontrite. Inferring that Tasman’s description was to liken the exercise to a fishing expedition, the defendants contended that, when the need arises to show what is in the public mind, then the public domain is the principal place to source such evidence.

[120] I accept the defendants’ contention as to the significance of the public mind in a case such as the present and to that extent I do not consider that Tasman’s criticism is

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<sup>40</sup> The cross-examination of Ms Roberts proceeded on the basis there were 2204 orange listings.

fairly made. Nevertheless, issues do arise as to the evidential value and hence utility of much of the material derived from that process.

[121] While contending that the Trade Me listings were problematic, in the sense that they did not provide the full context of the listings because the accompanying photographs were not before the Court, Tasman submitted that this evidence supported its case rather than the defendants' case. Tasman calculated that the 2200 listings in the orange category (where "batts" or "Batts" was used in the title and/or body of the listing without reference to "Pink Batts") represented 17.8 per cent of the total listings whereas 82.2 per cent of listings included reference to "Pink Batts" in either the title and/or the body of the listing. On a contextual analysis Tasman contended that those were therefore references to Tasman's PINK<sup>®</sup>BATTS<sup>®</sup> products. The defendants did not appear to take issue with Tasman's calculations.

[122] While fairly acknowledging that there was a certain degree of generic usage disclosed, Ms Roberts explained in cross-examination that a significant amount of what was loose usage would be intended to refer to Tasman's product:

Q: I mean the numbers are just massive aren't they?

A: I think, I know you have given some good examples, but in the dark blue group, in the light blue group, in the yellow group, there is also plenty of examples where Pink Batts is, the reference may say "batts" but the product they are referring to is Pink Batts insulation.

Q: But surely when you look at the evidence as a whole the overwhelming impression is that "batts" is used to describe a format of insulation?

A: No, I think it's this word that Professor Brodie used, which is shorthand, shorthand for Pink Batts insulation.

Q: So you think the overwhelming impression is that it's referring to Pink Batts?

A: Yes. Well 52% already start from that point.

Q: Well you're probably going to be right, because Pink Batts has got 52% of the market, so it's going to be a big player in terms of sales. But –

A: But this is consumers, so consumers are using it correctly, or to refer to our Pink Batts product. Predominantly consumers; there will be builders in there.

Q: So you think the examples that I took you to are really, not really representative of the way in which people are using the word to describe a formatted product?

A: You have, definitely there is some generic use in there. People don't understand that Pink Batts is a trademark. But there's lots of, more loose use, where they do understand Pink Batts is a trademark, and they're referring to it.

Q: So the examples, you think the examples that I took you to don't really make the point at all?

A: No I don't disagree that there is some generic use in there. And like I said, you know, we – we can influence merchants more than we can influence builders, who we can – the degrees of separation dictate the degree of influence we can have in terms of exact proper usage of the trademark. But these guys when they say, "Pink Batts," – when they refer to "batts", in many cases they're referring to our Pink Batts insulation.

Q: But surely –

A: The people that are buying it think they're going to get Pink Batts insulation and all the things that that means to them.

[123] Furthermore Tasman did not accept that all references in the orange category were evidence of descriptive use, reasoning that many of the references in that category would either be to PINK<sup>®</sup>BATTS<sup>®</sup> or were simply ambiguous. This was demonstrated in the re-examination of Ms Roberts by reference to the grey or green products which could have been either instances of misuse or a reference to the PINK<sup>®</sup>BATTS<sup>®</sup> Silencer product.

[124] Rather than dwelling on random individual examples, the difficulty which arises with snippets of information which are not able to be amplified by actual witnesses is usefully illustrated in the defendants' own closing submissions:

99. However, the form of usage "lay the Pink Batts in the corner" or "lay the pink batts in the corner" is decidedly ambiguous. Is the reference to "batts" referring to the trade mark or the type of product? In this situation, Tasman's argument is that the reference is not ambiguous at all because Tasman has traditionally had such a large market share that consumers would necessarily be referring to their product. That however does not address the central issue – they are at least arguably using the term "batts" descriptively to refer to pink coloured batts (a perfectly apt, natural and unambiguous use of the English language).

100. The term Batts/batts thereby assumes a potential hybrid meaning. This is entirely consistent with Mr Dunbar's evidence that context is

important and that a term being used on one hand as a trade mark and another as a descriptor are not mutually exclusive ... The point however is that consumers when faced with improper use of the term by the proprietor are left in a quandary as to which form of usage is correct.

[125] The resolution of that issue favoured by the defendants was:

101. Putting the Plaintiff's case at its highest (but without accepting it is correct), that quandary is likely to be resolved on the basis that Pink Batts may be both a trade mark (when the two words are combined) and a descriptor when "batts" is on its own. In other words, it is not unreasonable to assume that all the generic use seen in the media is simply reflecting a degree of trade mark use (Pink Batts) and a lot of descriptive and thus generic use ("batts" alone).

[126] I do not consider that it is legitimate simply to make such an assumption. The conclusion favoured by the defendants may or may not be the actual position. However it is for the defendants to prove their case. The making of such an assumption does not satisfy the burden of proof on an applicant for revocation<sup>41</sup> contending that a trade mark has become a common name in general public use.

[127] A separate exercise was undertaken by Mr Hall, a director of BFNG and also a director of MCGL. Knauf requested MCGL to compile whatever information was publicly available as to whether "batts" is a generic word and had been used in New Zealand as such.

[128] To complete this task MCGL searched publicly available resources and material prepared for use in New Zealand. MCGL used a variety of public search engines, site-specific search tools and the page content search function of the browser used. Any search that contained the word "Pink" in front of the words "batt" or "batts" or where the words "batt" or "batts" were specifically attributed to Tasman or its distributors was ignored.

[129] Utilising that (and some other material) a summary chart of examples of generic references to "batt" or "batts" was then prepared by Ms Hay, an employee of James & Wells. The summary chart did not include references to the Trade Me spreadsheet prepared by Mr Hanssens.

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<sup>41</sup> At [91] above.

[130] The results in the spreadsheet were divided into 12 categories:<sup>42</sup>

1. Dictionaries;
2. Academic institutions;
3. Consumers;
4. Decisions of New Zealand courts and tribunals;
5. Government: central and local;
6. News media;
7. Patents;
8. Trade mark applications and registrations;
9. Real estate;
10. Industry bodies;
11. Trade; and
12. Tasman.

[131] Tasman submitted that the summary chart was not substantially helpful to the Court because a number of categories involved the use of the word “batts” in other than a commercial context. Such categories included dictionaries, academic institutions, decisions of New Zealand courts and tribunals, Government institutions and patent and trade mark registrations. Tasman submitted it was the consumer use of and understanding of the BATTTS<sup>®</sup> trade mark, in the context of purchasing decisions, that determines whether the trade mark retains its essential function as a badge of origin. Tasman pointed to the observations of Floyd J in *Hasbro Inc v 123 Nahrungsmittel GmbH*:<sup>43</sup>

...It is wrong to consider the meaning of the words when used in other contexts, such as in the present case, in recipes for home-made play dough or craft literature. Moreover, here as elsewhere dictionaries are a dangerous guide if used in isolation. The question in every case is not the definition of the words, but what the average consumer would understand, if he saw the mark in context, that the words were being used to mean.

[132] Attention was also drawn to the observations of Gault J in *Wineworths Group Ltd v Comite Interprofessionel du Vin de Champagne*:<sup>44</sup>

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<sup>42</sup> Exhibit 6.

<sup>43</sup> *Hasbro Inc v 123 Nahrungsmittel GmbH* [2011] EWHC 199 (Ch), [2011] FSR 21 at [171].

<sup>44</sup> *Wineworths Group Ltd v Comite Interprofessionel du Vin de Champagne* [1992] 2 NZLR 327 (CA) at 337.

... How people use a name for purposes other than in trade may be quite irrelevant. Carelessness or ignorance often results in the leading brand name being used to indicate the type of product, such as vacuum cleaners, photocopiers, ball pens, vacuum flasks and the like. Traders cannot sue members of the public for such carelessness or ignorant misuse. However, that does not mean that the brand names no longer serve their proper purpose in trade.

[133] In my view there is force in that criticism. Consistent with that approach Tasman focused on the categories for “Consumer” (37 items) and “Trade” (133 items) which it submitted demonstrated that there was a paucity of cogent evidence to support the ground of revocation.

[134] Standing back and looking at the evidence as a whole there is clearly a not insignificant degree of use of the words “batt” and “batts” to describe insulation in a generic, non-proprietary sense. That was demonstrated in the evidence of Mr Durbin, a former employee of Mitre 10 and Carters, who at the same time fairly acknowledged the efforts taken by Ms Roberts and her predecessor to enforce Tasman’s trade mark policy. Ironically the zenith of such evidence came from Mr Treanor, a witness for Tasman primarily with reference to the immersion test. In a lengthy response to a question from the Court as to the nature of his clients and how he came to have contact with them, he made the following comment:

... there are many types, many companies out there today, there is probably more types of insulation being installed in New Zealand houses now than we have ever seen. We grew up with Pink Batts and basically everyone just uses the term “batts” now for insulation and I guess that can be attested to, you know, Tasman’s marketing over the years where batts is now the generic term, I guess, for insulation.

[135] My perception of the evidence is that there is a degree of loose terminology, especially in stores where PINK<sup>®</sup>BATTS<sup>®</sup> product is sold, as well as a degree of usage by way of synecdoche. There is material in the form of the Trade Me listings, several of which are ambiguous on their face. Nevertheless there is also a not insignificant amount of what appears to be generic use. However, collectively this evidence is not of a quantity or a quality to cause me to be satisfied that the trade mark has become a common name in general public use for pieces of fibrous insulation.

[136] Finally with reference to the defendants’ evidence, Tasman contended that it was apparent that the defendants had commissioned a market survey on this issue but had

chosen not to put it into evidence. Tasman invited the Court to draw a negative inference that the results of the survey did not support the defendants' case. It is for the defendants to seek to prove their case in the manner they prefer. There is no evidence before me as to the content of a survey, let alone its results. I am not prepared to draw any unfavourable inference about the defendants' case on the ground that it elected not to lead evidence of a market survey even if it did commission one.

*Tasman's evidence: the "BATTTS" survey*

[137] Tasman commissioned Colmar Brunton to undertake a market survey which was designed to elicit evidence on the alleged genericism of the BATTTS<sup>®</sup> trade mark. The survey was conducted via Colmar Brunton's OmniJet, an online omnibus study conducted fortnightly with 500 individuals, aged 18 years and over, throughout New Zealand.

[138] The OmniJet process involves emailing to a web panel sample an invitation to participate and a link to the survey. The participants then complete the online questionnaire while non-respondents and those only part way through the questionnaire are sent a reminder email after three to four days. Colmar Brunton claims to have the largest on-line "panel" in New Zealand by virtue of its being a participant company in Fly Buys, New Zealand's largest multi-partner loyalty programme. The Fly Buys member database has in excess of 2.7 million New Zealanders covering 1.1 million New Zealand households which extends to 80 per cent of the population 18 years and over. From that base Colmar Brunton has created a search panel containing in excess of 190,000 members.

[139] The field work for the "BATTTS" survey was conducted in May 2013 among 500 respondents with the survey comprising a single multi-choice question. Respondents were shown five separate insulation products, each from a different company (the products being Bradford Gold, GreenStuf, PINK<sup>®</sup>BATTTS<sup>®</sup>, Terra Lana and EARTHWOOL<sup>®</sup>, although respondents were not provided with the brand names of the insulation products). The five colour images were set out horizontally across the screen and were randomised so that the order of images was not the same for all respondents. Each respondent was asked the following question:



Which of these insulation products, if any, are “batts”? Please select all those that apply.

[140] Respondents were able to select any number of the insulation products or they could select “none of these”. However the answer options did not include either “all of these” or “don’t know”. The percentage responses identifying the images of the insulation products as “batts” were:

- (a) Only the PINK<sup>®</sup>BATTS<sup>®</sup> product: 57 per cent
- (b) The PINK<sup>®</sup>BATTS<sup>®</sup> product and one other product: 67 per cent
- (c) The PINK<sup>®</sup>BATTS<sup>®</sup> product and two other products: 76 per cent
- (d) The PINK<sup>®</sup>BATTS<sup>®</sup> product and three other products: 85 per cent
- (e) All five images: 11 per cent

[141] Two per cent of respondents responded that none of the pictured products were “batts”.

[142] On the basis of these results Professor Brodie of the University of Auckland concluded that the dominant meaning of the word “batts” to consumers when they consider insulation products is an association with the PINK<sup>®</sup>BATTS<sup>®</sup> brand as opposed to a term to describe a category of insulation products. The fact that only 11 per cent of respondents selected all five images indicated to Professor Brodie that only a very small proportion of consumers understand the word “batts” to describe a category of insulation products.

[143] The “BATTS” survey was strongly criticised by two expert witnesses for the defendants, Associate Professor Melnyk of Massey University and Professor Gendall, a senior research fellow at the University of Otago.

[144] Professor Gendall suggested that respondents with little or no knowledge of insulation will have assumed that at least one of the products shown was “batts” because respondents do not expect to be asked trick questions in surveys. Seeing the pink

insulation segment could have triggered recall of “Pink Batts”, a widely advertised brand, and hence the response of the majority of respondents was predictable. He considered that the absence of a “don’t know” option was a serious weakness because it did not allow respondents who had genuinely no idea of the answer to say so. Associate Professor Melnyk suggested that the inclusion of an “all of these” option would have been appropriate so as to reduce the reluctance for participants to individually select all of the products shown.

[145] However their major criticisms were directed to the issue of the fitness of the survey for the purpose of determining the genericism or otherwise of the term “batts”. Professor Gendall considered that the survey did not actually address the key issue which was what buyers understand by the word “batts”: does it describe a particular type of insulation material or is it a shorthand for PINK<sup>®</sup>BATTS<sup>®</sup> insulation? Associate Professor Melnyk made the point that the design of the question did not allow identification of whether the choice was driven by just a shape or just a colour or a “shape-colour” combination. She said that it was really important to separate those because they have different implications to consumers, particularly if one of the colours, e.g. “pink” was well known. Only if the participants saw the stimuli in similar colours could one rule out colour saliency as an explanation for the results.

[146] Tasman argued that the survey results demonstrated that BATTS<sup>®</sup> has autonomous distinctive character by drawing the attention of New Zealand consumers to PINK<sup>®</sup> and thus to the origin of the goods. It contended that this was effectively conceded by Professor Gendall when he said:

I think what it actually did was simply to measure brand awareness or awareness of the perceptiveness of the colour pink in the product category basically.

[147] I agree with Professor Gendall. I consider that what ought to have been an attempt to test for genericism became confused with an endeavour to prove brand recognition. In my view the point is demonstrated in a passage from the cross-examination of Professor Brodie:

Q: Well you agreed with me that the colour issue had permeated the issue we are grappling with in a significant way, and that problem could have been avoided very simply by not having colours involved, by having segments rather than colours?

A: I mean the pinkness is so intrinsically associated with the Pink Batts brand. So if you took away the colour then you wouldn't be testing the association with the Pink Batts brand.

Q: Well I thought we were trying to ascertain whether the word "batts" was used to describe the format of the product? Surely, the question should be posed in a neutral way? There's look at this particular shape or segment of insulation and tell me what the word "batts" means in relation to it. What comes to mind if I use the word "batts"?

A: I would argue then that you're really testing for genericism rather than for anything to do with branding.

Q: Well that's what we're trying to do here.

A: No, you're trying to do, test the two things together, the relative influence of the brand, branding and the genericism. That's what the question does.

[148] Professor Brodie did not accept the validity of the other criticisms and, as is frequently the case with survey evidence, the different perspectives were explained at some length in the cross-examination of the three experts. Suffice to say I consider that the objections both to the form of the question and the available permutations of responses had validity. I do not consider the survey to be useful evidence on the issue of genericism.

#### *The causation component*

[149] Although Tasman submitted that it was not necessary to do so, I proceed to consider the causation component of s 66(1)(c) on the hypothesis that my conclusion, that Trade Mark 105507 has not become a common name in general public use for insulation, is erroneous. I do so on the footing that the acts or inactivity of Tasman which are relevant are only those subsequent to 20 August 2003.<sup>45</sup>

[150] The defendants submitted that "acts" included "protective" acts (to stop use by the public of BATTTS<sup>®</sup> generically) and "positive" acts (encouraging BATTTS<sup>®</sup> to become generic) with "inactivity" being the absence of or failure to take protective acts. That analysis appears to me to be essentially the same as the approach adopted in the *Society of Beer Advocats* case.<sup>46</sup>

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<sup>45</sup> At [111] above.

<sup>46</sup> At [96] above.

*(Positive) acts*

[151] In the defendants' submission the most obvious instance of a positive act was the CSR settlement whereby Tasman consented to CSR (together with CSR Building Materials) using the word "batts" in New Zealand to describe and refer to insulating materials:

- (a) in certain product and/or technical manuals to be distributed to or used exclusively only by the trade (and not the public) in New Zealand; and
- (b) in their product and/or technical literature accessible in New Zealand via the internet from an overseas hosted site.

[152] For its part, CSR agreed not to use the word "batts":

- (a) on or in relation to any insulating product advertised or offered for sale or sold in New Zealand; or
- (b) in any materials other than as agreed in the terms above.

[153] It was a term of the settlement that Tasman was not entitled to terminate the agreement in any circumstances.

[154] Tasman's position was that the settlement simply recognised that "batts" was a descriptive term in Australia and that CSR was restricted to using the word in technical information and information included on an Australian website. While I doubt that the CSR settlement would have contributed materially to the genericism of the BATTTS<sup>®</sup> trade mark, the key point is that the settlement was executed on 24 March 2003 which in my view disqualifies it from consideration under s 66(1)(c).

[155] The other source of evidence as to positive acts was Ms Sarah Rosanowski, a solicitor employed by James & Wells. She had reviewed the discovered documents in an endeavour to identify descriptive use by Tasman of PINK<sup>®</sup>BATTTS<sup>®</sup>. A number of the examples to which she referred were dated prior to 20 August 2003 including the 1987 television commercial.

[156] While several instances to which Ms Rosanowski referred did fall within the relevant period, there was doubt as to whether they were all published in New Zealand. Furthermore the witness explained that one of the tests which she had applied in assessing the existence of descriptive use was where there was a reference to PINK BATTIS without a following noun. Ultimately I did not find this evidence of significant assistance on the causation issue.

### *Inactivity*

[157] While I have not found authority on the point, to my mind the charge of inactivity can only be levelled against Tasman in relation to use by other persons of the word “batts” about which Tasman could legitimately complain. Hence, if the use of the word was not use as a trade mark (as explored in Issue 3 below) Tasman could not take objection. Similarly if the use of the word qualified for the s 95(c)(i) defence (as explored in Issue 5 below) Tasman could not take objection.

[158] The uncertainty which surrounded the legitimacy or otherwise of a number of instances of use advanced by the defendants is exemplified in the following extract from the cross-examination of Ms Roberts:

Q: Because if my description of the way Wikipedia works, if you had found that the term “batts” was used descriptively to refer to batting or the type of product we’ve been talking about, you would have had the opportunity to get your perhaps web people to write in and say, “Well hang on, in New Zealand it’s a registered trademark”?

A: Yes.

Q: And that never occurred to you?

A: No

[159] The issue became particularly acute in the context of the defendants’ reliance on the Trade Me material. The defendants submitted that Trade Me was a good example of inactivity on the part of Tasman on the basis that the level of misuse of “batts” was alleged to be significant. Tasman’s riposte was that that assertion was not substantiated on the evidence which demonstrated that the overwhelming majority of references to “batts” on Trade Me, up to the relevant date, were references to Tasman’s

PINK<sup>®</sup>BATTS<sup>®</sup> products. I have referred above<sup>47</sup> to the difficulty in the interpretation of much of this material. Clearly however Tasman has been alert for several years to the potential risk for its trade mark registration.

*Recognition by Tasman of risk of genericism*

[160] The earliest indication in the record of any apprehension by Tasman that the BATTS<sup>®</sup> trade mark had potential vulnerability was in an internal communication dated 5 June 1991 headed “TRADEMARK/PATENT PROTECTION”. It read:

Based on legal advice (recently obtained), to avoid losing ultimate protection of trademarks to a term generic, our promotions, literature, etc. should portray trademarks as a adjective and not a noun, e.g. PINK BATTS INSULATION and not Pink BATTS (where Batts is the registered trademark). Action should be taken to review material associated with our registered trademarks and amend as necessary.

Footnote: Webster’s World Dictionary

GENERIC – “That is not a trademark”

[161] Although the legal advice was not in evidence, the legal context in which such advice would have been provided was s 24(1)(a) of the Trade Marks Act 1953.

[162] The next communication in evidence addressing the mode of protection of the trade mark was an internal memorandum dated 14 May 1997 from Ms Sargent to all staff under the heading “PINK<sup>™</sup>BATTS<sup>®</sup> TRADEMARK”. The memorandum commenced by referring to the then recent update of the Pink<sup>™</sup>Batts<sup>®</sup> image, including a new packaging promotional campaign and logo. It then stated:

To protect our valuable trademark the <sup>™</sup> and <sup>®</sup> symbols must always be used when referring to Pink<sup>™</sup>Batts<sup>®</sup>, Note that the word Batts<sup>®</sup> is a trademark belonging to Carter Holt Harvey Limited, and as such refers only to our product. Please use the full name, ie Pink<sup>™</sup>Batts<sup>®</sup>, rather than Batts<sup>®</sup> on its own. This applies not only to the stylised logo but also to use of our trademark in letters, memoranda etc.

...

From time to time you will come across people using our trademark incorrectly; please let me know when you do and I will forward a standard letter to them.

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<sup>47</sup> At [124]-[126].

[163] One such letter sent about this time was from Ms Sargent to the Building Depot, Whangaparaoa, concerning the content of a flyer then available in Building Depot stores. The relevant part of the letter said:

However I must ask that in accordance with our trademark usage rules that the <sup>TM</sup> and ® symbols be added where required, as marked on the enclosed copy. You may have already taken care of this. If not however I would be grateful if you would direct this to the person responsible for producing this material.

[164] The first formal publication in evidence relating to trade mark guidelines was the Tasman Product Images, Logos and Advertising Guidelines dated March 2007. This was a comprehensive spiral bound publication which was supplied to trade customers and which incorporated in the inside back cover a CD to be used for the preparation of art work incorporating Tasman's logos etc. Although the focus of the publication was on the mode of presentation of the PINK BATTS brand trade advertising identity, there were instructions as to the mode of presentation of the trade mark. The following statement was printed under the heading Pink<sup>TM</sup>Batts<sup>®</sup> Identity Guidelines (and repeated in a number of other places in the publication):

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Pink<sup>TM</sup>Batts<sup>®</sup> Identity Guidelines

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The words **Pink<sup>TM</sup>Batts<sup>®</sup>** should always be used with the ® symbol. The word **Batts<sup>®</sup>** cannot be used on its own. In newspaper and other print advertisements the text copy should always be **Pink<sup>TM</sup>Batts<sup>®</sup> insulation**. Where the **Pink<sup>TM</sup>Batts<sup>®</sup>** logo or product is shown the following text copy must be included as a legal line, The colour PINK is a registered trademark of Owens Corning.

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[165] A number of variants of the brand style guide were published during 2010. The Brand Style Guide and Brand Style Guide (Merchant) both dated April 2010 did not touch on the issue of preventative steps to protect the trade mark. However a document dated September 2010 entitled "Pink<sup>®</sup>Batts<sup>®</sup> Insulation Branding Guidelines", which comprised a series of overheads for presentations to staff and others, contained the following statements:

The use of two ® symbols shows separate trademarks with different ownership.

To ensure the term Pink<sup>®</sup>Batts<sup>®</sup> does not become generic it must always be shown with a descriptor "insulation, ceiling insulation etc".

Never use Batts<sup>®</sup> on its own – in danger of becoming descriptive.

We are the only country in the World where there is a trademark on “Batts<sup>®</sup>” – this makes it vulnerable.

We take legal action – successful because we can prove our disciplined use of the trademark.

Refer to “pieces” in a “pack” not “Batts<sup>®</sup>”.

What can you trademark?

You can’t trademark generic or descriptive terms that are used to describe what the product does.

[166] On 9 April 2010 Tasman sent a letter to the head offices of its various merchant customers with a request that a copy of the letter should be on-sent to the various customer branches. The letter included the following paragraphs:

#### Unknown Insulation Products

As you may be aware, the Government subsidised insulation scheme in Australia was recently suspended at short notice. This has left the insulation industry in Australia in some disarray; with rumours of large amounts of stock either in storage or on the water. Recently some of our customers have advised us of unknown insulation products being offered to them by unrecognised suppliers, some allegedly with a BRANZ appraisal.

The Pink<sup>®</sup>Batts<sup>®</sup> brand is hugely valuable to Tasman and as you know, we own the BATTTS<sup>®</sup> trade mark in New Zealand (New Zealand trade mark number 105507). Our BATTTS<sup>®</sup> trade mark can only be used by us or with our written permission. Unauthorised use of our BATTTS<sup>®</sup> trade mark on insulation products by any other business infringes our intellectual property rights.

It has recently come to our attention that some businesses are offering our merchants insulation products which feature our BATTTS<sup>®</sup> trade mark. These businesses are not authorised to use our BATTTS<sup>®</sup> trade mark and they are infringing our trade mark rights. We would like to reassure you that we are taking all steps necessary to protect the brand and stop any insulation product which is branded or features the word Batts<sup>®</sup>, Pink<sup>®</sup>Batts<sup>®</sup> or any product coloured Pink<sup>®</sup>.

[167] Towards the end of the letter the following request was made:

Please let us know if you are approached by anyone trying to sell insulation products which are not manufactured by us and which feature our BATTTS<sup>®</sup> trade mark. We also ask that you do not purchase these products if they are offered to you.

[168] The most recent Brand Style Guide in evidence was the May 2013 edition. The final page included the following statement:



Registered mark

When using the words Pink<sup>®</sup>Batts<sup>®</sup> in copy, the registered mark must always be used after the word 'Pink' and after the word 'Batts'.

Descriptor

A descriptor must always be used following the words Pink<sup>®</sup>Batts<sup>®</sup> in copy. The descriptor must be a word that describes the trademark.

Common descriptors are:

Insulation  
Pieces  
Bales  
Installers  
Product

Example of this are:

Pink<sup>®</sup>Batts<sup>®</sup> insulation  
The Pink<sup>®</sup>Batts<sup>®</sup> installers  
Pink<sup>®</sup>Batts<sup>®</sup> product

### *Analysis*

[169] In addition to evidence about Tasman's brand compliance programme and the internal practices regarding use of the BATTTS<sup>®</sup> trade mark, Ms Roberts explained steps taken by Tasman to police inappropriate use of the word, a number of examples of which were in evidence: Sika AG (2008), Hot Fix (2009), Green Bull, Bunnings (2010).

[170] Because Tasman realised that it could not monitor everything that happens in New Zealand for potential misuse of the trade mark, Ms Roberts acknowledged that Tasman had prioritised the compliance programme to primarily focus on where insulation products are actively marketed and sold rather than less commercially relevant areas such as internet-based fora, academic papers and court judgments. When it was put to her that if she had had more resources and more people she could have done a better job she fairly accepted that "with things like Trade Me we could have acted quicker".

[171] As previously noted<sup>48</sup> Ms Roberts' evidence as to Tasman's efforts was reinforced by one of the defendants' witnesses Mr Durbin who had worked for Carters and Mitre 10 in the significant period from 2006 to 2013. Mr Thomson, who was

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<sup>48</sup> At [134].

Tasman's global export manager from August 2009 to January 2011, also recognised Ms Roberts' efforts. However a somewhat sobering note was sounded in the evidence of the defendants' witness Diane Johnson, a linguistics specialist at the University of Waikato, who viewed language as being in a perpetual state of evolution. She maintained that no amount of legislation or action by a commercial entity will change language evolution within the domain of the general public and that once the tide of language change has commenced it is very difficult to turn it back.

[172] Mr Earl Gray and Ms Sheana Wheeldon gave expert evidence as trade mark practitioners with a particular focus on trade mark protection measures, monitoring of the market and response to misuse. A significant point of difference between them concerned the need for print and television advertising campaigns focused on trade mark registration. I do not consider that the fact that Tasman did not engage in print and television advertising to point out that BATTTS<sup>®</sup> was a registered trade mark constituted inactivity for the purposes of s 66(1)(c).

[173] It is an overstatement to say, as Tasman's submissions did, that it is difficult to see how Tasman could realistically have done more to protect the trade mark and that its own use was almost exemplary. The fact is that Tasman was slow to recognise and to respond to the threat presented by Trade Me. However, standing back and looking at the totality of the evidence on this issue, my conclusion is that the defendants fall significantly short of establishing that it was the acts and inactivity of Tasman in the period following 20 August 2003 which caused the BATTTS<sup>®</sup> trade mark to become a common name in general public use if, contrary to my view, that was its state.

### **Trade mark infringement**

[174] Section 89 so far as relevant to this case provides:

**89 Infringement where identical or similar sign used in course of trade**

- (1) A person infringes a registered trade mark if the person does not have the right to use the registered trade mark and uses in the course of trade a sign—
  - (a) identical with the registered trade mark in relation to any goods or services in respect of which the trade mark is registered; or

- (b) identical with the registered trade mark in relation to any goods or services that are similar to any goods or services in respect of which the trade mark is registered, if that use would be likely to deceive or confuse; or
- (c) similar to the registered trade mark in relation to any goods or services that are identical with or similar to any goods or services in respect of which the trade mark is registered, if that use would be likely to deceive or confuse; or

...

- (2) Subsection (1) applies only if the sign is used in such a manner as to render the use of the sign as likely to be taken as being use as a trade mark.

...

[175] Consideration of the matter of trade mark infringement in the statement of issues comprises sequential steps. The first step (Issue 3) is directed to the questions whether the pleaded instances of use of the words “batt” or “batts” constituted:

- (a) use of a sign
- (b) in the course of trade.

[176] If the answers are in the affirmative, the next step (Issue 4) asks whether such a sign was identical to the registered trade mark BATTTS<sup>®</sup> or similar to BATTTS<sup>®</sup> such that the use would be likely to deceive or confuse.

[177] However what the statement of issues did not identify as a discrete issue was one which emerged as the major point of contest between the parties on the matter of infringement, namely the requirement in s 89(2) that the use of the sign should be in such a manner as to render that use as “likely to be taken as being use as a trade mark”.

[178] The subsection was recently considered by Asher J in *Intercity Group (NZ) Ltd v Nakedbus NZ Ltd*<sup>49</sup> where his Honour remarked:

- [65] Mr Harris suggested that it was convenient to consider the application of s 89(2) before turning to infringement under s 89(1). I agree. Section 89(2) is

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<sup>49</sup> *Intercity Group (NZ) Ltd v Nakedbus NZ Ltd* [2014] NZHC 124.

both a gateway that must be passed by a claimant and its determination, if affirmative, sets a platform for the examination of infringement issues.

[179] I agree with that view which coincides with the Australian “threshold” approach as stated by Sundberg J in *Global Brand Marketing Inc v YD Pty Ltd*:<sup>50</sup>

... Therefore, in the ordinary case, a court must first examine the use of the impugned mark and whether such use is trade mark use for the purposes of the Act. In cases such as the present this threshold issue should be determined before the court considers whether the two marks are substantially identical or deceptively similar. The threshold issue only examines the impugned mark; not the registered trade mark. As was said in *All-Fect* at [32], “At this stage the hypothesis is not that the appellant is trying to tell the consumer that the goods emanate from it, but that the respondent is trying to tell the consumer that the goods emanate from the respondent”.

[180] Consequently I proceed to address the “use as a trade mark” issue as part of Issue 3 rather than Issue 4.

#### *The sign usage in issue*

[181] The first challenged usage was on the product in the white and blue packaging which displayed the words “batt” and “batts” in several places in the installation instructions printed on the packaging.<sup>51</sup> In the two extracts from those comprehensive instructions set out below the relevant words are highlighted merely for the reader’s benefit: they were not given prominence on the actual product:

#### WHY USE KNAUF INSULATION:

It’s time to save energy!

Glasswool insulation has proven to be one of the most thermally efficient and cost-effective ways to save energy when it comes to insulating residential homes and commercial buildings. Maintaining desired room temperatures for comfortable living and working environments, glasswool insulation is an excellent performer.

Installer productivity is also a primary consideration. Knauf’s reputation of delivering high quality **batts** that installers prefer is well deserved. Features that increase productivity are:

- Knauf **batts** recover quickly out of the package for immediate installation.
- Consistent fiber density for a smooth, clean cut with low dust every time.
- Firm **batts** are easy to handle and install.

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<sup>50</sup> *Global Brand Marketing Inc v YD Pty Ltd* [2008] FCA 605, (2008) 76 IPR 161 at [49].

<sup>51</sup> At [23] above.

- Full and thick **batts** provide a snug fit in the wall cavity and do not slump.

#### CATHEDRAL CEILINGS

- Determine the width of insulation needed by measuring the typical distance between ceiling joists.
- Determine the maximum thickness of insulation that can be installed by subtracting 25 mm from the depth of the cathedral ceiling cavity.
- When installing Knauf **batts**, friction fit between framing members.
- Butt insulation firmly against both the top plate of the wall at the bottom and the ridge joist at the top of the cathedral ceiling.
- Do not push **batts** completely into the joist cavity. The front face of the **batt** should be flush with the face of the ceiling joist, leaving at least a 25 mm airspace between the **batt** and the underside of the roof deck.
- Do not compress **batts** or block ventilation. Please consult with your local codes and practices to determine the required ventilation and ventilation baffle requirements in cathedral ceilings applications.

[182] While there was no evidence of further instances of use of the word “batt” on the packaging of the Earthwool product subsequent to the forfeiture of the 96 bales<sup>52</sup> there were instances of the use of the word “batt” on a packaging label on the EARTHWOOL<sup>®</sup> insulation. The word “batt” appeared in a vertical table detailing the specification of the product as follows:

THICKNESS (mm)	90
LENGTH (mm)	1160
WIDTH (mm)	580
AREA (m2)	19.5
BATT/PACK	29
NET WEIGHT (KG)	18.9
PRODUCT CODE	E4330

[183] The challenged usage on the website *www.earthwool.co.nz* is noted at [55]-[56] above.

[184] In its closing submissions Tasman also sought to raise an issue about the references to “Earthwool<sup>™</sup> Batts” on a product data sheet which was said to be accessible on the *www.earthwool.co.nz* website. This had not been referred to in the

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<sup>52</sup> At [33]-[34].

pleadings. Furthermore it appeared to be, as the defendants submitted, a Knauf Australia product guide and price list relating to Australia only.

[185] Given that it is not a document generated by the defendants and the fact that it is not raised in the pleadings I do not address it as part of the current proceeding.

**Issue 3: Was there use of a sign in the course of trade and, if so, was that use as a trade mark?**

*Use of a sign*

[186] Section 5 defines “sign” expansively: it includes a brand, letter, name or word. In essence it is anything which can convey information.<sup>53</sup> The meaning of use of a sign is addressed in s 6. Relevantly to this case it provides that every reference to the use of a sign in relation to goods is a reference to the use of the sign on, or in physical or other relation to, goods.

[187] The defendants’ written submissions included a section ostensibly directed to the question whether the use of “batt” and/or “batts” was the use of a sign. However their proposition, which was that their use was not as a sign “to indicate origin or source”, sought to place a gloss on the broad definition of sign. As Tasman submitted, and I accept, the defendants’ submissions confused the issue of use of a sign with the distinct issue of whether the sign had been used as a trade mark.

[188] I find that the defendants’ use of “batt” and “batts” was the use of a sign within the meaning of ss 5 and 6.

*In the course of trade*

[189] While conceding that their activities were clearly “in trade”, the defendants argued that their use of the words “batt” and “batts” was not as signs in the course of trade. However, upon analysis this line of argument was also subsumed in the defendants’ key contention, namely that their use of the words would not be likely to have been taken as trade mark use.

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<sup>53</sup> *Philips Electronics*, above n 9, at 298.

[190] As Tasman observed, the relevant phrase has been interpreted broadly to include any commercial transaction. Tasman submitted, and I accept, that the importation and sale of EARTHWOOL<sup>®</sup> insulation products bearing the sign “batt” or “batts” and the use of those words in the Knauf advertisements and on the *www.earthwool.co.nz* website all occurred in the course of trade.

*Is the sign as used likely to be taken as being use as a trade mark?*

[191] Like the two phrases already discussed, this concept is not new in the Act. It was present in s 8(1A) of the Trade Marks Act 1953, albeit not in a discrete subsection. The material part of s 8(1A) read:

(1A) ... the right conferred by [subsection 1] shall be deemed to be infringed by any person who, not being the proprietor of the trade mark or a registered user of it using by way of the permitted use, uses in the course of trade –

- (a) A sign identical with it in relation to any goods or services in respect of which the trade mark is registered; or
- (b) A sign identical with it in relation to any goods or services that are similar to any goods or services in respect of which the trade marks is registered, if such use would be likely to deceive or cause confusion; or
- (c) A sign similar to it in relation to any goods or services that are identical with or similar to any goods or services in respect of which the trade mark is registered, if such use would be likely to deceive or cause confusion, -

And **in such manner as to render the use of the sign likely to be taken –**

- (d) **As being use as a trade mark;** or

(emphasis added)

*The law*

[192] That provision was derived from s 4 of the Trade Marks Act 1938 (UK). However the infringement provision in s 10 of the Trade Marks Act 1994 (UK) does not contain the equivalent of s 89(2). Consequently for some time questions were raised about whether, given its derivation from art 5 of the EEC Council Directive 89/104, non-trade mark use could be caught by s 10.<sup>54</sup>

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<sup>54</sup> *British Sugar Plc v James Robertson & Sons Ltd* [1996] RPC 281 (Ch) at 291, per Jacob J; *Philips Electronics*, above n 9, at 311-312, *Philips Electronics NV v Remington Consumer Products Ltd* [1999] RPC 809 (EWCA) at 823 per Aldous J.

[193] The issue came before the House of Lords in *R v Johnstone*<sup>55</sup> where Lord Nicholls concluded that non-trade mark use is not within s 10(1)-(3). In a passage which reflects the orthodox approach he said:

The message conveyed by a trade mark has developed over the years, with changing patterns in the conduct of business: see the discussion in *Scandecor Developments AB v Scandecor Marketing AB* [2001] FSR 7, (HL). But the essence of a trade mark has always been that it is a badge of origin. It indicates trade source: a connection in the course of trade between the goods and the proprietor of the mark. That is its function. Hence the exclusive rights granted to the proprietor of a registered trade mark are limited to use of a mark likely to be taken as an indication of trade origin. Use of this character is an essential prerequisite to infringement. Use of a mark in a manner not indicative of trade origin of goods or services does not encroach upon the proprietor's monopoly rights. Dillon L.J. observed trenchantly in *Mothercare UK Ltd v Penguin Books* [1988] R.P.C. 113, 118:

“it stands to reason that a Trade Marks Act would only be concerned to restrict the use of a mark as a trade mark or in a trade mark sense, and should be construed accordingly. If descriptive words are legitimately registered [as a trade mark], there is still no reason why other people should not be free to use the words in a descriptive sense, and not in any trade mark sense.”

In this regard I cannot forbear adding the extreme hypothetical example beloved of trade mark lawyers. If a magazine publisher were to register an ordinary question mark, “?”, as a trade mark for magazines this would not prevent the grammatical use of question marks on the covers of other magazines.

The last sentence helpfully focuses on the rationale for s 89(2).

[194] However Lord Walker's judgment, which includes the comment that the law is in something of a state of disarray, may be seen as recognising the broader European Community approach. The remaining three Judges simply agreed with both judgments. The reasonably extensive English jurisprudence since then is usefully summarised in the judgment of the Singapore Court of Appeal in *City Chain Stores (S) Pte Ltd v Louis Vuitton Malletier*.<sup>56</sup>

[195] The New Zealand approach was explained in the context of the 1953 Act by the Court of Appeal in *Mainland Products Ltd v Bonlac Foods (NZ) Ltd*, a case which concerned the use of the word “Vintage” on cheese:<sup>57</sup>

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<sup>55</sup> *R v Johnstone* [2003] UKHL 28, [2003] FSR 42 (HL) at 13. This case concerned criminal proceedings under s 92 of the Trade Marks Act 1994 (UK).

<sup>56</sup> *City Chain Stores (S) Pte Ltd v Louis Vuitton Malletier* [2010] FSR 14 (Singapore CA).

<sup>57</sup> *Mainland Products Ltd v Bonlac Foods (NZ) Ltd* [1998] 3 NZLR 341 (CA) at 345-346.



The likelihood of the manner of use of a word being taken as indicating a (not necessarily identifiable) trade connection will depend on all the circumstances of that use. The normal meaning (if any) of the word will be a primary consideration. The way it is used in relation to the particular goods will be another. Also relevant will be the nature of the market, the kinds of customers and the general circumstances of trade in the goods concerned. These matters are to be discerned from the evidence including any direct evidence of what the usage has conveyed to relevant members of the trade or public.

[196] Explicitly addressing the requirement that the sign in question be “likely to be taken as being” use as a trade mark, the Court said:<sup>58</sup>

The essential question then is whether this use of word “Vintage” by Bonlac is likely to be taken as use as a trade mark. Taken by whom? Plainly it is persons to whom the product is presented in the course of trade. That will include persons engaged in the relevant trade such as wholesalers and retailers as well as retail customers. To establish infringement it is not necessary to show that the use complained of will likely be taken by everyone encountering it in the course of trade as infringing use. Just as when determining whether the resemblance of marks is such as to be likely to deceive or cause confusion, it is sufficient to constitute infringement if it conveys or is likely to convey to a substantial number of prospective purchasers the significance deemed to infringe – in this case trade mark significance.

[197] The approach in Australian law (relied upon by the defendants) is similar. Although s 120 of the Trade Marks Act 1995 (Cth) does not include the phrase “use as a trade mark”, as the statement of Sundberg J in *Global Brand*<sup>59</sup> reflects, this is a well-established prerequisite for trade mark infringement. The appropriate question to ask is whether the impugned words would appear to consumers as possessing the character of a brand. The purpose and nature of the impugned use is the relevant inquiry in answering the question whether the use complained of is use “as a trade mark”. In determining the nature and purpose of the impugned words, the court must ask what a person looking at the product label would see and take from it.<sup>60</sup>

[198] Because it has relevance to the nature of the arguments presented in this case I refer to what I have found a helpful analysis by Gummow J in *Johnson & Johnson Australia Pty Ltd v Sterling Pharmaceuticals Pty Ltd*.<sup>61</sup>

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<sup>58</sup> At 345.

<sup>59</sup> At [179] above.

<sup>60</sup> *Nature's Blend Pty Ltd v Nestle Australia Ltd* [2010] FCAFC 117, (2010) 272 ALR 487 at [19] (FCAFC).

<sup>61</sup> *Johnson & Johnson*, above n 10, at [16]-[18].

Where the trade mark allegedly used by the defendant comprises ordinary English words (such as “Page Three”, considered by Slade J in *News Group Newspapers Ltd v Rocket Record Co Ltd* [1981] FSR 89 at 102) then, as this decision illustrates, that circumstance may be taken into account by the court in the process of reasoning by which it accepts or rejects a submission that the use in question is not a trade mark use but a description of the goods in question. To say that is not to gainsay the point made by Dixon CJ in *Mark Foy's Ltd v Davies Coop and Co Ltd (the Tub Happy case)* (1956) 95 CLR 190 at 194–5, that language is not always used to convey a single, clear idea; a mark may have a descriptive element but still serve as a badge of trade origin. However, where the issue is one of infringing use by use of a word mark (as in the present case), the fundamental question remains, to paraphrase what was said by Williams J in the same case (at 205), whether those to whom the user is directed are being invited to purchase the goods (or services) of the defendants which are to be distinguished from the goods of other traders “*partly because*” (emphasis supplied) they are described by the words in question.

Upon the present appeal, counsel for the respondent submitted that there is a trade mark use if the defendant applies the mark to packaging of goods “so as to refer to those goods”. Counsel for the appellant submitted that this was to put the matter too widely and was an illegitimate attempt to expand the exclusive rights given by the trade mark legislation to something akin to a literary copyright. I agree. A similar submission had been put to Hill J and rejected (96 ALR at 306; 18 IPR at 338).

To adapt what was said in the *Shell* case (and in this regard nothing decisive for this purpose turns upon the nature of the user there in question, a television advertisement), the true issue may be expressed as follows, as Kitto J put it (at 425):

With the aid of the definition of ‘trade mark’ in s 6 of the Act, the adverbial expression [use as a trade mark] may be expanded so that the question becomes whether, in the setting in which the particular pictures referred to were presented, they would have appeared to the television viewer as possessing the character of devices, or brands, which the appellant was using or proposing to use in relation to petrol for the purpose of indicating, or so as to indicate, a connection in the course of trade between the petrol and the appellant. Did they appear to be thrown on to the screen as being marks for distinguishing Shell petrol from other petrol in the course of trade?

### *The parties’ cases*

[199] Tasman submitted that, in the absence of a finding of genericism, the Court should be reluctant to make a factual finding that (what was in Tasman’s submission) a highly factually descriptive trade mark like BATT<sup>®</sup> could be used descriptively. It argued that, applying the test in *Mainland*, where there is no “normal meaning” of the

word it is not legitimate to argue that its particular use is descriptive no matter how it has been used by the defendant. It drew attention to Gault J's caution in *Mainland*:<sup>62</sup>

Care must be taken to prevent the erosion of distinctiveness of a good trade mark by competitors with strategic motives claiming descriptive use.

[200] Contrasting the word “vintage”, Tasman contended that it is not possible to use the mark BATTIS<sup>®</sup> descriptively. The proposition was advanced that in the relevant New Zealand context any use of “batt” or “batts” in relation to sales of insulation products is likely to be taken by the relevant purchasing public as use as a trade mark. The “any use” contention had the flavour of the literary copyright submission rejected in *Johnson & Johnson*.

[201] Tasman contended that the word “batts” on the EARTHWOOL<sup>®</sup> product packaging was clearly designed to serve as a badge of origin. It drew attention to the fact that the word “batts” appeared at the beginning of each section of the installation instructions following the Knauf brand name and argued that subsequent use of the word “batts” on its own must be qualified by the first, more obvious, trade mark use at the beginning of the section.

[202] While recognising that the use of the word “batt” on the label on the subsequent packaging was deliberately intended to appear as a descriptive term, Tasman submitted that by this time Knauf had actual notice of Tasman's rights and must have deliberately elected to use the word “batt” as opposed to other descriptive terms such as “biscuit”, “slab” or “segment”.

[203] The defendants contended that they have not used the words “batt” and “batts” to indicate the origin or source of any goods but, as in other countries, as a noun for the goods themselves as an alternative word for slabs or segments. They pointed to a dictionary definition<sup>63</sup> noting that dictionaries are commonly used in New Zealand in trade mark disputes to identify the particular meaning of a word.<sup>64</sup> Mr Dunbar

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<sup>62</sup> At 351.

<sup>63</sup> At [17] above.

<sup>64</sup> *Council of Ivy Group Presidents (t/as Ivy League) v Pacific Dunlop (Asia) Ltd* (2000) 66 IPR 202 (HC).

expressed the view that “batts” is to insulation what “slab” is to concrete, “tiles” is to ceramic and “board” is to plaster.

[204] The defendants noted as particularly apt to the present case the observation of Gummow J in *Johnson v Johnson*<sup>65</sup> that, where the trade mark allegedly used by a defendant comprises ordinary English words, that was a relevant circumstance in the process of reasoning by which the Court accepts or rejects a submission that the use in question is not a trade mark use but a description of the relevant goods. They referred to what they described as the long history of the use of the word to describe a format of “batting” generally, or insulation more specifically.

[205] They argued that the present case has significant parallels with *Australian Health & Nutrition Association Ltd (t/as Sanitarium Health Food Company) v Irrewarra Estate Pty Ltd (t/as Irrewarra Sourdough)*<sup>66</sup> where Sanitarium alleged that use of the word “granola” on Irrewarra’s packaging infringed the trade mark GRANOLA. Adopting, and re-writing, a passage from the judgment of Jagot J,<sup>67</sup> the defendants submitted:

Tasman’s case, on analysis, appeared to reduce to the proposition that any use of the word batts on an insulation product must be a trade mark use. This approach would be contrary to authority which emphasises the importance of context in determining whether the use of a word is use as a trade mark. As I have said, taking Tasman’s case at its highest, I am not persuaded that the impugned use in this case is use to distinguish Knauf NZ’s and BFNG’s goods from those of any other person in the course of trade. The word batts as it appears on the labels affixed to the packages in question and on BFNG’s website does not indicate any connection between the goods and Knauf or BFNG. In the context in which it appears (even if not otherwise) the word batts suggests a meaning (rectangular piece of fibrous/glass wool insulation) descriptive of the contents of the package. Considered objectively, in the whole context in which the word would be seen, the use would not denote the source of the product in any way. The word is not a badge of origin but a description of the contents of the package. This is not a case in which two badges of origin appear – both EarthWool and batts. There is a single use as a trade mark on these packages, the use being of the EarthWool mark only.

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<sup>65</sup> *Johnson & Johnson*, above n 10, at 723.

<sup>66</sup> *Australian Health & Nutrition Association Ltd (t/as Sanitarium Health Food Company) v Irrewarra Estate Pty Ltd (t/as Irrewarra Sourdough)* [2012] FCA 592, (2012) 292 ALR 101.

<sup>67</sup> At [31].

[206] With reference to the usage on the packaging the defendants drew attention to the lack of prominence of the print on the installation instructions,<sup>68</sup> particularly when compared with the prominence of EARTHWOOL<sup>®</sup>. Noting that the impugned use included the phrase “Knauf batts”, the defendants submitted that in that instance it was “Knauf” that communicated the source of the goods while the goods themselves were described as “batts”.

[207] Tasman’s submissions noted that some recent decisions had taken an expansive approach to what constitutes use of a trade mark so as to include use that affects or is liable to affect the functions (plural) of a trade mark, comprising not only the essential origin function but also the functions of a guarantee of quality and those of communication, investment or advertising. Specific attention was drawn to *Arsenal Football Club Plc v Reed*<sup>69</sup> where Mr Reed had contested the club’s infringement proceeding, claiming that the marks were used on his goods not as an indicator of trade origin but as a badge of loyalty. Reference was also made to *The New Zealand Rugby Football Union v Saint Publishing Ltd*<sup>70</sup> which was said to be to similar effect.

[208] Although this developing line of authority was mentioned, I did not understand Tasman to ultimately put its case any more broadly than on what it referred to as the “orthodox” approach to use as a trade mark, namely focussing on the essential function as a badge of origin.

[209] Indeed Tasman’s written closing submissions on this issue concluded in this way:<sup>71</sup>

In terms of the decision in *Arsenal*, Knauf has deliberately used the word “batt” in a manner calculated to interfere with Tasman’s ability to guarantee that products bearing its trade mark come from a particular source.

[210] In any event the defendants’ position was that the *Arsenal* case can be readily distinguished from the present case on the basis that the use complained of in *Arsenal* was overt use of the relevant mark in a manner intended to draw upon the loyalty of

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<sup>68</sup> Ms Roberts conceded that the word was “small”.

<sup>69</sup> *Arsenal Football Club Plc v Reed* [2003] RPC 9 (ECJ).

<sup>70</sup> *The New Zealand Rugby Football Union v Saint Publishing Ltd* HC Auckland M1458/01, 2 October 2001.

<sup>71</sup> Tasman’s closing submissions at [155].

supporters of the club whereas in the present case the use complained of was minor, obscure and in no way designed or likely to draw upon any loyalty to Tasman.

*My assessment*

[211] Applying the *Mainland* dicta I am required to form a view as to how the defendants' use of the words in the four instances would have appealed to those encountering them in trade. It is a matter of impression taking careful account of the *Mainland* considerations and the circumstances in which the product is sold.<sup>72</sup> I am mindful also that members of the public and lawyers may differ in their views on what a trade mark is or what a brand name is.<sup>73</sup>

[212] I do not proceed on the basis that there is no "normal meaning" of the word "batt". It is a word which appears to have a descriptive or nominative quality in other jurisdictions as designating a piece of insulation: it is not a fancy or invented word. The fact that, presumably because of Tasman's trade mark registration, the word has not been frequently used by others in New Zealand does not change the descriptive/nominative nature of the word. While proprietorial control observes national boundaries, the meaning of words does not.

[213] Nor do I consider that the high profile of the trade mark means that all instances of use will be perceived by the relevant public to be trade mark use. Tasman submits that the relevant purchasing public would be likely to take the word as a badge of origin having regard to the nature of the New Zealand insulation market and "the place of Tasman's iconic BATTTS<sup>®</sup> brand in that market". However as with Sanitarium's argument, that proposition does not pay regard to the whole context.

*The installation instructions on the packaging*

[214] The names or brands which appear on the packaging in the nature of promotional labelling are EARTHWOOL<sup>®</sup> and "Knaufinsulation". They would both be perceived by the public to be brands. However the words "batt" and "batts" only appear in the quite densely written installation instructions, in the same print size and colour as

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<sup>72</sup> *Mainland*, above n 57, at 345-346.

<sup>73</sup> *Mars GB Ltd v Cadbury Ltd* [1987] RPC 387 (Ch) at 400 (Whitford J); *Mainland*, above n 57, at 350.

all the other words in those instructions. The wording is small as Ms Roberts acknowledged. The words are in lower case and a capital “B” is only used when the word commences a sentence. Twice the word “batt” is preceded by “Knauf”.

[215] In my view the public would not perceive that manner of use of the words “batt” and “batts” in that context as being use as a trade mark.

*The packaging label*

[216] Again the words on this label which present as brands or trade marks are EARTHWOOL<sup>®</sup> (with the tag line “the feel good insulation”) and “Knaufinsulation” (with the tag line “its time to save energy”). Both names are printed in dual colours.

[217] The phrase “BATT/PACK” appears in two columns which provide specification details of the product and is fifth in the list.<sup>74</sup> Each of the items is in capital letters and five of the other items of information are followed by an indication of measurement or weight. Each of the items is very much smaller than the related information in large black numerals (and the letter in the case of the Product Code).

[218] In my view the public would not perceive that manner of use of the word “BATT” as being use as a trade mark.

*The sentence on the [www.earthwool.co.nz](http://www.earthwool.co.nz) website page*

[219] The website page includes several words which would plainly be perceived as brands or trade marks:

- EARTHWOOL (with the tag line “the feel good insulation”)
- BuildForNextGen in dual colours against a background of a blue ellipse
- EarthWool<sup>®</sup>
- ECOSE<sup>®</sup> Technology
- SupaKubes

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<sup>74</sup> See [182] above.

[220] The sentence in question is located at the bottom of the page in reasonably small print and provides the answer to the question (above it) in larger print: “How many m<sup>2</sup> of product in each bag?”

[221] Consequently the sentence presents as the supply of information to a question. The word “batts” is in lower case in the same colour and print size as the rest of the sentence. In my view the public would not perceive that manner of use of the word “batts” as being use as a trade mark.

*The use of “Batt” in the HTML code*

[222] Because it is a page of code, the words and phrases present in a disjointed manner. However certain words appear to stand out as being brands or trade marks, primarily because their first letter and another letter are in capitals: for example, SupaKubes or MastaBags. The word “Batt” with a capital “B” appears in association with MastaBag: “Batt%20MastaBag.jpg”.

[223] I do not consider that that phrase would be viewed by the relevant public as descriptive use. It does not appear to convey common place information. In my view, on seeing this page the public would be inclined to the view that the use of the word “Batt” in this manner would be use as a trade mark.

*The issue of “invisible” use*

[224] It was only at the stage of closing addresses that this issue gained prominence. It was not signalled in the pleadings. The fourth amended defence and counterclaim responded to Tasman’s succinct allegation (that the HTML code for the *www.earthwool.co.nz* website features both the words BATT and BATTS) as follows:

It ... admits that for a short time as a result of the use of “batts” on the “FAQs” page on the website the HTML code for the website used the word “batts” but denies that such use amounted to trade mark infringement.

Hence the significance of visibility was not identified as a specific issue in the List of Issues for Trial.



[225] Nor was the issue flagged in the course of the defendants' written opening address. Having recited the alleged instances of infringement, those submissions merely stated that a key issue was whether or not any use would be taken as being "use as a trade mark". However in the defendants' closing submissions it was submitted that there was no infringement because:

The use of "batt" in an image title (Batt%20MastaBag.jpg) in invisible html code on the website posted under earthwool.co.nz was not only use of the word "batt" in a descriptive sense (referring to the image of a batt), but was also unintentional ... and "invisible" (as part of the unseen metadata or code). It is even more difficult for the Plaintiff to establish that such use would be "use as a trade mark". (See *Complete Technology Integrations Pty Ltd v Green Energy Management Solutions Pty Ltd* [2011] FCA 1319 at [62]).

Attention was also drawn to the decision at first instance in *Reed Executive Plc v Reed Business Information Ltd*.<sup>75</sup>

[226] Decisions in other jurisdictions have to be considered in the context of the applicable legislation. Hence, while *Complete Technology* involved invisible metatags, the basis for the decision appears to be that there was no infringement of s 120 because it could not be said that use in the metatag of the registered trade mark was a use that indicated the origin of Green Energy's service and for that reason the metatag use was not use as a trade mark.

[227] *Reed Executive* concerned the use of the word "Reed" within the sign "Reed Business Information" as a metatag on the defendant's *totaljobs.com* website where the infringement was said to be the use of a similar (as opposed to identical) mark such that proof of likelihood of confusion was necessary. Pumfrey J considered that the concept of use was wide enough to cover invisible use in metatags which is visible in the search results.

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<sup>75</sup> *Reed Executive Plc v Reed Business Information Ltd* [2002] EWHC 1015 (Ch), [2003] RPC 12 at [127]-[135].

[228] The matter went to the Court of Appeal<sup>76</sup> where the claim failed on the basis that, even if metatag use counted as use as a trade mark, there was no confusion and hence no infringement. However Jacob LJ doubted whether metatag use or other invisible use constitutes use of a trade mark at all. He highlighted several difficult questions the first of which was:<sup>77</sup>

- (a) First, does metatag use count as use of a trade mark at all? In this context it must be remembered that use is important not only for infringement but also for saving a mark from non-use. In the latter context it would at least be odd that a wholly invisible use could defeat a non-use attack. Mr Hobbs suggested that metatag use should be treated in the same way as uses of a trade mark which ultimately are read by people, such as uses on a DVD. But in those cases the ultimate function of a trade mark is achieved— an indication to someone of trade origin. Uses read only by computers may not count—they never convey a message to anyone.

[229] *Kerly*<sup>78</sup> at 27-071 advances the view (adopted by Tasman) that the doubt voiced by Jacob LJ appears to be ill-founded in light of the decision of the CJEU in *Google v Louis Vuitton Malletier*.<sup>79</sup> The case concerned the use of signs identical to marks owned by the claimant as advertising key words in relation to advertisements promoting third party and unauthorised goods as sponsored links on an internet search engine, Google. The judgment of the Grand Chamber included the following conclusions:<sup>80</sup>

In addition, even in cases in which the advertiser does not seek, by its use, as a keyword, of a sign identical with the trade mark, to present its goods or services to internet users as an alternative to the goods or services of the proprietor of the trade mark but, on the contrary, seeks to mislead internet users as to the origin of its goods or services by making them believe that they originate from the proprietor of the trade mark or from an undertaking economically connected to it, there is use ‘in relation to goods or services’. As the Court has previously held, such use exists in any event where the third party uses the sign identical with the trade mark in such a way that a link is established between that sign and the goods marketed or the services provided by the third party.

[230] However that judgment was issued in the context of the Trade Mark Directive. Furthermore the UK statute contains (as *Kerly* notes) a wide definition of “use” in s 103(2) which includes use “otherwise than by means of a graphic representation”. It is

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<sup>76</sup> *Reed Executive Plc v Reed Business Information* [2004] EWCA Civ 159, [2004] RPC 40; Discussed in *RXWorks Ltd v Dr Paul Hunter* [2007] EWHC 3061 (Ch), [2008] RPC 13 at [27].

<sup>77</sup> *Reed*, above n 76 at [149].

<sup>78</sup> *Kerly*, above n 27, at [27-071].

<sup>79</sup> *Google v Louis Vuitton Malletier* [2010] RPC 19 (ECJ Grand Chamber).

<sup>80</sup> At [72].

apparent from the legislative history noted in *Kerly* that that provision was intended to cover not only audible use but any use of a trade mark which was other than by graphic representation, e.g. a trade mark encoded electronically in a video cassette. The 2002 Act does not contain such a provision.

[231] On the question of visibility at the point of sale the previous edition of *Kerly* stated at para 14.025:<sup>81</sup>

A question arises as to whether the offending sign needs to be visible at the point of sale. It is submitted that this is not a requirement, provided that when the sign does become apparent it is understood to be a sign used in the course of trade in relation to the relevant goods.

[232] That view was endorsed by Lawrence Collins J in *Kabushiki Sony Entertainment v Nuplayer Ltd*<sup>82</sup> who noted the wide interpretation of “use” by the ECJ in *Arsenal*. That approach also finds support in observations by Jacob LJ in *O2 Holdings Ltd v Hutchinson 3G Ltd*.<sup>83</sup> However Australian authorities noted in *Shanahan*<sup>84</sup> seem to take a more conservative approach.

[233] Under the 1953 Act, even as amended by the Trade Marks Amendment Act 1987, the defendants’ contention would plainly have traction because of the former s 2(2) which provided that references to the use of a mark were to be construed as references to the use of a printed or other visual representation of the mark. In my view an “invisible” use of the mark would not have satisfied that requirement.

[234] However the requirement for a printed or other visual representation was removed by the Trade Marks Amendment Act 1994. Then in the 2002 Act the definition of the meaning of use of a sign was supplemented by s 6(c):

The use of a sign in relation to goods or services (as the case may be) includes a reference to the audible use of the sign in relation to goods or services.

That reflected the expansion of the definition of sign to include a sound.

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<sup>81</sup> *Kerly’s Law of Trade Marks and Trade Names* (14th ed Sweet and Maxwell, London, 2003) at [14-025].

<sup>82</sup> *Kabushiki Sony Entertainment v Nuplayer Ltd* [2005] EWHC 1522 (Ch), [2006] FSR 9 at [91].

<sup>83</sup> *O2 Holdings Ltd v Hutchinson 3G Ltd* [2006] EWCA Civ 1636, [2007] RPC 16 at [30].

<sup>84</sup> *Shanahan’s Australian Law of Trade Marks and Passing Off* (5th ed Thomson Reuters, Pyrmont NSW, 2012) at [5.920].

[235] I am conscious of the differences between the legislation which applied in *Louis Vuitton* and the 2002 Act. I also recognise the difference between s 103(2) of the UK Act and the admittedly inclusive definition of the meaning of use of a trade mark in s 7 of the 2002 Act<sup>85</sup>.

[236] Nevertheless I consider that it is proper to construe invisible use of a registered trade mark by the use of a metatag, as occurred in the circumstances of the present case (where the mark can be accessed and viewed by an informed internet user), as use as a trade mark. Consequently I do not consider that what has been described as the invisible use in the HTML code has the consequence that the s 89(2) threshold is not crossed.

**Issue 4: Was the use of “batt” or “batts” within s 89(1)(a)-(c)**

[237] In assessing identity the comparison is between a plaintiff’s mark in the form as registered (but including notional and fair use) and the sign actually used by a defendant. The use of an identical word together with additional words will not preclude a finding of identity.<sup>86</sup>

[238] It was common ground that the word “batts” (in the plural) as used by Knauf and BFNG is identical to Tasman’s BATTTS<sup>®</sup> trade mark. It was also common ground that the word “batt” (in the singular), as used on Knauf’s packaging, is similar to the BATTTS<sup>®</sup> trade mark.

[239] The use of the word “batt” (in the singular) necessitates consideration of s 89(1)(c) and the concepts of deception and confusion. The well known statement of propositions, which Richardson J in *Pioneer Hi-Bred Corn Company v Hy-line Chicks Pty Ltd* considered to be clearly settled, includes:<sup>87</sup>

(8) ... "Deceived" implies the creation of an incorrect belief or mental impression and causing "confusion" may go no further than perplexing or mixing up the minds of the purchasing public (*New Zealand Breweries Ltd v Heineken's Bier Browerij Maatschappij NV* [1964] NZLR 115, 141). Where the deception or confusion alleged is as to the source of the goods, deceived is

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<sup>85</sup> But also noting the extended definition of “writing” in s 5(1).

<sup>86</sup> *Anheuser-Busch Inc v Budweiser Budvar National Corporation* [2003] 1 NZLR 472 (CA) at [109] citing *Decon Laboratories Ltd v Fred Baker Scientific Ltd* [2001] RPC 17 (Ch).

<sup>87</sup> *Hi-Bred Corn Company v Hy-line Chicks Pty Ltd* [1978] 2 NZLR 50 (CA) at 62.

equivalent to being misled into thinking that the goods bearing the applicant's mark come from some other source and confused to being caused to wonder whether that might not be the case.

(9) 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.

[240] Tasman argued that the word “batt” is as similar as possible without being identical and that Knauf’s use of “batt” on its EARTHWOOL<sup>®</sup> insulation was therefore inherently likely to deceive or confuse. It was said that one could not reasonably expect the public to distinguish between “batt” and “batts” when used for insulation.

[241] I accept Tasman’s submission. The defendants’ use of the word “batt” in each of the installation instructions, the packaging label and the HTML code would be likely to deceive or confuse at the very least a significant proportion of consumers as to the trade origin of the product.

[242] Consequently I find that the use of “Batt” in the HTML code was an infringement of trade mark. The other instances of use of the word “batt” and “batts” would have constituted infringement of trade mark had I concluded that their use was likely to be taken as being use as a trade mark within s 89(2).

### **Issue 5: Is there an available defence under s 95?**

[243] Section 95 is one of a number of sections under the heading “Acts not amounting to infringement”. Relevant to the defence raised in this case s 95 states:

#### **95 No infringement for honest practices**

A person does not infringe a registered trade mark if, in accordance with honest practices in industrial or commercial matters, the person uses—

...

(c) a sign to indicate—

(i) the kind, quality, quantity, intended purpose, value, geographical origin, or other characteristic of goods or services; or

...

[244] The defence only arises for consideration if the use of the sign in question would otherwise constitute trade mark infringement. On the view I have reached, the defence would only be relevant to the use of “Batt” in image name files in the HTML code for the *www.earthwool.co.nz* website. The defendant has the onus of establishing that the defence is made out.

### *Law*

[245] The test as to whether the use is “in accordance with honest practices in industrial or commercial matters” is necessarily an objective one: would reasonable members of the trade concerned, upon knowing all the relevant facts that the defendant knew, say that the use complained of is honest?<sup>88</sup>

[246] The honest practices exception was considered in an art 6(1)(b) case<sup>89</sup> *Samuel Smith Old Brewery (Tadcaster) v Lee (t/a Cropton Brewery)*<sup>90</sup> where Arnold J summarised the principles in this way:<sup>91</sup>

First, the requirement to act in accordance with honest practices in industrial or commercial matters “constitutes in substance the expression of a duty to act fairly in relation to the legitimate interests of the trade mark proprietor” ...

Secondly, the Court should “carry out an overall assessment of all the relevant circumstances”, and in particular should assess whether the defendant “can be regarded as unfairly competing with the proprietor of the trademark”: ...

Thirdly, an important factor is whether the use of the sign complained of either gives rise to consumer deception or takes unfair advantage of, or is detrimental to, the distinctive character or repute of the trademark. If it does, it is unlikely to qualify as being in accordance with honest practices: ...

Fourthly, a mere likelihood of confusion will not disqualify the use from being in accordance with honest practices if there is a good reason why such a likelihood of confusion should be tolerated.

(citations omitted)

[247] In *Hasbro Inc v 123 Nahrungsmittel GmbH*<sup>92</sup> it was not “honest” for the defendant to refer to its product with the words “edible play dough” in light of knowledge of the

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<sup>88</sup> *Aktiebolaget Volvo v Heritage (Leicester) Ltd* [2000] FSR 253 (Ch) at 259.

<sup>89</sup> The equivalent to s 95(c).

<sup>90</sup> *Samuel Smith Old Brewery (Tadcaster) v Lee (t/a Cropton Brewery)* [2011] EWHC 1879 (Ch), [2012] FSR 7 at [114].

<sup>91</sup> *Samuel Smith*, above n 90, at [114]-[117].

<sup>92</sup> *Hasbro*, above n 43.

registered well-known PLAY-DOH<sup>®</sup> mark.

[248] Section 95(c)(i) is cast in different terms from the equivalent provision in the 1953 Act, s 12(b), which was confined to “any bona fide description of the character or quality” of the goods or services. However the decision of the Court of Appeal in *Mainland*<sup>93</sup> remains relevant.

[249] With reference to the use of the word “vintage” in relation to cheese, the Court noted that “vintage” is a common word, the original meaning of which as a noun was the yield of grapes or wine from a vineyard or district in a single season. Over time that meaning had expanded to refer to the age or year of a particular wine and by transferred or metaphorical usage it had come to be applied more widely so as to refer to a date or period when a person was born or flourished or when something was produced suggesting enduring interest, importance or quality (for example vintage cars).

[250] The Court said:

Of course, once the suggestion is made it is a simple matter to draw upon the connotations of age and quality conveyed in other contexts by the word and apply them to characteristics of cheese or any other product. That does not mean that the word is a normal description of cheese or of any characteristics or attributes of cheese. Rather it is a skilful allusion conjuring up laudatory notions by association with fine wine to which the word is normally applied: compare “Rocket” for golf balls or “Tornado” for fans. Vintage tells us something about the attributes such as taste of a Cheddar cheese only by drawing upon our knowledge of what the word tells us about wine. But it no more describes the character or quality of cheese than it does of chocolate or ball-bearings.

[251] Reaching a different view from the High Court on this point the Court said:

... we have no difficulty in concluding that the word “Vintage” though it may suggest quality or attributes of cheese, was not in its normal meaning a description of any characteristic or quality of cheese when Bonlac commenced to use that word on its cheese in New Zealand.

### *Discussion*

[252] Knauf and BFNG submitted that the s 95 defence was available to them on the basis that the use of the word “batt” and/or “batts” was the use of a term recognised in English speaking countries around the world (including New Zealand) to indicate the

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<sup>93</sup> *Mainland*, above n 57.

“kind, intended purpose and/or other characteristic” of the subject goods – namely a rectangular piece of fibrous insulation.

[253] Tasman argued that in the particular circumstances of this case s 95(c)(i) added nothing to s 89(2). Hence, in Tasman’s view, a finding that the defendants’ use of BATT or BATTs was likely to be taken as being use as a trade mark would be determinative because it could not then be suggested that the defendants’ use of the mark was honest.

[254] I have some difficulty with Tasman’s argument as a general proposition. It is a prerequisite (or threshold) to a finding of trade mark infringement that the sign is used by a defendant “as a trade mark”. Once that threshold is crossed it is only if the defendant’s use would amount to infringement that there is reason for s 95(c) to be engaged. If the proposition is that if s 89(2) is satisfied then s 95(c) has no role to play, then I am unable to agree. *Bravado Merchandising Services Ltd v Mainstream Publishing (Edinburgh) Ltd*<sup>94</sup> (the “Wet Wet Wet” case) is a case in point.

[255] However Tasman advanced the proposition that s 95(c)(i) adds nothing to s 89(2) on the basis of the particular circumstances of this case. I confess to being unsure what those particular circumstances are but if it is a repetition of the iconic brand contention<sup>95</sup> then I would reject the notion that some trade marks are of such significance that a finding of infringement simply takes s 95 out of play.

[256] Section 95(c)(i) is concerned with instances of the use of a sign to communicate the characteristics of goods or services. There is some degree of overlap with the subject matter of s 13(a) and (d) of the Fair Trading Act. The “characteristics” the subject of the section are features of the relevant goods, further information about which is likely to assist consumers in their purchasing decisions. Those “characteristics” comprise information that qualifies or adds particularity to the product rather than the mere identification of the product itself.

[257] I do not consider that the defendants’ use of “batt” and “batts”, whether in the HTML code or (if my conclusion on use as a trade mark is in error) in the other

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<sup>94</sup> *Bravado Merchandising Services Ltd v Mainstream Publishing (Edinburgh) Ltd* [1996] FSR 205 (Court of Session-Outer House).

<sup>95</sup> At [213].



instances of use, comes within the protection afforded by s 95(c)(i). To my mind the defendants' use of those words is simply as identification of the product itself like, for example, "wine" or "car". I do not consider that the defendants' use of those words communicates any meaningful information about the "kind" of product or the "intended purpose" of the product.

[258] I agree with the defendants that the use of those words informs the reader that the product is a piece of insulation. I do not consider that it necessarily communicates that it is either rectangular or fibrous. However its function in the defendants' materials is to identify the subject matter (the insulation), not to communicate information about the kind of insulation, the intended purpose of the insulation or any other characteristics it may have.

[259] Even if the use of "Batt" in the HTML code was as a sign within s 95(c)(i), in my view the defence would not be available in any event because the use was not in accordance with honest practices. I accept Tasman's submission that the reason why BFNG used the word "Batt" in the HTML code was to secure an outcome whereby an internet user searching for the trade mark BATTTS<sup>®</sup> would be directed to the *www.earthwool.co.nz* website and hence to the differently branded products marketed there. Such conduct does not pass the objective *Volvo v Heritage* test and in my view constitutes unfair competition.

[260] If, contrary to my view, the other three instances of use of the sign were infringements but nevertheless came within the protection afforded by s 95(c)(i), it is my view that those other three instances of use would not fail the honest practices requirement.

**Issue 6: Is there an available defence under s 66(1)(c)?**

[261] In addition to their counterclaims for revocation under s 66(1)(a) and (c), the defendants pleaded as a defence to Tasman's allegations of trade mark infringement their contention that Trade Mark 105507 is not a valid registration and should be revoked. For the same reasons given for the dismissal of the counterclaims, there is no defence available to the defendants in reliance upon s 66(1)(a) and (c).

## Issue 7: Was Tasman’s proceeding unjustified?

[262] Section 105 so far as relevant to this case provides:

### **105 Unjustified proceedings**

- (1) If a person brings proceedings alleging an infringement of a registered trade mark, the Court may, on the application of any person against whom the proceedings are brought,—
  - (a) make a declaration that the bringing of proceedings is unjustified;
  - (b) make an order for the payment of damages for any loss suffered by the person against whom the proceedings are brought.
- (2) The Court must not grant relief under this section if the person who brings the proceedings proves that the acts in respect of which proceedings are brought constituted, or would have constituted if they had been done, an infringement of the trade mark concerned.

...

[263] Knauf and BFNG claim that Tasman’s infringement proceedings were unjustified as:

- (a) the use of the word “batts” and/or “batt” by Knauf was within the s 95 defence and therefore cannot amount to infringement;
- (b) Trade Mark 105507 is not valid (and should be revoked) if the defendants’ counter-claims for revocation under s 66(1)(a) or (c) are made out.

[264] As yet there are no relevant authorities addressing s 105. However s 130(2) of the Copyright Act 1994 is an almost identical provision and decisions addressing that provision were relied on by the parties.

[265] The effect of s 105(2) is to preclude the Court from exercising the discretion conferred by subs (1) where the respondent to the application proves that the trade mark has been infringed. The reason, as Master Kennedy-Grant observed in *Heinz Watties (New Zealand) Ltd v Effem Foods Pty Ltd*,<sup>96</sup> is that the bringing of proceedings cannot

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<sup>96</sup> *Heinz Watties (New Zealand) Ltd v Effem Foods Pty Ltd* (2001) 7 NZBLC 103,437 (HC) at [19].

logically be said to be unjustified if the proceedings are successful or, if pressed to a conclusion, would have been successful.

[266] Master Kennedy-Grant further held that proceedings would be justified if a plaintiff (even if unsuccessful) could show that it had acted in the genuine belief, held on reasonable grounds and after taking legal advice, that there had been or might have been an infringement.<sup>97</sup> He recognised that “justification” is often understood as meaning something which, though it does not excuse an action, nevertheless provides an explanation that showed the action to be less reprehensible than it might otherwise appear. He considered that such an approach did not unduly favour a plaintiff in infringement proceedings over a defendant.

[267] I have found that there was trade mark infringement in respect of one instance of use but not in respect of the other instances. A question arises whether a proceeding is to be viewed as a composite whole or whether consideration can be given to individual instances of alleged infringement. In that regard I note that while s 105(1) refers to a declaration with reference to “proceedings”, s 105(2) refers to proof of infringement in respect of “the acts in respect of which proceedings are brought”.

[268] Bearing in mind the reference to “acts” I consider that it would not be appropriate to construe the provision as ceasing to apply merely because only one (perhaps de minimis) instance of infringement was established but all others failed. I consider that it would be open to the Court to make a declaration in respect of causes of action which were considered to be unjustified notwithstanding that the trade mark owner was successful on one or more other trade mark infringement causes of action.

[269] My finding that the use of “Batt” in the HTML codes on the *www.earthwool.co.nz* website was an infringement precludes any relief under the section on that issue: s 105(2).

[270] So far as the other claims are concerned, it being common ground that Tasman would have received legal advice before issuing proceedings, the issue is whether Tasman acted in a genuine belief based on reasonable grounds in bringing such claims.

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<sup>97</sup> Followed in *ABB Ltd v New Zealand Insulators Ltd* (2006) 3 NZCCLR 645 (HC) at [250].

[271] In my view the issues concerning infringement which this case has raised are not easy issues, particularly in relation to the question of use as a trade mark in s 89(2). While Tasman took a rather absolutist approach to the infringement issue based upon its conviction as to the iconic status of its trade mark, it is my assessment that Tasman acted in a genuine belief based on reasonable grounds in bringing all the claims in this proceeding. The application for a declaration under s 105(1) is declined.

### **The Fair Trading Act claims and counterclaims.**

[272] The six heads of claim and counterclaim comprised in Issues 8-13 collectively invoke three sections of the Fair Trading Act, namely ss 9, 10 and 13:

#### **9 Misleading and deceptive conduct generally**

No person shall, in trade, engage in conduct that is misleading or deceptive or is likely to mislead or deceive.

#### **10 Misleading conduct in relation to goods**

No person shall, in trade, engage in conduct that is liable to mislead the public as to the nature, manufacturing process, characteristics, suitability for a purpose, or quantity of goods.

...

#### **13 False or misleading misrepresentations**

No person shall, in trade, in connection with the supply or possible supply of goods or services or with the promotion by any means of the supply or use of goods or services,—

- (a) make a false or misleading representation that goods are of a particular kind, standard, quality, grade, quantity, composition, style, or model, or have had a particular history or particular previous use;

...

[273] Section 10 employs the lesser test of “liable to mislead” as opposed to “likely to mislead” in s 9. “Liable” means something less than likelihood or probability.<sup>98</sup>

### *Relevant principles*

[274] The starting point for a consideration of the application of s 9 is the decision of the Supreme Court in *Red Eagle Corporation Ltd v Ellis*:<sup>99</sup>

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<sup>98</sup> *Sound Plus Ltd v Commerce Commission* [1991] 3 NZLR 329 (HC) at 332.

[28] It is, to begin with, necessary to decide whether the claimant has proved a breach of s 9. That section is directed to promoting fair dealing in trade by proscribing conduct which, examined objectively, is deceptive or misleading in the particular circumstances. Naturally that will depend upon the context, including the characteristics of the person or persons said to be affected. Conduct towards a sophisticated businessman may, for instance, be less likely to be objectively regarded as capable of misleading or deceiving such a person than similar conduct directed towards a consumer or, to take an extreme case, towards an individual known by the defendant to have intellectual difficulties. Richardson J in *Goldsboro v Walker* said that there must be an assessment of the circumstances in which the conduct occurred and the person or persons likely to be affected by it. The question to be answered in relation to s 9 in a case of this kind is accordingly whether a reasonable person in the claimant's situation – that is, with the characteristics known to the defendant or of which the defendant ought to have been aware – would likely have been misled or deceived. If so, a breach of s 9 has been established. It is not necessary under s 9 to prove that the defendant's conduct actually misled or deceived the particular plaintiff or anyone else. If the conduct objectively had the capacity to mislead or deceive the hypothetical reasonable person, there has been a breach of s 9. If it is likely to do so, it has the capacity to do so. Of course the fact that someone was actually misled or deceived may well be enough to show that the requisite capacity existed.

(citations omitted)

[275] The Court qualified its comment about the characteristics of the persons said to be affected by noting at footnote 15 the potentially different position where a broad audience was involved:<sup>100</sup>

The position may be different where the conduct is directed towards a wide section of the community, as in an advertisement. In a well-known passage in *Taco Company of Australia Inc v Taco Bell Pty Ltd* (1982) 42 ALR 177 at 202, Deane and Fitzgerald JJ said that in such a case the matter is to be considered by reference to all who come within the section “including the astute and the gullible, the intelligent and the not so intelligent, the well educated as well as the poorly educated, men and women of various ages pursuing a variety of vocations”. But in such cases the test has also been said to be *not* the effect on a person who is quite unusually stupid: *Anand & Thompson Pty Ltd v Trade Practices Commission* (1979) 40 FLR 165 at 176.

[276] Of particular relevance to advertising and promotional scenarios is the summary of principles in the Court of Appeal's decision in *Geddes v New Zealand Dairy Board*:<sup>101</sup>

[77] The first point to emphasise is that the commercial law of New Zealand is “based on the premise that society's resources are best allocated in a

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<sup>99</sup> *Red Eagle Corporation Ltd v Ellis* [2010] NZSC 20; [2010] 2 NZLR 492 at [28].

<sup>100</sup> *Red Eagle*, above n 99, at footnote 15.

<sup>101</sup> *Geddes v New Zealand Dairy Board* [2005] NZCA 159 at [77]–[81].

competitive market where rivalry between firms ensures maximum efficiency in the use of resources”: *Tru Tone Limited v Festival Records Retail Marketing Limited* [1988] 2 NZLR 352 at 358; *Telecom Directories Limited v Ad.Viser (NZ) Limited* (1992) 5 TCLR 60 at 62. The normal response to a trade rival’s allegedly innovative product or service should be a trade or marketing response, not a rush to the court door with “some arguable item in the competitor’s promotional material which might be labelled misleading or deceptive”: *Squibb & Sons (NZ) Limited v ICI NZ Limited* (1988) 3 TCLR 296 at 324.

[78] Secondly, in evaluating conduct which is allegedly misleading or deceptive, the court must always identify those who have been or are likely to be misled or deceived: *Unilever New Zealand Limited v Cerebos Gregg’s Limited* (1994) 6 TCLR 187 (CA) at 192. In this case, the audience is clear, the dairy farmers of New Zealand. ...

[79] Thirdly, when determining whether advertising or promotional material is misleading or deceptive, the courts must adopt a robust approach – “a degree of robust realism is necessary”: *Stuart Alexander & Co (Interstate) Pty Limited v Blenders Pty Limited* (1981) ATPR 40-244 at 43,203; *Unilever* at 193.

[80] Fourthly, the conduct of a defendant must be viewed as a whole. “Where the conduct complained of consists of words it would not be right to select some words only and to ignore others which provided the context which gave meaning to the particular words”: *Parkdale Custom Built Furniture Pty Limited v Puxu Pty Limited* (1982) 149 CLR 191 at 199.

[81] Finally, in trade description cases, the focus is upon what is said and done rather than on what is not said or done. The legal obligation is to avoid falsehood. It is not an obligation to provide compendious explanations: *Unilever* at 192.

[277] The competing arguments, particularly in the context of the causes of action directed to the EARTHWOOL<sup>®</sup> brand and its marketing, placed significant emphasis on the issues of initial interest confusion and the likelihood of any deception being dispelled by the time of purchase.

[278] Argument has been advanced in a number of New Zealand cases in reliance upon Australian authority that initial confusion or misunderstandings are capable of being rectified at the point of sale. As Gault J observed in *Allied Liquor Merchants Ltd v Independent Liquor (NZ) Ltd*<sup>102</sup> that point may be disposed of by reference to the comment of the Court of Appeal in *Trust Bank Auckland Ltd v ASB Bank Ltd*:<sup>103</sup>

Another suggestion in argument was that *Parkdale* shows that initial customer confusion does not matter if rectified at point of sale. We view this suggestion in the same way. There seems to us to be no reason why s 9 should not protect

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<sup>102</sup> *Allied Liquor Merchants Ltd v Independent Liquor (NZ) Ltd* (1989) 3 TCLR 328 (HC) at 336.

<sup>103</sup> *Trust Bank Auckland Ltd v ASB Bank Ltd* [1989] 3 NZLR 385 (CA) at 389.

the public from being led into business premises by being misled as to the ownership of the business. Once a prospective customer has entered, he or she will often be more likely to buy.

[279] Gault J developed the point in this way:<sup>104</sup>

No one is entitled to practice deception until the public get used to it. It is perhaps part of the same point that it is not relevant that the public are not particularly concerned about the misunderstanding, being more concerned with price. That rather misses the point that the public is entitled to be accurately informed. Further, that some people may not be misled is no answer if there is a real likelihood that a substantial number of others will be.

[280] A further consideration raised by the nature of the contest with reference to the EARTHWOOL® name is the so-called doctrine of erroneous assumption.<sup>105</sup> Both *Trust Bank* and subsequently *Bonz Group Pty Ltd v Cooke*<sup>106</sup> endorsed the observations of Deane and Fitzgerald JJ in their joint judgment in *Taco Company of Australia Inc v Taco Bell Pty Ltd*:<sup>107</sup>

In truth, of course, no conduct can mislead or deceive unless the representee labours under some erroneous assumption. Such an assumption can range from the obvious, such as a simple assumption that an express representation is worthy of credence, through the predictable, such as the common assumption in a passing-off case that goods marketed under a trade name which corresponds to the well-known trade name of goods of the same type have their origins in the manufacturer of the well-known goods, to the fanciful, such as an assumption that the mere fact that a person sells goods means that he is the manufacturer of them. The nature of the erroneous assumption which must be made before conduct can mislead or deceive will be a relevant, and sometimes decisive, factor in determining the factual question whether conduct should properly be categorized as misleading or deceptive or as likely to mislead or deceive.

[281] With reference to the question whether erroneous assumptions made by prospective purchasers are extreme and fanciful the High Court of Australia in *Campomar* stated that the initial question which must be determined is whether the misconceptions or deceptions alleged to arise or to be likely to arise are properly to be attributed to the ordinary or reasonable members of the classes of prospective purchasers.<sup>108</sup>

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<sup>104</sup> *Allied Liquor*, above n 102, at 336.

<sup>105</sup> So described in *Campomar Sociedad, Limitada v Nike International Ltd* (2000) 169 ALR 677 (HCA) at [104].

<sup>106</sup> *Bonz Group Pty Ltd v Cooke* [1994] 23 NZLR 216 (HC) at 229.

<sup>107</sup> *Taco Company of Australia Inc v Taco Bell Pty Ltd* (1982) 42 ALR 177 (FCA) at 200.

<sup>108</sup> *Campomar*, above n 105, at [105].

### **Issue 8: Is Knauf’s EARTHWOOL<sup>®</sup> brand misleading or deceptive?**

[282] Issue 8, which is taken from paragraph 14 of the Third Amended Statement of Claim, addresses three apparently distinct heads of complaint against Knauf, namely:

- The EARTHWOOL<sup>®</sup> brand;
- The use of the EARTHWOOL<sup>®</sup> name;
- The way in which Knauf distributes and markets its EARTHWOOL<sup>®</sup> insulation.

[283] The relationship between the first and second heads of complaint was explained in Tasman’s closing submissions in this way:

Tasman’s complaint against Knauf is that the name EARTHWOOL gives the misleading impression to consumers that Knauf’s products are made from natural wool when they are not. Tasman says that the misrepresentation inherent in the EARTHWOOL name is exacerbated by the use of natural “earthy” colours orange and green and the emphasis on the word “wool” through the use of colour and the leaf devices in the letter “O”. It is submitted that the emphasis on the word “WOOL” has particular significance in the New Zealand market given the pre-eminence (sic) of sheep and sheep wool products in New Zealand’s economic and cultural identity.

[284] The thrust of the third head of complaint was also elaborated upon in this way:

Tasman says that the misleading impression inherent in the name and logo is compounded by the earthy colour of the product and the way in which Knauf markets its insulation – in particular, the emphasis on the “eco-friendly” and “natural” qualities of the product (including softness) together with the lack of clear and easily accessible information as to what the product is actually made of. Tasman says that this combination of factors is likely to mislead or deceive consumers into believing that Knauf’s EARTHWOOL products are made of natural sheep’s wool in breach of ss 9 and 10 of the Fair Trading Act.

[285] Examples cited of such marketing were Knauf’s newspaper advertisements described at [38], [39] and [41] above, none of which, Tasman submitted, stated that EARTHWOOL<sup>®</sup> is made from recycled glass.<sup>109</sup> Attention was drawn in particular to the headline “ENVIRONMENTALLY FRIENDLIER, SOFTER AND CHEAPER”.

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<sup>109</sup> That submission was not correct. In fact both the 8 April 2012 ([40] above) and 20 May 2012 ([41] above) advertisements did indicate that the EARTHWOOL<sup>®</sup> product was made from glass.



[286] The defendants contended that EARTHWOOL<sup>®</sup> was not a contravention because:

- (a) “EARTH” indicates Knauf’s use of recycled glass, sand and a plant-based binder in the product’s composition and the resulting natural colour of the product, namely brown;
- (b) “WOOL” accurately indicates the product is made of glass wool, a common (and the predominant) type of fibrous insulating material used in New Zealand; and
- (c) “WOOL” is a common descriptor for products made of fibrous material, including cotton wool, steel wool and, pertinently, rockwool insulation – none of which are made of sheep’s wool or any other animal-sourced wool.

#### *The evidence*

[287] A substantial amount of both evidence and submission was directed to the defendants’ intentions with reference to the EARTHWOOL<sup>®</sup> name. The defendants emphasised the reasons and underlying philosophy in creating the name. They drew attention to the consistency (in terms of colours, style and the leaf logo) with the use of the pre-existing EcoBatt trade mark used by Knauf in the United States. For its part Tasman pointed to what it said was a deliberate decision on the defendants’ part to emphasise the word “WOOL” in the New Zealand market.

[288] However no element of intention is required for contravention of s 9: the issue is simply whether the impugned conduct results or is likely to result in a substantial section of the public being confused.<sup>110</sup> Consequently, while I am cognisant of the not infrequently cited proposition that if a person intends to secure an objective, then one might more readily conclude that that objective is achieved, I do not place any weight on imputed intentions or objectives. As stated in *Red Eagle*,<sup>111</sup> the question is whether, examined objectively, the relevant conduct is deceptive or misleading in the

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<sup>110</sup> *Bonz Group*, above n 106, at 212.

<sup>111</sup> At [274] above.

circumstances in New Zealand. The consistency or otherwise with Knauf's conduct or usage in other jurisdictions is not in point.

[289] Tasman's primary evidence was in the form of market surveys although there was also a modest amount of evidence which tended to establish the state of mind of a small number of individuals (who did not themselves give evidence) who had had exposure to the EARTHWOOL<sup>®</sup> product.

[290] Tasman commissioned two market surveys from Colmar Brunton which were conducted via Colmar Brunton's Omnijet facility previously described in the context of the BATTIS survey.<sup>112</sup> A sample of 1000 respondents was randomly split in two with approximately half (487) answering the first survey and the other half (515) answering the second. The participants in the first survey were asked the following questions:

(1) Have you heard of EARTHWOOL insulation?

Yes/No

(2) What do you think EARTHWOOL insulation is made of? Please be as specific as possible.

(a) What sort of wool do you think it is made of?

(3) Why do you say that?

[291] Questions (1), (2) and (3) were addressed to all participants but question (2)(a) was only asked of participants who had answered "wool" to question (2).

[292] The second survey was different in that, instead of simply being asked a question about "EARTHWOOL insulation", the participants were shown a screen capture of the front page of the *www.earthwool.co.nz* website. The following questions were asked:

(1) Please have a look at this product.

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<sup>112</sup> At [138].

Have you heard of this insulation before?

(2) What do you think it is made of? Please be as specific as possible.

(a) What sort of wool do you think it is made of?

(3) Why do you say that?

[293] As with the first survey, questions (1), (2) and (3) were asked of all participants while question (2)(a) was only addressed to participants who answered “wool” to question (2).

[294] The results of the first survey suggested that a substantial majority of respondents thought that the EARTHWOOL<sup>®</sup> product was made of wool. To question 2, 76 per cent responded with “wool” while 16 per cent specifically said sheep wool. Only 5 per cent correctly stated that the product was made from glass. To question 2(a) (which was asked only of those who had answered “wool”):

- 52 per cent stated they meant sheep wool
- 32 per cent simply referred to “wool” again
- 8 per cent said Merino wool
- 6 per cent referred to wool of low quality
- Less than 1 per cent said glass or glasswool

[295] The results of the second survey were similar. To question 2 the responses were 70 per cent (wool), 8 per cent (sheep wool) and 6 per cent (glass). The responses to question 2(a) were:

- 59 per cent stated they meant sheep wool
- 29 per cent simply referred to “wool” again
- 7 per cent said Merino wool
- 5 per cent referred to New Zealand/NZ
- 3 per cent said “natural”
- 2 per cent said glass, glass fibre or glasswool

[296] Professor Brodie expressed the opinion that these survey results showed that a significant proportion of the population who see the trade mark EARTHWOOL® when used in relation to insulation will think that the product is made of wool and in particular sheep's wool. He considered that that name acts as a heuristic cue or signal to consumers about specific qualities of the brand providing a message framing which evokes the meaning that the insulation is a natural product made of wool and in particular sheep's wool.

[297] The defendants formulated their attack on those surveys by reference to the measuring-stick of what are known as the Whitford principles, namely the requirements for the validity of survey evidence stated in *Imperial Group plc v Philip Morris Ltd*,<sup>113</sup> where Whitford J observed that market research surveys are by and large an unsatisfactory way of trying to establish questions of fact in dispute.

[298] In reliance upon the evidence of Professor Gendall and Associate Professor Melnyk the defendants levelled several criticisms at the survey, in particular:

- (a) the survey participants did not represent a cross-section of the relevant public because they were not sufficiently informed about insulation;
- (b) the survey questions were leading in the sense that they were formulated to generate a weighted or conditioned response;
- (c) the survey questions led participants into a field of speculation that they never would have embarked upon had the question not been put; and
- (d) the survey participants should have been shown all the product data sheets and other marketing materials that a typical consumer would look at before purchasing.

[299] Professor Gendall considered that the surveys appeared to have been conducted fairly and he and Associate Professor Melnyk accepted that the questions were not

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<sup>113</sup> *Imperial Group plc v Philip Morris Ltd* [1984] RPC 293 (Ch), at 302-303, applied in New Zealand in *Auckland Regional Authority v Mutual Rental Cars (Auckland Airport) Ltd* [1987] 2 NZLR 647 (HC) at 658.

leading in the traditional sense. He explained that confusion surveys adopted a “funnel-type” structure starting with a very general type of question whereas these surveys took the respondents down a specific path that limited the meaning of EARTHWOOL<sup>®</sup> to a particular product category and one particular attribute, namely its composition. However that was the essential issue and in a trade description dispute it had to be asked.<sup>114</sup> Indeed Professor Gendall acknowledged that ultimately the question must be asked about the content of the product because that was the focal point of the case.

[300] The criticism that the respondents did not comprise the relevant consuming universe appeared to have been influenced by the perception that, as Professor Gendall stated in his brief, the primary decision-maker in every segment except the retrofitting of private houses is a professional – a builder, specialist installer, architect or designer - and that consumer involvement in the decisions was limited. However that view is not consistent with the evidence of Ms Roberts<sup>115</sup> and does not square with Tasman’s consumer-focus in its advertising or Knauf’s newspaper advertisements.<sup>116</sup> While in cross-examination Mr Dunbar said that the direct customers to whom Knauf’s website would promote EARTHWOOL<sup>®</sup> would be specialist installers and distributors, he accepted that it was also aimed at the wider market being home owners and potential home owners and that a wide variety of types of people use the website.

[301] I consider that it is probable that not every respondent in the surveys would have come within the relevant cross-section of the public, namely people who at some point in time may have occasion to consider the purchase or installation of home insulation. However, the survey results are sufficiently clear that that degree of insufficiency in the surveys can be discounted. I also consider that the criticism, that the survey questions should have been directed to whether confusion existed at the point of sale, is not justified in view of the way in which the law has evolved on the issue of initial confusion.<sup>117</sup>

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<sup>114</sup> Compare Gault J’s criticism of the surveys in *Allied Liquor*, above n 102, at 334 for failing to ask the real question in issue: what did the purchaser think he or she was buying?

<sup>115</sup> At [14]-[15] above.

<sup>116</sup> At [38]-[42] above.

<sup>117</sup> At [278].

[302] Consequently I consider that the market survey evidence is not susceptible to serious challenge in terms of the Whitford principles but is relevant and admissible.

### *Discussion*

[303] Although EARTHWOOL<sup>®</sup> is a brand name, the issue in this case really involves a question of trade description. The issue is whether that product name and the associated marketing of the product is likely to lead the public to believe the product is something which it is not.<sup>118</sup>

[304] The word EARTHWOOL<sup>®</sup> does not have a normal or generally understood meaning. It is a composite of two common words each with established meanings. Joined as a single word, the meanings of the individual words tend to fade albeit they do not entirely disappear. Rather they present as an ambiguous combination which consequently tends to invite dissection, whether consciously or subconsciously. That will especially be so in relation to the dual-coloured EARTHWOOL<sup>®</sup> brand which serves to emphasise the coupling of two distinct words.

[305] To some people I consider that the word EARTHWOOL<sup>®</sup> will present as an evocative word that is likely to be perceived as an endeavour to convey a concept. The word “WOOL” is qualified or conditioned by the first word “EARTH” and, to my mind at least, that reference to EARTH serves to teach away from the notion that the “WOOL” referred to is the wool of a live animal, in particular a sheep.

[306] However the exercise of identifying meaning should not be in the nature of a cryptic crossword puzzle. I remind myself of Gault J’s caution in *Allied Liquor*:<sup>119</sup>

It is said sometimes that it is a matter of impression. Such an approach must be taken with care. Judicial impression can be no more reliable than any other informed impression. It must not be capricious, idiosyncratic, or intuitive impression but rather, impression informed having regard to the long-established tests for the assessment of likely reaction to a mark, label, or trade description.

[307] Adopting that approach, it is my view that on seeing the dual-coloured orange/green EARTHWOOL<sup>®</sup> brand the hypothetical reasonable person would focus on

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<sup>118</sup> *Allied Liquor*, above n 102, at 333.

<sup>119</sup> *Allied Liquor*, above n 102, at 334.

or default to the word “WOOL”, noting its quite deep green colour and possibly the “leaf” design in the first “o” of the word “wool”. Having done so, I consider that that person would be likely to make an assumption that the word “wool” meant the product grown by live animals.

[308] I consider that the visual dissection of the brand name by the use of contrasting colours and the green colour of the word “wool” would have the effect of diluting the presence of the word “earth” in the orange hue with the unusual “crossbar” presentation of the letters “e” and “h”.

[309] The evidence of the reaction of people who had actually engaged with the product supports that conclusion. There were two sources of this evidence. First, Professor Brodie pointed out that some respondents to the survey gave answers which indicated that they were aware of the EARTHWOOL<sup>®</sup> product and understood it to be made of sheep’s wool. Two examples of answers by respondents (who had given the answer “sheep’s wool”) were:

- (a) Because I’ve specified this product in a new house before; and
- (b) Because it is called “earth wool”. It is natural coloured. Have heard of it before – friends family just installed it; said they were supporting the wool industry.

Such material is not hearsay because it is not adduced for the truth of its contents.<sup>120</sup>

[310] Secondly, Mr Gallagher of Terra Lana gave evidence about the Canterbury Home Show in Christchurch in October 2012 where Terra Lana had a stand and where there was also a stand displaying the EARTHWOOL<sup>®</sup> product. He stated that he spoke to a number of people during the show who had been to the EARTHWOOL<sup>®</sup> stand and who were clearly under the impression that EARTHWOOL<sup>®</sup> was made from natural wool. They perceived that Terra Lana had a new competitor for its wool-based insulation products but at a much lower price.

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<sup>120</sup> *Taylor Bros Ltd v Taylors Group Ltd* [1990] 1 NZLR 19 (CA) at 24.

[311] I would have been less confident in reaching that conclusion in relation to the word as it is printed in commentary in publications or on the websites, namely as “EarthWool” in a single colour (invariably a shade of black).<sup>121</sup> Without the colour contrast in the brand presentation discussed above, the division of the name into its component parts is less compelling although to a certain degree that occurs because the letter “W” is printed as a capital letter.

[312] However in relation to the single colour presentation the evidence of the first market survey is persuasive. Indeed the word, which was twice viewed by respondents, was not “EarthWool” but “EARTHWOOL”. All letters were printed as capitals, thereby avoiding the prompt to subdivide the word inherent in both the brand and “in print” versions of the name.

[313] While recognising that the surveys are not entirely free from criticism, nevertheless I consider that the results constitute persuasive evidence that, at least as a matter of initial impression, a hypothetical reasonable person is likely to form the erroneous assumption that the EARTHWOOL<sup>®</sup> product is manufactured from animal wool, probably sheep’s wool.

[314] The question then arises: is that a reasonable assumption for the hypothetical reasonable person to make or is it an extreme and fanciful assumption? Tasman’s case was that, because of the historical associations of sheep’s wool with New Zealand and its economy, most people in New Zealand would construe a reference to wool, even in an insulation context, as a reference to sheep’s wool. That was the evidence of Mr Gallagher of Terra Lana, New Zealand’s largest supplier of wool-based insulation products. Because of his obvious interest in the outcome of this aspect of the proceeding I do not place significant weight on his view.

[315] However there was pertinent evidence from both Professor Brodie and Associate Professor Melnyk on this issue. When I asked Professor Brodie about the use of the word “wool” in certain paragraphs of his first brief of evidence he said:

A: Yes, it’s made of wool, and in particular sheep’s wool. One of the reasons is that if this was done in Germany or in Europe, I think it

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<sup>121</sup> The exception is the website where “earthwool” is printed entirely in lower case.



would be quite different. Wool is wool. You know, we grew up on the sheep's back, so quite often when you're talking about sheep's wool you're saying "wool", and that is – you don't need to say "sheep's wool". And it's only this sort of peculiar thing that's emerged in insulation, and just sort of some of the things in minority areas where the properties of the fluffiness or whatever it is of wool now are starting to be used in a different way. So that's what I was thinking about when I said it's made of wool, because that – that really to most people means sheep's wool.

[316] Associate Professor Melnyk agreed with Mr Miles that there are certain words (such as wool) that, because of the history of production in different countries around the world, might have different connotations. When he put to her that wool is sort of hard wired in the New Zealand DNA she replied as follows:

A: Yeah. I completely agree with that, but I didn't expect that there would be differences in how people would define "wool". What I would expect is that there could be difference in what people associate with wools in different contexts or countries but typically you don't see the association from the dictionary. This is something that you investigate. So I think, I see your point that "wool" could be more important and can have different associations in New Zealand than with, for people in UK but the general concept, the definition, I would expect to be the same but I would expect the links to associations to be different.

[317] It is my conclusion that the erroneous assumption which would be made by the hypothetical reasonable person, that EARTHWOOL<sup>®</sup> was manufactured from animal wool and most probably sheep's wool, would be a reasonable and not fanciful assumption. The reasons for that conclusion are:

- (a) There will be a significant tendency, possibly even a strong tendency, that a reference to "wool" in New Zealand will be assumed to be animal wool given the historical significance of the wool industry for New Zealand;
- (b) That significant tendency would also occur in the context of insulation when there are, or have been, a number of sheep's wool-based insulation products sold in New Zealand;
- (c) The word EARTHWOOL<sup>®</sup> has no generally understood meaning and presents the potential consumer with an ambiguous concept; and

- (d) The presentation of the word as “EarthWool” and especially the dual-coloured brand name facilitates the identification of “wool” as a discrete element in the word and encourages the assumption that “wool” is a likely ingredient of the product.

[318] Consequently I find that the defendant’s use of the EARTHWOOL<sup>®</sup> name and brand is misleading and deceptive because there is a real likelihood that a substantial number of people including prospective purchasers will be misled about the composition of the product.

### *Remedy*

[319] As stated in *Taylor Bros Ltd v Taylors Group Ltd*,<sup>122</sup> a case has to be sufficiently serious to warrant a remedy under the statute. It is a question of fact and degree. Members of the public have a right not to be misled about products they might consider purchasing. Indeed they have a right to be accurately informed. I consider that a remedy is warranted in this case in order to avoid the prospect of the public being misled about the composition of EARTHWOOL<sup>®</sup>.

[320] The injunction order which Tasman seeks is one restraining Knauf from using the EARTHWOOL<sup>®</sup> trade mark on insulation products in New Zealand unless such products are predominantly made from natural sheep wool. While I can readily appreciate the desirability of orders in absolute terms in name cases<sup>123</sup> where it is sought to avoid confusion between entities,<sup>124</sup> I consider that in a trade description case the remedy should not necessarily prohibit all use of a registered trade mark if the misleading or deceptive conduct can be addressed more specifically. In that connection I note for example the form of order in *Reckitt & Colman Products Ltd v Borden Inc*, a passing off case where the injunction restrained the marketing of a product:<sup>125</sup>

In any container so nearly resembling the Plaintiff’s JIF lemon shaped container as to be likely to deceive without making it clear to the ultimate purchaser that it is not of the goods of the plaintiff.

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<sup>122</sup> *Taylor Bros Ltd v Taylors Group Ltd* [1988] 2 NZLR 1 (CA) at 40.

<sup>123</sup> In *Allied Liquor*, above n 102, Gault J contrasted name cases and trade description cases.

<sup>124</sup> But see the form of interim order in *Prudential Assurance Co New Zealand Ltd v Providential Building and Investment Society of Canterbury* (1988) 3 TCLR 62 (CA), [1988] 2 NZLR 653.

<sup>125</sup> *Reckitt & Coleman Products Ltd v Borden Inc* [1990] 1 All ER 873 (HL) at 877.

[321] In the course of considering Issue 10 below<sup>126</sup> I mention the fact that the *www.earthwool.co.nz* website page “What is Earthwool?” was amended by the insertion of the word “glasswool”. In its closing submissions Tasman described that as “a clear statement that the product is made out of glasswool”.

[322] In my view the use of the trade mark EARTHWOOL<sup>®</sup> should not be objectionable if contemporaneously it is made abundantly clear to consumers what the composition of the product is such that the ambiguity inherent in the word is avoided. Consequently the form of order which I consider appropriate in this case is a prohibition on the use of the EARTHWOOL<sup>®</sup> name or brand except where the word is used in the manner of an adjective in association with a word or words identifying that composition of the product as glass or glasswool, namely:

- (a) EARTHWOOL<sup>®</sup> glasswool; or
- (b) EARTHWOOL<sup>®</sup> glass insulation.

[323] Such usage should not be a cause for concern for the defendants<sup>127</sup> given their submission that Mr Dunbar saw no benefit in trying to get people to think EARTHWOOL<sup>®</sup> was a sheep’s wool product because EARTHWOOL<sup>®</sup> was superior to sheep’s wool and provides a new generation of glasswool product. Such usage should not be a cause of concern for Tasman (or for Terra Lana) because it should be quite clear to the hypothetical reasonable person that the EARTHWOOL<sup>®</sup> product was made of glass, not animal wool.

[324] My conclusion on Issue 8 has obvious implications so far as both the *www.ecoinsulation.co.nz* and *www.earthwool.co.nz* websites are concerned. However, in the event that my conclusion on Issue 8 is wrong, I proceed to address Issues 9 and 10 confined to the matters pleaded in respect of them.

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<sup>126</sup> At [335].

<sup>127</sup> There may be some practical difficulties in relation to the *www.earthwool.co.nz* website.

**Issue 9: Is the manner of the marketing of the EARTHWOOL<sup>®</sup> product on the [www.ecoinsulation.co.nz](http://www.ecoinsulation.co.nz) website misleading or deceptive?**

[325] The website [www.ecoinsulation.co.nz](http://www.ecoinsulation.co.nz) was designed and set up by Eco Insulation and managed by Mr Anthony Thomson, its Commercial Manager, to promote its own eco-friendly wool-based products together with Knauf's EARTHWOOL<sup>®</sup> product.

[326] A key factor in this claim was Eco Insulation's failure to clearly distinguish in its marketing material between the EARTHWOOL<sup>®</sup> products and Eco Insulation's own wool-based insulation products. Indeed Tasman accepted that one was left with the impression that, at least until late 2012, the misleading nature of the key marketing message on the website was an accident of history rather than an intentional effort on Mr Thomson's part to mislead the public.

[327] Tasman's pleaded claim against Eco Insulation detailed four aspects of the website:

- (a) The statement [Statement One]:

*The award winning innovators behind the use of natural wool in home insulation in New Zealand.*

- (b) That statement being set against an image of sheep grazing in a field and is also next to an image of a house wrapped in a knitted wool scarf.

- (c) The statements [Statement Two]:

*Research shows that wool retains indoor air pollutants such as sulphur dioxide, nitrogen dioxide, and formaldehyde, which are emitted from gas stoves, heaters and building materials;*

*Our products are safe to handle and easy to install. No protective clothing is necessary;*

*Contains no carcinogenic chemicals. No asbestos or glass fibres. No toxic glues;*

*Our products are manufactured in New Zealand from pure, natural New Zealand wool;*

*A pure, natural safe product, wool helps protect our environment.*

- (d) The background throughout the website comprising an image of natural wool knitted material.

[328] However during the course of evidence it became apparent that there were two versions of the website. The first version was live from at least 2011 to September 2012. The second version which was dated from September 2012 was live at the time of trial. Consequently in its closing submissions Tasman restated its claim with reference to the two different versions.

[329] In relation to the first version of the *www.ecoinsulation.co.nz* website, Tasman relied upon the following “cues” to consumers that reinforced that EARTHWOOL is a natural sheep’s wool product:

- (a) The landing page which included:
  - (i) A prominent image of a house wrapped in a knitted woollen orange and green scarf (claimed to be the EARTHWOOL colours);
  - (ii) A background of a classic New Zealand scene of sheep grazing in a field set against a mountain range;
  - (iii) Prominent positioning of Statement One;
  - (iv) Use of a border depicting natural woollen knitted material;
  - (v) Use of the words “Natural Wool Insulation for Homes” in the bottom right-hand corner;
  - (vi) No information that Eco Insulation Ltd sold anything other than natural wool products until May 2012 following without prejudice correspondence between the parties;
- (b) Statement Two on a page entitled “Advantages of Wool”.

[330] In relation to the current landing page for the website, Tasman relied upon the following “cues” to consumers that reinforce that EARTHWOOL is a natural wool product:

- (a) The landing page which includes:
  - (i) A prominent image of a house wrapped in a knitted woollen orange and green scarf (claimed to be the EARTHWOOL colours);
  - (ii) Prominent positioning of Statement One;
  - (iii) A prominently positioned hyperlink entitled “Advantages of Wool” in the top left-hand corner;
  - (iv) The prominence of the words “Wool Insulation” as a result of the landing page opening to the ECO FLEECE tab;
  - (v) The lack of prominence given to the “asterixed” statement in much smaller text at the bottom of the page (included from May 2012) that “Eco insulation sells products made from a range of materials, including natural sheep wool, Glasswool & Mineral Wool”.
- (b) The “Advantages of Wool” page which included Statement Two;
- (c) The EARTHWOOL summary page which includes:
  - (i) A prominent image of a house wrapped in a knitted woollen orange and green scarf (claimed to be the EARTHWOOL colours);
  - (ii) Prominent position of Statement One;

- (iii) A prominently positioned hyperlink entitled “Advantages of Wool” in the top left-hand corner;
- (iv) A picture of the “natural” looking EARTHWOOL product overlaid with the EARTHWOOL brand emphasising the word “WOOL”;
- (v) The lack of strong association between the image of the EARTHWOOL product and the smaller text stating “Glasswool blanket and Pad insulation for ECCA and new buildings”;
- (vi) The lack of prominence given to the “asterixed” statement in much smaller text at the bottom of the page (included from May 2012) that “Eco Insulation sells products made from a range of materials, including natural sheep wool, Glasswool & Mineral Wool”.

[331] Tasman argued, and I accept, that the first version of the landing page was significantly more misleading than the second version because of the inclusion of the pastoral scenes of sheep and mountains and the knitted woollen borders throughout the website. This of course was an aspect of the accident of history earlier referred to.<sup>128</sup> Mr Osborne, of 96black Ltd, a website development agency, called by the defendants acknowledged that the idyllic pastoral scene rammed home the primary image that the home page was about sheep’s wool.

[332] However the changes made in late 2012 were not sufficient, in my view, to prevent a misleading impression being conveyed to persons who came across the website. On the landing page the image of the home wrapped in the scarf remained immediately adjacent to the “award winning” phrase which included the reference to “natural wool”. Beneath them the various products were listed horizontally including "EARTH WOOL”.

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<sup>128</sup> At [326].

[333] Although the EARTHWOOL<sup>®</sup> summary page made mention of a “Glasswool blanket”, this was located beneath the image of the house and the “award winning” statement. It was also in much smaller print than the latter. Indeed it was in print of the same size as the more prominently located “Advantages of wool” hyperlink in the top left-hand corner of the page.

[334] In my view both the first and the second versions of the website were misleading and deceptive so far as the nature of EARTHWOOL<sup>®</sup> was concerned. Tasman’s case on Issue 9 is established.

**Issue 10: Is the manner of the marketing of the EARTHWOOL<sup>®</sup> product on the *www.earthwool.co.nz* website misleading or deceptive?**

[335] The website *www.earthwool.co.nz* was designed and set up by Knauf and BFNG. It is managed by BFNG to promote Knauf’s EARTHWOOL product in New Zealand. Mr Hall acknowledged that 99 per cent of BFNG’s sales were made online.

[336] The allegation made by Tasman in the second cause of action against BFNG concerned the following statement on the *www.earthwool.co.nz* website:

EARTHWOOL<sup>®</sup> provides installers and home-owners with unrivalled benefits not associated with traditional glass wool or polyester.

[337] BFNG was alleged to be in control of and/or responsible for the website<sup>129</sup> and its conduct (presumably in permitting the statement to be made) was alleged to be liable to mislead the public as to the nature, manufacturing process or characteristics of EARTHWOOL insulation products or to mislead or deceive consumers into believing that EARTHWOOL insulation products are made predominantly of a natural product, including sheep wool and wool from other types of animals.

[338] However in closing submissions Tasman’s case was developed in a manner to which the defendants took objection on the basis that it extended beyond the pleaded claim. The objection related to submissions concerning the practice of “keyword stuffing”.

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<sup>129</sup> BFNG admitted that it had limited authorised access to and control over the content on the website.



[339] I uphold that objection. It is not a matter raised in any particular in the pleadings. For the same reason I consider that the submissions directed to the alleged purchase of “batts” as a Google Adword should not be taken into account in relation to the claim against BFNG. That claim in paragraphs 35 and 36 of the third amended statement of claim as referred to in Issue 10 is specific to the statement in [336].

[340] This statement was contained on the website page “What is Earthwool?”. The page featured a photograph of the Knauf product in both roll and slab form with the heading “The latest innovation to change the world of insulation”. The statement in question was preceded by the following sentences:

EarthWool<sup>®</sup> is a high performance insulation product with combined energy saving, sound absorbing and fire resistance features. The natural brown colour of EarthWool<sup>®</sup> comes from the use of revolutionary ECOSE<sup>®</sup> Technology.

[341] Then after the relevant statement, which included the reference to “unrivalled benefits,” there followed a list of apparent benefits which included reference again to the fact that the product is “naturally brown”. The page concluded with the statement that Earthwool insulation represents “a new benchmark for sustainability in construction in New Zealand”.

[342] As Tasman pointed out, notwithstanding the page title “What is Earthwool?”, the page does not say what EARTHWOOL<sup>®</sup> is in fact made from. In opening, Tasman submitted that this conduct was about as deceptive as one could possibly find.

[343] BFNG’s stance was that the phrase “not associated with traditional glasswool” was clearly and explicitly an indication that EARTHWOOL<sup>®</sup> was a new type of glasswool. That proposition relied on a construction of the sentence whereby “traditional” qualifies only glasswool and not polyester. I do not view that as the natural reading of the phrase, particularly in the context where those products (traditional glasswool or polyester) are being contrasted with the “latest innovation” to change the world of insulation and “a new benchmark for sustainability in construction.”

[344] I consider that the meaning most likely to be taken from the sentence is that this latest innovation is made from some material other than glasswool or polyester. Proceeding from that starting point and there being no express statement as to the

composition of EARTHWOOL<sup>®</sup>, I consider that at least a significant number of people would proceed to make the assumption, possibly by a subconscious process of elimination, that it was a product manufactured from animal wool.

[345] BFNG advanced two further contentions. First they contended that a diligent consumer could eventually ascertain that EARTHWOOL<sup>®</sup> was made of glasswool by searching further into the website and locating the ECOSE technology brochure. In the context of the progression of website pages this was described as a three or four step process. I accept that if a diligent consumer did proceed all the way to the ECOSE technology brochure then that person would discover that EARTHWOOL<sup>®</sup> was made of glasswool. However I do not consider that that possibility exculpates BFNG from liability in respect of the website page which is specifically headed “What is Earthwool?”.

[346] BFNG secondly contended that the landing page for the website included at the bottom of the page a statement that recycled glass bottles were used in the manufacture of the product. On this issue I accept Tasman’s submission that that statement in comparatively small print, appearing as it does against a dark background, was not something which would necessarily come to the attention of a reader of the subsequent “What is Earthwool?” page. Support for Tasman’s position derives from the second Colmar Brunton survey which demonstrated that the “greyed out” text at the bottom of the landing page was not sufficient to cause the nature of the product to be identified by the survey respondents.

[347] I note in passing Tasman’s point that the current version of the “What is Earthwool?” page now includes the statement “Earthwool is a high performance glasswool insulation product ...”. While the consequence is that in the future readers of that page will be clearly informed as to the product’s composition, the amendment to that page is not a factor which I take into account in the assessment of the impugned statement.

**Issue 11: Was the 26 August 2012 press release referring to “a competitor” false or misleading?**

[348] Tasman’s third cause of action against Knauf and BFNG concerned Knauf’s advertisement in the Sunday Star Times referred to at [45] which, under the heading “Why Brown Makes Pink See Red”, stated:

... A competitor has been trying to discredit EarthWool® claiming that our insulation is “bendy, slumpy, bulgy and bursty”.

[349] Tasman denied that it had released any such statement and consequently alleged that the representation was false and misleading and hence in breach of the Fair Trading Act.

[350] While the defendants admitted that the reference to a “competitor” was a reference to Tasman, they justified their assertion that Tasman had made the alleged statements with the following Particulars:

The Plaintiff and an associated company within the Fletcher group of companies have made negative statements (orally and in writing) about the First Defendant’s EARTHWOOL product, including in:

- (i) a presentation entitled “Why Pink Batts Insulation”, produced and/or presented by the Plaintiff and disseminated and/or made to the building trade in or around May or June 2012, in which the Plaintiff described the First Defendant’s EARTHWOOL product as, inter alia, “slumping” and “slumpy”; and
- (ii) a presentation entitled “Why Pink Batts are superior to Knauf Batts”, produced and/or presented by the Plaintiff and/or Fletcher Insulation (a sister company of the Plaintiff) and disseminated and/or made to the building trade in or around May 2012, in which the First Defendant’s EARTHWOOL products, packaging was alleged to be “prone to tearing and bursting”.

[351] The defendants contend that in both those presentations the EARTHWOOL product was depicted (unrealistically) as “bulging” out of a damaged packaging sleeve and was depicted as “bending” and described in the same or similar terms when the presentations were made.

[352] Ms Roberts explained that the “Why Pink Batts Insulation” document was a powerpoint presentation provided to sales team members to assist them in educating trade customers. Although the presentation was not intended for the general public,

Ms Roberts stated that the trade audience would be building products people or personnel working with the brand in some 300-350 stores, some of which were small and some quite large.

[353] The presentation first stated that the Knauf product was susceptible to slumping and required strapping with associated photographs of the product installed in a wall and in a ceiling, under the heading “Stiffness”. Then the presentation presented comparative photographs of a piece of both the Tasman and Knauf R2.2 wall products suspended over a horizontal bar at their mid point. The photographs showed that the two ends of the Tasman product had fallen below the horizontal much less than the Knauf product. A statement adjacent to the photograph of the Knauf product stated “5 x as slumpy Over 50° Sag”.

[354] Ms Roberts acknowledged that from an installation point of view references to something that is “bendy” and something that is “slumpy” are references to the same deficiency.

[355] The second presentation, “Why Pink Batts are Superior to Knauf Batts”, was a document of the Australian company Fletcher Insulation. This document featured photographs depicting the comparative sagging susceptibility of the products although not utilising the same photographs as in the first presentation. In addition it contained a page focusing upon the comparative packaging quality of the Pink Batts product and the Knauf product including the statement:

Knauf packaging is prone to tearing and bursting (see image right).

The image referred to was a photograph of a five-high stack of the EARTHWOOL<sup>®</sup> product with red arrows apparently pointing to some inadequacy in the plastic packaging.

[356] Whereas there was no issue that the first presentation was presented and disseminated in New Zealand, Ms Roberts stated that so far as she was aware the Fletcher Insulation trade presentation was never circulated in New Zealand. In cross-examination she accepted that the document produced for the trade in Australia could have “got back to New Zealand”. However there was no other evidence which

suggested that the Fletcher Insulation document had made it to New Zealand save for its presence as part of the documentation in this proceeding.

### *Analysis*

[357] Clearly the Knauf product was described by Tasman in the “Why Pink Batts Insulation” presentation as “slumpy”. The word “bendy” was not expressly stated. However I consider that the photograph of the EARTHWOOL<sup>®</sup> product which shows it to be bent to a point in excess of a right-angle clearly conveyed the message, albeit pictorially, that the product was “bendy”.

[358] While the Fletcher Insulation presentation does refer to the Knauf packaging being prone to “bursting”, which I would regard as sufficiently close to “bursty” to conclude that the statement alleged had been made, the evidence does not establish that the Fletcher Insulation presentation was presented or disseminated in New Zealand either to members of the trade or to the general public.

[359] Consequently I consider that the statement in the Sunday Star Times was inaccurate to the extent that it alleged that Tasman had been trying to discredit EARTHWOOL by a claim that it was “bulgy and bursty”.

[360] Consequently the statement was false and misleading to the extent that it included the words “bulgy and bursty” and constituted a contravention of s 13 of the Fair Trading Act.

### **Issue 12: Was Tasman’s 7:1 compression ratio statement misleading or deceptive?**

[361] The events giving rise to the “compressibility” counterclaim under the Fair Trading Act are recited at [50]-[53].

[362] Knauf’s fourth counterclaim alleged that the Tasman statement that its PINK BATTS products were “on average over 7:1 compression ratio packed” contravened ss 9, 10 and 13 of the Fair Trading Act for the reason that independent testing of the six Tasman products had shown an average compression ratio of 4.348:1, not 7:1. In its reply Tasman stated that its methodology for calculating the compression ratio as across

its PINK<sup>®</sup>BATTS<sup>®</sup> products produced an arithmetical average ratio of 7.48:1 but for simplicity it rounded off the ratio to 7:1.

[363] As noted at [71] above, in opening Tasman offered an undertaking (without admission of liability) to refrain from making claims in the future concerning the average compression of its products. Notwithstanding that undertaking, Knauf, as it is entitled to do, seeks a declaration and damages. Hence Issue 12 remains live.

[364] However my decision is specific to the pleaded contravention. It does not extend to what was described in the defendants' closing submissions as "downstream" claims based upon utilising the compression ratio claims including calculations and claims regarding the environmental impact and benefits of Tasman's product. In respect of those contentions, Tasman properly took the point that such "downstream" claims had not been pleaded and hence were not an issue in the litigation.

[365] Although there were several aspects to the contest on this issue, a key point of difference was the methodology. Whereas Tasman calculated its compression ratio based on how thick the PINK<sup>®</sup>BATTS<sup>®</sup> were before and after packing, the method of calculation of the compression ratio used by SGS was based on the nominal volume (as listed on the packaging) and the measured volume of the packaging.

[366] The testing by SGS was undertaken by Mr Chen, a materials engineer, who detailed the testing process in the various certificates as follows:

Tests for dimension and volume were conducted on the samples supplied. Each sample had its (sic) width and height measured at its (sic) top, middle, and bottom locations. The width and height were then used to calculate the cross-sectional area at each location assuming the sample to have an ellipse cross-section ( $\text{Area}=\text{Pi}*\text{Width}*\text{Height}$ ). The average of the areas was then used to calculate sample volume.

[367] The test results for the PINK<sup>®</sup>BATTS<sup>®</sup> R2.2 wall product obtained by Mr Chen were:

Sample ID	Location	Width (mm)	Height (mm)	Area (m <sup>2</sup> )	Length (m)	Volume (m <sup>3</sup> )	Nominal (m <sup>3</sup> )	Compression Ratio
R 2.2 Wall	Top	580	478	0.21	1.21	0.26	1.25	4.81:1
	Middle	586	462					
	Bottom	586	456					

The nominal volume figure of 1.25 was obtained by multiplying the nominal total area of 13.9 m<sup>2</sup> by the nominal thickness of 90 mm.

[368] The chart below summarises, in relation to each of the six products tested, the following:

- (a) The SGS measurement in column B;
- (b) Tasman's theoretical finished height in column C;
- (c) The alleged understatement in column D.

A Product	B SGS actual (minimum) measured and reported bagged pack height (mm)	C Tasman Theoretical finished height (mm)	D The understated amount in mm and % in actual height to theoretical height when using the Tasman theoretical finished height formula
R2.2 Wall (580mm wide)	456	270	Understated by 186mm, 40%
R2.4 Wall (580mm wide)	445	270	Understated by 175mm, 39%
R2.6 Wall (580mm wide)	504	270	Understated by 234mm, 46%
R2.8 Wall (580mm wide)	482	270	Understated by 212mm, 44%
R3.6 Ceiling (432mm wide)	372	268	Understated by 104mm, 28%
R5.0 Ceiling (432mm wide)	395	268	Understated by 127mm, 32%

[369] Tasman's methodology was explained in the evidence of Mr Banaticla, a quality assurance and process technologist at Tasman. In brief, the average compression ratio was calculated on the average thickness compression against Tasman's entire PINK<sup>®</sup>BATTS<sup>®</sup> product range when each product's final thickness (after being manufactured but before being packed) is compared to the thickness of that product when packed into the bags in which it is marketed and sold.

[370] The degree of compression of the thickness for a piece of PINK<sup>®</sup>BATTS<sup>®</sup> insulation while in the polythene bag (which may contain between 7 and 26 pieces of insulation) depends on a number of factors including:

- (a) The thickness of the PINK<sup>®</sup>BATTS<sup>®</sup> insulation in that pack;
- (b) The number of pieces in the pack;
- (c) The size and shape of the polythene bag and the equipment used to pack the bags; and
- (d) The fact that the thickness compression is comparatively less in the middle and greater at the edges because a bag curves around the stack of pieces of insulation.

[371] Taking those factors into account, Tasman assessed the compression of its product by comparing the height of a stack of insulation before packing against the height of the stack when packed. Because the final shape of a bale is irregular, it is said to be difficult to measure the height of the insulation inside a bag and consequently Tasman calculated the average (nominal) height of a compressed stack of insulation by measuring the available space in the bag.

[372] Mr Banaticla explained that Tasman used this method of assessing compression because it easily allowed for variations in piece size (different PINK<sup>®</sup>BATTS<sup>®</sup> products have different widths) and in bag size (wider bags are used for wall products than for ceiling products) and provides an effective basis for comparing the compression ratios between different products. It was also relatively easy to calculate.

[373] Applying that method to the PINK BATTS R 2.2 wall product (the product in the SGS certificate at [367] above) produced a thickness compression ratio of 7.0:1 calculated as follows: multiplying the number of pieces in a pack (21) by the final thickness of each piece (90 mm) produced a stack height of 1890 mm. Dividing that stack height by the nominal height of 21 pieces when inside a pack (270 mm) produced a thickness compression ratio of 7.0:1.



[374] Mr Banaticla deposed that using that method across the majority of the PINK BATTS product range (24 products) generated compression ratios for individual products varying from 3.3 to 10.4 with an arithmetical average ratio of 7.4:1. The average is weighted to reflect the volumes of particular PINK BATTS products sold by Tasman because a few products account for a very large proportion of Tasman's sales. That weighted average is higher than 7.4:1.

[375] A point of difference which was explored in cross-examination and in closing submissions was the fact that Knauf used a formula for an elliptical-shaped product whereas Tasman used a formula for a rectangular-shaped product. The debate was fuelled by the fact that Tasman uses cylindrical bags (apparently because of machine limitations) but, as Mr Banaticla said in cross-examination: "the shape of the bag is nothing: if you have a plastic bag and fill it with water, it will become a cylinder and so it will assume the shape of the contents".

[376] Tasman submitted that the difficulty which Knauf faced in this claim was that Knauf had not calculated the actual average compression ratio because:

- (a) It did not test all of the PINK<sup>®</sup>BATTS<sup>®</sup> insulation products;
- (b) It had not taken into account the actual volumes of particular PINK<sup>®</sup>BATTS<sup>®</sup> products sold by Tasman; and
- (c) It did not measure the actual compression ratio of the six products it tested because it did not take the products out of the packaging. Rather, its testing measured the ratio between the nominal value as stated on the packaging and the actual volume of the packaged product.

With reference to that third proposition, Knauf, perhaps understandably, submitted that it should be entitled to rely on the information published by Tasman on its own packaging.

[377] I have come to the conclusion that Knauf's claim is not made out on the evidence. The reasons for that conclusion are essentially two-fold. First, while Knauf's

chagrin at the nominal volume discrepancy is understandable, the fact is that Tasman's contention that Knauf did not calculate the actual average compression ratio is sound. That is important because the statement to which objection is made is that "the PINK BATTs products were on average over 7:1 compression packed". The reference to "on average" makes it clear that there must be rates of compression above and below the stated ratio. It is only to be expected that undertaking calculations in relation to a subset of the total product range has at least the potential to produce a ratio below that stated by Tasman.

[378] My second reason is that, where there is more than one acceptable method for making a calculation, it ought not to be objectionable that a different result is obtained by the use of a different acceptable calculation. On that point I note the following exchange in the cross-examination of Mr Banaticla:

Q: And is your view that the use of a rectangular rather than an elliptical shape is more accurate or is it an easier approach?

A: I believe there is no one method that will represent all the compression ratios of different sizes and shape of products, because as I have said, they vary from products to products, bale to bale, and even the thickness of the product inside the bag varies as well. So we decided to just use the nominal values.

[379] For these reasons the compressibility counterclaim fails.

### **Issue 13: Was the immersion test misleading or deceptive?**

[380] The circumstances relating to the immersion test recited at [48]-[49] above are the basis for Knauf's fifth counterclaim against Tasman. Knauf's allegation in summary is that such presentations, which involved a comparison of the PINK<sup>®</sup>BATTs<sup>®</sup> and EARTHWOOL<sup>®</sup> products when submerged or soaked in water, were misleading or deceptive in making a comparison in contrived and unrealistic circumstances which gave rise to false, misleading or deceptive distinctions concerning the products' respective qualities.

[381] While denying the allegation, as noted above at [71] without admission of liability Tasman has undertaken to the Court to refrain from making a comparative product presentation of this kind in the future. Nevertheless, as it is entitled to do,

Knauf seeks a declaration of contravention and damages. Hence Issue 13 also remains live.

[382] Mr Ducarme, the Group Technical Director for the Knauf Insulation Division of the Knauf Group of companies, explained why the immersion test is misleading. His evidence was that the immersion test is relevant for the property of buoyancy and water absorption when the product is exposed to large quantities of liquid water (not vapour, which is the appropriate test). Because those conditions are not relevant to the fitness of the product for use as intended, in his opinion the immersion test appeared designed to communicate the existence of a problem which does not in fact exist. In his view the speed with which a piece of the product “sinks” when placed in water was not only irrelevant to its performance in practice but highly misleading.

[383] Tasman submitted that Mr Ducarme’s evidence largely became irrelevant because of what it described as a concession in his evidence, namely that it is good practice to recommend that insulation, which does become wet, be removed from building cavities, the source of the water intrusion repaired and the insulation dried prior to being reinstalled or replaced. Tasman relied on Mr Treanor’s evidence that he was unaware of anyone replacing insulation that had become wet. Rather, the insulation was either simply turned over or removed and dried and then reinstalled in the building cavity.

[384] Mr Ducarme viewed the practice advocated by Mr Treanor as poor workmanship and drew attention to Tasman’s own product data sheet for its PINK BATTS ceiling insulation which states on page six:

#### Storage

Pink<sup>®</sup> Batts<sup>®</sup> insulation must be protected from damage and weather. Store under cover in clean dry conditions. The installed product must remain dry at all times. The roof area should be inspected each year for leaks and excessive dampness. If the product has become wet or damp, the source of the dampness (e.g. leak in roof) must be repaired immediately and insulation replaced with new product of an equivalent R-value.

[385] Mr Miller, the Technical Manager at Tasman Insulation, explained that the EARTHWOOL<sup>®</sup> product soaks up and holds water much more rapidly than Tasman’s product. He said that was a clear indication that the binder used by Knauf may be

strongly hydrophilic which would cast doubt on the long-term durability of the binder. He offered the view that the immersion tests were reasonable in that they graphically demonstrated the propensity of the EARTHWOOL<sup>®</sup> product to absorb water.

[386] Mr Miller had been present when the immersion test was demonstrated at his workplace. His observation was that when the pieces of insulation were put in a bowl of water, the one with the organic binder sank very rapidly while the one with the polymer-based resin (the Tasman product) floated for some minutes. He was asked if it then sank to which he replied that it was not allowed to sink, it was removed before it sank.

[387] He was cross-examined about step 5 in the test kit instructions,<sup>130</sup> in particular the statement: “Do not leave product in for more than 5 mins”:

Q: ... the implications of that are pretty clear aren't they?

A: Both samples will, will absorb water and both samples will sink.

Q: Perhaps within five minutes?

A: And perhaps within five minutes.

Q: So this is designed to ensure that doesn't happen?

A: I would imagine so.

[388] Anticipating this thrust, Tasman submitted that the fact that the PINK<sup>®</sup>BATTS<sup>®</sup> product was removed before it too would have sunk was not in itself misleading or deceptive in light of Mr Treanor's evidence. The point was made that the PINK<sup>®</sup>BATTS<sup>®</sup> product could be dried out and reused even if it was allowed to sink whereas that could not be done with the EARTHWOOL<sup>®</sup> product given that within a short time it had lost its shape.

[389] While the demonstration may have provided accurate information as to the implications of the hydrophilic binder, there was no component of the test which was designed to show that the Tasman product could be dried and reused. Indeed the test kit instructions directed that the samples were to be removed and disposed of in public rubbish bins off-site.

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<sup>130</sup> At [48] above.

[390] The Tasman submission may be contrasted with the explanation provided by Tasman to the Commerce Commission in a letter dated 15 May 2013 with reference to the rationale for the demonstration. The letter stated:

The Test was used by Tasman sales representatives to demonstrate the durability of the binder used in Pink<sup>®</sup> Batts<sup>®</sup>. The Test did so by comparing Pink<sup>®</sup> Batts<sup>®</sup> with a competing (but un-named) product to show:

- the length of time the respective products were able to repel water before absorbing water and sinking; and
- the extent to which each product leached colour (indicating binder deterioration) following exposure to water.

[391] It is clear in my view that the direction in step 5 of the test kit instruction to not leave the product in the container for more than five minutes could defeat the first-stated objective of showing the length of time the respective products were able to repel water before absorbing water and sinking.

[392] Tasman submitted that the product demonstrations were literally true, there being no trickery involved and the respective products simply performed as they did when placed on top of water. Tasman accepted that, notwithstanding that a demonstration is literally true, if the demonstration conveys another meaning which is untrue then the proscriptions in the Fair Trading Act could still apply. It submitted that the law is helpfully summarised in *Luxottica Retail New Zealand Ltd v Specsavers New Zealand Ltd*<sup>131</sup> which was a comparative advertising case. The relevant considerations were said to be:

- (a) It is important to consider the whole advertisement;
- (b) The focus is upon what is said rather than what is unsaid;
- (c) The obligation is to avoid falsehood; and
- (d) There is no obligation to provide compendious explanations.

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<sup>131</sup> *Luxottica Retail New Zealand Ltd v Specsavers New Zealand Ltd* [2012] NZCA 357 at [39]-[46]. Tasman also cited *Makita (Australia) Pty Ltd v Black and Decker (Australasia) Pty Ltd* (1990) 18 IPR 270 (FCA) and *Engineer Products Co v Donaldson Co Inc* 165 F Supp 2d 836 (ND Iowa 2001).

[393] Tasman submitted that another important aspect was the identification of the class of consumers likely to be affected by the alleged misleading conduct. Although Tasman submitted there was little evidence as to exactly who saw the demonstrations, there was, in evidence, a summary of sales representative activity which provided some indication of the numbers who attended the mainly trade breakfast demonstrations.

[394] Tasman submitted that applying a robust assessment Knauf had failed to prove that the immersion test was not an acceptable comparison of the respective products or that any substantial number of actual consumers were, or are likely to be, misled or deceived as to a relevant characteristic of the EARTHWOOL<sup>®</sup> product. I do not accept that submission.

[395] First, there is no need for ultimate consumers to have viewed the demonstration. It was deliberately targeted at members of the trade and was in the nature of a training presentation.

[396] Secondly, whether or not the demonstration was an acceptable comparison so far as the durability of the hydrophilic binder was concerned, in my view the test was inappropriate and misleading in requiring the Tasman product to be removed from the container before it would inevitably also sink. I accept the evidence of Mr Ducarme on that issue. Consequently I consider that the Fair Trading Act claim in respect of the immersion test succeeds.

### **Disposition**

[397] For the reasons above, I make the following findings and orders.

[398] In the case of conduct which, as a consequence of Tasman's undertakings, will not be repeated, or conduct which is an historical event or subject matter, such as the two websites, which will be affected for the future by an order in relation to the EARTHWOOL<sup>®</sup> name, the relief is declaratory only.

[399] *Findings:*

- (a) The defendants' application for revocation of Trade Mark 105507 on the grounds of non-use under s 66(1)(a) fails and is dismissed;
- (b) The defendants' application for revocation of Trade Mark 105507 on the grounds that the trade mark is a common name in general public use under s 66(1)(c) fails and is dismissed;
- (c) Tasman's claim for infringement of Trade Mark 105507 succeeds in respect of the use of "Batt" in the HTML code on the *www.earthwool.co.nz* website. Otherwise the claim for infringement fails and is dismissed;
- (d) There is no available defence under s 95(c)(i) to the use of "Batt" in the HTML code on the *www.earthwool.co.nz* website;
- (e) The defendants' application for an order that Tasman's trade mark infringement proceedings were unjustified fails and is dismissed;
- (f) The defendants' use of the name EARTHWOOL<sup>®</sup>, the brand EARTHWOOL<sup>®</sup> and the marketing of the EARTHWOOL<sup>®</sup> product is a contravention of ss 9, 10 and 13 of the Fair Trading Act;
- (g) The manner of marketing of the EARTHWOOL<sup>®</sup> product on the *www.ecoinsulation.co.nz* website in the manner stated in Issue 9 was a contravention of ss 9 and 10 of the Fair Trading Act;
- (h) The manner of marketing of the EARTHWOOL<sup>®</sup> product on the *www.earthwool.co.nz* website in the manner stated in Issue 10 was a contravention of ss 9 and 10 of the Fair Trading Act;
- (i) The defendants' statement in the Sunday Star Times available on 26 August 2012 was false and misleading in contravention of s 13 of the

Fair Trading Act to the extent only of the inclusion of the words “bulgy and bursty”;

- (j) The defendants’ claim that the Tasman statement that its PINK BATTES product was “on average over 7:1 compression ratio packed” contravened the Fair Trading Act fails and is dismissed;
- (k) The defendants’ claim that Tasman’s immersion test was misleading and deceptive in contravention of s 9 of the Fair Trading Act succeeds.

[400] In this judgment I have not engaged with a number of criticisms by the defendants of the adequacy of Tasman’s discovery of documents and a complaint that there was a conscious withholding of documentation in respect of a number of matters including in relation to the market surveys. If there is a wish to pursue such issues that can be addressed in the context of costs.

[401] *Orders:*

- (1) An injunction restraining the third defendant, its directors, servants or agents from using the word “Batt” in the HTML code on the *www.earthwool.co.nz* website.
- (2) An injunction restraining the defendants from using the name or the brand EARTHWOOL<sup>®</sup> except where that name or brand is printed immediately alongside the words “glasswool” or “glass insulation” in the same font and print size.
- (3) A declaration that the manner of marketing of the EARTHWOOL<sup>®</sup> product on the *www.ecoinsulation.co.nz* website in the manner stated in Issue 9 was a contravention of ss 9 and 10 of the Fair Trading Act.
- (4) A declaration that the manner of marketing of the EARTHWOOL<sup>®</sup> product on the *www.earthwool.co.nz* website in the manner stated in Issue 10 was a contravention of ss 9 and 10 of the Fair Trading Act.



- (5) A declaration that the inclusion of the words “bulgy and bursty” in the Sunday Star Times available on 21 August 2012 was a contravention of s 13 of the Fair Trading Act.
- (6) A declaration that Tasman’s immersion test was a contravention of s 9 of the Fair Trading Act.
- (7) An order for an inquiry as to damages payable to Tasman in respect of the conduct the subject of orders (1)-(5).
- (8) An order for an inquiry as to damages payable to the defendants in respect of the conduct the subject of order (6).

[402] Orders (1) and (2) will lie in Court for 20 working days to enable the defendants to take steps to comply with the orders. Leave is reserved to apply to extend that period.

[403] Leave is reserved to the parties to apply within 15 working days for revised forms of the above orders.

[404] The parties are to file memoranda as to costs. Tasman’s memorandum is to be filed by 30 May 2014 and the defendants’ memorandum by 20 June 2014.

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Brown J