

Crocodile attack in New Zealand

THE CASE:

Crocodile Intl Pte Ltd v Lacoste
Supreme Court of New Zealand
21 February 2017

Máté Bede and Mark Kovacs examine a Supreme Court decision concerning the lack of genuine use

In February 2017, the Supreme Court of New Zealand rendered a judgment in *Crocodile Intl Pte Ltd v Lacoste*, in which the court set the standards regarding the lack of genuine use and the invalidation of trademarks as a consequence.

Crocodile International (Crocodile International) applied in New Zealand to revoke trademark 70068 which is owned by Lacoste. The application claimed that Lacoste had not used the cited mark in the course of trade. Under New Zealand law, a trademark may be revoked if it has not been put to genuine use for three years. In this case, it was not in dispute that Lacoste had not used that particular trademark during the period. However, Lacoste relied on the use of three other marks during the relevant period which – according to their legal opinion – only differed in “elements that did not materially alter the distinctive character of the mark”.

The main issue of the dispute was whether use may be accepted under the extended definition of use above (which is accepted as genuine use in most jurisdictions). The cited law was section 7(1)(a) of the Trade Marks Act 2002. This rule provides that “unless the context otherwise requires, use, in relation to a trademark, includes use in a form differing in elements that do not alter the distinctive character of the trade mark in the form in which it was registered.”

For easier understanding it is best to compare the marks in question, see Figures 1 and 2.

Crocodile International claimed that the word ‘crocodile’, combined with the crocodile device, gives trademark 70068 its distinctive character; the word ‘crocodile’ is distinctive in script, its prominent size and positioning in relation to the crocodile device.

Lacoste on the other hand, held that the



Figure 1: Combined trademark “Crocodile” no 70068 (subject of the revocation proceedings).



Figure 2: Trademarks of Lacoste (from left to right, no 722727, no 116029 and no 604957).

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differences between the Lacoste marks and trademark 70068 are minor, being limited to the direction in which the crocodile faces, the fact that the crocodile device in mark 70068 is slightly thinner than the Lacoste Crocodile and the specific stylisation of the word ‘crocodile’. The representatives of Lacoste claimed that these differences do not alter the distinctive character of the trademark, which is clearly a crocodile. They stated that the “elements” of the mark carry the same message. They attached survey evidence suggesting that

the crocodile device in trademark 70068 and that in the Lacoste marks is associated in New Zealand with Lacoste to a reasonably significant degree.

In its ruling, the Supreme Court concluded that the trademarks used by Lacoste altered the distinctive character of trademark 70068.¹

While the court accepted that there were conceptual and aural similarities between the trademarks, there were also significant visual differences. The ruling concluded that as a consequence of the highly stylised text, both the word and the device element carry distinctive power in the Crocodile trademark. The court bolstered its conclusion by arguments pointing to the survey evidence, policy considerations and the rest of the Trade Marks Act. In relation to the survey evidence, they acknowledged the association between the device elements, however, they highlighted that only 16 of 314 respondents in the second survey linked trademark 70068 as a whole to Lacoste.

The court has further determined that if a trademark has not been used, there is no discretion not to revoke it and, even if there were such a discretion, this was not an appropriate case for its exercise.²

What consequences can we deduce from this case? What factors should we keep in mind when advising on the actual use of registered trademarks?

Genuine use of trademarks

Most trademark legislations around the world demand the owner of a registered mark to actually and genuinely use it in commerce. The rules in New Zealand provide that the registration of a trademark may be revoked if a continuous period of three years passed without genuine use in the course of trade. In the EU and most European countries, this

timeframe is five-years long, but the rest of the rules are very similar as the New Zealand Act is indirectly linked with the EU regulations.³ The same can be said for the relevant court practice as well. Therefore, the principles below (based on the EU and the NZ case law) apply to and should be taken into consideration by trademark owners all around the world.

Genuine use of a trademark is accepted where the mark is used in accordance with its essential function, which is to guarantee the identity of the origin of the goods or services for which it is registered, in order to create or preserve an outlet for those goods or services.

Genuine use means a considerable volume of sales and/or advertising with the trademark in connection with the goods or services for which it is registered. It is not necessary to use the mark at the time of registration and there is no ex officio examination of actual usage during the time of protection. After continuous three years of non-use however, any person can file a request for the revocation of trademark protection.

Lack of genuine use can be excused only in exceptional cases and only where the failure to use the trademark is not due to the particular circumstances of the proprietor but to other commercial factors.

Below we discuss what specific criteria should we keep in mind when advising on how to use the mark after registration.

Is it sufficient to use the trademark in a form different from how it was registered?

The trademark not only has to be registered but has to be actually used as well in the same form as it was registered. If the logo is altered only in minor elements, which do not affect its distinctive character, use of the logo is still considered as genuine use of the trademark. Genuine use of the trademark is only recognised when the trademark is used in a form which only differs from the registered form in elements which do not affect its distinctive quality.

What is the relevant test to decide whether the altered form still counts as genuine use?

According to the Lord Walker test,⁴ the distinctive character of a trademark must be identified before it is possible to analyse whether any additions, alterations or deletions have altered that distinctive character. So, the first question is: what are the points of difference between the mark as used and the mark as registered? Once those differences have been identified, the second part of the inquiry is: do they alter the distinctive character of the mark as registered? Assessing the differences

between trademarks, in terms of distinctive character, involves a global appreciation of the “visual, aural and conceptual qualities” of the trade mark as registered and the mark as used.

What if I register a figurative mark containing word elements?

If you decide to register a combined mark and the word element has distinctive character as well (for example it is not descriptive or highly stylised like in the present case), you have to use the text of the mark together with the figurative element. It is possible that in some occasions, you use only the word elements if you can prove the use of the mark with substantial evidence that shows the word element together with the figurative element.

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What if elements are added or removed?

According to the Supreme Court of New Zealand, the essential question is the same: has the addition or removal altered the distinctive character of the registered mark? As a general rule, it is harder to alter the distinctive character of a trademark by the *addition* of elements. With each additional embellishment, the totality of the trademark having the distinctive character is still present, whereas, if elements are *removed*, the distinctive character in that totality may be more easily eroded.

What if only the colour is changed?

Using the trademark in different colours does not affect its distinctive quality if the following conditions are satisfied:

- The word/figurative elements coincide and are the main distinctive elements;
- The contrast of shades is respected;
- Colour or combination of colours does not possess distinctive character in itself; and
- Colour is not one of the main contributors to the overall distinctiveness of the mark.

Summary for brand owners

The authors of this article strongly recommend to register a new trademark in case of rebranding or changes in company profile elements, in order to reduce risks of revocation. Ability to prove the genuine use of the trademarks in a court procedure is extremely important in the long term, therefore trademark holders should consider

the following:

- Do not forget to use the trademark and the logo in external electronic communication (e-mails) and other promotional channels of the company.
- Prepare documentation of the products sold by means of taking pictures (before selling).
- The products have to display the trademark, although minor modifications are possible.
- The volume of sales will be an important question, so some kind of evidence must include this type of information too.
- Invoices and the relevant branded products must be matched by some means (to prove which invoice is for which product), each type of product will need identity numbers or serial numbers. These numbers have to be shown on the invoices.
- Prepare printed promotional materials displaying the trademark and share these on the market (for retailers), bearing in mind that the addressees and delivery times of such communication will have to be identifiable later on.

Footnotes

1. Case SC 47/2016 [2017] NZSC 14; *Crocodile International Pte Ltd v Lacoste*.
2. www.courtsofnz.govt.nz/cases/crocodile-international-pte-ltd-v-lacoste.
3. The 2002 Act repealed and replaced the Trade Marks Act 1953. The wording of the 2002 Act is based on the Trade Marks Act 1998 (Singapore) (Singapore Act), which itself is based on the Trade Marks Act 1994 (UK) (UK Act). The UK Act was in turn based upon the 1988 European Directive of Trademarks.
4. *Budejovický Budvar Narodní Podnik v Anheuser-Busch Inc* [2002] EWCA Civ 1534, [2003] RPC 25 [Bud and Budweiser Budbräu trademarks].

Authors



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