

IN THE COURT OF APPEAL OF NEW ZEALAND

**CA299/2014
[2015] NZCA 602**

BETWEEN TASMAN INSULATION
 NEW ZEALAND LIMITED
 Appellant

AND KNAUF INSULATION LIMITED
 First Respondent

 ECO INSULATION LIMITED
 Second Respondent

 BUILDFORNEXTGEN LIMITED
 Third Respondent

Hearing: 29 and 30 September and 1 October 2015

Court: Randerson, French and Cooper JJ

Counsel: J G Miles QC and S D Williams for Appellant
 C L Elliott QC, G Hazel and B P Cain for Respondents

Judgment: 16 December 2015 at 2.15 pm

Reissued: 18 December 2015 at 1.00 pm

Effective date
of Judgment: 16 December 2015

JUDGMENT OF THE COURT

A The appeal and cross-appeal are dismissed save that the Judge’s finding of infringement in respect of the HTML code is set aside.

B Costs are to lie where they fall.

REASONS OF THE COURT

(Given by Randerson J)

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Introduction

[1] The appellant (Tasman) is the registered proprietor of the trade mark BATTs. The trade mark was registered in New Zealand in 1973 by a predecessor of Tasman in respect of insulating material. Tasman also uses the trade mark PINK under licence.

[2] Since at least 1973 Tasman and its predecessors have manufactured and sold insulation in New Zealand made from recycled glass under the PINK BATTs brand. Although there are several imported brands of insulation made from recycled glass, Tasman remains the only manufacturer in New Zealand of such products. Its PINK BATTs brand is said to command about 75 per cent of the market for insulation in new houses.

[3] Prior to 2011, no other supplier used the term “batt” or any similar term in marketing insulation products in New Zealand. But in July of that year, a company associated with the first respondent (Knauf) arranged for the importation into New Zealand of insulation products made from recycled glass under the brand “EARTHWOOL”. The term “BATT” was used on the label of Knauf’s product and the words “batt” or “batts” were used elsewhere on the packaging. The EARTHWOOL products have been distributed by Knauf in New Zealand through the second respondent (Eco)¹ and the third respondent (BFNG).² Sales of the

¹ Eco is now in receivership.

² We will use the term Knauf to refer to all three respondents unless otherwise stated.

EARTHWOOL products are made through building suppliers such as Bunnings and directly to consumers through the website “earthwool.co.nz”. The term “batts” was used on this website as well. The word “Batt” also appeared in the HTML code for the earthwool website.

[4] These developments led to action by Tasman through its solicitors and ultimately to proceedings against all three respondents for infringement of Tasman’s trade mark BATTTS. Tasman also alleged that Knauf had breached the Fair Trading Act 1986 (the FTA) by giving the misleading impression that the EARTHWOOL product was made from natural wool when it was actually made from recycled glass.

[5] Knauf responded to the trade mark claim in two principal ways. First it defended the claim for infringement on the ground that the allegedly infringing references on its packaging and website were used in a way that was unlikely to be taken as use as a trade mark in terms of s 89(2) of the Trade Marks Act 2002 (the Act). Alternatively, it claimed the use of the allegedly infringing words was an honest practice in terms of s 95(c)(i) of the Act.

[6] The second principal response by Knauf was to counterclaim against Tasman seeking an order for revocation of Tasman’s trade mark under s 66(1)(c) of the Act on the grounds that, in consequence of acts or inactivity by Tasman, the trade mark had become a common name in general public use.

[7] Knauf’s final response to the trade mark claim was that Tasman’s proceedings were unjustified in terms of s 105 of the Act. The claims under the FTA were denied and Knauf itself brought claims against Tasman under that Act.

[8] In a judgment delivered on 9 May 2014, Brown J found that:³

- (a) Knauf’s application for revocation of Tasman’s trade mark failed because it had not become a common name in general public usage for insulating materials in terms of s 66(1)(c) of the Act. Even if that were

³ *Tasman Insulation New Zealand Ltd v Knauf Insulation Ltd* [2014] NZHC 960 [High Court judgment].

so, this had not occurred as a result of any acts or inactivity by Tasman. In consequence, the Judge declined Knauf's application to revoke Tasman's trade mark.

- (b) The allegedly infringing words on Knauf's packaging and website (other than in the HTML code) were not likely to be taken as being used as a trade mark, with the result that Tasman's claim for infringement in those respects failed.
- (c) Even if there were an infringement in those respects, Knauf's honest practices defence would not have applied to exonerate it from liability because the use of the word "batt" or "batts" did not indicate any characteristics about the subject matter of the insulation. If the Judge was wrong about this, he considered the use would be in accordance with honest practices.
- (d) There was an infringement by Knauf in respect of the use of the word "Batt" in the HTML code. Knauf's defences under ss 89(2) and 95(c)(i) to that part of Tasman's claim were not established.
- (e) Tasman's proceedings were justified in terms of s 105 of the Act.
- (f) Tasman had established its principal claim under the FTA.

[9] The Court made a number of declaratory orders, granted injunctive relief in respect of the claims found to be established and ordered an inquiry into damages. Tasman appeals against the Judge's findings (b) and (c). Knauf cross-appeals in respect of the Judge's findings (a), (d), (e) and (f).

[10] The main issues to determine are whether the Judge was correct to find that:

- (a) Knauf's application for revocation failed because in terms of s 66(1)(c) of the Act Tasman's trade mark had not become a common name in general public use for insulation but, if it had done so, that did not occur as a consequence of any acts or inactivity by Tasman.

- (b) There was no infringement because s 89(2) applied to Knauf's use of the term "batt(s)" or "BATT" on:
 - (i) The packaging of its EARTHWOOL product;
 - (ii) The label on the EARTHWOOL product; and
 - (iii) The earthwool.co.nz website (other than in the HTML code).
- (c) Knauf's defence under s 89(2) did not apply to the use of the term "Batt" in the HTML code for the earthwool.co.nz website.
- (d) The honest practices defence under s 95(c)(i) would not apply if there had been infringement in the respects alleged.
- (e) The proceedings were justified and therefore did not fall within s 105 of the Act.
- (f) Liability was established under the FTA for Knauf's use of the EARTHWOOL name and the way it was marketed online.

[11] We record that the Judge made findings on a number of other issues no longer in contention. The Judge found:

- (a) Tasman had established its claim that a statement made by Knauf in the Sunday Star Times on 26 August 2012 was false and misleading.
- (b) Knauf's claim that a statement by Tasman as to compression ratios of the products was false and misleading failed but Knauf had established that immersion tests conducted by Tasman were misleading.
- (c) Knauf's claim for revocation for non-use under s 66(1)(a) of the Act was not established.

Background facts

[12] Knauf was incorporated in New Zealand on 29 August 2011. It is a subsidiary of Knauf Insulation Holding GmbH, a company incorporated in Germany.

The parent company trades in many countries including Australia and New Zealand and has a number of foreign-based manufacturing sites. Knauf trades in Australia under another subsidiary, Knauf Insulation Pty Ltd. Mr Stuart Dunbar is a director of Knauf NZ and the managing director of Knauf Australia. He was the principal witness for Knauf in the High Court proceedings.

[13] In December 2010 Knauf Australia exported an insulation product known as LoftRoll to New Zealand for sale in this country. The product was in the form of a roll of insulating material rather than segments. The packaging was transparent and contained no reference to the term “batt” or similar. The importation of this product continued until January 2012. Tasman makes no complaint of infringement in respect of this product but contrasts it with the use of the allegedly infringing terms on products subsequently introduced by Knauf.

[14] In July 2011 Knauf Australia exported insulation to Eco in blue and white packaging under the EARTHWOOL brand. Although the insulation was in the form of a roll, the term “BATT” was used on a label.⁴ Other material on the packaging referred variously to “Knauf batts”, “batts” and “Batt”. Mr Dunbar gave evidence that Knauf Australia intended to test the market in New Zealand with this product.

[15] On 26 October 2011 Tasman’s lawyers wrote to Eco advising that Tasman was the owner of the BATTs trade mark and asserting that “Batts” was not a generic term for insulation products. Eco was requested to cease distribution of the product and immediately remove all reference to the word “Batts” from the packaging.

[16] Knauf’s lawyers replied on 1 November 2011 to Tasman’s 26 October letter to Eco. The reply asserted that the use of the term “batts” on the product packaging was not used in the trade mark sense. Further, that Knauf believed “batts” had become a generic term in New Zealand and internationally to describe a type of insulation material. Accordingly, Knauf considered it should be allowed to use the term on its packaging and in marketing materials for its goods.

⁴ In the form of an over-sticker.

[17] Despite the uncompromising terms of the 1 November letter from Knauf's solicitors, Mr Dunbar said in evidence that Knauf had decided in September or October 2011 to cease using the term "batts" until the issue was resolved. This was supported in part by other events in the intervening period. First, in October 2011 Knauf NZ began importing EARTHWOOL insulation products in segment form. This time the packaging was green and orange. The label included the words "BATT/PACK" but the packaging did not otherwise use the term "batts" or similar. This continued until June 2012.

[18] The second development related to the seizure by New Zealand Customs Service on 6 November 2011 of 96 bales of insulating material in roll form imported by Knauf NZ in both the transparent and the blue and white packaging. This had occurred in response to a Customs Notice⁵ lodged by Tasman in October 2011.

[19] Mr Dunbar was notified of the seizure on 17 November 2011. The following day Knauf's solicitors wrote to Tasman's advisers maintaining Knauf's denial of infringement but stating:

Notwithstanding its position, our client has taken a commercially pragmatic approach to your client's allegations. Accordingly, without any admission of liability, it has ceased all use, extremely limited as it was, of the word "batt" and/or "batts" on its goods and marketing materials in New Zealand.

[20] The letter from Knauf's solicitors advised that the seizure by NZ Customs would be disputed.

[21] In evidence, Mr Dunbar said the seizure by Customs came as a great surprise. He found on investigation that the goods had come from Knauf Insulation in the United Kingdom and Russia and had been incorrectly packaged at source. The packages contained rolls of insulation material, not segments. He was also surprised because he was aware Knauf had advised Tasman of its decision to remove the word "batts" on the packaging until the matter was resolved.

⁵ Referred to under the Act as a Border Protection Notice: Trade Marks Act 2002, subpt 3.

[22] While continuing to deny liability, Knauf decided to forfeit the 96 bales of insulation product seized by the Customs Service and gave formal notice to that effect on 24 November 2011.

[23] In the absence of any resolution, Tasman issued proceedings on 19 December 2011.

Did the Judge err in declining Knauf’s application to revoke Tasman’s trade mark?

The Judge’s approach

[24] Brown J began by discussing the correct interpretation of s 66(1)(c) of the Act. He drew attention to the changes and statutory wording from s 24(1) of the former Trade Marks Act 1953. He agreed with submissions made by Tasman that it was entitled by virtue of the registration of the trade mark to a presumption of validity under s 75 of the Act. The onus of establishing that the trade mark should be revoked fell upon Knauf as the applicant. Cogent evidence was required to establish that the trade mark had become a common name in general public use for the product in question. Whether that was so was a question of degree. The word “common” suggested that the use of the name must be established or widespread in the trade for the relevant goods.⁶

[25] The Judge then considered whether, in the light of the changes brought about by the Act, the Court was permitted to consider Tasman’s acts or inactivity prior to the date the Act commenced (20 August 2003) when considering whether the trade mark had become a common name in general public use. He concluded that the presumption against retrospectivity in s 7 of the Interpretation Act 1999 had not been rebutted. The Judge noted that although there were specific transitional provisions in the Act,⁷ there was no transitional provision in respect of applications under s 66(1)(c). Given that one of the purposes of the Act was to clearly define the scope of rights protected by registered trade marks, the Judge concluded that whether the trade mark has become a common name in general public use could only be

⁶ High Court judgment, above n 3, at [92].

⁷ Trade Marks Act, s 208(4)–(7).

considered to the extent that such a state of affairs had occurred as a result of the acts or inactivity of Tasman since 20 August 2003.⁸ That conclusion is disputed on appeal.

[26] Brown J discussed at some length the principal evidence offered by Knauf in support of its submission that the term “batts” had become a common name in general public use. The first main source of evidence on this topic was from Mr Hanssens, the marketing coordinator of Knauf Australia. He produced an analysis of postings on the Trade Me website from 10 April 2002 to 2012, which contained all listings incorporating the word “batt” or “batts”. After filtering out irrelevant listings, there remained 12,653 potentially relevant listings.⁹ These were then sorted by Mr Hanssens into five colour-coded categories:

- (i) “Pink Batts” used in the title and body, or just the title of the listing (pink) — 6,417 listings;
- (ii) “Pink Batts” in the title and “batts” in the body of the listing (light blue) — 1,870 listings;
- (iii) “Batts” in the title and “Pink Batts” in the body of the listing (dark blue) — 321 listings;
- (iv) “Batts” in the title and/or body of the listing; no reference to “Pink Batts” (orange) — 2,200 listings; and
- (v) No reference to “Pink Batts” or “batts” in the title; “Pink Batts” used in the body of the listing only (yellow) — 1,318 listings.

[27] The Judge then recorded submissions made on Tasman’s behalf as to the significance of the analysis undertaken by Mr Hanssens in these terms:

[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®BATTSS®

⁸ High Court judgment, above n 3, at [111].

⁹ Mr Hanssens adjusted these figures during the trial in response to various criticisms from Tasman to reach a final total of 12,126 listings.

products. The defendants did not appear to take issue with Tasman's calculations.

[28] The Judge referred to aspects of the evidence of Tasman's Strategic Partnership Manager, Ms Roberts, and to Tasman's submission that it was not accepted that all references to "batts", even in the orange category, were evidence of descriptive use. Rather many of the references in that category were either to PINK BATTS or were simply ambiguous.

[29] The Judge then turned to the second principal item of evidence produced by Mr Hall, a director of BFNG and of McGlade Consulting Group Ltd (MCGL), which is a member of the Insulation Association of New Zealand.

[30] Knauf requested MCGL to compile whatever information was publicly available as to whether "batts" is a generic word that had been used in New Zealand as such. MCGL searched publicly available resources and material prepared for use in New Zealand using a variety of public search engines and site-specific search tools. Any search that contained a reference to the word "Pink" in front of the words "batt" or "batts", or where the word "batt" or "batts" was specifically attributed to Tasman or its distributors, was excluded.

[31] Using the material generated, Ms Hay, an employee of Knauf's solicitors, prepared a summary chart, divided into 12 categories.¹⁰ Brown J accepted a submission made on Tasman's behalf that the summary chart was not substantially helpful because a number of categories involved the use of the word "batts" other than in a commercial context. He also accepted there was force in Tasman's submission that it was the consumer use and understanding of the BATTS trade mark, in the context of purchasing decisions, that determined whether the trade mark retained its essential function as a badge of origin.¹¹

[32] Brown J then expressed his conclusions in these terms:

¹⁰ This excluded any references to the Trade Me spreadsheet prepared by Mr Hanssens.

¹¹ Tasman relied on the observations of Floyd J in *Hasbro Inc v 123 Nahrungsmittel GmbH* [2011] EWHC 199 (Ch), [2011] FSR 21 at [171] and further observations by Gault J in *Wineworths Group Ltd v Comité Interprofessionel du Vin de Champagne* [1992] 2 NZLR 327 (CA) at 337.

[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®BATTTS® 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.

[33] The Judge went on to consider survey evidence produced by Tasman designed to elicit evidence about the alleged genericism of the BATTTS trade mark. It is unnecessary for us to review that evidence because Tasman does not dispute the conclusion reached by the Judge that the survey did not provide useful evidence on that issue.¹²

[34] Brown J then turned to consider the causation component of s 66(1)(c) on the hypothesis that his conclusion that the term “batts” had become a common name in general public use was wrong. The Judge approached this question on the footing that the acts or inactivity of Tasman which were relevant were only those subsequent to the date when the 2002 Act came into force on 20 August 2003.

[35] Dealing with positive acts by Tasman which may have contributed to this state of affairs, the Judge considered first the terms of a settlement in 2003 of a trade mark dispute that Tasman had reached with an Australian company, CSR Ltd. In the

¹² High Court judgment, above n 3, at [148].

terms of that settlement, Tasman had consented to CSR and an associated company using the term “batts” in New Zealand to describe and refer to insulating materials in certain product and technical manuals to be distributed for use exclusively by the trade in New Zealand and in technical literature accessible in New Zealand via the internet from an overseas hosted site. It was a term of the settlement that CSR agreed not to use the word “batts” on or in relation to any insulation advertised or offered for sale or sold in New Zealand. The Judge doubted the CSR settlement would have contributed materially to the genericism of the BATTIS trade mark but as the settlement was executed in March 2003, it was disqualified from consideration.

[36] The Judge also referred to the evidence of a solicitor employed by Knauf’s solicitors, Ms Rosanowski, but did not find her evidence of significant assistance on the causation issue.

[37] Addressing alleged inactivity by Tasman in protecting its trade mark, the Judge observed that the charge of inactivity could be levelled against Tasman only in relation to use by other persons of the word “batts” about which Tasman could legitimately complain. It followed that Tasman could not object to use of the word where not used as a trade mark or where use of the word qualified for the honest practices defence under s 95 of the Act.

[38] The Judge then reviewed evidence of steps taken by Tasman to protect its trade mark from 1991 onwards. He noted the evidence of Ms Roberts that Tasman had prioritised the compliance programme primarily to focus on where insulation products were actively marketed and sold rather than less commercially relevant areas such as internet-based fora, academic papers and court judgments. She had acknowledged that if she had had more resources she could have done a better job and fairly accepted that Tasman could have acted more quickly with things like Trade Me. After reviewing the evidence of other witnesses on each side, the Judge concluded:

[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® trade mark to become a common name in general public use if, contrary to my view, that was its state.

Grounds for appeal

[39] Mr Elliott QC raised numerous grounds in support of Knauf's argument on its cross-appeal that the Judge had erred in concluding that Knauf had failed to establish that Tasman's trade mark should be revoked. The grounds raised may be broadly summarised. Knauf says the Judge erred in:

- (a) Confining his consideration of the evidence to that of the trade and consumers.
- (b) Excluding evidence of Tasman's acts and inactivity to protect its trade mark to the period post-20 August 2003.
- (c) Failing to engage with the evidence as a whole.
- (d) Giving undue weight to the use of "batts" as a synecdoche for "Pink Batts".
- (e) Giving little or no weight to the failure by Tasman to protect its mark.

[40] The first two grounds raise legal issues as to the correct approach to the inquiry required by s 66(1)(c). We will deal with these grounds in the next section of this judgment. The remaining issues are essentially factual in nature. We will address these after our consideration of the legal issues.

Loss of distinctiveness as a ground for revocation

[41] The basic principles of trade mark law are well understood and are not in dispute. The key feature of a trade mark is its capacity to distinguish the goods or services of one person from those of another.¹³ The trade mark may have that capacity either inherently or by usage. A name that is merely descriptive and has no

¹³ Definition of "trade mark": Trade Marks Act, s 5.

distinctive character may not be registered.¹⁴ Once registration of a trade mark is obtained, the owner secures the right to exclusive use of the mark and to authorise others to use it.¹⁵ As well, the owner becomes entitled to all the rights and remedies provided by the Act including the right to restrain others from using a sign¹⁶ that is the same as, or similar to, the registered trade mark.¹⁷

[42] Section 75 of the Act provides that after the expiration of seven years from the deemed date of registration of a trade mark, the registration is deemed to be valid unless it was obtained by fraud; should not have been registered on any of the grounds in s 17(1) or (2) of the Act; or where the registration may be revoked on any of the grounds set out in s 66. The last of these grounds is relied on in this case.

[43] Mr Elliott for Knauf accepted that s 75 creates a presumption of validity and that the onus lies on Knauf to establish that the trade mark should be revoked. The onus upon a party seeking revocation of a trade mark has been described as a heavy one requiring cogent evidence.¹⁸

[44] Whether a trade mark has become a common name and has lost its distinctive quality is a question of fact and degree. It is not in dispute that the assessment of the issue is to be made on the basis of the evidence available up to the date of the application for revocation. The nature of the task is described in the following passage from *Kerly's Law of Trade Marks and Trade Names*:¹⁹

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.

¹⁴ Trade Marks Act, s 18(1)(b).

¹⁵ Trade Marks Act, s 10(1)(a) and (b).

¹⁶ A “sign” is broadly defined in s 5 of the Act and, relevantly, includes a word.

¹⁷ Trade Marks Act, s 89(1).

¹⁸ *Wing Joo Loong Ginseng Hong (Singapore) Co Pte Ltd v Qinghai Xinyuan Foreign Trade Co Ltd* [2009] SGCA 9, [2009] 2 SLR 814 at [59] citing *Rousselon Frères et Cie v Horwood Homewares Ltd* [2008] EWHC 881 (Ch), [2008] RPC 30 at [85].

¹⁹ *Kerly's Law of Trade Marks and Trade Names* (15th ed, Sweet & Maxwell, London, 2011) at [10-119].

[45] Brown J cited this passage and added:²⁰

[92] Whether a trade mark has become “a common name in general public use” is a question of degree. 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. 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.

(footnote omitted)

[46] The concept of synecdoche was discussed in *Hormel Foods Corporation v Antilles Landscape Investments MV*, commonly known as the SPAMBUSTER case.²¹ Richard Arnold QC sitting as a Deputy Judge said in relation to a similar but not identical provision to our s 66(1)(c) in the Trade Marks Act 1994 (UK):²²

As to s 46(1)(c), since 1938 the claimant’s mark [SPAM] 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.

The interpretation of s 66(1)(c)

[47] Brown J noted the differences in wording between s 24(1) of the former Trade Marks Act 1953 and s 66(1)(c) of the 2002 Act. Relevantly, the former provided:

24 Words used as name or description of article, substance or service

(1) The registration of a trade mark shall not be deemed to have become invalid by reason only of any use, after the date of the registration, of a word or words which the trade mark contains, or of which it

²⁰ High Court judgment, above n 3.

²¹ *Hormel Foods Corporation v Antilles Landscape Investments MV* [2005] EWHC 13 (Ch); [2005] RPC 28.

²² At [176].

consists, as the name or description of an article, substance or service:

Provided that, if it is proved either –

- (a) That there is a well known and established use of the word or words as the name of the article ... by a 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 ...; or
- (b) ...

the provisions of subsection (2) of this section shall have effect.

[48] Section 24(2) of the 1953 Act provided that if the facts mentioned in subsection (1)(a) or (b) were established then the registration of the trade mark would be deemed to be an entry wrongly remaining on the register for the purposes of s 41 of that Act.

[49] Section 66(1)(c) of the 2002 Act 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:
 - ...
 - (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:

[50] There are three main changes in the language used in s 66 from its predecessor:

- (a) The use of the expression “a common name in general public use for a product or service” in place of “a well known and established use of the word or words as the name or description of the article ... by a person or persons carrying on a trade therein”;

- (b) The deletion of the words “not being use in relation to goods or services connected in the course of trade with the proprietor or a registered user of the trade mark”; and
- (c) The addition of the requirement that the common name in general public use must have come about “in consequence of the acts or inactivity of the owner” of the trade mark.

[51] The first of these changes reflects an apparent policy shift from the approach adopted under s 24 of the 1953 Act. As Brown J noted, the report of the Select Committee considering the Trade Marks Bill 2002 stated:²³

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.

[52] As the Judge said, the genesis of s 66(1)(c) lies 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). The United Kingdom provision relevantly states:²⁴

46 Revocation of registration

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

²³ Trade Marks Bill 2002 (142-1) (Select Committee report) at 4–5.

²⁴ The United Kingdom provision reproduces art 12(2)(a) of Directive 2008/95 of the European Parliament and of the Council of 22 October 2008 to approximate the laws of the Member States relating to trade marks [2008] OJ L299/25 [EC Trade Marks Directive].

...

- (c) that, in consequence of acts or inactivity of the proprietor, it has become the common name in the trade for a product or service for which it is registered.

[53] In both the United Kingdom and in Singapore, the reference to the expression “in the trade” has been interpreted broadly as Brown J observed:²⁵

[I]n *Björnekulla Fruktingustrier AB v Procordia Food AB*²⁶ 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:

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.

[54] The observations of the Court of Justice were adopted with apparent approval in *Hormel* and in *Wing Joo Loong Ginseng*.²⁷ Kerly summarises the effect of the Court of Justice’s decision in these terms:²⁸

The judgment is carefully worded to take account of the wide range of circumstances in which trade marks are encountered. For self-serve items where the consumer makes his or her own choice, the views of consumers or end users are likely to be decisive and the views of members of the trade almost irrelevant. For product markets where a member of the trade is normally involved in the purchasing process (e.g. purchases are made on the basis of advice or recommendation from someone in the trade) the views of the trade may be much more important. In specialist or industrial product markets the consumer or end user may be a member of the trade or have equivalent knowledge, and the views of the public may be completely irrelevant.

[55] Counsel differed as to the approach to be adopted in interpreting the expression “in general public use”. Mr Miles QC for Tasman submitted that the

²⁵ High Court judgment, above n 3, at [90].

²⁶ Case C-371/02 *Björnekulla Fruktingustrier AB v Procordia Food AB* [2004] ECR I-5791.

²⁷ *Hormel*, above n 21, at [164] and *Wing Joo Loong Ginseng*, above n 18.

²⁸ *Kerly’s Law of Trade Marks and Trade Names*, above n 19, at [10-118].

relevant public comprises both the trade and actual or potential consumers of the product in question. Mr Elliott submitted on the other hand that the change to use by the general public signified an intention by the legislation to broaden the test beyond a narrow commercial context. Use by the wider general public was germane. It followed that the use made by real estate agents, government bodies, news media, and academic and industry bodies was relevant. So too, decisions of courts and tribunals, and dictionary definitions of the term “batt”.

[56] We agree that the legislature intended to emphasise the breadth of the inquiry required by s 66(1)(c). That is apparent from the change from the use “by the trade” in the 1953 Act to “a common name in general public use” and from the report of the Select Committee we have referred to at [51] above. The relevant public extends to those in the trade such as manufacturers and distributors as well as to end-consumers.

[57] Evidence of use of the name by the public generally will also be relevant. There is nothing particularly new in this. In the well-known *Gramophone* case in 1910 Parker J took into account: dictionary definitions, the use of the word “gramophone” in patent specifications, newspapers and other current literature, decisions of the High Court and even usage in the arguments of counsel.²⁹ And in the only New Zealand case cited to us in this field, the High Court took into account promotional material, travel guides and editorials produced by bodies such as the New Zealand Tourism Board in finding under the 1953 Act that the mark “Black Water Rafting” was not inherently distinctive when registered and had not become so through subsequent use.³⁰

[58] Evidence of descriptive use in materials of this kind has the potential to be relevant to the inquiry under s 66(1)(c) for at least two related reasons. First because it may reflect common descriptive usage amongst the public generally to such an extent that it is reasonable to infer that those in the trade and consumers are also likely to use the term in a descriptive sense. Second, because the use of such terms

²⁹ *In Re Gramophone Company's Application* [1910] 2 Ch 423 (Ch) at 431.

³⁰ *Waitomo Adventures Ltd v BWR Resources Ltd* HC Hamilton CP72/00, 26 April 2002 at [112].

in the literature may be influential in moulding the perceptions of those who may be interested in purchasing the product or service in question.³¹

[59] However, it is important to keep the underlying purpose of the inquiry under s 66(1)(c) firmly in mind. That is to establish whether the trade mark at issue has become a common name in general public use such that it has ceased to distinguish the owner's goods or services from those of others. The weight to be given to evidence from various sources will depend on the circumstances. The more closely the evidence is linked to, or is likely to influence, usage by consumers of the goods or services in question the more likely it is that a court will be willing to treat it as material to the factual assessment. That is because, as the Select Committee pointed out, trade marks operate in the market place. In undertaking the assessment the general principles we have discussed at [41] to [46] apply.

[60] There was debate before us as to the extent of public use that would be sufficient to constitute general public use for the purposes of s 66(1)(c). We do not consider it would be useful to enter this debate beyond endorsing Brown J's conclusion that the use of the name in a descriptive sense must be established or widespread in order to amount to a "common name in general public use" for the product or service. We agree with Mr Elliott that the Judge's reference to established or widespread use "in the trade"³² no longer reflects the law.

[61] Brown J noted that the equivalent provision in both the UK and Singapore legislation used the term "the" common name whereas s 66(1)(c) referred to "a" common name. The Judge did not regard this difference as material. We agree for the reasons given by Richard Arnold QC in *Hormel*:³³

The literal wording of s.46(1)(c), Art.12(2)(a) and Art.50(1)(b) suggests that what must be shown is that the trade mark has become *the* common name and not merely *a* common name. It is well-established, however, that European legislation is to be interpreted teleologically rather than necessarily in accordance with its literal wording. In my judgment, the purpose of these provisions, which is to enable marks to be removed from the register if they cease to fulfil their essential function of enabling customers to distinguish the goods or services of one undertaking from those of others, would be

³¹ See *Waitomo Adventures Ltd v BWR Resources Ltd*, above n 30, at [153].

³² High Court judgment, above n 3, at [92].

³³ *Hormel*, above n 21, at [167].

defeated if the provisions were interpreted in this way. If a trade mark has become a common name for goods or services for which it is registered, then it can no longer perform this essential function even if there are also other common names for those goods or services.

[62] The second principal change effected by the enactment of s 66(1)(c) was to delete the words “not being use in relation to goods or services connected in the course of trade with the proprietor or a registered user of the trade mark”. Neither counsel suggested that the removal of these words altered the essential purpose of the inquiry under s 66(1)(c). We agree. The report of the Select Committee confirms that the purpose remains as we have stated at [59] above.

[63] The third main change was the addition of the requirement that the common name in general public use must have come about “in consequence of the acts or inactivity of the owner” of the trade mark. This obliges an applicant for revocation under s 66(1)(c) to show not only that the name has become common in general public use for the product or service but also that this state of affairs has resulted from the acts or inactivity of the owner. We discuss this further below.

Does s 66(1)(c) apply retrospectively?

[64] As already noted, the Judge found that evidence of any acts or inactivity on Tasman’s behalf prior to the commencement of the Act on 20 August 2003 could not be taken into account. Mr Miles supported that conclusion for the reasons given by the Judge. He submitted Parliament had fundamentally altered the basis upon which a trade mark might be revoked in two ways. First by refocusing the inquiry from the trade to the relevant public and second by introducing a new causative requirement. He submitted there was no causative requirement in s 24(1) of the 1953 Act. How a trade mark came to lose its distinctiveness was irrelevant to the inquiry. It was reasonable to infer that Parliament intended to allow trade mark owners a grace period in which to engage, if necessary, in steps to educate the public to recognise their mark as a badge of origin. In the circumstances, it would be unjust to Tasman to take into account evidence of acts or inactivity on its part prior to 20 August 2003 by reference to a law that did not then exist.

[65] We disagree with the Judge’s conclusion. The presumption that an enactment does not have retrospective effect in s 7 of the Interpretation Act may give way to the context of the enactment.³⁴ In this case, we consider the context does displace the presumption. First, subss (4) to (7) of s 208 of the Act impose specific restrictions on the time within which a trade mark may be revoked in reliance on s 66(1)(a) and (b) of the Act.³⁵ These restraints are applied by reference to the date of commencement of the Act. No such restraint is applied to revocation under s 66(1)(c). Second, s 66(1)(c) may be contrasted with the ground for revocation under s 66(1)(a). Under the latter, a trade mark may be revoked if it has not been put to general use in the course of trade during a continuous period of three years or more. The “continuous period” means a period commencing from a date after the actual date of registration and continuing uninterrupted up to one month before the application for revocation is made.³⁶ Here Parliament has given specific attention to the relevant time period and has confined it by reference to a period ending one month prior to the date the application for revocation is made. Parliament has not seen fit to define any relevant time period for the application of any of the other three grounds under s 66(1).

[66] Mr Miles accepted that evidence of whether the trade mark had become a common name in general public use prior to the commencement of the Act is relevant and admissible for the purposes of s 66(1)(c). In those circumstances, we consider it would be artificial to exclude evidence of how that state of affairs came about. We are satisfied that the way in which a trade mark owner uses and promotes its trade mark has always been relevant when an issue of genericism arises. We accept that the new section brings an explicit focus to the acts or inactivity of the owner including steps taken or not taken by the owner to monitor and police the unauthorised use of the trade mark. But we do not view the fact that the court may take into account the acts or inactivity prior to commencement of the Act as resulting in any significant injustice to the trade mark owner. The owner of a trade mark has always been susceptible to the risk of the protection of the trade mark being lost through a failure to use genuinely the mark or to loss of its distinctiveness as a badge

³⁴ Interpretation Act 1999, s 4(1)(b).

³⁵ Section 66(1)(b) has since been repealed.

³⁶ Trade Marks Act, s 66(1A).

of origin. The owner of a valuable trade mark is well aware of these risks and is or should be alert to the need to take whatever steps are reasonably necessary to protect its rights.

[67] Finally, we note that s 66(1)(c) may be viewed as providing further protection to a trade mark owner for two related reasons. First, an applicant for revocation of the mark must prove both that the trade mark has become a common name in general public use for the relevant product or services and that this has occurred in consequence of acts or inactivity on the part of the owner. Second, s 66(1)(c) makes it clear that revocation is not permitted if the trade mark has become a common name in general public use which cannot be attributed to the acts or inactivity of the owner. Counsel submitted, correctly in our view, that this was intended to protect the owner of the mark where loss of distinctiveness arises from extraneous events over which the owner had no control.

The revocation application — the evidence

Tasman

[68] Ms Roberts gave the principal evidence for Tasman. She explained that Tasman was the only New Zealand manufacturer of insulation products made from recycled glass.³⁷ The company manufactures in excess of seven million square metres of insulation products per year or nearly half the entire New Zealand market.

[69] Other types of insulation such as polyester, wool and polystyrene are manufactured in New Zealand by a number of companies but these forms of insulation are more expensive than insulation made from recycled glass. Insulation products made from recycled glass are imported into New Zealand by a number of companies but are marketed under other trade names. For example, Bradford Gold, Premier and EARTHWOOL.

[70] Insulation can take many forms. When insulating wall cavities, the most common form of insulation is a rectangular segment. For ceiling cavities and attic

³⁷ Recycled glass is melted and spun into a fibre. Hence end-users may tend to refer to the insulation as being made from fibreglass or glasswool.

spaces, rolls of insulation are more commonly used. The bulk of Tasman's manufactured insulation is in segment form.

[71] Historically the largest market for insulation has been in the construction of new houses. Tasman's market share is very high. In the 1980s and 1990s Ms Roberts' evidence was that the company's market share was as high as 90 per cent. Currently it has 75 per cent of the market share for insulation for new houses and 75 per cent for alterations and additions to existing houses. Tasman has approximately 60 per cent of the market share for the commercial sector.

[72] Government insulation programmes have increased the use of insulation in existing homes. PINK BATTTS insulation accounts for approximately 20 per cent of that market.

[73] Insulation for new houses, alterations and additions is primarily distributed through building merchants with some direct sales to builders via installers. Insulation for the retrofitting of existing houses is through government contract holders (primarily insulation installers) with some "DIY" via merchants. Insulation for commercial use is mainly through specialised merchants and installers.

[74] Ms Roberts' evidence was that the decision-maker in relation to the choice of insulation varies depending on the market segment and the channels of supply. For newly built houses, the choice is made by the architect, builder or homeowner. The same usually applies for alterations and additions to existing houses unless the work is DIY, in which case the homeowner usually decides. For retrofitting existing houses, the homeowner usually decides although the choice is limited to the types of insulation the installer is able to supply. Finally, for commercial building, the decision is usually made by the architect, project manager or installer.

[75] Tasman sells PINK BATTTS exclusively to the trade. End-consumers purchase their products through established trade retailers such as the Mitre 10 chain. Ms Roberts explained that Tasman's marketing strategy involves direct marketing to the public through television and print advertising. Since at least 2000 Tasman has also marketed its PINK BATTTS insulation through its website www.pinkbatts.co.nz.

The company also undertakes sponsorship programmes such as the recent prominent sponsorship of rugby referees.

[76] As well, Tasman works closely with its retail merchants to promote its PINK BATTIS products and trade marks through trade advertising directed to the public. Tasman's marketing strategy is based on market research that showed 50 per cent of insulation purchasing decisions for new buildings, additions and renovations are made by the trade (primarily builders) and the remaining 50 per cent by homeowners. This was accepted by Mr Hall in cross-examination. It was on the basis of this evidence that Tasman submitted that the relevant section of the public for the purposes of s 66(1)(c) was the trade and end-consumers of insulation (generally homeowners).

[77] Tasman has marketed and sold PINK BATTIS branded insulation products in New Zealand for over fifty years. The company spends approximately \$1.7 million per annum on advertising and promoting its PINK BATTIS insulation products. Tasman's case was that PINK BATTIS insulation has assumed iconic status as a brand in New Zealand both in the trade and in the mind of the public at large.

[78] Tasman commissioned Colmar Brunton to undertake a market survey designed to obtain evidence on the alleged genericism of the BATTIS trade mark. As earlier noted, the Judge accepted Knauf's criticisms of this evidence and Tasman has not relied upon it for the purposes of this appeal.

Knauf's evidence

[79] Knauf's evidence relied primarily on two sources of evidence: material from the Trade Me listings analysed by Mr Hanssens and references extracted from other sources by Mr Hall, summaries of which were prepared by Ms Hay.

The Trade Me evidence

[80] We have recorded the Judge's summary of the general effect of Mr Hanssens' evidence on this topic at [26]–[28] above. Mr Elliott accepted that the percentages in each of the identified categories of Mr Hanssens' evidence were as stated by the

Judge although he said Knauf did not accept there was no generic use of “batts” in categories other than those in the orange category. While he informed us that Knauf did not necessarily accept that every use on Trade Me of the words “Pink Batts” was to be regarded as trade mark use, Mr Elliot submitted that even the 17.8 per cent of listings in the orange category (no reference to “Pink Batts”) was sufficient by itself to show that the term “batts” was a common name in general public use.

[81] To the contrary, Mr Miles submitted the Trade Me evidence strongly supported Tasman’s case. It showed that more than 80 per cent of the listings placed on the website by consumers referred correctly to “Pink Batts” as a badge of origin for Tasman’s insulation products. The reference to “Pink Batts” was clearly to the use of those words in a trade mark sense even if reference was made at some parts of a given listing to “batts”. The latter was merely a shorthand reference to the trade mark and did not therefore reflect descriptive usage.

[82] The Judge did not accept that the Trade Me evidence was supportive of Knauf’s case. He referred to the difficulty of relying on “snippets of information” from a “random individual example” not amplified by actual witnesses — a criticism we consider could be made of much of the evidence produced by Knauf. The Judge also referred to a submission made by Knauf in closing to a potential hybrid meaning of the term “Batts” or “batts”. It was submitted that, depending on context, these terms could have either a trade mark or a descriptive use. Putting Tasman’s case at its highest, Knauf had submitted it was reasonable to assume that generic use seen in the media reflected a degree of trade mark use (“Pink Batts”) and a lot of descriptive or generic use (“batts” alone). As already noted, the Judge was not prepared to make that assumption, pointing to the fact that Knauf had the onus of establishing that a term had become a common name in general public use.

[83] We accept Mr Miles’ submission that the Trade Me evidence powerfully supports Tasman’s case. It demonstrates clearly that over 80 per cent of those placing listings on the Trade Me website over the period examined used the expression “Pink Batts” at some point in the listing with or without referring to “batts” as well. In the pink category there were 6,417, listings all of which referred

only to Pink Batts, either in the title or in the body of the listing. This category alone accounts for 52.91 per cent of the total listings.³⁸

[84] We say this evidence strongly supports Tasman’s case for three main reasons. First, it shows correct use of the words “Pink Batts” in a trade mark sense as distinguishing Tasman’s product from those manufactured or distributed by others. Second, it is direct evidence from consumers at the time of sale, the very point at which a trade mark is expected to operate to distinguish the owner’s goods from those of others. Third, the evidence cannot be subject to the criticism that it accounts for only one side of the argument. Rather, it provides direct quantitative evidence of both trade mark and descriptive use.

[85] Viewed in that light, it provides the clearest evidence that the great bulk of usage by those directly involved in decisions to buy or sell insulation use the term “Batts” or “Pink Batts” in a trade mark sense and that the term has not become a common name in general public use.

Mr Hall’s evidence

[86] We have summarised the general effect of the evidence from Mr Hall and the summary of that material produced by Ms Hay at [29] to [31] above. We have also referred briefly to the Judge’s approach and conclusions about this evidence at [31] and [32].

[87] Although the Judge said his conclusions were reached after he had stood back and looked at the evidence as a whole, he had earlier accepted the force in Tasman’s submission that a number of categories in Ms Hay’s summary chart involved the use of the word “batts” in other than a commercial context.³⁹ Consistent with that approach, Tasman had focused on the categories for “Consumers” (37 items) and “Trade” (133 items). We accept Mr Elliott’s submission that the Judge appears to have limited his discussion of this evidence to the categories identified by Tasman. In any event, the Judge did not provide in his judgment any detailed analysis of this evidence.

³⁸ 6,417 out of the total listings of 12,126.

³⁹ High Court judgment, above n 3, at [134]–[135].

[88] We have already accepted it was not open to the Judge to disregard the other categories of evidence identified in the summary chart. In these circumstances, it falls to us to form our own assessment as best we can of this evidence as a whole and the weight that should be accorded to it.

[89] We have reviewed Ms Hay's summary chart and Tasman's equivalent summary. The latter is colour-coded into the following categories:

- (a) The reference located is to Pink Batts.
- (b) The reference is likely to be to Pink Batts or is ambiguous.
- (c) Cases where Tasman has policed improper use of "batts".
- (d) Website not currently available or the reference is no longer extant.
- (e) Reference involves non-New Zealand use of "batt" or "batts" or does not refer to "batts".

[90] The summary produced by Tasman excludes references after 23 November 2011, the date on which the application for revocation was filed by Knauf.

[91] We note two other things. First, Knauf does not accept the colour-coding undertaken by Tasman but it has not been necessary for us to reach any firm view about the validity of these categories. Second, although Mr Hanssens' evidence was that references to Pink Batts had been excluded, this is contrary to the fact in a small number of cases.

[92] We have reviewed the summary charts and will discuss each of the identified categories. However, there are several general observations bearing upon the significance that may properly be placed on the material produced. First, the search was confined to publicly available sources using the words "batt" or "batts". 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 were ignored (save for the limited references we have just mentioned). This seriously detracts from the weight that may properly be given to this evidence

since the Court has no basis to compare the alleged references to descriptive use with the correct use of the trade mark.

[93] Second, references to the word “batts” are confined to snippets of information as the Judge noted. Contextual information may have enabled the Court to make a clearer assessment of the significance of the material. Third, although we accept that the Judge was wrong to exclude evidence beyond references to the categories of consumer and trade, many of the references are from materials unlikely to be accessed by consumers. As such, they are unlikely to be influential in shaping the perceptions of consumers as to the origins of the products at issue. At best, evidence of this kind may be taken as signifying that the authors of the references have, in specific contexts, used the terms “batt” or “batts” descriptively. The Court is left to somehow assess the scale and significance of such use without an appropriate comparative framework to do so.

[94] We now detail the 12 categories of evidence summarised in Ms Hay’s chart.

(i) *Dictionaries*

[95] The Judge summarised the origins of the term “batt” and descriptions of that term in New Zealand dictionaries:

[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 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”.

[96] Other dictionary sources post-dating the registration of the PINK BATTS trade mark in 1973 have described “batt” in generic terms usually referring to a thick rectangular wad of fibreglass used as an insulation material.⁴⁰ On the other hand, the Dictionary of New Zealand English published in 1997 includes specific reference to “pink batt” as a proprietary name:

Extended use of Brit. *Bat(t)* a felted mass of fur, etc. used in hat-making: see OEF *n.*¹ 12.] Also often as **pink batt** (a proprietary name, f. the usual colour), a thick rectangular piece of matted fibre or fibreglass, usu. Intended for insulation of buildings.

[97] Perhaps the high point from Knauf’s point of view is the following reference in the World English Dictionary:⁴¹

batt (bæt) — *n*

1. *textiles* another word for batting
2. (Austral), (NZ) a slab-shaped piece of insulating material used in building houses.

[98] We agree with the Judge’s finding that the term “batt” appears to have derived from the ancient English use of the word “batting” to describe cotton, wool or synthetic fibres used as filling for bedding items or to describe a layer of felt or fibre used in the making of hats. We do not consider it likely that the term “batts” was in common usage in New Zealand prior to the registration of Tasman’s

⁴⁰ See, for example the New Zealand Pocket Oxford Dictionary (2nd ed) (1997) and the Reed Dictionary of New Zealand English (3rd revised ed) (2001).

⁴¹ World English Dictionary “Batt” (30 June 2011) <www.dictionary.com>.

PINK BATTS trade mark in 1973. The first appearance in the New Zealand Dictionary of the term “batt” in 1994, which referred to “pink batt”, tends to confirm that. We infer that the term “batt” began to appear in some New Zealand dictionaries in consequence of the promotion of the PINK BATTS trade mark by Tasman and its predecessor.

[99] It is the usage of that term in New Zealand that matters but it is difficult to discern any clear or consistent approach in dictionary definitions relating to usage in New Zealand of the term “batts”. We accept that some dictionary definitions refer exclusively to “batts” in a generic sense but at least two dictionaries acknowledge “pink batts” as a proprietary name as well as referring to “batts” in a generic sense.⁴²

[100] The appearance of definitions of “batts” in generic terms in some dictionaries, particularly those focused on usage internationally, is likely to be explained by the acknowledged use of that term in Australia, United States and other overseas jurisdictions. To the extent that New Zealand dictionaries refer to “batts” as having a generic meaning, it is necessary to view this evidence in the context of the undoubtedly high level of brand recognition enjoyed by Tasman in respect of its PINK BATTS insulation products as we later discuss.

(ii) *Academic institutions*

[101] Between 1986 and 2011, 20 references to “batts” were extracted from academic papers, which appear to be technical in nature. It is unlikely material of this nature would be readily accessible to the general public.

(iii) *Consumers*

[102] This category contains 37 references over the period 2005 to 2012 from various websites described as online forums or listings. This number reduces to 14 after the exclusion of references beyond 23 November 2011. Some of these references are from Trade Me listings that were supposed to be excluded. However, leaving that point aside, the number of references of allegedly descriptive use pales

⁴² The New Zealand Dictionary 1994 and the 1997 Dictionary of New Zealand English.

into insignificance when compared to the listings totalling 9,926⁴³ produced by Mr Hanssens which used the term “Pink Batts” or “Batts” in the Trade Me listings.

(iv) *Decisions of New Zealand courts and tribunals*

[103] Under this category there are 19 references in decisions of New Zealand courts and tribunals over the period 2007 to 2010 containing references to “batts”. These indicate that “batts” has been used in a generic sense in the specific contexts in which the references were made. It is difficult to assess the significance of these in terms of public perceptions in the market place.

(v) *Central and local government*

[104] There are 71 references in this category drawn from local or regional authority documents such as district plans and brochures that appear to be of a technical nature. Under the central government category, there are some 22 references over the period 2002 to 2011 in determinations of the Building Industry Authority or the Department of Building and Housing using the term “batts” in a generic sense. We accept this is some evidence of generic use but its overall significance is difficult to assess, particularly in the context of Ms Roberts’ evidence that the Department of Building and Housing issued more than 1,200 decisions, some of which may have used the term “batts” correctly. Again, comparative analysis is not possible on the evidence.

(vi) *News media*

[105] There are 44 references in the 14 year period 1999 to 2013. This reduces to 37 once references after 23 November 2011 are excluded. At least four references in this category are to “Pink Batts” or “Batts”, which Tasman maintains are trade mark references. The use of “batts” by the news media has an obvious capacity to influence the perceptions of consumers as to the trade origin of insulation products. However, the absence of any comprehensive summary of the correct use made of Tasman’s trade mark in the news media over the relevant period hampers the Court’s ability to assess the significance of the incorrect usage on a comparative basis. As

⁴³ The total of 12,126 listings less the 2,200 entries in the orange category.

well, given the extensive media advertising by Tasman over the same 14 year period which undoubtedly described its products with reference to PINK BATTS, it is likely that instances of generic use in the media would be a small minority.

(vii) Patents and (viii) Trade mark applications and registrations

[106] There are 20 references in these two categories over the period 1994 to 23 November 2011. The majority appear to be patent and trade mark applications filed by foreign proprietors. We accept Mr Miles' submission that the use of the term "batts" by overseas companies in this context does not reflect the perception and understanding of the term "batts" amongst the relevant public in New Zealand.

(ix) Real estate

[107] Excluding references in this category beyond the cut-off date of 23 November 2011, there are 51 entries. Ten of these contain references to "pink batts" or to "Batts". This evidence needs to be put in perspective. Ms Roberts gave unchallenged evidence that one real estate website alone lists 130,000 new residential listings for sale each year and a further 70,000 each year for rent. In that context, the real estate listings suggestive of some generic use are insignificant.

(x) Industry bodies

[108] There are 13 references under this category, the majority of which appear to have emanated from BRANZ Ltd.⁴⁴ Ms Roberts' evidence was that she spoke to representatives of BRANZ in about 2010 about the misuse of the word "batts" in its material. Her evidence was that BRANZ agreed to cease use of that term. This is confirmed by the absence of any generic references from BRANZ sources beyond 2010.

(xi) Trade

[109] Under this category there are 133 entries over the period 2004 to 2013. On our analysis, 55 references must be deleted on the grounds that they post-date

⁴⁴ BRANZ is a research and consulting company that provides services and resources to the building industry.

23 November 2011. In any event, a substantial number of these may properly be claimed as non-generic use because they are taken from Tasman's PINK BATTS website. The remaining references appear to be mainly derived from websites of various builders and suppliers. In her evidence, Ms Roberts explained that a number of the websites no longer exist or their content has been changed. Some of the entries are simply repetitions of extracts from the same website and some emanate from businesses no longer operating. We accept that some of the evidence in this category supports a degree of generic use by some involved in the trade. However, this evidence must be assessed against Ms Roberts' evidence as to the heavy promotion of the brand over an extended period and the efforts Tasman and its predecessor have made to ensure the proper use of the trade mark.

(xii) Tasman

[110] 22 items were identified in this category, which Knauf maintained show that Tasman or Fletcher Insulation (NSW) Pty Ltd had themselves used the terms "batt" or "batts" in a generic sense. Ms Roberts was cross-examined on this topic. However, it is apparent that only four of the references in this category are to materials used by Tasman in New Zealand over the period 1997 to 2006. Two of these refer to "fibreglass Batts" or "pink fibreglass batts" which Ms Roberts said had been corrected. These references were in brochures in 1997 and 2002. A third reference related to a brochure design guide for tropical conditions, which Ms Roberts explained was intended for overseas use. We regard this evidence as being in the de minimis category.

The other evidence relied upon by Knauf

[111] Knauf also called evidence from a former employee of Mitre 10 and Carters, a Mr Durbin. He had regular contact with both retail and staff customers purchasing insulation products and gave evidence that the "vast majority" of customers he dealt with used the term "batts" to describe a particular type of insulation product whether branded as PINK BATTS or otherwise. The Judge also referred to a witness called

by Tasman, Mr Treanor. In answer to questions from the Judge, he described “batts” as a generic term for insulation.⁴⁵

[112] It was on the basis of evidence of that kind that the Judge accepted there had been a “not insignificant” use of the term “batts” in a descriptive or generic sense.

Conclusion as to whether the Judge was correct to find that “batts” had not become a common name in general public use

[113] We agree with the Judge’s conclusion that Knauf did not satisfy the burden of demonstrating that the term “batts” had become a common name in general public use for the purposes of s 66(1)(c) of the Act. We are able to state our reasons fairly briefly given the analysis we have already undertaken.

[114] A clear picture emerges from the evidence viewed as a whole. Tasman and its predecessor have extensively and continuously promoted the PINK BATTS trade marks in New Zealand for over forty years. Although the word “iconic” is perhaps an overworked expression, we are satisfied on the evidence that the PINK BATTS branded products deserve to be described in that way in the New Zealand context.

[115] The extent of Tasman’s success is reflected in the very high market share the company enjoys for its PINK BATTS insulation products. The high level of recognition of the brand by consumers is plainly evidenced by the Trade Me results. Even allowing for some degree of interpretation of some of the listings, there was overwhelming evidence to support the Judge’s finding that the term “batts” had not become a common name in general public use such that Tasman’s trade mark lost its ability to distinguish Tasman’s products from those of others.

[116] We agree with the Judge that the evidence suggestive of descriptive use fell well short of establishing that “batts” had become a common name in general public use for the purposes of s 66(1)(c). We accept there has been some use of that word in descriptive terms but the authorities are clear that some descriptive use is not sufficient to establish loss of distinctiveness of a trade mark as a badge of origin. The extent of any descriptive use must be shown to be established and widespread.

⁴⁵ See the Judge’s conclusions we have quoted at [32] above.

[117] Our analysis of the evidence summarised by Ms Hay does not show established or widespread use in that sense. It would be natural for some degree of descriptive use to creep into the New Zealand lexicon given the use of that term overseas, and in Australia in particular, to describe a rectangular segment of insulation. But we also agree with the Judge that a significant proportion of any descriptive use of the word “batts” is likely to be shorthand for Tasman’s PINK BATTS trade marks. That follows from the high degree of brand recognition for Tasman’s products prevailing in this country. We do not accept Knauf’s criticism that the Judge gave too much weight to this aspect of the case.

[118] We do not consider it matters that the trade mark “BATTS” has always been used in conjunction with Tasman’s separate “PINK BATTS” trade mark. The combined usage of those terms has been heavily promoted and the Trade Me evidence shows that the two terms are strongly associated in the public mind. The listings show a clear intermingling of “pink batts” and “batts” in the same listing, supporting the conclusion that those responsible for the listings were often referring to Tasman’s PINK BATTS when they used the term “batts” along with “pink batts”.

[119] Although we agree that “batts” is not a made-up or “fancy” word, we accept Mr Miles’ submission that it is the use of the term in the New Zealand market that is important. Our analysis of the origins of the word “batts” suggests that, at least in New Zealand, the word was not widely used or understood by the general public as a descriptive term and that it did not become a term in general public use until it began to be promoted by Tasman’s predecessor after the trade mark was registered in 1973. Thereafter, in consequence of the marketing campaigns undertaken, the word “batts” became strongly associated in the public mind with Tasman’s PINK BATTS insulation products.

[120] We conclude that the Judge was correct to find that the term “batts” had not become a common name in general public use.

The causation element of s 66(1)(c)

[121] Mr Elliott submitted the Judge had erred in concluding that if “batts” had become a common name in general public use, this had not occurred as a consequence of any acts or inactivity by Tasman.

[122] We have summarised the Judge’s findings on this issue at [34] to [38] above. As we have indicated, the third main change to the provision in the 2002 Act was the inclusion of the causation element: the name must have become a common name in general public use in consequence of acts or inactivity by Tasman.

[123] This has long been a requirement of the Trade Marks Act in the United Kingdom. Kerly refers to the parameters of this requirement.⁴⁶ We have extracted the following propositions from this text, which we generally endorse:

- (a) The owner of the trade mark is responsible for ensuring that the mark continues to fulfil its essential functions.
- (b) The trade mark may be revoked if it is proved that it has lost its essential function as a result of the acts of the owner or by inactivity by the owner.
- (c) While the acts or inactivity of the owner need not be the sole cause, it is necessary to show they are the main or principal cause.
- (d) The owner is not obliged to take steps to ensure that all inappropriate use of the trade mark is eliminated but must take reasonable steps to ensure the mark retains its essential function.
- (e) The steps an owner is expected to take to monitor or police the generic use of the trade mark will depend on the circumstances but may include using the mark widely, publicising its registration, notifying appropriate bodies that it is registered,

⁴⁶ Kerly, above n 19, at [10-124]–[10-128].

warning infringers, and monitoring use in dictionaries and in the media.

- (f) While in the past many years of neglect were required before a once distinctive mark became a common name for the goods, modern communication methods such as the internet may accelerate the process and may require greater vigilance by the owner.
- (g) The owner of a highly descriptive mark may require more active steps to prevent its misuse.⁴⁷

[124] Ms Roberts provided extensive evidence of the steps taken by Tasman and its predecessors to protect its trade mark from becoming a generic term and from being infringed. She explained that the compliance programme was run in conjunction with promoting the company's brands. The focus of the compliance programme is on the New Zealand market. Tasman accepted that the term "batts" is used as a descriptor in Australia and elsewhere.

[125] The main elements of Tasman's compliance programme are:

- (a) Ensuring the correct use of brands through brand style guides.
- (b) Checking marketing and advertising materials for correct trade mark usage including the approval of advertising by merchants.
- (c) Brand education focusing on Tasman's employees, suppliers, customers and the general insulation industry.
- (d) Monitoring the media using a digital monitoring service.
- (e) Monitoring IPONZ⁴⁸ journals and trade mark registers and publications such as the Yellow Pages.

⁴⁷ *Hormel*, above n 21, at [172].

⁴⁸ Intellectual Property Office of New Zealand.

- (f) Monitoring the Trade Me website. (Ms Roberts explained that Tasman had first started working with Trade Me in 2005; in January 2011 Trade Me confirmed they would deal directly with Tasman regarding any infringing listings; and in November 2011 Tasman registered a Trade Me user name to monitor listings on their website.)
- (g) Monitoring dictionaries published in New Zealand and writing to publishers to draw attention to the use of the trade mark.
- (h) Writing to correct instances of misuse of the trade mark or making verbal contact for that purpose.
- (i) Lodging Customs Notices.

[126] Ms Roberts' evidence, which we have summarised at [68] to [77], was not challenged in cross-examination. However, her evidence regarding the steps taken to protect the trade mark was challenged. Ms Roberts accepted that from at least 1991, the company was aware from legal advice that it needed to take steps to ensure that its trade mark was used correctly and that the company was warned at that time about the risk that the trade mark might become descriptive if its use was not carefully monitored. But she maintained that Tasman and its predecessor Carter Holt Harvey Ltd had taken all reasonable steps within practical and budgetary constraints to ensure the mark was protected. Ms Roberts was also extensively cross-examined about examples of alleged misuse of the trade mark in descriptive terms. Tasman strongly disputed the characterisation of much of this evidence, contending to the contrary that it demonstrated trade mark usage.

[127] Mr Elliott made wide-ranging criticisms of the Judge's findings but gave little assistance to the Court in identifying exactly what evidence he relied upon to support his submission that there had been a "complete failure" by Tasman to protect its mark. His broad submission was that the Judge placed too much weight on limited evidence of protective acts of Tasman, but did not take into account numerous instances of misuse by Tasman and the general pattern of inactivity.

[128] We will endeavour to deal with Mr Elliott’s criticisms as best we can having reviewed the evidence ourselves, including evidence before the commencement date of the 2002 Act on 20 August 2003.

[129] We make some preliminary observations. First, although the owner of a trade mark is responsible for taking steps to protect the mark so that it continues to fulfil its protective functions, the obligation is not absolute: it is to take reasonable steps to achieve that goal.⁴⁹ As Ms Roberts’ evidence shows there are practical limits on the steps an owner is able to take in this regard. For example, she said it was relatively straightforward to monitor and control the marketing and promotion of the Pink Batts products it supplies to its merchants. However little can be done to prevent individuals using the term “batts” descriptively if they are minded to do so.

[130] Second, although the trade mark owner has responsibility to do what is reasonably necessary to protect the mark, the onus is on the party seeking revocation of the mark to establish that any loss of distinctiveness is a consequence of the owner’s acts or inactivity.

[131] Third, to state the obvious, it is only necessary for us to canvass this issue if we are wrong to conclude that the Judge correctly found that the trade mark had not become a common name in general public use. To find that Tasman had failed to protect its mark could not stand with our finding that Tasman has so heavily promoted its mark that it has achieved iconic status. Nor with the evidence before the High Court, which plainly supported the Judge’s conclusion that the mark had not become a common name in general public use. Any failures by Tasman would have to be balanced with the evidence of what it actually did to promote the correct use of the brand and to monitor and police any misuse of the trade mark.

[132] Mr Elliott’s more specific criticisms related to his submission that the Judge had failed to give weight to:

⁴⁹ See [123](d) above.

- (a) Tasman's acceptance in the 2003 CSR settlement of some use of the term "batts" in technical literature used by the trade in New Zealand.
- (b) Tasman's failure to publish formal guidelines for the trade on the use of its trade mark until 2007 even though the Judge found Tasman had appreciated the risk of the mark becoming generic from at least 1977 onwards.⁵⁰
- (c) Tasman's failure to advertise in order to warn the public about the existence of its trade mark and its proper use after the new Act came into effect.
- (d) Tasman's failure to act more quickly to police the generic use of "batts" on Trade Me.
- (e) Tasman's failure to keep adequate records of the steps it was taking to secure compliance with its trade mark.
- (f) The evidence of Ms Rosanowski as to alleged misuse by Tasman of the PINK BATTS trade marks.

[133] We deal with these specific criticisms in turn. In 2001, Tasman became aware that an Australian company (CSR) and an associated company in New Zealand were using the term "batts" in product and technical manuals for insulating materials. In addition, the New Zealand company was directing visitors from its New Zealand website to CSR's website in Australia. Tasman brought proceedings in the High Court seeking injunctive and other relief. CSR and the associated company filed a counter-claim seeking to have Tasman's BATTS trade mark expunged on the ground that it was alleged to have become generic in terms of s 24 of the 1953 Act. The proceedings were settled on the basis that CSR acknowledged the validity of Tasman's registered trade mark. In return, Tasman agreed that CSR and the associated New Zealand company could use the term "batts" in New Zealand to describe and refer to insulating materials but only in their product and technical manuals used exclusively by the trade and not the general

⁵⁰ High Court judgment, above n 3, at [104].

public in New Zealand. It was also agreed that CSR and the associated New Zealand company would not use the word “batts” on, or in relation to, any insulating product advertised or offered for sale or sold in New Zealand. Although the deed of settlement provided that CSR and the associated company in New Zealand could terminate the agreement after 1 January 2007, the evidence was that this had not occurred.

[134] As we have mentioned, the Judge found it unlikely that Tasman’s agreement with CSR would have had any material effect on any loss of distinctiveness in the BATTIS trade mark in New Zealand, but in any case did not take it into account because it was executed prior to November 2003. We agree and accept Mr Miles’ submission that the settlement represented a pragmatic resolution of the dispute. There is no evidence that any other manufacturer acting in the New Zealand market has used the term “batts” in a descriptive sense in order to promote its products until Knauf’s entry into the New Zealand market in 2011.

[135] Ms Roberts accepted she had been unable to locate any formal guidelines for the trade in the use of the BATTIS trade mark until 2007. Whether this was due to poor record-keeping or a failure to provide any guidelines was not established on the evidence. Ms Roberts was a relative newcomer to employment with Tasman and had no personal knowledge about the steps taken by Tasman prior to January 2007. As the Judge noted, Mr Durbin fairly acknowledged in his evidence that Tasman had always made it clear that the products were to be advertised using the PINK BATTIS trade marks and that the ® symbol was to be used on all occasions.

[136] It would have been possible for Tasman to advertise in the media drawing the public’s attention to the existence of its trade mark. There was conflicting evidence on this point. Tasman called as its expert witness Mr Earl Gray, an intellectual property lawyer. Mr Gray’s evidence was that while trade mark owners sometimes place advertisements in the media to educate customers that a name is a registered trade mark, he considered a failure to do so would rarely if ever amount to inactivity in terms of s 66(1)(c). Mr Gray’s view was that the most effective advertising would be normal advertising with very significant brand emphasis.

[137] Knauf called Ms Sheana Wheeldon, another lawyer specialising in intellectual property. She disagreed with Mr Gray's evidence. The need for advertising about the trade mark status of a name would depend on the circumstances: if there was a clearly identifiable amount of generic use, and the brand owner's internal activities had failed to stem that use, advertisements could well be necessary in order to meaningfully address the problem. As such, failing to place advertisements in those circumstances could well amount to inactivity within s 66(1)(c). She considered that in the particular circumstances that Tasman faced over several decades, exacerbated by internet use, Tasman could only have seriously reduced generic use of the term "batts" if it had designed and run a fairly high profile media campaign.

[138] The Judge was not persuaded that Tasman's failure to conduct print and television advertising campaigns focusing on trade mark registration constituted inactivity for the purposes of s 66(1)(c).⁵¹ We note that, in any event, Ms Roberts' evidence was that the trade marks PINK BATTTS were heavily promoted through the trade and otherwise with the addition of the ® symbol, to indicate the existence of the trade mark. Brown J accepted that Tasman ought to have moved more quickly to police the generic use of "batts" on Trade Me. The short answer to this criticism is that the evidence produced by Knauf itself established that the vast majority of listings on the Trade Me website did not use the term "batts" descriptively.

[139] Mr Dunbar gave extensive evidence about what he perceived to be the acts and inactivity of Tasman that caused genericism. These included inconsistency between style guides, the omission of a descriptor after the term "Pink Batts" by Tasman, lack of communication with media and consumer websites, and infrequent and inconsistent response to generic use of the word "batts" in the trade. He disputed the evidence that Ms Roberts gave as to a long-standing compliance programme developed to combat genericism. He contended that the lack of evidence documenting any such programme led to inferences that it was ad hoc, incomprehensive and ineffective.

⁵¹ High Court judgment, above n 3, at [172].

[140] As to the criticism of Tasman's record keeping, Ms Roberts accepted the company appeared to have disposed of a previous compliance file. It would undoubtedly have been good practice to keep a proper written record of any steps taken to monitor and enforce compliance with the correct use of the trade mark but this must be set against Ms Roberts' extensive evidence of the steps taken by Tasman to do so.

[141] Finally, we refer to the evidence of Ms Rosanowski. She gave evidence of a review of documents discovered in the High Court proceedings and noted some examples of the use of the term "Pink Batts" without a descriptor to identify what the goods were. However, the examples given used the ® symbol in every case.

[142] We agree with Mr Miles that Ms Rosanowski's view that a trade mark could not act as a badge of origin unless a descriptor was added is plainly wrong. We note the expert evidence given by Mr Gray that while using a descriptor after a mark can help protect a vulnerable mark from becoming generic, there is no hard and fast requirement to do so for the purposes of s 66(1)(c). We consider the reference to the use of a descriptor in the Select Committee Report for the Act, referred to at [51] above, should be interpreted in the same vein.

Conclusions on the causation issue

[143] If we were required to make a finding as to whether the Judge was correct on this issue, we would agree that Knauf did not discharge the onus of proving that, if "batts" had become a common name in general public use, this was in consequence of any acts or inactivity by Tasman.

[144] The dominant feature of the evidence is that Tasman strongly promoted its PINK BATTS trade marks over many years and made it plain in marketing its products that they were registered marks. In addition, Tasman did all it reasonably could to ensure its distributors correctly promoted its product in the same way. The monitoring and policing of generic use of the trade marks was adequate, bearing in mind that some generic use of the term "batts" was inevitable and virtually impossible to eradicate completely.

[145] The criticisms of the steps taken or not taken by Tasman were relatively trivial viewed against Tasman’s marketing and monitoring activities overall. The one criticism made by the Judge about the delay in policing the Trade Me website does not appear on the evidence to have resulted in significant generic use of the word “batts”.

[146] As to the expert evidence on this topic, we are doubtful about its utility. It does not appear to have been substantially helpful and was, in any event, strongly disputed.

[147] In brief we agree with the Judge that if the term “batts” had become a common name in general public use, the evidence adduced by Knauf fell significantly short of establishing that this was due to any acts or inactivity on Tasman’s part.

Was the Judge correct to find there was no infringement because s 89(2) of the Act applied to Knauf’s use of the term “batt(s)” or “BATT”?

[148] The key section in the Act on infringement is s 89, which 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
 - (d) identical with or similar to the registered trade mark in relation to any goods or services that are not similar to the goods or services in respect of which the trade mark is registered where the trade mark is well known in New

Zealand and the use of the sign takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the mark.

- (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.
- (3) Sections 92 to 98 override this section.

[149] Knauf conceded before us that, but for its reliance on s 89(2), the use of the term “batt(s)” or “BATT” on the packaging of its EARTHWOOL products, on the label for those products, and on earthwool.co.nz (the earthwool website) would infringe Tasman’s trade mark in terms of s 89(1)(a) to (c) of the Act. However, Knauf supported the Judge’s finding that, with the exception of the HTML code, there was no infringement because s 89(2) applied.

[150] Brown J recorded Knauf’s concession that its activities were clearly “in trade” but accepted Knauf’s contention that its use of the words described would not be likely to be taken as trade mark use. The Judge pointed out that the concept embodied in s 89(2) was not new, since it had been part of s 8(1A) of the Trade Marks Act 1953, even though not stated in a discrete provision.

[151] The Judge reviewed authorities in the United Kingdom, Singapore, Australia and New Zealand. Particular reliance was placed on the decision of this Court in *Mainland Products Ltd v Bonlac Foods (NZ) Ltd*⁵² and the observations of Gummow J in *Johnson & Johnson Australia Pty Ltd v Sterling Pharmaceuticals Pty Ltd*.⁵³ Brown J then recorded his assessment in these terms.⁵⁴

[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 appeared 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.⁵⁵ 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.⁵⁶

⁵² *Mainland Products Ltd v Bonlac Foods (NZ) Ltd* [1998] 3 NZLR 341 (CA).

⁵³ *Johnson & Johnson Australia Pty Ltd v Sterling Pharmaceuticals Pty Ltd* (1991) 30 FCR 326 (FCA).

⁵⁴ High Court judgment, above n 3.

⁵⁵ *Mainland*, above n 52, at 345–346.

⁵⁶ *Mars GB Ltd v Cadbury Ltd* [1987] RPC 387 (Ch) at 400 (Whitford J); *Mainland*, above n 52, at 350.

[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 BATTIS® brand in that market”. However as with Sanitarium’s argument, that proposition does not pay regard to the whole context.^[57]

[152] Applying this approach to the facts the Judge’s conclusions were:⁵⁸

The installation instructions on the packaging

[214] The names or brands which appear on the packaging in the nature of promotional labelling are EARTHWOOL® 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 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® (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. 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.

⁵⁷ *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.

⁵⁸ High Court judgment, above n 3.

The sentence on the 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®
- ECOSE® Technology
- SupaKubes

[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 m² 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.

(footnote omitted)

Tasman’s submissions

[153] Mr Miles submitted that the Judge had incorrectly proceeded on the basis that the word “batt” had a descriptive meaning in New Zealand as designating a piece of insulation as well as a proprietary meaning. The Judge had been wrong to reject Tasman’s submission that given the iconic status of the BATTIS brand in the New Zealand market, the relevant purchasing public were likely to perceive any use of the word as a badge of origin. This had led to the Judge starting his analysis from an incorrect premise. In particular, the Judge ought not to have taken the view that the words “batt” and “batts” were available to be used by Knauf in relation to its

insulation products so long as that use appeared to be descriptive as opposed to proprietary.

[154] Further points relied upon by Tasman in challenging the Judge's conclusions on this point were that the Judge's finding was inconsistent with his later conclusion that the use of the words "batt", "batts" and "BATT" on the product packaging and label was inherently likely to deceive or confuse a significant proportion of consumers as to the trade origin of the product;⁵⁹ the Judge did not have regard to the wider context including Knauf's aggressive advertising campaign in New Zealand and the fact that the use of the impugned words on the product label and packaging was deliberately calculated by Knauf to appear as if they were descriptive terms; there was a failure by Knauf to use genuinely descriptive terms such as "biscuit", "slab" or "segment"; and if the use by Knauf of the impugned words were permitted to continue there would be a consequential erosion of the source significance of Tasman's BATTTS trade mark.

Discussion

[155] The leading New Zealand authority on the predecessor to s 89(2) is this Court's decision in *Mainland Products Ltd v Bonlac Foods (NZ) Ltd*.⁶⁰ Mainland was the registered proprietor of the trade mark "VINTAGE", which was used in conjunction with another trade mark ("MAINLAND") in respect of cheddar cheese. Bonlac introduced to the New Zealand market a cheddar cheese product bearing the word "Vintage" on the labelling. The case turned on s 8(1A) of the Trade Marks Act 1953 which required amongst other things proof by Mainland that the word "Vintage" had been used by Bonlac "in such manner as to render the use of the mark likely to be taken ... as being use as a trade mark". Bonlac's defence was that the offending word was not such as to be likely to be taken as use as a trade mark or as importing a reference to Mainland's cheese. It was merely a bona fide description of the character or quality of its own product. That defence was upheld in the High Court but reversed on appeal.

⁵⁹ High Court judgment, above n 3, at [241].

⁶⁰ *Mainland*, above n 52.

[156] Delivering the judgment of the Court, Gault J described the relevant approach in these terms:⁶¹

The essential question then is whether this use of the 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.

[157] Emphasising the need to consider the overall circumstances in which the words are used, Gault J continued:⁶²

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.

[158] The Court concluded that the word "Vintage" was not, in its normal meaning, a description of any characteristic or quality of cheese.⁶³ However, the Court went on to find that merely because a word has not found its way into ordinary parlance does not mean that in a particular use it is other than merely a description. Each case must be determined on its facts.⁶⁴

[159] The Court concluded that:⁶⁵

... that the appearance as a prominent visual feature on the top and side panels of the label of the word "Vintage" highlighted within a distinctive oval would be taken by at least a substantial number of prospective buyers of cheese as a means for distinguishing the particular cheese from the

⁶¹ At 345.

⁶² *Mainland*, above n 52, at 345–346.

⁶³ At 347.

⁶⁴ At 347 citing *Pepsico Australia Pty Ltd v Kettle Chip Co Pty Ltd* (1996) 33 IPR 161 (FCA) at 162 and *Johnson & Johnson*, above n 53, at 339.

⁶⁵ At 351.

equivalent types of cheese supplied by others as opposed to a mere description of the cheese or its attributes.

[160] This conclusion was reached despite the fact that, beneath the oval described, the trade mark “BEGA” appeared prominently in red on Bonlac’s packaging.

[161] Addressing the broad policy issues involved, this Court concluded:⁶⁶

While care must be taken not to extend unduly the ambit of protection of registered marks which are known words with meanings suggestive of relevant goods or services, care also must be taken to prevent erosion of the distinctiveness of a good trade mark by competitors with strategic motives claiming descriptive use.

[162] We prefer to put to one side authorities from the United Kingdom since s 10 of the Trade Marks Act 1994 (UK) does not contain the equivalent of s 89(2) of the New Zealand legislation. However, although there are some slight differences in the wording of the equivalent legislation in Australia, we consider that the authorities developed there provide useful guidance. Section 120 of the Trade Marks Act 1995 (Cth) relevantly provides:

- (1) A person infringes a registered trade mark **if the person uses as a trade mark** a sign that is substantially identical with or deceptively similar to, the trade mark in relation to goods or services in respect of which the trade mark is registered.

(emphasis added)

[163] It is well established in the Australian authorities that use as a trade mark means use of the mark as a badge of origin, that is a sign used to distinguish goods dealt with in the course of trade by a person from goods dealt with by someone else.⁶⁷ The appropriate question to ask is whether the impugned words would appear to consumers as possessing the character of a brand.⁶⁸ Consideration of the totality of the packaging, including the way in which the words are displayed in relation to the goods and the existence on a label of a clear and dominant brand, are relevant in determining the purpose and nature of the impugned words.⁶⁹

⁶⁶ *Mainland*, above n 52, at 351.

⁶⁷ *Coca-Cola Co v All-Fect Distributors Ltd* [1999] FCA 1721, (1999) 96 FCR 107 at [19] and *E & J Gallo Winery v Lion Nathan Australia Pty Ltd* [2010] HCA 15, (2010) 241 CLR 144 at [43].

⁶⁸ *Shell Co of Australia Ltd v Esso Standard Oil (Australia) Ltd* (1963) 109 CLR 407 at 422.

⁶⁹ *Johnson & Johnson Pty Ltd v Sterling Pharmaceuticals Pty Ltd*, above n 53, at 347–349; *Anheuser-Busch Inc v Budejovický Budavar* [2002] FCA 390, (2002) 56 IPR 182 at [191];

[164] We also note the following useful passage set out by the authors of *Shanahan's Australian Law of Trade Marks and Passing Off*:⁷⁰

...the question of whether a sign is used as a trade mark is governed by the definition of "trade mark"... : is the sign being used to distinguish goods and services dealt with or provided by the defendant in the course of trade from others, or is it serving some other purpose, such as comparative advertising or a description of the user's goods or services? ... the question continues to be posed in the form of "is the mark used as a badge of origin in the user?" and the test for ascertaining the nature of the use is an objective one. There is a common misconception that an infringer uses a sign as a trade mark if the use indicates or is likely to indicate a connection between the infringer's goods and the owner of the registered mark. However, factors relevant to whether there is a misrepresentation or likelihood of deception have no role to play in deciding the question of what constitutes "use as a trade mark".

(footnotes omitted)

Conclusions on the s 89(2) issue

[165] We agree with Mr Miles that the Judge's conclusion that there is no "normal" meaning of the term "batt" is open to question.⁷¹ While we accept that the term "batt" has a descriptive meaning in Australia and in other overseas jurisdictions as referring to a segment of glasswool insulation, it is the meaning to consumers and others in New Zealand that counts. Our conclusion at [119] above is that "batts" was not widely used in New Zealand until after 1973 when Tasman's trade mark was first registered. It then became a term strongly associated in the public mind with Tasman's PINK BATTTS insulation product.

[166] But it does not follow that whenever the terms "batt(s)" or "BATT" are used, they are used in such a manner as to render it likely they will be taken as use as a trade mark in terms of s 89(2). That would be so only if the word or words used are inherently incapable of being used other than in a proprietary sense. That may be the case for where, for example, the word at issue is a made-up or "fancy" word having no normal or descriptive meaning. And, as Gault J indicated in *Mainland*, even if the impugned word has not found its way into ordinary parlance, it may still be used

Natures Blend Pty Ltd v Nestle Australia Ltd [2010] FCAFC 117, (2010) 272 ALR 487 at [39]–[42];

⁷⁰ Mark Davison and Ian Horak *Shanahan's Australian Law of Trade Marks and Passing Off* (5th ed, Thomson Reuters, Sydney, 2012) at [85.560].

⁷¹ High Court judgment, above n 3, at [212].

descriptively rather than in a trade mark sense depending on the circumstances of the case.⁷²

[167] Here, the evidence demonstrates there is no clear dichotomy between the use of the term “batts” in a descriptive sense and in the proprietary sense as a badge of origin to distinguish the insulation products of one person from those of another. It therefore becomes necessary to consider whether, in all the circumstances, the impugned words are likely to be taken by a significant number of prospective users as having trade mark significance in the sense described in the authorities. That is to be determined objectively and is a matter of impression.

[168] We agree with the Judge’s conclusion in respect of the packaging essentially for the reasons he gave. A key factor in respect of the packaging is the prominence given to the EARTHWOOL trade mark. Unlike the *Mainland* case where the word “Vintage” was associated prominently with Bonlac’s BEGA branding, references to “batts” and “Batt” in Knauf’s packaging are separated from the EARTHWOOL branding and are far less prominent. While some of the smaller print references are used in a promotional section, this is under the heading “Why Use Knauf Insulation?” And, in context, the use is descriptive rather than in a trade mark sense. A reference in this section to “Knauf batts” suggests descriptive use since “batts” is used to identify an insulation product manufactured by Knauf. The remainder of the references are under the heading “INSTALLATION TIPS”. Similar considerations apply but more strongly, given the technical nature of this part of the packaging material.

[169] We also agree with the Judge’s conclusions about the label. Although this is a little more prominent than the material we have just discussed, it appears below a prominent EARTHWOOL label. The words “BATT/PACK” appear in a column of technical specifications and designate the number of pieces of insulation in the pack.

[170] The third impugned item is the use of the term “batts” on the earthwool website. This was in the context of the statement:

⁷² *Mainland*, above n 52, at 347. See also *Aldi Stores Ltd Partnership v Frito-Lay Trading Co GmbH* [2001] FCA 1874, (2001) 190 ALR 185 at [23] citing *Johnson & Johnson*, above n 53, at 339 and 347.

“The unique compression packaging of EarthWool® has increased the quantity of batts in every bag and therefore increased the m² per bag.”

[171] We agree with the Judge’s conclusion on this for the reasons he gave. We deal with the Judge’s conclusions on the HTML code separately below.

[172] We do not agree that the Judge’s conclusions on the s 89(2) issue are in conflict with his later conclusions⁷³ about infringement under s 89(1). In context, the Judge was there considering whether there was infringement under s 89(1) on the hypothesis of a finding under s 89(2) that the allegedly infringing words were likely to be taken as being used in a trade mark sense. If that were so, but not otherwise, the Judge found that the impugned words would be likely to deceive or confuse a significant proportion of consumers as to the trade origin of the products for the purposes of s 89(1). In any event, as the passage from *Shanahan* we have cited at [164] shows, issues about the likelihood of deception are not relevant to the question of what constitutes use as a trade mark under s 89(2).

[173] At first sight it may appear to be counter-intuitive that the owner of a registered trade mark does not have the right to the exclusive use of the mark in all circumstances. However, s 89(2) and its predecessor have long recognised there will be no infringement where the same or similar words are used by a competitor other than in a trade mark sense.

[174] We recognise Tasman’s concerns about the risk of erosion of the distinctiveness of its valuable trade mark but, as Gault J recognised in *Mainland*, care must also be taken not to unduly extend the ambit of protection afforded by the Act to the owner of a registered trade mark.⁷⁴ That is another way of saying that the Act must not be used as a means of restricting competition by enforcement of monopoly rights except as permitted by law. Despite the finding of this Court on the s 89(2) issue in this case, Tasman retains its registered trade mark and will no doubt be assiduous in enforcing any future perceived infringements of its rights whether under the Act or by way of an action for passing off or under the FTA.

⁷³ High Court judgment, above n 3, at [237]–[242].

⁷⁴ *Mainland*, above n 52, at 351, set out above at [161].

Knauf's challenge to the Judge's finding in respect of the HTML code

[175] In its cross-appeal, Knauf challenges the finding of infringement in respect of the HTML code on the earthwool website. Specifically, the HTML code contained the words "Batt%20MastaBag.jpg", amongst many other lines of code.

[176] In its third amended statement of claim, Tasman simply alleged that the earthwool website featured both the words "BATT" and "BATTS". Knauf's fourth amended defence and counter-claim responded:

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

[177] It is common ground that the HTML code is not visible on the landing page of the website. In *Mantra Group Pty Ltd v Tailly Pty Ltd (No 2)* Reeves J described source code of this type in these terms:⁷⁵

[27] Websites have an underlying source code that are inserted by web developers and computer programmers. This source code contains key words that are used to indicate what is contained on the website. This key word information is often described as meta information or metatags. The information is not displayed on the website itself. Instead, it is used by Google and other search engines to assist in indexing and ranking websites when displaying search results.

[178] For convenience, we repeat Brown J's conclusion:⁷⁶

[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.

⁷⁵ *Mantra Group Pty Ltd v Tailly Pty Ltd (No 2)* [2010] FCA 291, [2010] 182 FCR 450.

⁷⁶ High Court judgment, above n 3.

[179] The Judge then went on to deal with a submission by Knauf that the impugned words were “invisible” and could not amount to use as a trade mark for the purposes of s 89 of the Act. The Judge reviewed a number of authorities and concluded:

[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.

[180] Knauf challenges the Judge’s conclusions on this issue. First, Knauf maintains there was no or insufficient evidence to support the Judge’s conclusion that the impugned words could be accessed and viewed by an informed internet user. Second, it submits that even if the informed internet user did access the relevant code, the material was largely incomprehensible and meaningless. Third, the Judge was wrong to conclude that the impugned words were not merely descriptive as he had concluded in respect of the other alleged infringements.

[181] Tasman supported the Judge’s conclusions and referred to *RxWorks Ltd v Dr Paul Hunter* for the proposition that infringement may occur even though the offending sign is not visible at the point of sale.⁷⁷ This case reflects the Court of Justice of the European Union jurisprudence in *Celine SARL v Celine SA* and addresses a different point from that under consideration here.⁷⁸

Analysis

[182] We agree with the Judge that some of the issues with regard to the HTML code arose in an unsatisfactory manner. For example, the “invisible use” issue arose only in Knauf’s closing submissions. There is also a risk of conflating the HTML code issue with other issues arising in the evidence relating to “keyword stuffing” and the use of Google Adwords. Although we accept there is a relationship between

⁷⁷ *RxWorks Ltd v Dr Paul Hunter* [2007] EWHC 3061 (Ch), [2008] RPC 13.

⁷⁸ *RxWorks Ltd*, above n 77, at [21]–[22], citing Case C-17/06 *Céline SARL v Céline SA* [2007] ECR I-07041. The issue of visibility at point of sale was considered in the context of whether the sign was used in the course of trade.

the source code and the search results produced by Google, there was no evidence on the nature of this relationship before the High Court.

[183] Terms used by computer programmers can be misinterpreted. For example, counsel are agreed that the Judge was wrong to conclude that the impugned words in the present case constituted the use of a “metatag”. Metatags are terms placed in the source code that provide indexing information for search engines.⁷⁹

[184] It is also necessary to distinguish between “use in the course of trade” for the purposes of s 89(1) and the separate issue arising under s 89(2) as to whether the words have been used in a way that is likely to be taken as use as a trade mark. Asher J recognised this distinction in his useful discussion on this topic in *Intercity Group (NZ) Ltd v Nakedbus NZ Ltd*.⁸⁰ The case was concerned with allegations that Nakedbus had purchased Google Adwords that had the effect of diverting internet users searching for the word “intercity” to the Nakedbus website. The Judge noted that s 89(1) does not involve a notional consumer test of the type required by s 89(2). Asher J considered the real or threshold issue arose under s 89(2).⁸¹

[185] We are attracted to Asher J’s view that:⁸²

... if a significant number of normally informed and reasonably attentive internet users are likely to take the use of the sign as being used as a trade mark, that will be sufficient for the purposes of s 89(2).

[186] The Judge concluded that the use of the keyword “intercity” was not seen by the consumer at all. Rather, in the context of Google Adwords, if the impugned words could not be seen by the consumer then they could not be taken as anything, let alone taken as being used as a trade mark in terms of s 89(2).⁸³

[187] We accept Asher J was dealing with Google Adwords but his approach of considering what the normally informed and reasonably attentive internet user would

⁷⁹ *Complete Technology Integrations Pty Ltd v Green Energy Management Solutions Pty Ltd* [2011] FCA 1319 at [57]; *Manta Group*, above n 75, at [27]; *Shanahan*, above n 70, at [115.1755].

⁸⁰ *Intercity Group (NZ) Ltd v Nakedbus NZ Ltd* [2014] NZHC 124, [2014] 3 NZLR 177.

⁸¹ At [66].

⁸² Expressed at [82].

⁸³ At [85].

take from the use of the words remains appropriate in the present context. Indeed, Tasman accepted this approach in its written submission. Mr Elliott acknowledged that the impugned words in the HTML code could be accessed by, for example, a computer programmer but submitted the average consumer would not see the impugned words when accessing the earthwool website and would have no reason to seek to obtain access to the underlying HTML code.

[188] Importantly, Mr Elliott submitted there was simply no evidence before the Court below as to why and how consumers would access the HTML code and, even if they did, what, if anything, it would mean to them. Essentially, the Court was dealing with the issue in an evidential vacuum. There was therefore no basis to conclude that consumers, let alone the required substantial number of consumers, would have seen the impugned words and, if so, would have regarded them as being used as a trade mark. Rather, he submitted the words could be taken only as descriptive.

Discussion

[189] We have reviewed the evidence on this topic. In her brief of evidence, Ms Roberts said Tasman's lawyers had viewed the HTML code for the earthwool website and found it featured the words "BATTS" and "BATT". She asserted that the use of these words in the code meant that people using various search engines to search for Tasman's PINK BATTS product could be directed to the earthwool site. Ms Roberts acknowledged in cross-examination that she was not an expert on HTML code and her assertions were unsupported by any other evidence. This may be contrasted with the *Intercity* case, where extensive expert evidence was called.

[190] Ms Roberts went on to refer to "keyword stuffing", stating she "presume[d]" that certain generic words were used in the earthwool website in order to increase internet traffic to the site, specifically from internet users who searched for words relating to insulation. Again, she acknowledged in answer to questions about whether Tasman used such keywords in its own website, that she could not be sure. Finally, Ms Roberts went on to refer to Google Adwords and the Google Analytics

website tool. However, her evidence in that respect was directed towards Tasman's claim under the FTA, not the infringement claim.

[191] Mr Dunbar and Mr Hall gave evidence on this topic for Knauf and BFNG respectively. They acknowledged that the word "batts" appeared on the FAQ (frequently asked questions) page of the earthwool website and in the HTML code for a limited period in early 2012. The explanations given as to how the words might have appeared in the code were not entirely clear. But Ms Roberts accepted the words could have turned up in the code because it was the title of an image uploaded to the website. Both Mr Dunbar and Mr Hall described the inclusion of the words in the code as unintentional and expressed the view that the impugned words were descriptive. Mr Dunbar said he was not aware that the word "batts" had been used to generate traffic either to the Knauf website or the earthwool website. Mr Hall agreed he had purchased certain Google Adwords such as "Insulation online" and "Earthwool" but denied buying the Adword "batts". He accepted that when the word "batts" was entered in a Google search, an advertisement for EARTHWOOL came up but explained this could occur through a connection made internally by Google between "insulation" and "batts". When asked whether a user would be directed to the earthwool website by virtue of the word "Batts" in the HTML code, he said he did not believe so.

[192] We accept the Judge appears to have rejected Mr Hall's evidence on the origins of the impugned words in the HTML code and the use that might be made of them but we do not consider this is relevant to the infringement issue. The question is not what Knauf may have intended but what meaning prospective purchasers were likely to take from the words if they had access to them.

[193] We accept Mr Elliott's submission that there was insufficient evidence for the Judge to conclude that, for the purposes of s 89(2), the impugned words in the HTML code were likely to be taken as being use as a trade mark. Applying the *Mainland* test,⁸⁴ there was no evidence that the use of the relevant words in the HTML code would convey to a substantial number of normally informed and attentive internet users that the words were used as a trade mark. There was no

⁸⁴ Discussed at [156] above.

evidence as to why consumers might endeavour to access the HTML code and how that would be achieved. Just as important, there was no evidence as to what, if anything, the impugned words would mean to them. It is evident that the impugned words appear in a single line of source code along with numerous other lines of code of a highly disjointed nature and are unlikely to have any meaning or significance to a prospective purchaser. Even assuming the notional internet user might for some unexplained reason access the source code, the words would appear to be entirely random and essentially meaningless.

Conclusion on the HTML code

[194] We are satisfied the Judge was wrong to conclude there was any infringement in respect of the HTML code.

The honest practices defence under s 95

[195] Section 95 of the Act provides:

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—

- (a) the person's name or the name of the person's place of business; or
- (b) the name of the person's predecessor in business or the name of the person's predecessor's place of business; or
- (c) **a sign to indicate—**
 - (i) **the kind, quality, quantity, intended purpose, value, geographical origin, or other characteristic of goods or services; or**
 - (ii) the time of production of goods or of the rendering of services; or
- (d) the trade mark where reasonably necessary to indicate the intended purpose of the goods (in particular as accessories or spare parts) or services.

(emphasis added)

[196] Knauf submitted that if it had infringed Tasman’s trade mark in any of the respects alleged, then it was entitled to rely on the honest practices defence under this section with particular reference to subpara (c)(i) highlighted above.

[197] It was only necessary for the Judge to consider this defence in relation to his finding that Knauf had infringed in relation to the HTML code. The Judge decided that Knauf was not able to rely on the honest practices defence for any of the alleged infringements because the use of “batt” or “batts” did not fall within s 95(c)(i). However, the Judge indicated that if he was wrong about that, then the honest practices defence would have been made out by Knauf in relation to the label, packaging and website, but not for the use of the word “Batt” in the HTML code.

[198] In its cross-appeal, Knauf challenges the Judge’s finding that the impugned words did not fall within s 95(c)(i). For its part, Tasman challenges the Judge’s contingent finding that Knauf would otherwise have established the honest practices defence for the label, the packaging and the website.

[199] We do not propose to deal with the application of s 95(c)(i) because we have no doubt the Judge was wrong to decide that any of the alleged infringements constituted honest practices on Knauf’s part.

Section 95 — principles

[200] The relevant principles relating to the honest practices defence are not in dispute. We summarise these, drawing on Brown J’s judgment. The onus of establishing the defence is on the defendant. As the section provides, the question is whether the infringer has acted in accordance with honest practices in industrial or commercial matters by using the registered trade mark in any of the alternative ways specified in subparas (a)–(d). The test is objective: 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.⁸⁵

⁸⁵ *Aktiebolaget Volvo v Heritage (Leicester) Ltd* [2000] FSR 253 (Ch) at 259.

[201] The recent judgment of Arnold J in *Samuel Smith Old Brewery (Tadcaster) v Lee (t/a Cropton Brewery)* considered the equivalent to s 95 arising in a case under art 6(1)(b) of the European Community Directive 2008.⁸⁶ Arnold J summarised the principles in these terms:⁸⁷

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)

[202] Arnold J identified a non-exhaustive list of material factors for consideration:⁸⁸

- i) whether the defendant knew of the existence of the trade mark, and if not whether it would have been reasonable for it to conduct a search;
- ii) whether the defendant used the sign complained of in reliance on competent legal advice based on proper instructions;
- iii) the nature of the use complained of, and in particular the extent to which it is used as a trade mark for the defendant's goods or services;
- iv) whether the defendant knew that the trade mark owner objected to the use of the sign complained of, or at least should have appreciated that there was a likelihood that the owner would object;
- v) whether the defendant knew, or should have appreciated, that there was a likelihood of confusion;
- vi) whether there has been actual confusion, and if so whether the defendant knew this;

⁸⁶ *Samuel Smith Old Brewery (Tadcaster) v Lee (t/a Cropton Brewery)* [2011] EWHC 1879 (Ch), [2012] FSR 7. See EC Trade Marks Directive, above n 24.

⁸⁷ At [114]–[117].

⁸⁸ At [118].

- vii) whether the trade mark has a reputation, and if so whether the defendant knew this and whether the defendant knew, or at least should have appreciated, that the reputation of the trade mark would be adversely affected;
- viii) whether the defendant's use of the sign complained of interferes with the owner's ability to exploit the trade mark;
- ix) whether the defendant has a sufficient justification for using the sign complained of; and
- x) the timing of the complaint from the trade mark owner.

The Judge's conclusions on s 95

[203] Brown J's conclusions as to the honest practices issue were:

[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[®] 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.

[204] Although Mr Miles urged us to take into account the Judge's findings⁸⁹ about the reasons for the presence of the word "Batt" in the HTML code, we decline to do so since we are not satisfied on the evidence that this conclusion could properly be drawn.

Discussion

[205] We now address the factors identified by Arnold J so far as they are relevant in this case. Leaving aside the issue of whether any infringement fell within s 95(c)(i), we accept Mr Miles' submission that Knauf's activities were not in accordance with honest practices in industrial or commercial matters in the sense described in the authorities. Mr Elliott accepted that when Knauf entered the New Zealand market for insulation products, it knew Tasman owned the PINK BATTTS

⁸⁹ High Court judgment, above n 3, at [259].

trade marks and knew they enjoyed a substantial and long-established reputation in the New Zealand market. Knauf embarked upon an aggressive marketing campaign for its EARTHWOOL products and must be taken to have deliberately used the term “batts” in the packaging and labelling of its products as well as on the earthwool website. No other traders in the New Zealand insulation market had used that word to describe their products, using instead words such as “biscuits”, “segments” or “slabs”.

[206] Knauf maintained it was entitled to use the term “batts” in a descriptive manner and pointed to their use of that term in other jurisdictions. If Knauf relied on legal advice, it could have waived privilege and called evidence from its legal advisers to support that belief. It did not do so.

[207] When Knauf began marketing its EARTHWOOL products in December 2010 it imported its LoftRoll products from Australia. These did not include any reference to “batts”. However, matters changed when Knauf began marketing its products in blue and white packaging in July 2011 and a few months later in green and orange packaging in October 2011.

[208] This led to Tasman’s lawyers writing to Knauf’s New Zealand distributor Eco putting it on notice that Tasman owned the BATTIS trade mark and expressing the view that “Batts” was not a generic term for installation products. The letter requested that Eco cease distribution of the product and remove all reference to the word “Batts” from the packaging.

[209] As we have noted earlier, the reply from Knauf’s lawyers in November 2011 was uncompromising. It asserted that the offending term had not been used in the trade mark sense and the belief that “batts” had become a generic term in New Zealand and overseas to describe insulation products. Nevertheless, Knauf decided thereafter to cease using the term “batts” until the issue was resolved. This was largely but not fully observed as we discussed at [17]–[19] above. The absence of any actual confusion resulting from Knauf’s actions is no doubt explained by the limited volume of the Knauf product prior to Tasman’s prompt legal response.

[210] We are satisfied that the proper inference to draw from Knauf's conduct as a whole is that it set out in an aggressive manner to undermine the distinctive character of Tasman's valuable and widely recognised trade mark. It did so with full knowledge of the existence of Tasman's trade mark and the detrimental effects Tasman was likely to suffer to its trade mark as well as the likely damage the company would suffer in the market place. That is evident from Knauf's immediate response to Tasman's "cease and desist" letter in which Knauf asserted that the term "batts" had become generic in New Zealand. Our conclusion is also supported by Knauf's response to Tasman's infringement proceedings in which it sought to have Tasman's trade mark revoked on the grounds of genericism. Use of a trade mark with an ulterior motive, such as the "assiduous efforts of an infringer" to undermine a trade mark by rendering it generic, will not meet the honest practices test.⁹⁰

[211] Knauf's objective is also confirmed by a press release it issued soon after the High Court judgment was delivered.⁹¹ The press release included these words:

Knauf Insulation is proud to have led the way for descriptive use of the word "batts" in the New Zealand building industry.

[212] While Knauf may have believed that "batts" should be regarded as a descriptive term, it must have appreciated that the commencement of trading in New Zealand using that term would inevitably draw a strong response from Tasman and that, at the least, it was setting out on a difficult road with significant uncertainty of result. If it considered the trade mark had become generic, Knauf could have applied to revoke it. Instead, it chose to launch its product in the market using the term "batts" without first obtaining a ruling.

[213] This is not a case where a defendant can claim to have acted innocently, unaware of the existence of the risk of infringement. Rather, Knauf has acted deliberately and with knowledge of the risks involved. We are satisfied that Knauf's

⁹⁰ *Johnson & Johnson*, above n 53, at 357 citing *Re Bali Brassiere Co Inc's Registered Trade Mark and Berlei Ltd's Application* (1968) 118 CLR 128 at 133 and *James Minifie & Co v Edwin Davey & Sons* (1933) 49 CLR 349 at 361, in the context of whether a descriptive use was in "good faith".

⁹¹ Tasman's application to adduce evidence of this letter was granted during the hearing by consent.

conduct went well beyond the bounds of fair competition and was not in accordance with honest practices in terms of s 95.

The s 105 issue — unjustified proceedings

[214] Relevantly, s 105 of the Act 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.

...

[215] The Judge noted that s 105 is in almost identical terms to s 130(2) of the Copyright Act 1994. If an infringement of the trade mark concerned is established in the proceeding, subs (2) precludes the court from granting any relief under subs (1). The same outcome applies if the plaintiff establishes that the acts in respect of which the proceedings were brought would have constituted an infringement if those acts had been carried out. The Judge considered his finding of infringement in relation to the HTML code would have precluded the grant of relief under s 105(1). In respect of the other claims, the Judge noted it was common ground that Tasman would have received legal advice before issuing proceedings. He considered the issue to be whether Tasman acted in a genuine belief based on reasonable grounds in bringing such claims.⁹²

[216] Brown J then expressed his conclusions in these terms:

⁹² High Court judgment, above n 3, at [270].

[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.

Discussion

[217] Mr Elliott did not strongly press this issue. He was right not to do so. We are satisfied Tasman had no choice in the circumstances other than to issue proceedings for infringement. All of the matters we have canvassed in relation to the honest practices defence under s 95 apply equally here. The steps taken by Tasman were essential if the reputation in its trade mark was to be protected. Knauf conceded that, but for s 89(2), infringement under s 89(1)(a)–(c) would have been established. We agree with the Judge’s assessment that the application of s 89(2) was not an easy issue and that it was reasonable for Tasman to have the issue resolved by the court. Knauf’s assertion from the outset that the term “batt” was merely descriptive and its advice to Tasman that revocation of its mark was to be sought provided further justification for Tasman’s proceedings. Effectively, Tasman was facing a head-on attack on the validity of its trade mark.

[218] We conclude the Judge was correct to find that the application for a declaration under s 105(1) of the Act should be declined.

The Fair Trading Act issues

[219] In the High Court, each side brought claims against the other under ss 9, 10 and 13 of the FTA. The only three remaining at issue on appeal arise from the Judge’s finding that Knauf and its distributors had engaged in misleading and deceptive conduct by giving the impression that the EARTHWOOL product was made from natural wool when it was actually made from recycled glass.

[220] The Judge identified Tasman’s claim as arising under three apparently distinct heads: the EARTHWOOL brand; the EARTHWOOL name; and Knauf’s distribution and marketing of EARTHWOOL insulation. The latter embraced complaints about websites used by Eco and Knauf/BFNG.

[221] Brown J summarised the essence of these complaints:

[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.

[222] The Judge outlined the responses by Knauf and the other defendants:

[286] The defendants contended that EARTHWOOL® 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.

[223] The relevant principles adopted by the Judge are not in dispute on appeal. He referred particularly to the Supreme Court’s judgment in *Red Eagle Corporation Ltd*

v Ellis.⁹³ The Judge also cited the summary of principles discussed in this Court's judgment in *Geddes v New Zealand Dairy Board*.⁹⁴

[224] Brown J noted there had been significant argument on appeal on the possibility of confusion by consumers on initial interest and the prospect of any deception being dispelled by the time of purchase by the making of further inquiries. In that respect, the Judge adopted the approach in two earlier decisions of this Court:

[278] ... As Gault J observed in *Allied Liquor Merchants Ltd v Independent Liquor (NZ) Ltd* 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*:

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 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:

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.

(footnotes omitted)

[225] Addressing the “so-called doctrine of erroneous assumption” and the possibility prospective purchasers might adopt false assumptions that are extreme or fanciful the Judge adopted the approach of the High Court of Australia in *Campomar Sociedad, Limitada v Nike International Ltd*.⁹⁵ The initial question which must be determined is whether the misconceptions or deceptions alleged to arise are properly attributed to the ordinary or reasonable members of the classes of prospective purchasers.

⁹³ *Red Eagle Corporation Ltd v Ellis* [2010] NZSC 20; [2010] 2 NZLR 492.

⁹⁴ *Geddes v New Zealand Dairy Board* [2005] NZCA 159 at [77]–[81].

⁹⁵ *Campomar Sociedad, Limitada v Nike International Ltd* (2000) 169 ALR 677 (HCA) at [105].

The EARTHWOOL branding

[226] Tasman's primary evidence was in the form of two market surveys commissioned from Colmar Brunton. A sample of 1,000 respondents was randomly split with approximately half answering the first survey and the balance answering the second. The High Court judgment set out the questions in full:⁹⁶

[290] ... 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.
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).

[227] It is unnecessary to detail all the results. It is sufficient to record that the overwhelming majority of respondents in both surveys thought the EARTHWOOL product was made of wool. In the first survey in response to question (2), 76 per

⁹⁶ High Court judgment, above n 3.

cent responded with “wool” while 16 per cent specifically said sheep wool. Only five per cent correctly stated that the product was made from glass. In the second survey, in answer to question (2), the responses were 70 per cent (wool), eight per cent (sheep wool) and six per cent (glass). In response to question (2)(a), 59 per cent stated they meant sheep wool and only two per cent said glass, glass fibre or glasswool.

[228] Professor Brodie gave evidence for Tasman that the survey results showed a significant proportion of the population seeing the trade mark EARTHWOOL in relation to insulation would think the product was made of wool and, in particular, sheep’s wool.

[229] Knauf did not dispute the accuracy of the survey results but called evidence from Professor Gendall and Associate Professor Melnyk who addressed a number of criticisms about the utility of the survey, which the Judge summarised in these terms:⁹⁷

- (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.

[230] The Judge addressed these criticisms noting that Professor Gendall’s views, at least in part, were based on a false premise. In particular, Professor Gendall accepted his instructions were that the primary decision-maker in every segment of the insulating market except the retrofitting of private houses would be a professional such as a builder, specialist installer, architect or designer. As the Judge said, that view was not consistent with the evidence of Ms Roberts nor with the consumer-focus of advertising both by Tasman and Knauf.

⁹⁷ High Court judgment, above n 3, at [298].

[231] Brown J noted Mr Dunbar’s acceptance in cross-examination that the direct customers to whom Knauf’s website would promote EARTHWOOL would be specialist installers and distributors but he accepted 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. We also note Mr Hall’s acceptance in cross-examination that it was possible 50 per cent of insulation purchasing decisions for new homes and alterations were made by end-consumers.

[232] Notwithstanding the criticisms made by Knauf’s expert witnesses, the Judge considered the market survey evidence was not susceptible to serious challenge in terms of the principles stated by Whitford J in *Imperial Group plc v Philip Morris Ltd*.⁹⁸

[233] Brown J concluded on this point:

[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.

(footnote omitted)

[234] The Judge then embarked upon an extensive analysis of the question whether the product name and its associated marketing would be likely to lead the public to believe the product was something it was not. The likely meaning of the word “EARTHWOOL” (whether considered as two separate words or as a composite word) was taken into account along with the green and brown colours associated with the EARTHWOOL logo. He concluded:

[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

⁹⁸ *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.

EARTHWOOL® product is manufactured from animal wool, probably sheep's wool.

[235] He then went on to consider whether the identified erroneous assumption was a reasonable one for the hypothetical reasonable person to make or whether it was extreme and fanciful. The Judge placed emphasis on Associate Professor Melnyk's acceptance of counsel's proposition in cross-examination that "wool is sort of hard wired in the New Zealand DNA".

[236] Brown J expressed his conclusions and the reasons for them in these terms:

[317] It is my conclusion that the erroneous assumption which would be made by the hypothetical reasonable person, that EARTHWOOL® 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® 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® 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.

[237] Given the Judge's conclusions on the EARTHWOOL trade mark and branding, there were, as the Judge himself observed, obvious implications for the two websites operated by Eco and Knauf/BFNG. Nevertheless he went on to consider the specific issues relating to those websites.

The eco website

[238] The ecoinsulation.co.nz website (the eco website) was designed to promote its own eco-friendly wool-based products as well as Knauf's EARTHWOOL products. A key factor in Tasman's claim was that the website failed to distinguish clearly in its marketing material between Eco's own wool-based insulation products and the EARTHWOOL products.

[239] It turned out there were two versions of the eco website. The first was replaced with the second in September 2012, which was still live at the time of trial. The first version contained images that Tasman submitted reinforced EARTHWOOL as a natural sheep wool product. For example, an image of sheep grazing in a field; a prominent image of a house wrapped in a knitted woollen orange and green scarf; and a border depicting natural woollen knitted material. As well, there was a statement emphasising that the products were manufactured from pure natural wool.

[240] The second contained similar images to the first along with the statement that Eco were "The award winning innovators behind the use of natural wool in home insulation in New Zealand." Tasman also emphasised the lack of prominence given to an asterixed statement in much smaller text at the bottom of the landing page and a summary page on the website that "Eco Insulation sells products made from a range of materials, including natural sheep wool, Glasswool and Mineral Wool".

[241] The Judge's conclusions on the eco website were:

[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. 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".

[333] Although the EARTHWOOL® 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® was concerned. Tasman’s case on Issue 9 is established.

The earthwool website

[242] Finally, the Judge considered Tasman’s complaints about the earthwool website which was designed and set up by Knauf and BFNG. It was 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.

[243] Tasman’s pleaded allegation against BFNG was that the earthwool website contained the following statement:

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

[244] Tasman alleged this statement on the earthwool website was likely to mislead the public as to the nature, manufacturing process or characteristics of EARTHWOOL insulation products. Alternatively, the statement was likely to mislead or deceive consumers into believing that EARTHWOOL insulation products were made predominantly of a natural product, including sheep wool and wool from other animals.

[245] The impugned statement was contained on the website page “What is Earthwool?” The Judge said 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 impugned statement was preceded by the following sentences:

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

[246] A key point in Tasman’s argument was that the page on which this statement was made on the website did not say what EARTHWOOL was made from. The Judge rejected BFNG’s proposition that the impugned words gave a clear indication that EARTHWOOL was a new type of glasswool. Rather, he concluded:

[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®, 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.

[247] Finally, the Judge rejected two further contentions advanced by BFNG:

[345] BFNG advanced two further contentions. First they contended that a diligent consumer could eventually ascertain that EARTHWOOL® 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® 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.

[248] As to remedy, the Judge expressed the view that members of the public have a right not to be misled about products they might consider purchasing and a right to be accurately informed. A remedy was warranted in order to avoid the prospect of the public being misled about the composition of EARTHWOOL. He considered the use of the trade mark EARTHWOOL would not be objectionable if it was made abundantly clear to consumers what the composition of the product was in order to avoid the ambiguity inherent in the mark. That could be achieved by requiring Knauf and its distributors to use the EARTHWOOL name or brand in association with the words “glasswool” or “glass insulation”, namely:

- (a) EARTHWOOL® glasswool; or
- (b) EARTHWOOL® glass insulation.

[249] The Judge observed that such usage should not be a cause of concern for Knauf and its associated distributors given Mr Dunbar's evidence that he saw no benefit in trying to get people to think EARTHWOOL was a sheep's wool product. That was because Knauf considered EARTHWOOL was superior to sheep's wool and provided a new generation glasswool product.

Knauf's case on its cross-appeal

[250] Given Mr Dunbar's assertion that Knauf was not interested in endeavouring to persuade people into believing EARTHWOOL was made from sheep's wool, one might be forgiven for wondering why the cross-appeal on the FTA claims was pursued. Mr Elliott again raised numerous points in support of the cross-appeal. These amounted in essence to a re-run of the arguments Knauf raised unsuccessfully in the High Court. In the main, the cross-appeal amounted to a challenge to the Judge's factual findings. It was argued the Judge did not properly consider:

- (a) The context including, in particular, the circumstances surrounding a relevant person's inquiry into and potential purchase of EARTHWOOL insulation.
- (b) The relevant consumers and their characteristics.
- (c) The impugned conduct as a whole, described as "the causal nexus".⁹⁹

[251] Doing the best we can to isolate Knauf's arguments into some main themes they appear to be:

- (a) The Judge should not have placed weight on the survey evidence relied upon by Tasman.
- (b) The Judge erred in his analysis of the EARTHWOOL brand and logo.

⁹⁹ The precise nature of this ground is unclear. It appears to suggest respondents to the Colmar Brunton surveys started with an erroneous assumption that "wool" in the insulation context must mean sheep wool.

- (c) The Judge erred by failing to take into account the characteristics of persons likely to be inquiring about or purchasing insulation and their ability to look for further information on what EARTHWOOL was.

[252] As to the survey, Mr Elliott submitted it was directed to the wrong “universe”. It should have been directed to persons who might be interested in purchasing insulation. It elicited artificial answers for that reason and because respondents were not asked about other brands and what they believed they were made of. While the Judge had adopted a test focussing on consumers, he had not applied that approach when evaluating the survey evidence. The Judge had erred in adopting a “hypothetical reasonable person” analysis rather than focussing on a reasonable member of the relevant class of prospective purchasers.

[253] We reject these submissions. The Judge considered these points as we have discussed at [229]–[231] above. The reasons the Judge gave were open to him and are not shown to be wrong. We accept Tasman’s submission that the Judge correctly identified prospective consumers of insulation as a significant group of the persons likely to be affected by Knauf’s advertising and promotion of EARTHWOOL.¹⁰⁰ The Judge recognised that not every respondent in the surveys would have come within the relevant cross-section of the public but found that the survey results were sufficiently clear despite this deficiency. Again, that finding was open to the Judge given the substantial number of survey respondents and the high proportion of respondents who believed EARTHWOOL was made from natural wool.

[254] The survey results support our own impression that the EARTHWOOL brand and logo would be likely to convey at least to a significant number of potential consumers of insulation products that EARTHWOOL insulation was made from sheep’s wool. That conclusion could be derived from the words alone but is reinforced by the green and orange colours used (suggesting a link with nature) and the undisputed evidence of the extent to which an awareness of sheep’s wool is embedded in the consciousness of most New Zealanders.

¹⁰⁰ As to which see the recent discussion by this Court in *Godfrey Hirst NZ Ltd v Cavalier Bremworth Ltd* [2014] NZCA 418, [2014] 3 NZLR 611 at [17]–[50].

[255] As to the second point identified at [251] above, Mr Elliott submitted variously that the Judge had failed to give sufficient weight to the word “EARTHWOOL” in the name and logo; had over-analysed the words; and had failed to consider “EARTHWOOL” as a whole. We do not accept these criticisms. Not only do they contradict each other but they do not reflect the careful way in which the Judge considered the evidence and applied his own judgment to the task.

[256] Finally, we do not accept Knauf’s submissions on the third point. We accept that in deciding whether, from an objective standpoint, conduct is deceptive or misleading it is necessary to consider the context in which the impugned conduct takes place. This includes the characteristics of the persons likely to be affected.¹⁰¹ As well, the authorities establish that consumers are expected to exercise a reasonable degree of care in the circumstances. As this Court put it in the *Godfrey Hirst* case:¹⁰²

Consumers must exercise a degree of care which is reasonable having regard to all the circumstances including the characteristics of the target group of consumers. By “characteristics” we refer to the consumers’ level of knowledge, acumen, ability and the like.

[257] Depending on the circumstances, a consumer in the target class may be expected to make further inquiries at the point of sale to rectify any misunderstanding about the nature or characteristics of a product. How readily this can be achieved may be a relevant consideration. On the other hand, the FTA is aimed at consumer protection and it may be sufficient to establish liability if it is shown that a significant number of potential consumers are misled or deceived as a matter of initial impression as we have discussed at [224] above.

[258] The Judge was aware of this point and addressed it. The evidence disclosed that Knauf’s target audience included not only the trade and others who might be expected to have specialised knowledge of insulation products but also included end-consumers. We have referred to this evidence at [231] above. Given the focus on sales promotion online, the Judge was entitled to reach the conclusion that the failure to make it plain that the EARTHWOOL product was made from glass was

¹⁰¹ *Red Eagle Corporation Ltd v Ellis*, above n 93, at [28].

¹⁰² *Godfrey Hirst NZ Ltd v Cavalier Bremworth Ltd*, above n 100, at [51].

likely in the circumstances to mislead or deceive potential customers as the survey evidence clearly demonstrated. The Judge was also entitled to conclude it was no answer to say that an online inquirer would have been able to establish that EARTHWOOL was made of glass if, for example, a three or four step process were followed.

Conclusion on the FTA arguments

[259] We are satisfied the Judge's conclusions on the FTA issues were available to him and have not been shown to be wrong. Indeed, they are consistent with our own conclusions on the evidence and the relevant exhibits we have examined.

Result

[260] The appeal and cross-appeal are dismissed save that the Judge's finding of infringement in respect of the HTML code is set aside.

[261] The effect of our judgment is that, except in one minor respect, the High Court judgment is upheld. We are satisfied in the circumstances that costs should lie where they fall. We order accordingly.

Solicitors:
A J Park, Auckland for Appellant
James & Wells Solicitors, Auckland for Respondents