

LOUISE J TAYLOR

**THE CUMULATIVE APPROACH TO
BUSINESS AND COMPANY NAME PROTECTION:
ISSUES OF POLICY AND PRACTICE.**

**LLB(HONS) RESEARCH PAPER
INTELLECTUAL PROPERTY (LAWS 545)**

**LAW FACULTY
VICTORIA UNIVERSITY OF WELLINGTON**

1996

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T243 TAYLOR, L.J. The cumulative approach to business and company

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INTRODUCTION

ABSTRACT

This paper examines issues arising from the interaction of the cumulative legal avenues for protecting business and company names in New Zealand, and discusses various options for reform.

Part II addresses current and potential conflicts arising from the concurrent application of passing off and s 9 of the Fair Trading Act 1986, as a means of demonstrating how the differing elements and policy priorities of the actions create complications for the substantive law and its development. Various options for addressing these problems are discussed.

Part III discusses the overlap between the trade mark registration system, and the rights enforceable under passing off and s 9. While it is concluded that there is no conceptual overlap between the proprietary register and the rights enforced through litigation, as a result of the cumulative operation of the actions, rights to names which are unavailable through the trade mark system may be available through litigation. This has the potential to undermine the boundaries established by the trade mark legislation. In this context, the paper considers the impact of the proposed reforms on the trade mark regime, and whether a separate proprietary register for business names should be established as a means of rationalising the whole area of commercial name protection.

Finally, Part IV considers firstly whether the present system of company name registration affords the most appropriate level of name protection to companies in comparison to the de facto protection given under the Companies Act 1955; and secondly, whether a similar register should be established for non-incorporated commercial entities both to benefit consumers and as a means of providing a complete register of prior rights to names in conjunction with the companies and trade mark registers.

WORD LENGTH

The text of this paper (excluding contents page, footnotes and bibliography) comprises approximately 15,100 words.

I INTRODUCTION

Words or names are either part of a language, or in the case of invented words, may become part of a language, and so there is a judicial reluctance to give them rights of the scope conferred by copyright. To confer copyright protection over a word would have the effect of providing the copyright owner with a de facto monopoly over its use,¹ and so it has been held that a word cannot be defined as an 'original literary work' so as to attract copyright protection.² Just as the notion of a 'common stock of ideas' underpins copyright law,³ by analogy, words are similarly part of the "common heritage"⁴ of language. Therefore, there is a prima facie freedom to use words and names, which is restricted only "where public policy, as reflected in the law, dictates that the ill effects of such use outweigh the desire to allow unrestricted access to the language of the land."⁵

This prima facie freedom has been curtailed in the area of business and company name protection, where the public interest in the unrestricted access to words conflicts with commercial expectations and consumer interests in name protection. A name is a vital means of identifying and distinguishing a company or business and their goods or services. Often, significant resources are spent in the process of formulating a name, and once in use, the name can embody the goodwill or reputation of the commercial entity as a whole, becoming a key component of its financial success.⁶ Jeffries J⁷ has therefore commented in relation to companies that "in today's commercial world the name can be one of the most valuable assets a company has. Today's commercial answer to the famous question 'What's in a name?' is - a great deal." Consumers also have an important group interest in ensuring that names adequately distinguish entities in order to facilitate rational market decisions. So, although the public has an interest in protecting the common property of the language, there are also significant public interests in a system where commercial entities can protect the exclusivity of their name.

¹ In this paper it is acknowledged that the term 'monopoly' has a different meaning in an intellectual property context than in the competition law context. For a discussion of the term in each context, see Ministry of Commerce *Review of Industrial Property Rights: Patents, Trademarks and Designs - Possible Options for Reform* (Ministry of Commerce, Wellington, 1990) 224.

² See *Exxon Corporation v Exxon Insurance Consultants International Ltd* [1982] 1 Ch 119, 130. In a judgment upheld by the Court of Appeal, Graham J held that the word "Exxon" is not a literary work, as it affords neither instruction nor pleasure in the form of literary enjoyment. Graham J did not go on to hold that a word could never be the subject of copyright, but he noted at 131 that such a word "would have to have qualities or characteristics in itself, if such a thing is possible."

³ See for example G Hammond "The Legal Protection of Ideas" 29 Osgoode Hall LJ 93.

⁴ *Clark Equipment Co v Registrar of Trade Marks* (1964) 111 CLR 511, 514.

⁵ N Francey *Business Names Guide* (3ed, CCH Australia Ltd, Sydney, 1985) 68.

⁶ The commercial significance of names may be illustrated by the growth in litigation to protect names, and debate over the inclusion of trade marks and business names as assets in financial statements. See New Zealand Law Commission *Intellectual Property: The Context for Reform - Report no 13* (Wellington, 1990) 5.

⁷ *Crusader Oil NL v Crusader Minerals NZ Ltd* (1984) 3 IPR 171, 183.

In New Zealand, the protection of names from appropriation and the avoidance of confusingly similar names has been dealt with by a number of discrete yet cumulative heads of protection. Names used in business may be divided into three categories, i.e. company names, business names, and trade marks, and while a name may fit into all three, the level of protection given to a name differs according to the category the name falls within.⁸ Business names cannot be registered, unless the entity is incorporated, or the name qualifies for the limited monopoly provided by trade mark registration under the Trade Marks Act 1953 ("TMA"); otherwise, passing off and s 9 of the Fair Trading Act 1986 ("FTA") must be relied on. Companies have the (albeit limited) protection of their name due to the fact that under the Companies Act 1993 ("1993 Act") no other company may register an identical or almost identical name. Also, company names may be eligible for trade mark registration, and the passing off and s 9 actions are likewise available.

Two broad problems arise from the cumulative operation of the legal avenues of protection. Firstly, the policy imperatives of each discrete and developing area differ, creating a complex system of rights from the overlapping areas of protection between the actions. While the various policy considerations such as furthering competition, protecting traders' rights and providing consumer protection all directly or incidentally give some form of name protection, they are also potentially in conflict. Secondly, while there are both the companies and trade marks registers, there is no complete register of all prior rights, which may be based on actual use in trade pursuant to passing off or FTA actions. So, when selecting a name, there will be some risk of litigation, a risk which has increased for companies in the wake of the 1993 Act which placed the onus on applicants to ensure the absence of confusing similarity with another company name.

Part II of this paper will focus the discussion on the conflicting policy priorities of s 9 and passing off which give rise to current and potential difficulties for the development of the substantive law. The challenge for the judiciary has been to balance the actions while still attempting to uphold the integrity of each. However, given the conflicting bases of each action, an important issue is whether the present ad hoc justification of individual decisions is the best way of dealing with the interaction of the two actions, or whether reform is required to find an overriding justification for the protection in their overlapping areas. While the trade mark regime has similar concerns of furthering the interests of both consumers and traders, the scope of the proprietary rights granted has implications for the substantive regime and its interaction with passing off and s 9. Part III will discuss this overlap, and assess whether the law should be rationalised by the establishment of a proprietary register for business names. Part IV will consider whether the current system of company name reservation is the most appropriate from the perspective of name protection, and whether a similar register should be made available for non-incorporated entities with the object of providing a complete register of prior rights to names in conjunction with the companies and trade marks registers.

⁸ P McCabe "A Smorgasbord of Intellectual Property and Other Intellectual Property Issues: Names in Business and the Business of Names" in *1993 NZ Law Conference Papers: Vol 2* 169, 170.

II PASSING OFF AND SECTION 9 OF THE FTA

A *The Conflicting Policy Objectives*

1 *Passing off*

The 'classic' form of passing off arose to deal with situations whereby traders sold their goods under the intentional misrepresentation that they were goods of another trader.⁹ There was some early confusion regarding the rationale of passing off,¹⁰ however in *A G Spalding*¹¹ Lord Parker identified the basis to be the plaintiff's property right in the business or goodwill likely to be injured by a misrepresentation in trade. By basing passing off on the protection of goodwill as opposed to a name or mark as property in itself, the tort has consequently been able to expand from the originally narrow conception.

To succeed in a passing off action, it is established¹² that the plaintiff must prove i) goodwill attached to their goods or services¹³ ii) a misrepresentation by the defendant, whether implied or intentional, that his or her services are those of the plaintiff or are associated with the plaintiff;¹⁴ and iii) that as a result of the misrepresentation, damage has been or is likely to be suffered by the plaintiff. Passing off seeks to balance "the interest in free competition" with "the protection of a trader against unfair competition by others",¹⁵ and it is this concern which underpins the requirements of the tort.¹⁶

⁹ *Reddaway v Banham* [1896] AC 199.

¹⁰ In *Reddaway v Banham*, above n 9, Lord Herschell stated that what was *not* protected was a proprietary right in the mark, name or get-up. But as Lord Diplock observed in *Erven Warnink Besloten Vennootschap v Townend & Sons (Hull) Ltd* [1979] AC 739, 740, the legal nature of the right was not identified, and so passing off remained an action *sui generis* for damage sustained by a misrepresentation of a certain kind.

¹¹ *A G Spalding & Bros v A W Gamage Ltd* (1915) 84 L J Ch 449, 450; approved in *Star Industrial Co Ltd v Yap Kwee Kor* [1976] FSR 256, 271; and *Erven Warnink*, above n 10.

¹² *Reckitt & Coleman Products Ltd v Borden Inc* [1990] 1 All ER 873, 880 as per Lord Oliver.

¹³ Goodwill is defined as "the benefit and advantage of the good name, reputation, and connection of a business. It is the attractive force which brings in custom." *Inland Revenue Commissioners v Muller & Co's Margarine Ltd* [1901] AC 217, 223-224; as per Lord Macnaghten. As personal property, the goodwill attached to a business may be assigned or otherwise dealt with, but the transfer of the goodwill is inseparable from the business; see C Wadlow *The Law of Passing Off* (Sweet & Maxwell, London, 1990) 39.

¹⁴ In the context of misleadingly similar name cases, this factor requires that the defendant has used the same or a deceptively similar name so as to confuse the relevant public; see *Theodorus Couwenberg & Son Ltd v Diesel Progress NZ Ltd* (1988) 2 NZBLC 99-104.

¹⁵ *Dominion Rent A Car Ltd v Budget Rent A Car Systems (1970) Ltd* [1987] 2 NZLR 395, 420; as per Somers J.

¹⁶ The need to achieve a balance is also expressed in relation to passing off at the interim injunction level. In *Advertising Works Ltd v Adworks Group Ltd* Unreported, 28 October 1994, High Court, Christchurch, CP 39/94, 3, Williamson J stated that injunctions should not be used "as a tool in the armoury of well-established business to prevent the legitimate commencement of competition." For a similar comment see *Lawline Telephone Consultations Limited v Integrative Dispute Resolution Limited* Unreported, 21 August 1995, High Court, Wellington Registry, CP 185/95, 5.

Clearly, passing off primarily protects traders, as only traders can sue. However Lord Diplock acknowledged in the *Advocaat* case¹⁷ that the tort also protects consumers against the confusion created when passing off occurs. Carty argues from this that informed market choices are a second goal of the tort.¹⁸ Indeed, the interests of the consumer may be upheld as a result of the operation of the tort. However as this Part will demonstrate, in the event of a conflict between adhering to the established principles of the action, or benefiting the consumer by preventing a lower threshold of conduct, on a strict application of the tort the higher threshold would prevail. It is these potentially conflicting interests which underpin the difficulties arising from the concurrent application of passing off and the FTA.

2 Section 9 of the FTA

Section 9 of the FTA provides that “[n]o person shall, in trade, engage in conduct that is misleading or deceptive or is likely to mislead or deceive.”¹⁹ In contrast to passing off, s 9 is primarily based on the view that the consuming public has a right not to be misled about with whom they are dealing.²⁰ The freedom of the consumer to make their own decisions in the marketplace is “at the heart of competition theory”,²¹ and so the FTA aims to support the consumer in their role as decision maker by promoting informed choice.²²

However, the interests of “ethical traders”²³ who are affected by deceptive conduct are recognised by allowing them to bring actions under the FTA. As a result, s 9 may be used as a cumulative remedy in the circumstances analogous to passing off. While “it might be thought ironic that an Act to make trade and commerce more competitive might be used to protect the monopoly in a name”,²⁴ the FTA is concerned to protect the consuming public, and granting rights to names is incidental to that fundamental goal.

As a result of the competing policy priorities of s 9 and passing off, the interaction of the two actions is problematic, as judges seek to uphold the objectives of each action in situations where often both cannot be accommodated. For s 9, this has meant, for example, that in relation to descriptive and geographic names, consumer interests in regulating misleading conduct have been overridden by the wider public interest in the general availability of words that other traders may reasonably wish to use. On the other hand, s 9 has substantive

¹⁷ *Erven Warnink* above n 10, 742.

¹⁸ H Carty “Passing Off and the Concept of Goodwill” [1995] JBL 139, 152.

¹⁹ Section 9 of the FTA is derived from s 52 of the Australian Trade Practices Act 1974 (“TPA”).

²⁰ See *Taylor Bros Ltd v Taylors Group Ltd* [1988] 2 NZLR 33.

²¹ P J Kaufmann *Passing Off and Misappropriation* (Max Planck Institute for Foreign and International Patent, Copyright and Competition Law, Munich, 1986) 27.

²² See Hon Margaret Shields (1985) 467 NZPD 7885.

²³ Hon Margaret Austin (1985) 467 NZPD 7896.

²⁴ *Equity Access Pty Ltd v Westpac Banking Corporation* (1989) 16 IPR 431, 439; as per Hill J in the Federal Court of Australia. This comment was made in relation to Part V of the TPA, upon which the FTA is based.

implications for passing off, as will be discussed with reference to the principles relating to the concurrent use of names, the existence of the 'own name' defence, and the challenge to the goodwill requirement of passing off. As a result of these conflicts, there is an level of uncertainty in the application and development of the overlapping areas.

B Importation of Passing Off Principles into Section 9

1 General principles

Due to the potentially conflicting policy objectives of each action, it has been observed in relation to s 52 of the Australian Trade Practices Act 1974 ("TPA") that passing off principles will not be a safe guide in determining a statutory breach.²⁵ Nevertheless, passing off and the statutory action do have common elements.

For example, in establishing misrepresentation by the defendant in passing off and misleading or deceptive conduct for s 9, there is a requirement that the defendant's actions have confused or deceived or are likely to confuse or deceive a significant number of consumers into thinking that the defendant's goods or services are those of the plaintiff, or at least are associated.²⁶ A lower threshold test for s 9 based on the 'cause to wonder' test in trademark law has been rejected.²⁷ It is neither necessary or sufficient to show fraud or the intention to cause confusion,²⁸ although it is of evidentiary advantage to the plaintiff for both actions if they can be established.²⁹ Similarly, actual instances of confusion are relevant but not conclusive.³⁰ A common field of activity between the plaintiff and the defendant is not required for passing

²⁵ *Hornsby Building Information Centre Pty Ltd v Sydney Building Information Centre Ltd* (1978) 18 ALR 639, 646.

²⁶ See for example *Hornsby*, above n 25; *Taco Bell Pty Ltd v Taco Company of Australia Inc* (1982) ATPR 40-277.

²⁷ Above n 20, 39, applying *Parkdale Custom Built Furniture Pty Ltd v Puxu Pty Ltd* (1982) 149 CLR 191. However the line is a fine one, for example if some consumers wonder, the court may conclude that others are likely to be misled.

²⁸ *Millington v Fox* (1838) 3 My & Cr 338, 40 ER 956, as per Lord Cottenham. For the application of this principle to s 9, see for example *Magellan Corporation Limited v Magellan Group Limited* (1995) 5 NZBLC 99-354.

²⁹ A finding that a respondent has used a name or get up with the intention of appropriating the appellant's reputation will allow the court to readily infer that the name in question is distinctive of the plaintiff's business or product; see for example *Telemak Teleproducts (Australia) Pty Ltd v Coles Myer Ltd* (1988) 12 IPR 297. See also *Central Equity Ltd v Central Corporation Pty Ltd* (1995) 32 IPR 481, 485.

³⁰ For example see *Hornsby*, above n 25, where the defendant's conduct was held not to be misleading despite some evidence of the public being actually deceived.

off, despite earlier indications to the contrary.³¹ McGechan J in *Taylor Bros*³² stated that "the existence or otherwise of a common field of activity is merely one pointer towards the probable presence or absence of confusion." So, if the business of the plaintiff and the defendant are in totally unrelated fields, the likelihood of confusion is diminished. This position is consistent with that for s 9.

2 *Descriptive and geographic names*

A central concern in the area of name protection is to restrict the rights conferred on traders to words which other traders cannot reasonably expect to use. This principle was recently expressed in *XS Radio*,³³ where Thomas J noted that to

grant a plaintiff a monopoly in the use of [descriptive] words is clearly inappropriate. Nor in today's economic climate, is it desirable to restrict competition by permitting words in common usage to be appropriated by a particular entrepreneur.

Passing off therefore attempts to draw a line between legitimate and illegitimate uses of words by providing that descriptive or geographic names are not prima facie protectable, unless secondary association built up through actual trading can be proven to identify the words solely with the plaintiff.³⁴ The burden of proof on the plaintiff will be much higher than in other cases, and the court will accept small differences between the competing names as adequate to avoid passing off.³⁵

The principle relating to descriptive and geographic names has been imported into s 9 on the basis that s 9 would otherwise be a source of a newly created monopoly, consequently creating entry barriers to competition.³⁶ It is submitted that this result is appropriate, given that the objective of the FTA is to deal with undesirable business practices which can stem from a competitive marketplace, and to act as a counterpoise to the Commerce Act, which aims to

³¹ For an example of the earlier approach requiring similar fields of activity, see *New Zealand Insurance Company Limited v New Zealand Insurance Brokers Ltd* [1976] 2 NZLR 40. For an example of the current approach, see *Exxon*, above n 2, where an injunction was granted despite the absence of a common field of activity.

³² Above n 20, 20. (High Court)

³³ *XS Radio Limited v Radio New Zealand Limited* (1994) 5 NZBLC 99-331, 103-477.

³⁴ See the leading case of *Office Cleaning Services Ltd v Westminster Window and General Cleaners Ltd* (1946) 63 RPC 39. For New Zealand examples see *National Timber Co Ltd v National Hardware, Timber and Machinery Co Ltd* [1923] NZLR 1258; *Theodorus*, above n 14; *Crusader Oil*, above n 7; *Lawline Telephone*, above n 16; *Advertising Works*, above n 16.

³⁵ In *Equity Access*, above n 24, 448, Hill J described an evidentiary continuum with purely descriptive names at one end and completely invented names at the other. The further along the continuum to invented names, the easier it is for the plaintiff to establish that the words describe the plaintiff's business only; applied in *Cardmember Wines Ltd v The Wine Society Ltd* (1992) 4 NZBLC 99-248.

³⁶ Above n 25, 649.

foster competition in business activity.³⁷

It is interesting, however, to analyse the reasoning employed to align the rule with the rationale of s 9. It may be observed that the dominant policy objective of s 9 has been overridden in these cases by the wider public interest in keeping descriptive words in the public domain.³⁸ However in *Hornsby*³⁹ it was stated that if a name is no more than descriptive of a particular type of business, "its use by others who carry on the same type of business does not deceive or mislead as to the nature of the business described." It is then noted that any deception which does arise is not deception aimed at by the statutory provision, implicitly, because of the wider public policy. So while the possibility of confusion may be present, when names consist of descriptive words this risk "must be accepted."⁴⁰

Arguably, a strict application of the statutory provision would find a breach when two names are confusingly similar regardless of the nature of the words. However the way the courts have dealt with this issue serves to demonstrate that as judges are constrained by the conflicting policy objectives, artificial reasoning must be employed to reach the desired result. In the area of descriptive and geographic names, the integrity of each action has explicitly been upheld, yet implicitly the policy of s 9 has been overridden.

C Conflicts Between Section 9 and Passing Off

1 Concurrent use

There has been much speculation as to whether passing off can survive in the wake of s 9, due to differences such as the absence of a requirement of damage for injunctions under the FTA.⁴¹ Passing off has not been rendered obsolete by its damage requirement,⁴² however there are a number of areas where the different policy priorities of s 9 will challenge passing off in its present form. One such area where s 9 may have an impact is concurrent use.

³⁷ R D Mulholland *Business Law Today* (4ed, The Dunmore Press Ltd, Palmerston North, 1995) 463.

³⁸ The importation of passing off principles is criticised by Blakeney as illustrating laissez faire concerns inappropriate for consumer legislation; M Blakeney "Old Wine in New Bottles: The Influence of the Common Law on the Interpretation of Section 52 of the Trade Practices Act" (1984) 58 ALJ 316, 317.

³⁹ Above n 25, 648.

⁴⁰ Above n 39.

⁴¹ Section 41 of the FTA. For example, Cooke P stated in *Taylor Bros* that "it is to be expected that, as has apparently happened in Australia, to a large extent proceedings under the [Fair Trading] Act will replace in this country actions for passing off at common law." Above n 20, 38. See also A Brown "Current Developments in Passing Off and Fair Trading in New Zealand with Particular Reference to the Australian Connection" [1988] EIPR 302.

⁴² Recent cases have held that some materially detrimental effect on consumers is required for an injunction under the FTA and so seeking an injunction under s 9 is not without difficulty; see *Tot Toys v Mitchell* [1993] 1 NZLR 325, 371; *Radio New Zealand Limited v C93FM (Christchurch) Limited* Unreported, 30 September 1994, High Court, Christchurch Registry, CP 137/94; *Radio New Zealand Limited v C93FM (Christchurch) Limited* Unreported, 7 December 1994, Court of Appeal, CA 205/94.

In passing off, if one party can establish exclusive goodwill in a name, the court may grant them sole rights to use the name. If two parties have honestly acquired goodwill in a single name, it is possible for each to hold rights to the name concurrently with the other party, enabling each to take action against a third party.⁴³ In these situations the court may allow the concurrent use of the similar names despite some confusion of the public,⁴⁴ demonstrating the importance placed by the courts on a trader's proprietary right in their goodwill.

A recent s 9 case with potentially significant ramifications for the concurrent use of names is *Magellan Corp Ltd v Magellan Group Ltd*.⁴⁵ The plaintiff companies, Magellan Corporation ("Corporation"), were involved in the commercial and property industry. They had traded since 1984, but were relatively inactive between 1988 and 1992 due to financial difficulties.⁴⁶ In 1992, the first defendant entered the property industry under the name Magellan Group ("Group"). Corporation lodged an objection with the Registrar of Companies, but it was declined. Two years after that decision, Corporation applied for an injunction, relying solely on s 9 of the FTA on the basis that Group had misled consumers by relying on Magellan for primary identification. Group counterclaimed.⁴⁷ The central legal issue was whether the fact that Corporation was the first to acquire a reputation in the name Magellan gave it a prior right to use the name.

In the High Court, Fisher J held that Corporation had established a reputation in the minds of a significant number of people within the relevant market, and Group's use was inherently likely to confuse consumers and had done so in fact. Significantly, however, it was held that Corporation's conduct was also causing confusion because Corporation had, by delay, enabled Group to build up a reputation of its own. The fact that Corporation had been the first to establish reputation was no defence to the FTA.⁴⁸

In assessing the remedy, Fisher J considered that although both Corporation and Group had established reputations in the name Magellan, the status quo was misleading in terms of s 9, yet to restrain one party would be equally misleading. It was therefore held that consumer interests would be served by a name change, and the unusual order was made restraining the use of the name Magellan by each company unless modified by immediately preceding or

⁴³ See for example *Anheuser-Busch Inc v Budejovicky Budvar NP* [1984] FSR 413; see also *Habib Bank Ltd v Habib Bank A G Zurich* [1982] RPC 1. For a general discussion of concurrent rights see Wadlow, above n 13, 412.

⁴⁴ For example, in *Dominion Rent A Car*, above n 15, the Court of Appeal approved the use by two car hire companies of the name "Budget" despite public confusion.

⁴⁵ Above n 28.

⁴⁶ Although relatively inactive, Corporation still owned and managed a number of properties between 1988 and 1992, and in March it signed a conditional agreement to purchase a property in Newmarket, Auckland.

⁴⁷ Group argued that there was no confusion, but if Group was in breach, the court should take into account Corporation's delay in bringing an action, and that Group had built up a stronger reputation than Corporation had. Alternatively Group argued that Corporation was also causing confusion.

⁴⁸ Above n 28, 103-863.

following the name Magellan by another word recognisable as a person's surname.⁴⁹

The approach adopted in *Magellan* was a direct response to the policy imperative of s 9. The conclusion reached by Fisher J would undoubtedly have had a different conclusion if the case been decided under passing off. If the focus had instead been on the proprietary rights in goodwill, either a concurrent rights approach could have been adopted, or rights could have been conferred on one party at the expense of the other. Yet both these approaches were precluded in *Magellan*, on the basis that rather than functioning to confer rights in a name, the FTA "has the wholly different purpose of preventing deception of the public whatever the historical causes of the deception."⁵⁰ Therefore, if in any given district consumers are being misled by competing names, both parties using the name at the given time may be breaching the Act and will be restrained from using their unmodified name.⁵¹

If the approach in *Magellan* is indeed followed in future cases, it may be crucial for prior users of names to take immediate action against a competing user to prevent them building up a reputation in the name. The case also has implications for the tolerance of concurrent rights under passing off. As the action was brought under s 9, the Judge was not required to articulate and weigh the policy priorities of s 9 and passing off, and so what remains to be seen is whether similar facts brought pursuant to both actions concurrently would produce a similar result. As will be discussed, the answer may depend on whether consumer interests are held to justify the erosion of the traditional boundaries of protection established within the passing off action.

2 'Own name' defence

Another area within passing off which may potentially be affected by the differing policy priorities of s 9 is the somewhat uncertain exception to passing off regarding the use of one's own name in business. The original justification for the defence, arising when fraudulent intent was an ingredient of passing off, was that the legitimate use by a trader of their own name could not be fraudulent.⁵² Underpinning this seems to have been the notion that

⁴⁹ The order was unusual as Judges rarely suggest alternative names due to a difficulty of ascertaining in advance what is likely to be confusing or not. See for example *Brittain Publishing Co (London) Ltd v Trade & Commercial Press* (1957) RPC 134; followed in *Noel Leeming Television Ltd v Noel's Appliance Centre Ltd* (1985) 5 IPR 249. The Court of Appeal has since confirmed a joint memorandum of the parties varying the order of the High Court. The revised orders restrain Group from using the name Magellan in respect of any New Zealand activities, and restrain Corporation from using the name Magellan for three years except in relation to specified projects; *Magellan Corporation Limited v Magellan Group Limited* Unreported, 21 June 1996, Court of Appeal, CA 202/95.

⁵⁰ Above n 48.

⁵¹ Above n 28, 103-864. It was noted however that if the prior user had no knowledge of the competing use, the lack of knowledge may be taken into account in assessing the remedy.

⁵² *Halsbury's Laws of England*, (4ed, Butterworths, London, 1995) vol 48, Trade Marks and Trade Names, 130.

...a man must be allowed to trade in his own name and, if some confusion results, that is a lesser evil than that a man should be deprived of what would appear to be a *natural and inherent right*.⁵³

However, this view has altered. The right is now perceived as something less than absolute, and indeed there are doubts as to whether the defence exists.⁵⁴ Yet if it does exist, it is settled that an intention to appropriate the plaintiff's goodwill will vitiate the right, and the right cannot be relied on to mark goods if confusion results.⁵⁵ Beyond this, its precise scope is unclear, as what is lacking is "a decision unequivocally allowing an honest defendant to go on making use of his own name though acknowledging that deception and damage will result".⁵⁶

In New Zealand, the defence arguably does exist, but the issue remains as to what form it takes. Somers J⁵⁷ has acknowledged the difficulties in justifying the exception, but concluded that the exception is too established to be ignored. Three limitations were established.⁵⁸ The name in question must be the actual name of the defendant;⁵⁹ it must not extend to the use of the name if it will deceive (as opposed to causing confusion); and, while extending to companies with an established business, it does not extend to new companies.⁶⁰

The precise scope of such a defence or indeed whether an exception exists may be determined by s 9. There have been no conclusive decisions in New Zealand as to the effect of s 9 on the issue. Given, however, the consumer bias of the statutory provision, it may be speculated that

⁵³ *Marengo v Daily Sketch and Sunday Graphic Ltd* (1948) 65 RPC 242, 251; as per Lord Simonds [emphasis added]. In *Turton v Turton* (1889) 42 Ch D, Lord Esher MR's view was that it would be unjust to prevent someone using their own name in connection with their business just because the public might confuse their business with that of someone else. See also *Burgess v Burgess* (1853) 43 ER 351, 354.

⁵⁴ For example, Wadlow notes that there is no longer the distinction between fraudulent intent and honest use which initially justified the defence; and a number of decisions indicate that an exception does not exist; above n 13, 403. See for example *Massam v Thorley's Cattle Food Co* (1880) 14 Ch D 748, 760 where it was held that a newcomer may only use their own name if it would not cause confusion with an established business of the same name.

⁵⁵ *Joseph & Son Ltd v W N Rodgers & Co* (1924) 41 RPC 277. The latter was approved in *Parker Knoll Ltd v Knoll International Ltd* [1982] RPC 265 by Lord Morris at 279, and Lord Hodson at 284. See also *Jamieson & Co v Jamieson* (1898) 15 RPC 169; and *Teofani & Co Ltd v Teofani* (1913) 2 Ch 545.

⁵⁶ Above n 13, 403.

⁵⁷ *NZ Farmers Co-operative Assn of Canterbury Ltd v Farmers Trading Co Ltd* (1979) 1 NZIPR 212.

⁵⁸ These three points are derived from McGechan J's summary of the decision in *Taylor Bros*, above n 20, 22.

⁵⁹ For example, the name must be without abbreviations. This factor was adopted as the test by Salmond J in *JJ Craig Ltd v E A & H R Craig* [1922] NZLR 199; and followed by the Court of Appeal in *Cooper v Frost* [1937] NZLR 1071.

⁶⁰ In the Court of Appeal in *Taylor Bros*, Cooke P dismissed the application of the defence on the facts, on the basis that it cannot be relied on by a company which starts business in a new area using an adaption of its registered name which misleads customers into assuming that it is associated with an established company; above n 20, 38.

either the defence may be held not to exist, or would have stricter limitations imposed on it.⁶¹ For example, the already controversial application to companies may be decisively negated by s 9. Ultimately, the conclusion must again depend upon which policy objective is seen as having priority, for if the 'inherent right' to use one's own name is seen by the courts as overriding the concern of avoiding confusion of the public, consumers' interests would have to be subsumed within the wider public interest as the courts have done for descriptive names. Conversely, if the primary concern of s 9 is placed in priority, the right to honestly use one's own name in connection with trade would thereby be threatened.

D Challenges to Goodwill

1 'Spill-over' reputation

Due to the internationalisation of trade, business, advertising, travel, and the development of technology and communication, the issue has arisen as to what extent an overseas plaintiff can prevent others using its name or mark within a jurisdiction into which it has not yet expanded its operations. Due to the globalisation of reputation, there is increasing potential for situations where it would be inequitable to allow traders to use names similar or identical to those used by overseas traders.

Passing off has traditionally required some actual business activity by the plaintiff within the local jurisdiction, on the basis that if there is no customer connection in the jurisdiction, there could be no goodwill to damage.⁶² This proposition is commonly derived from Lord Diplock's statement in *Star Industrial Co Ltd v Yap Kwee Kor*⁶³ that

[g]oodwill, as the subject of proprietary rights, is incapable of subsisting by itself. It has no independent existence apart from the business to which it is attached. It is local in character and divisible; if the business is carried on in several countries a separate goodwill attaches to it in each.

In *Dominion Rent A Car*,⁶⁴ the New Zealand Court of Appeal recognised that goodwill can transcend territorial boundaries, but it affirmed that "some form of business connection is generally thought to be necessary."⁶⁵ Cooke P was reluctant to define the business connection

⁶¹ In *Gollel Holdings Pty Ltd v Kenneth Maurer Funerals Pty Ltd* (1987) 9 IPR 109, Einfeld J in the Federal Court of Australia held that a person has no absolute right to use his or her own name in the advertising of goods or services, and that proper distinguishing words must be used. The comment was made at 120 that "there is no difference between a man's use of his name or his use of some other appellation in considering deceptive conduct." As the case solely concerned the TPA, this would seem to hint towards a stricter threshold.

⁶² See for example *Athletes Foot Marketing Associates v Cobra Sports Ltd* [1980] RPC 343; see also *Anheuser-Busch Inc*, above n 43.

⁶³ Above n 11.

⁶⁴ Above n 15, 406.

⁶⁵ Above n 15, 405; as per Cooke P.

required, but Somers J recognised that “[i]n such cases the reputation may be almost tantamount to goodwill, activity having importance in localising that reputation in New Zealand.”⁶⁶ Although constrained by the requirement of goodwill, recent New Zealand cases have held the overseas plaintiff to have a sufficient business connection in New Zealand despite slight activity, thus straining the concept of business connection in the desire to meet the justice of the case. For example, in *Midas*,⁶⁷ Eichelbaum J held that although the plaintiff company from the United States had not traded in New Zealand, its reputation in New Zealand coupled with their negotiations for New Zealand franchises were sufficient to allow protection.⁶⁸

Until recently Australian courts inclined to the traditional approach,⁶⁹ although there had been some uncertainty about the requirement of business activity within the jurisdiction.⁷⁰ However the Federal Court recently lowered the threshold in *ConAgra*,⁷¹ holding that business activity within the jurisdiction is not required and instead the test is whether a “sufficient reputation” has been established in the jurisdiction “in order to acquire a sufficient level of consumer knowledge of the product and attraction for it to provide custom which, if lost, would be likely to result in damage...”⁷² Underpinning the case is the notion that passing off should be based primarily on the misappropriation of reputation.⁷³ Lockhart J stated that it is problematic to focus on the “artificial concept” of goodwill,⁷⁴ as definitions of goodwill requiring a customer connection have been derived from revenue cases,⁷⁵ and in the passing off context, “goodwill was not meant to have a different meaning to reputation”.

⁶⁶ Above n 15, 420.

⁶⁷ *Midas International Corporation v Midas Autocare Ltd* (1988) 2 NZBLC 99-101.

⁶⁸ This decision is illuminated by Eichelbaum’s comment that in the light of the communication explosion, an even less demanding approach would be attractive, above n 67, 109-919. For further demonstrations of the strained applications of the concept of business activity, see *Crusader Oil*, above n 7; *Granny Mays Management Pty Ltd v Whitcoulls Group Ltd* (1993) 4 NZBLC 99-294; *Esanda Ltd v Esanda Finance Ltd* [1984] 2 NZLR 748.

⁶⁹ See for example *Taco Bell*, above n 26.

⁷⁰ For example, Powell J in the New South Wales decision of *Fletcher Challenge Ltd v Fletcher Challenge Pty Ltd* [1981] 1 NSWLR 196, 205 ordered an interim injunction in favour of the New Zealand plaintiff company restraining passing off by the defendant, ruling that the plaintiff did not have to operate in Australia, and its localised reputation was sufficient.

⁷¹ *ConAgra Inc v McCain Foods (Aust) Pty Ltd* (1992) 33 FCR 302.

⁷² Above n 71, 343. A substantial amount of people, whether resident or visitors, must be aware of the plaintiff’s product, and it was on this ground that the action failed in *ConAgra*; above n 71, 346. Reputation may be proven by a variety of means including advertising, regardless of the country of origin, and travel.

⁷³ Above n 71, 342.

⁷⁴ Above n 71, 343.

⁷⁵ Above n 71, 340. For example, the leading case of *Muller*, above n 13, concerned the Stamp Act in the United Kingdom.

Although some form of damage is still required,⁷⁶ by removing the customer connection as a requirement of goodwill, the case has widened the scope of the action considerably, focusing instead on the 'unfair' conduct of the defendant.⁷⁷ While the need to encourage local innovation is acknowledged, international competition has become more restricted within this approach, as local enterprises cannot freely appropriate the name of a sufficiently well known overseas business which does not, however, trade within the local jurisdiction.

It remains to be seen whether New Zealand courts will follow this approach. Given the judicial recognition of the developing trading relationship of New Zealand and Australia, and particularly in light of the Closer Economic Relations Trade Agreement ("ANZ-CERTA"),⁷⁸ it would not be unlikely. The operation of ANZ-CERTA creates the reasonable expectation of an aligned threshold in the protection of business and trading names in both New Zealand and Australia, as has indeed been hinted at by the courts.⁷⁹

The impact of s 9 on the area of 'spill-over reputation' is yet to be conclusively addressed, yet it is arguable that it may provide the impetus for a lowered threshold in the area, as the plaintiff in a s 9 action only needs to prove reputation in the name. While there must be some recognition of the name in the market "against which the notion of misleading or deceptive conduct can be measured,"⁸⁰ the threshold is lower than that for goodwill.⁸¹ Thus, in *ConAgra*, s 52 of the TPA and passing off moved closer together as 'goodwill' merged with the lower standard of reputation.⁸²

In New Zealand, Gault J⁸³ has commented that a trading presence may not be required for s 9, because it is directed to "the avoidance of public deception" and so "fine distinctions which might allow conduct of that nature to continue unimpeded will be discouraged." While the

⁷⁶It seems that the overseas plaintiff must have some intention to establish their business or sell their goods in the jurisdiction; above n 74. For a discussion of the damage requirement in this context, see F Martin "Protection of International Business Reputation in Australia" (1993) 21 Aust Bus Rev 317, 332.

⁷⁷Carty, above n 18, 139.

⁷⁸The Australia-New Zealand Closer Economic Relations Trade Agreement came into force on 1 January 1983.

⁷⁹See for example *Crusader Oil*, above n 7, 181 where Jeffris J noted that the New Zealand and Australian courts should apply the principles in this area in light of ANZ-CERTA. Similarly, Cooke P in *Dominion Rent A Car*, above n 15, 407 stated that ANZ-CERTA provided a background "which should influence the development of the common law in Australasia."

⁸⁰*Dairy Value Metro Co-operative Ltd v Brownes Dairy Ltd* (1981) 54 FLR 243.

⁸¹See for example *Elders IXL Ltd v Australian Estates Pty Ltd* (1987) 10 IPR 575.

⁸²Martin notes, however, that how close the actions are is unclear due to indications that there is a lower threshold in determining the nature or number of relevant persons likely to be misled under s 52 as opposed to the substantial number required for passing off; above n 76, 330.

⁸³*Joico Laboratories Inc v Beauty Products Co Ltd* (1990) 4 TCLR 48, 53.

'cause to wonder' test for public deception under s 16 of the TMA⁸⁴ is inapplicable to s 9,⁸⁵ its relevance to the interpretation of s 9 in this context has not yet been ruled upon.⁸⁶ The Court of Appeal has held that in determining whether the public has been or would be deceived by the registration of a trade mark due to its similarity to an overseas mark, the test is that of *awareness* by the public of the overseas mark.⁸⁷ Due to the consumer oriented focus of both sections, it is arguable that the test for s 16 should be applied, in which case business activity in New Zealand would not be required for s 9.⁸⁸

2 Pre-launch publicity

In establishing goodwill, the longer a name is used, the easier it will be to prove goodwill, although in exceptional cases it may be established within a relatively short time.⁸⁹ There are indications that where there is significant pre-launch publicity establishing a plaintiff's reputation before their business is fully established, the courts may implicitly require only reputation.⁹⁰ Although a customer connection has not strictly been established before a business is launched, Carty notes that courts in the United Kingdom have not ruled out the possibility that goodwill may be established in these circumstances.⁹¹

Thus, it may be observed that in these circumstances, the concept of goodwill has been strained to meet the perceived justice of the case, as demand created through reputation replaces the traditional requirement for customer connection. It may be speculated that s 9 will also accelerate the challenge to goodwill in this area, as a plaintiff may be able to rely on s 9 in situations where consumers are misled by the appropriation and use of names which through pre-launch publicity are associated with another trader. If passing off could not likewise

⁸⁴ Section 16 provides that it is not lawful to register as a trade mark any scandalous matter, any matter which would be likely to deceive or cause confusion, or would be contrary to law or morality, or would otherwise be disentitled to protection in court. The leading case on s 16 is *Pioneer Hi-Bred Corn Company v Hy-Line Chicks Pty Ltd* [1978] 2 NZLR 50.

⁸⁵ Above n 27.

⁸⁶ In *Midas*, above n 67, the plaintiff argued that only reputation is needed for s 9 in light of s 16, although the Judge did not form an opinion on the argument.

⁸⁷ *Pioneer*, above n 84, 70; as per Richardson J.

⁸⁸ Morgan argues that s 16, as interpreted in *Pioneer*, is persuasive of the proposition that reputation is all that is required to support a s 9 action; O Morgan "Local Business Connection: Passing Off and Section 9 of the Fair Trading Act" (1995) 1(2) NZIPJ 28, 33.

⁸⁹ This will be especially so where the market is geographically limited, or the product has specialist appeal. See S Ricketson *The Law of Intellectual Property* (Law Book Co Ltd, Sydney, 1984) 539. See for example *Fletcher Challenge*, above n 70, where Powell J held that a new reputation had been created by the New Zealand company within hours of its formation, as its amalgamation had been announced amid considerable news coverage.

⁹⁰ See generally Carty, above n 18, 146; see also Ricketson, above n 89, 538.

⁹¹ Carty, above n 18, 146. See for example *BBC v Talbot* [1981] FSR 228, where Megarry VC granted an interlocutory injunction to a plaintiff to restrain the defendant using the name CARFAX for a traffic information system on the basis of extensive pre-launch publicity. In *Elida Gibbs v Colgate-Palmolive* [1983] FSR 95, Goulding J similarly granted an injunction to the plaintiff on the basis of a marketing campaign.

provide protection, it could become obsolete in these areas.

E The Future of Passing Off

1 Two conceptual difficulties

The preceding discussion has highlighted areas where the current formulation of passing off is being, or potentially could be, challenged by s 9. The issues may be divided into two conceptual difficulties. Firstly, passing off directly conflicts with s 9 in areas such as concurrent use, and potentially in the application of an 'own name' defence. This directly results from the differing policy priorities of the two actions. The second conceptual difficulty is that in the areas of spill-over reputation and pre-launch publicity the traditionally applied conception of goodwill is being strained to meet situations where there is a perceived need for protection, which the lower threshold of 9 may otherwise be able to provide.

It is conceivable that judicial decision making may continue ad hoc in the area without having to explicitly address these conceptual difficulties. In situations where the two actions directly conflict, cases may continue to be decided in ways which require the employment of somewhat strained reasoning to ostensibly uphold each action. Also, as long as factual situations are able to accommodate some customer connection, decisions may be reached while keeping the separate actions intact and thus maintaining the goodwill component of passing off. However, the issue arises as to whether the ad hoc justification of individual decisions is the best way of dealing with the conflicts, or whether reform is desirable.

2 Misappropriation tort?

One option is to replace both passing off and s 9 with either a general tort of 'misappropriation'⁹² or legislation creating a general prohibition against 'unfair trading'.⁹³ The uncertainty arising from the conflicts between the differing policy priorities would not be removed. However, by replacing the two separate actions with one overarching principle focusing generally on the "misappropriation of valuable intangibles",⁹⁴ there would be scope for more unrestricted judicial decision making, as artificial reasoning would not need to be employed to align the conflicting policies.

To date there has been a judicial reluctance in the Commonwealth courts to introduce a single

⁹² See for example A Terry "Misappropriation of a Competitor's Trade Values" (1988) 51 Mod LR 296; see also Ricketson "Reaping Without Sowing: Unfair Competition and Intellectual Property Rights in Anglo-Australian Law" [1984] UNSWLJ 1.

⁹³ See for example C Elliott "Unfair Competition and Sui Generis Legislation - An Urgent Need For Reform" (1992) 3 AIPJ 31.

⁹⁴ M Spence "Passing Off and the Misappropriation of Valuable Intangibles" (1996) 112 LQR 472.

'umbrella' action,⁹⁵ as it is feared that to allow such a wide action would be to tilt the balance of the law in the area "too far away from encouraging competition."⁹⁶ The Australian High Court has rejected a general action of unfair competition in *Moorgate*,⁹⁷ on the basis that such an action would be inconsistent with "the established limits of the traditional and statutory causes of action" which "define the boundary between the area of legal or equitable restraint and protection and the area of untrammelled competition..."⁹⁸ However, the merits of a misappropriation tort continue to be debated. The dominant justifications cited in favour of such a tort seem to be based either on perceptions that current intellectual property mechanisms are incapable of providing protection to expanding areas without having to artificially strain the existing action,⁹⁹ or a perceived need to give protection to valuable intangibles where none is presently available.¹⁰⁰

Whether or not an 'umbrella' tort is justified to deal with expanding areas of intellectual property such as character merchandising is beyond the scope of this paper. However from the perspective of business name protection, the problem is not the scope of protection available, especially with the relaxation of the requirement for common activity. Furthermore, the current law applies a number of important thresholds, such as the public interest principle relating to descriptive names. Although judges would probably be reluctant to lower the threshold, it could not be guaranteed that it would be maintained by a wide tort based on misappropriation. It could also potentially lead to further complexities in the interaction with the TMA, which would be especially problematic in light of the imminent reforms to the trade mark system. Due to these considerations, it is submitted that enabling less restricted judicial reasoning as a policy objective does not justify the imposition of a general tort, and it is desirable to deal with the issue within the broad framework of the present law.

3 *Conflicts with section 9*

In situations where traders' rights directly conflict with consumers' interests, one option would be to explicitly prioritise traders' interests. For example, applying this approach, *Magellan* should not be followed in the area of concurrent use where both actions are argued. Consumer interests would not be disregarded when assessing the relative rights of the parties,

⁹⁵ See for example *Mogul Steamship v McGregor & Gow* (1889) 28 QBD 598; see also *Cadbury Schweppes Pty Ltd v Pub Squash Co Pty Ltd* [1981] RPC 429.

⁹⁶ Above n 18, 151. See also W R Cornish *Intellectual Property: Patents, Copyright, Trademarks and Allied Rights* (2ed, Sweet & Maxwell, London, 1989) 424.

⁹⁷ *Moorgate Tobacco Co Ltd v Philip Morris Ltd and Another (No 2)* (1984) 156 CLR 414.

⁹⁸ Above n 97, 445; as per Deane J.

⁹⁹ See for example Terry, above n 92, 320. Terry points to character merchandising cases to demonstrate that cases are actually decided on 'misappropriation' grounds while strained to fit within the requirement of misrepresentation and therefore the current protection is inadequate. See also Elliot, above n 93, who argues that a new action should replace copyright's role in protecting utilitarian works.

¹⁰⁰ For example, Spence assumes that a misappropriation tort would not cover valuable intangibles currently protected. Above n 94, 477.

but would instead be one consideration among many. In cases where both parties are able to establish goodwill, the court may be reluctant to grant concurrent rights where consumer deception is in evidence, however where some public confusion is likely or evidenced, the importance of upholding traders' rights would demand a granting of concurrent rights.

It is submitted, however, that despite the level of uncertainty arising from the actual and potential conflicts of the actions, a definitive pronouncement regarding the policy priorities to be followed would be unworkable. Individual assessments of each factual situation would be inhibited, and Parliament's intention as manifested in s 9 would be subverted. The problem may be demonstrated by considering whether there should be a defence allowing one's own name to be used in trade. If both parties have established goodwill, the issue would be one of concurrent rights. However if the defendant cannot establish goodwill, the issue would then be a question of balancing the concern to allow the honest use of one's own name with consumers' interests in restraining *any* misleading use. Here, a blanket position preferring passing off to s 9 may indeed stifle a rational development of the law rather than encouraging it.

Rather than relieving judges of the necessity to artificially strain their reasoning, if a hierarchy of policy priorities was unable to meet the justice of the case, judges would then have to resort to strained reasoning when defining the traders' and consumers' relative interests. Therefore, as long as the two actions may be argued concurrently, a certain amount of uncertainty as to the direction of the law must be tolerated.

4 *Erosion of goodwill*

When a case arises in New Zealand in which a customer connection cannot be construed on the facts in the areas of pre-launch publicity and spill-over reputation, the courts will be faced with the issue of whether goodwill should be defined in terms of customer connection, or whether the threshold should be lowered to meet the threshold of s 9. If the New Zealand courts continue to define goodwill in terms of customer connection, either consumer interests would have to be artificially merged within the dominant rationale to maintain consistency between the actions, or passing off could become obsolete in these areas.

It is, however, submitted that a reassessment of goodwill is required. As developments such as the Internet become even more widely accessible sources of information and advertising, the judicial adherence to the notion of customer connection must come under scrutiny. The judgments of Lord Diplock in *Star Industrial*¹⁰¹ and the *Advocaat*¹⁰² case are cited as authorities for the requirement of customer connection. However, as Lockhart J notes in *ConAgra*,¹⁰³ the cases were not directly considering the question of the particular connection

¹⁰¹ Above n 11.

¹⁰² Above n 17.

¹⁰³ Above n 71, 341.

required with the United Kingdom. Moreover, these judgments were given before the technology and communication explosion, and cannot provide the flexibility required in the modern commercial context. The harm traders can be exposed to in the global market place is no longer restricted to the "traditional diversion of custom situation",¹⁰⁴ and so in this context it should be recognised that "[r]eputation is the key business facet that passing off protects".¹⁰⁵

While upholding the importance of goodwill, Lord Diplock justified the extension of passing off in the *Advocaat*¹⁰⁶ case by stating that it was "a case of unfair, not to say dishonest trading of a kind for which a rational system of law ought to provide a remedy to other traders..."¹⁰⁷ This reasoning may be employed to challenge the very concept of goodwill upheld by Lord Diplock, on the basis that in situations where local traders unfairly trade under names which are associated with overseas traders in the minds of a significant section of the public, a remedy ought to be provided. The true policy imperatives of passing off should be acknowledged as preventing rivals in trade from misappropriating an established reputation, and the need to protect the public from deception.¹⁰⁸

This view can be related to the relevance placed on fraudulent intent in the area of spill-over reputation, for "where there appeared to have been a clear attempt at appropriation or pre-emption of the name or mark by a local trader",¹⁰⁹ courts have been ready to establish a lower burden of establishing goodwill.¹¹⁰ It is perhaps a flexible or loosened concept of passing off based on such a view that Spence envisages when suggesting that there "may be arguments of principle for expanding [passing off] into a more generalised tort of misrepresentation."¹¹¹ Therefore, a substantial reputation alone should be sufficient without the requirement of consumer connection. Lowering the threshold in this way would make explicit what judges otherwise try to achieve within the traditional boundaries of passing off through the use of strained definitions of customer connection. The threshold of passing off would thereby be aligned with that of s 9 in the areas of spill-over reputation and pre-launch publicity, albeit framed within an altered passing off rhetoric.

¹⁰⁴ F Mostert and T Stevens "The Protection of Well-known Trade Marks on Non-competing Goods" (1996) 7 AIPJ 76, 86.

¹⁰⁵ Above n 71, 340.

¹⁰⁶ Above n 102.

¹⁰⁷ Above n 102, 740.

¹⁰⁸ See J Jeremiah "Pathway Towards Recognition of International Reputation in Trade Marks" [1993] JBL 391.

¹⁰⁹ *Joico Laboratories*, above n 83.

¹¹⁰ For a discussion, see A Brown and A Grant *The Law of Intellectual Property in New Zealand* (Butterworths, Wellington, 1989) 159.

¹¹¹ Spence, above n 94, 498.

F Conclusion

As long as the policies of s 9 and passing off remain in conflict, the overlapping areas of protection may continue to develop according to ad hoc policy imperatives, giving little guidance when the actions conflict. The need to overcome the uncertainty between the actions is, however, arguably outweighed by the difficulty of making definitive policy decisions in the abstract, and the undesirability of a static framework of policy priorities which would negate any flexibility between the actions. While the policies underpinning the area of spill-over reputation and pre-launch publicity allow both trader and consumer interests to be addressed, the problem lies in New Zealand with the judicial reluctance to depart from the traditional insistence of a customer connection underlying goodwill. A more honest approach to the development of the tort should acknowledge the erosion of goodwill as a positive reform to meet the needs and conditions of modern business in the global market - needs which may otherwise be met through s 9.

III TRADE MARKS, PASSING OFF AND SECTION 9

A The Cumulative Approach

1 Introduction

Trade mark protection has its origins in the specialised form of action for 'unregistered trade marks' which co-existed with passing off.¹¹² Plaintiffs faced the evidential burden of proving trade reputation in each case, however in 1875 the first trade mark legislation was enacted in the United Kingdom, allowing registered marks to provide proof of title.¹¹³ Passing off diverged from trade mark law at that point, becoming a cumulative, rather than alternative action, while trade marks became defined as property in themselves.¹¹⁴

In New Zealand, a company, firm or individual name falls within the definition of a trade mark under the TMA,¹¹⁵ and therefore may be registered as a mark if the requirements of the

¹¹² K Lupton "Trade Marks as Property" (1991) 2 IPJ 29, 30.

¹¹³ The Trade Mark Registration Act 1875. For a discussion of the development of trade mark law see H R Mathys *British Trade Mark Law and Practice: Report of the Commission to examine British Trade Mark Law and Practice* (Her Majesty's Stationery Office, London, 1974) 2.

¹¹⁴ Trademarks are "incorporeal personal property"; see Lupton, above n 112, 29.

¹¹⁵ The TMA, as amended in 1994 by section 2(3) of the Trade Marks Amendment Act 1994, defines a trade mark as "any sign or any combination of signs, capable of being represented graphically and capable of distinguishing the goods or services of one person from those of another person." A sign includes "a device, brand, heading, label, ticket, name, signature, word, letter, numeral, colour or any combination thereof." [Emphasis added]

TMA are complied with. Passing off is available as a cumulative action,¹¹⁶ and s 9 has also been added as another protective head. As a result there is a complex interaction between the actions in the overlapping areas of protection. The relationship between s 9 and passing off has already been discussed, where to date, the interaction has not been developed along fully articulated lines. The interrelationship between the TMA, passing off and the FTA is even less articulated. The aim of this Part is to discuss whether there are conceptual difficulties with the cumulative operation of the actions, to highlight overlapping areas, and discuss whether a proprietary register for business names should be introduced as a means of rationalising the area of business names protection.

2 Functions of trade mark law

Trade marks have the double function of distinguishing the proprietor's goods or services in the marketplace, and indicating the source of goods or services by identifying them with the particular trader.¹¹⁷ In this way, trade marks benefit the proprietor and also reduce consumer search costs by providing consumers with the ability to choose between goods and services on a rational basis.¹¹⁸ The trade mark regime promotes competition "by enabling traders to reap the reputation-related rewards"¹¹⁹ of their trade mark, and as the proprietor is encouraged to invest in quality, the risks faced by consumers are lowered.¹²⁰ So, as an incentive for firms to maintain their reputation, the protection granted is potentially infinite.¹²¹

3 Conceptual conflict?

Trade marks differ from trade names in the sense that trade marks function to identify the source of goods or services, whereas trade names symbolise the business as a whole. However there is a functional overlap between them, as trade marks can also serve as an

¹¹⁶ This is reflected in s 6 of the TMA which provides that the right to bring a passing off action is not affected by the Act.

¹¹⁷ See a statement to this effect in *Re Powell's Trade-mark* [1893] 2 Ch 388, 403 as per Bowen LJ; accepted in *Kiwi Polish Co v Kempthorne Prosser & Co* [1925] NZLR 26.

¹¹⁸ R H Folsom and L L Tepley "Trademarked Generic Words" (1980) 89 Yale LJ 1323, 1337.

¹¹⁹ P Culbert "Colour Alone as a Registered Trade Mark after the Trade Marks Amendment Act 1994: What Obstacles Remain?" (1996) 1(4) NZIPJ 84, 90.

¹²⁰ B Klein "Perfect Competition as a Criterion for Antitrust Policy: Brand Names, Entry Barriers and Exclusive Dealing in the Fisher & Paykel Case" in R J Ahdar (ed) *Competition Law and Policy in New Zealand* (Law Book Co Ltd, Sydney, 1991) 65, 80. An argument made in *Levi Strauss & Co v Kimbyr Investments Ltd* [1994] 1 NZLR 332, 361 that a trade mark is a form of pernicious monopoly was described by Williams J as a "misnomer", as by giving the public a reliable indication of source, it facilitates responsible competition.

¹²¹ If the protection had an expiry date beyond which anyone could use it, there would be little incentive to maintain the reputation. See Duncan, "Economics of Intellectual Property" in Ministry of Commerce, above n 1, 27. Section 29 provides that a trade mark may initially be registered for a period of 7 years, with 14 year periods thereafter, and unless there is a successful objection by a third party, it is conceivable that a trade mark may continue as long as the prescribed renewal fees are paid.

extension of the owner's trade name, carrying with it the reputation of the business.¹²² The TMA and passing off both address a trader's interest in protecting their goodwill by providing a means of dealing with misleadingly similar names or marks. The FTA also intercepts with the trade mark regime in its concern to ensure that consumers are able to accurately identify the source of goods or services. Stemming from these functional overlaps are a number of commonalities. For example, the tests for establishing misrepresentation in passing off or misleading conduct under s 9 of the FTA are closely related to the question of trade mark infringement.¹²³ Also, in determining whether a mark that is not initially distinctive has acquired distinctiveness through use, essentially the same considerations are brought into account in common law proceedings as during the application to register.¹²⁴

Despite the functional overlaps between trade names and trade marks, the registration system is conceptually distinct from the rights existing at common law or under s 9. The TMA is a permissive regime offering the advantages of proprietary protection upon registration which are not available under passing off or the FTA.¹²⁵ In contrast to the relatively unpredictable and expensive actions of s 9 and passing off, the registered proprietor of a trade mark can rely on the clear evidence of ownership in infringement actions without the need to prove reputation or goodwill.¹²⁶ And while injunctions for passing off or s 9 may be very localised, covering only the area where the plaintiff can establish goodwill or reputation, the TMA confers national protection. Moreover, the trade marks register benefits potential users by providing a clear means of ascertaining whether a mark may be used, thus diminishing the number of unknowing infringements, and performing an important deterrent function.¹²⁷

From a conceptual point of view, then, the co-existence of the actions in the overlapping areas of protection is not inherently problematic. However, as a consequence of the limited monopoly granted to trade marks, there is a concern to constrain the types of words which may be registered, and the scope of the rights granted in terms of the goods and services they cover. Therefore, s 9 and passing off may be available when trade mark protection is not, when for example the name is unregistrable, registration is invalid,¹²⁸ or there is a failure to

¹²² K S Dueker "Trademark Law Lost in Cyberspace: Trademark Protection for Internet Addresses" (1996) 9 Harv J L & Tech 483, 490.

¹²³ Passing off and the FTA are assimilated to the TMA in the sense that it is unnecessary to show fraud or intention to confuse, and similar factors are taken into account in assessing the likelihood of the confusing similarity of trade marks. For a summary of the rules for comparing words marks, see *Levi Strauss*, above n 120, 362. See also *New Zealand Breweries Ltd v Heineken* [1964] NZLR 115, 133.

¹²⁴ Cornish, above n 96, 434.

¹²⁵ The trade mark system "offers advantages to those who register their trade marks, but imposes no penalty upon those who do not." T A Blanco White and R Jacob *Kerly's Law of Trade Marks and Trade Names* (12ed, Sweet & Maxwell, London, 1986) 356.

¹²⁶ See New Zealand Patent Office *Trade Marks Registration* (Government Print, Wellington, 1994) 6.

¹²⁷ In the absence of proprietary protection, barriers to the copying of trade marks are low. W A Landes and R A Posner "Trademark Law: An Economic Perspective" (1989) 21 IPLR 229, 234.

¹²⁸ See for example *Montgomery v Thompson* [1891] AC 217.

register for a wide enough specification of goods or services.¹²⁹ A plaintiff may also rely on passing off or s 9 when a trade mark infringement remedy is not available, such as cases where the likelihood of deception is enhanced by the particular circumstances of use.¹³⁰

Due to the cumulative operation of the three actions, it can be observed that "the protection available for trade marks is considerable."¹³¹ As registration may be viewed as "a heightened form of protection for certain cases",¹³² there is "no necessary inconsistency between a finding of no infringement and a finding of passing off..."¹³³ Because of the different scope of protection given, passing off and s 9 are able to address more diverse actions not specifically provided for the TMA, and are able to expand more quickly in line with "changing trading practices".¹³⁴ In this way, passing off and s 9 can be viewed as performing a supplementary role.

It may however be seen as ironic that protection can be granted by passing off or s 9 but not from the TMA, given that the purpose behind the introduction of the trade mark laws was largely to obviate the need to have to rely on the relatively expensive and cumbersome passing off litigation. These overlaps will be demonstrated by focusing on the protection of descriptive and geographic names, and the relevance of the fields of activity to the protection granted.

B Differing Thresholds of Name Protection

1 Descriptive or geographic names

The register is currently divided into Part A and Part B. The threshold for Part A requires that marks are adapted to distinguish, and it is therefore difficult to register descriptive or geographic words or surnames.¹³⁵ This reflects the concern to restrict the protection of words to those which other traders would not reasonably wish to use in relation to their own goods

¹²⁹ I Karet "Passing Off and Trademarks: Confusing Times Ahead?" (1995) 17(1) EIPR 3.

¹³⁰ Ministry of Commerce, above n 1, 165. There are cases where passing off has succeeded where a claim for trade mark infringement has failed. See for example *Barber v Manico* (1893) 10 RPC 93; see also *Lee Kar Choo v Lee Lian Choon* [1967] AC 602.

¹³¹ Ministry of Commerce *Reform of the Trade Marks Act 1953: Proposed Recommendations* (Ministry of Commerce, Wellington, 1991) 3.

¹³² Cornish, above n 96, 432.

¹³³ *Lee Kar Choo*, above n 130, 616. [Privy Council]

¹³⁴ Mathys Committee, above n 113, 27.

¹³⁵ Section 14(1)(d) of the TMA provides that a mark under Part A cannot directly describe the goods or services, nor consist of laudatory or geographical words, or surnames. The 'distinctiveness' required by s 14(2) has been interpreted as "apt to distinguish the applicant's goods [or services]"; *Tarzan Trade Mark* [1970] RPC 450, 456 as per Salmon LJ. While only (e) refers to distinctiveness, it is also regarded as an element of (a) to (d) by the courts: see *Fanfold Ltd's Application* (1928) 45 RPC 199, 203. If a mark is not registrable under s 14(1)(d) it still may be registrable under s 14(1)(e) on evidence of distinctiveness.

or services.¹³⁶ Those refused registration under Part A may be accepted under Part B if the mark is capable of distinguishing the goods or services,¹³⁷ although as the threshold for Part B is lower, the protection granted is lesser than for Part A.¹³⁸ Marks which are difficult to register may be accepted if a high degree of factual distinctiveness is established through use and reputation, and when assessing registrability, the criteria are analogous to those developed by the common law.¹³⁹

However, to be registered under either Part A or B, a mark must be inherently distinctive,¹⁴⁰ and if a mark does not have a minimum inherent capability of being distinguished in law, the mark will be unregistrable under either part despite 100 per cent factual distinctiveness.¹⁴¹ One of the most common barriers to the registration of name trade marks is that the name is descriptive of the goods or services, either directly or in a laudatory manner.¹⁴² While the traditional reasoning for the requirement of inherent distinctiveness has been to prevent monopolies in words others may reasonably expect to use, it is difficult to see how a trader could reasonably expect to use a word which is distinctive of the applicant in fact. This has therefore led to the anomalous situation where these names cannot be registered, yet can be protected through passing off and FTA actions anyway if secondary association has been established. This situation brings into question both the utility and certainty of the register.

2 Common fields of activity

In passing off or s 9 actions, there is no strict requirement for the parties to be involved in a common field of activity, and damages for passing off can include dilution of goodwill through incorrect association.¹⁴³ As a result of the proprietary protection conferred by the TMA, there is a concern not to unduly restrict competition, and so names which comply with

¹³⁶ Above n 126. See also Lord MacNaghten's comment to this effect in *Eastman Photographic Materials Company Ltd v Comptroller-General of Patents* (1898) 15 RPC 476, 486.

¹³⁷ Section 15. In determining the issue of whether a mark is capable of distinguishing, the Commissioner will look at evidence of use of the mark, including evidence subsequent to the application.

¹³⁸ The two important distinctions between the registers are that i) pursuant to s 22, after seven years' registration, the validity of a Part A mark cannot be contested unless on grounds of fraud or the mark has become deceptive; ii) s 9(2) provides that it is a defence to a trade mark infringement action of marks under Part B if the defendant can establish that the use of the mark of which the plaintiff complains is not likely to deceive or cause confusion or be taken as indicating a connection in the course of trade between the goods and services or similar goods and services.

¹³⁹ D R Shanahan *Australian Law of Trade Marks and Passing Off* (2ed, Law Book Co Ltd, Sydney, 1990) 5.

¹⁴⁰ This may be defined as particulars which no person apart from the applicant could reasonably and honestly desire to use in relation to his or her own goods or services; above n 4. The inherent capacity to distinguish under Part B imports the same policy considerations as the "inherently adapted to distinguish" test for Part A.

¹⁴¹ For example, in *Crosfield & Sons Ltd's Application* (1909) 26 RPC 837 the word 'perfection' used in relation to soap was held not to be inherently adapted to distinguish and therefore unregistrable, even though it had become identified with the applicant by the public.

¹⁴² P Sumpter "How to Protect Your Business Name in the Modern Market-Place" (1993) 12 NZ Business Bulletin 94, 95.

¹⁴³ Above n 20.

the requirements for registration are then only eligible to be registered in respect of classes of goods or services.¹⁴⁴ The scope of protection thereafter conferred upon registered marks is also based upon these categories, although it has recently been widened. Previously it was not an infringement to use the trade mark for goods or services falling outside the specification, even though the use could amount to passing off. However, as a result of amendments in 1994, the TMA now prohibits the registration of marks that are identical or similar to a trade mark already registered in respect of the same goods; similar goods; and services that are similar to such goods where it would cause confusion or deception.¹⁴⁵ A mirror provision is given for service marks.¹⁴⁶ The infringing acts proscribed by the TMA have similarly been extended in 1994.¹⁴⁷

These provisions derive from the view that trade marks are "the embodiment of the producer's and the product's goodwill",¹⁴⁸ and so they aim to uphold the function of trade marks as identifiers of source and quality. Passing off and s 9 on the other hand are able to extend protection to identical or similar names in relation to both dissimilar goods or services, offering the additional protection where the source doctrine does not necessarily apply, but where the dilution of the value of the name or mark can result from the use on non-competing goods or services.

For the registered proprietors of well-known trade marks, greater protection is available under the TMA. Section 36(1) allows for the defensive registration of a well-known trade mark,¹⁴⁹ to prevent the possibility of another trader adopting the mark in relation to goods or services other than those for which the well-known mark is used or proposed to be used.¹⁵⁰ This recognises the damage that traders can face through the dilution of the goodwill associated

¹⁴⁴ Section 7 of the TMA.

¹⁴⁵ Section 17(1). The rights given to a trade mark proprietor were extended to include rights against infringement of signs that are *similar* to the registered trade mark by the Trade Marks Amendment Act 1994, to comply with the GATT: TRIPS agreement by the compliance date of 1 January 1995. See Trevor Rogers (1993) 544 NZPD 4769.

¹⁴⁶ Section 17(3) prohibits the registration of a mark in respect of the same services; similar services; or goods that are similar to such services if the mark is likely to deceive or cause confusion.

¹⁴⁷ Section s 8(1A) provides that a trade mark is infringed by the use of an identical sign in relation to any goods or services in respect of which the trade mark is registered; and a sign identical with it in relation to goods or services that are similar to those for which the trade mark is registered, if such use would be likely to cause confusion; and a similar sign used in relation to goods or services that are identical with or similar to any goods or services in respect of which the trade mark is registered, if such use would be likely to cause confusion, and in a manner as to render the use of the sign likely to be taken as being used as a trade mark; or importing a connection in the course of trade.

¹⁴⁸ A Kamperman Sanders "Some Frequently Asked Questions about the 1994 UK Trade Marks Act" (1995) 17 EIPR 67, 69. See also A Kamperman Sanders and S M Maniatis "A Consumer Trade Mark, Protection Based On Origin and Quality" [1993] 11 EIPR 406.

¹⁴⁹ A defensive trade mark is one which has become so well known as respects any goods or services in respect of which it is registered, and in relation to which it has been used, that the use of it in relation to other goods or services would be likely to be taken as indicating a connection in the course of trade with the person entitled to use the trade mark in relation to the first mentioned goods or services.

¹⁵⁰ Above n 110, 56.

with the trade mark. Extensive evidence of reputation is required along with an onus to establish that the past use of the well known mark on goods or services would lead to a belief that its use on other goods or services is connected with the registered proprietor.¹⁵¹ As a result of these factors, there has been few such registrations in New Zealand.¹⁵² Also, the register was restricted to trade marks constituting an invented word or invented words. As part of the package of amendments in 1994, the restriction to invented words was removed, thus extending the availability of the register to all trade marks. However, the evidential burden of proving the necessary criteria remains.

Further protection is available to the proprietors of well-known marks through s 16, which may be used to prevent the registration of a mark which would cause confusion with another mark.¹⁵³ Also, since 1994, registered proprietors of well known marks have the enhanced protection provided by s 17(2) and (4).¹⁵⁴ The proprietor's protection now includes the ability to prevent the registration of marks in New Zealand for use on *dissimilar* goods (or services) if it can be taken as indicating a connection in the course of trade with the goods of the well-known trade mark, and would be likely to prejudice the proprietor's interests where confusion or deception would be likely. Section 17(2) and (4) can be relied on by overseas proprietors who have not registered their marks in New Zealand but the mark is sufficiently well known in New Zealand.¹⁵⁵ The provision therefore recognises that damage may be caused by the registration of a trade mark for use on non-competing goods, or non-competing services for service marks, including a perceived business connection which exposes the trade mark owner to the dilution of the "commercial magnetism" of the trade mark.¹⁵⁶ However, the amendments do not provide general protection against dilution, as the registration of identical or similar marks cannot be prevented for both dissimilar goods *and* services. It is here that passing off and s 9 may provide supplementary protection.

¹⁵¹ Above n 110, 57.

¹⁵² Above n 131, 29.

¹⁵³ Above n 87.

¹⁵⁴ Section 17(2) provides that no trade mark may be registered in respect of any goods if the trade mark is identical or similar to or a translation of a trade mark which is well known in New Zealand (whether through advertising or otherwise), as respects those goods or any similar goods; or as respects any other goods if use of the first mentioned trade mark would be taken as indicating a connection in the course of trade between those other goods and the proprietor of the well-known trade mark, and would be likely to prejudice the interests of such proprietor where use of the trade mark would deceive or cause confusion. A mirror provision for services is contained within s 17(4).

¹⁵⁵ It had been argued that New Zealand's law already gave protection to overseas marks through s 16 of the TMA, passing off and the TMA, however s 17(2) and (4) were enacted to comply with Article 6bis of the Paris Convention, under which New Zealand is required to provide protection for trade marks of nationals of member states which have become well known here. This was extended to dissimilar goods or services to comply with GATT:TRIPS; see above n 131, 28.

¹⁵⁶ For a discussion of the damage to well known marks, see Mostert and Stevens, above n 104, 76.

C Effects of the Proposed Trade Mark Reform

1 Introduction

The proposed reforms to the trade mark regime contained within the Intellectual Property Reform Bill ("Bill") aim to more clearly establish the rights that can be obtained through trade mark registration,¹⁵⁷ reduce the costs incurred in obtaining a trade mark, and harmonise the trade mark regime with overseas jurisdictions.¹⁵⁸ Elmslie states that in the United Kingdom, the reforms of the Trade Marks Act 1994 ("UK Act") reflect a shift in the view of trade marks solely as indicators of source to being "valuable property rights in themselves".¹⁵⁹ The regime has therefore been updated to take account of the changes in trade by conferring enhanced rights. The proposed trade mark scheme in New Zealand similarly aims to become a more accessible and desirable regime of protection.

2 Distinctiveness

An important change to be implemented in New Zealand will be the unification of Parts A and B as a means of speeding up the registration process, and reducing the administrative costs of registration.¹⁶⁰ The proposed standard for distinctiveness is the more flexible 'capable of distinguishing' test presently applied in Part B, allowing each mark to be assessed on its merits.¹⁶¹ As a result, full protection will be afforded to marks previously only achieving the lower Part B registration.¹⁶² While it will still be difficult to prove the distinctiveness of some marks in the minds of the purchasing public, factually distinctive marks may be registrable even if they do not possess any inherent capacity to distinguish the applicant's goods and services. A mark will be prima facie registrable unless one of the stated grounds of objection apply,¹⁶³ and so the presumption in tandem with the lowered threshold should make it easier for borderline marks to obtain registration.¹⁶⁴ This will in effect create greater consistency between the thresholds of the TMA and the passing off and s 9 actions.

¹⁵⁷ The reforms will specify absolute grounds for refusal which arise from the nature of the mark itself, and relative grounds which arise from conflicts with other registered or unregistered marks. Above n 131, 3.

¹⁵⁸ The proposed reforms are part of the wider international reforms to comply with the GATT: TRIPS agreement; above n 131, 3. The Trade Marks Act 1994 (UK) was in force 31 October 1994; and the Trade Marks Act 1995 (Australia) came into force 1 January 1996. The introduction of the Bill in New Zealand has, however, been delayed due to extensive consultation with Maori.

¹⁵⁹ M Elmslie "The New UK Trade Marks Bill" (1994) 16 EIPR 119.

¹⁶⁰ Above n 131, 3.

¹⁶¹ Above n 131, 9.

¹⁶² A Part A mark will no longer be automatically valid after seven years on the register, and the Part B defence will be abolished; above n 131, 27.

¹⁶³ Above n 131, 11. However, where an objection to an application is made, the burden of proof will be on the applicant to overcome the objection. Above n 131, 14.

¹⁶⁴ For a discussion of the parallel provisions in Australia, see J Luck "Distinctiveness, Deception and Confusing Marks under the Trade Marks Act 1995" (1996) 7 AIPJ 97, 99. See also S Nicholson "The Australian Trade Marks Act 1995" (1995) 77 Trademark World 21.

Cornish¹⁶⁵ observes that the cumulative relationship between common law and statutory rights coupled with the existence of a pre-grant examination have allowed the categories of registrable marks to be expanded, first by adding Part B to the trade marks regime to expedite the registration of "difficult" marks, and then to include service marks to render it unnecessary to prove passing off.¹⁶⁶ The proposed lowered threshold may be viewed in context of this general development. However, while the proposed reforms have the effect of aligning the trade mark regime with passing off and s 9 rights, it seems that the reform is driven by other policy imperatives. The reports published by the Ministry of Commerce pay scant regard to the overlap of the actions, and it seems that the alignment will be merely incidental to the fundamental aim of reducing compliance costs for businesses and streamlining the registration system.¹⁶⁷

3 Common fields of operation

While the scope of rights currently conferred under the TMA will largely be retained, two points are noteworthy. Firstly, in 1991 the Ministry of Commerce reported that the defensive register would be abolished.¹⁶⁸ This decision was based on the limited use of the defensive trade marks register coupled with the situation where the Commissioner is required, in effect, to decide infringement issues in advance. The Ministry considered that the dilution issues previously addressed by the defensive register would best be left to be decided in court through passing off and the FTA, and the other mechanisms for protecting well-known marks under the TMA. Since the report, the defensive register was amended as indicated, in order to comply with the international obligations as an interim measure until the implementation of the main reforms. The defensive register may still be abolished, although the Ministry is still working through the issue.¹⁶⁹

Secondly, the decision has been made not to implement a general 'anti-dilution' provision for famous trade marks based on s 10(3) of the UK Act. Section 10(3) offers protection against the use of an identical or similar sign in connection with non-similar goods or services to those for which the mark is registered, where the reputation of the mark is such that the use of the sign would take unfair advantage of the reputation or would be detrimental to the reputation or

¹⁶⁵ Above n 96, 396.

¹⁶⁶ Above n 96, 397. Service marks came into force in New Zealand on 1 May 1988 as a result of the Trade Marks Amendment Act 1987. The New Zealand Industrial Property Advisory Committee in 1983 had advised that the absence of a register of marks in the servicing industry did not assist in an orderly approach to the adoption of new marks which avoid conflict with the other marks; and that the proof and procedure required by passing off are more onerous than for trade mark infringement actions. New Zealand Industrial Property Advisory Committee *Service Marks- Report to the Minister of Justice*, 1983.

¹⁶⁷ Conversation with Andrew Wierzbicki, Ministry of Commerce, 28 August 1996.

¹⁶⁸ Above n 131, 29.

¹⁶⁹ This was ascertained from Andrew Wierzbicki, Ministry of Commerce, 25 September 1996. While the UK Act has abolished the defensive register, it has been retained by the Trade Marks Act 1995 in Australia.

the distinctive character of the trade mark.¹⁷⁰ The provision therefore offers protection, also potentially available through passing off, where the 'source doctrine' does not apply, as the public does not have to be confused about the origin of the product or service.¹⁷¹ As a result of s 10(3) it has been observed that the UK Act will become more attractive in relation to passing off.¹⁷²

However, the Ministry of Commerce has indicated that a similar anti-dilution provision would "add unnecessary complexity and uncertainty to New Zealand law"¹⁷³ by introducing "[u]nnecessary subtle distinctions", and would not add anything in practical terms to the protection available under passing off and s 9 of the FTA. Therefore, this decision, as with the indication that the defensive marks register may be abolished, reinforces the present system whereby s 9 and passing off perform a supplementary role to the TMA. While the threshold of protection will be more aligned with that under passing off and s 9, both the 1994 amendments and the proposed reforms reinforce the differing levels of protection thereafter available. The issue therefore arises as to whether a separate business names register should be implemented as a means of addressing the overlapping areas of protection.

D Proprietary Rights Register for Names used in Business

An option raised by the Ministry of Commerce in its general review of industrial property rights was to establish a separate section of the TMA conferring proprietary rights to business names.¹⁷⁴ The practical implications of such a register were not analysed, yet the Ministry was firm in its rejection of any separate protection for business names, concluding that they are adequately protected through the combined effect of passing off, s 9 and the TMA.

Yet as discussed, there are substantive overlaps between the TMA, passing off and s 9, and a register conferring proprietary rights for business names could provide an opportunity to rationalise the whole area of name protection by providing one clear source of rights. Traders would be provided with the advantages of a proprietary regime such as clear evidence of rights as a means of deterring potential infringers, and low costs of enforcing the rights in the event of infringement. Businesses would be provided with a simplified means of choosing a name, and the marketplace decisions of consumers may be enhanced by a potential reduction in the use of confusingly similar names.

¹⁷⁰ The normal requirements for establishing the existence of goodwill in passing off will be useful in establishing whether a trader has required reputation for s 10(3); above n 148, 74.

¹⁷¹ Above n 148.

¹⁷² A Mosawi "The Fine Line Between Trade Names" (1995) 145 (1) New LJ 410, 411.

¹⁷³ Above n 131, 29.

¹⁷⁴ Above n 1, 222; see also Ministry of Commerce *Reform of the Designs Act 1953 and Other Issues: Proposed Recommendations* (Ministry of Commerce, Wellington, 1992) 55.

A potential concern is that traders could hoard names in order to charge for assignments to those wishing to use the name, or to prevent others using the name and thereby stifling competition. However, these problems could be minimised in the same way as for trade marks, by providing that a name may be refused or removed if an application is made in bad faith, with removal after a specified period of non-use.¹⁷⁵ Therefore, this problem alone would not override the potential benefits of a proprietary regime. However, a number of difficult issues remain.

One issue is whether s 9 and passing off would remain as cumulative actions for business name protection. If they were retained, the problem of overlap would still remain, thus defeating the purpose of rationalising the whole area. However, if passing off and s 9 were denied to traders wishing to protect business names, the challenge would be to implement a regime that would both incorporate boundaries appropriately set to reflect the scope of the proprietary rights, while still providing the flexibility of passing off and s 9. An advantage of passing off and s 9 lies in their ability to adapt more easily to new circumstances, which will be of increasing importance with the rapid developments in technology and the expanding means of infringing rights in names.¹⁷⁶ It must be questioned whether a statutory regime could provide such flexibility as developments, for example as presently seen in the area of domain names on the Internet, continually push the capabilities of the trade mark regime.¹⁷⁷

A number of matters would not be too problematic to implement while accommodating the objectives of the TMA, passing off and s 9. For example, provision could be made for circumstances in which the use of one's own name is legitimate,¹⁷⁸ and for removal on the

¹⁷⁵ Presently, s 2 provides that use or a bona fide intention to use is a requirement for the filing of an application under the TMA. A trade mark may be removed from the register if there was no bona fide intention to use the mark and there has been no bona fide use in fact (s 35(1)(a)). Also, a trade mark may be removed if there has been no use for a continuous period of five years (s 35(1)(b)). The proposed reforms will abolish the requirement to make a statement of good faith on the application form but will allow for the refusal or invalidity of marks where applications are made in "bad faith". The period of non-use will be reduced to three years, with the onus of proof on the registered proprietor in an application to remove a mark for non-use. See above n 131, 20.

¹⁷⁶ Cornish has stated in relation to trade marks that "...it is easy under such a system for a trader's actual goodwill to outstrip the range of protection that he [or she] has acquired through registration." Above n 96, 432.

¹⁷⁷ See for example C Harrison and S Frankel "The Internet: Can Intellectual Property Laws Cope?" (1996) 1(3) NZIPJ 60.

¹⁷⁸ Section 12 of the TMA provides that no registration of a trade mark shall interfere with any bona fide use by a person of their name. Bona fide has been defined as "the honest use by a person of his own name without any intention to deceive anybody or without any intention to make use of the goodwill which has been acquired by another trader"; *Baumer v Moore* [1958] Ch 137, 147 as per Danckwerts J.

basis of genericism.¹⁷⁹ Also, the interests of overseas traders and proprietors of well known marks could be addressed by incorporating provisions based on those in the TMA, but also including a wider 'anti-dilution' provision based on s 10(3) of the UK Act to cover the situations otherwise brought under s 9 or passing off.

However, the national operation of a register would give rise to the problem of how to deal with identical or similar names which exist without confusion in different locations or different spheres of operation. One option would be to require registration in relation to specified categories of goods or services similarly to the TMA, and with similar limitations on the scope of protection. However, this is problematic because while trade marks function to indicate the source of goods or services, business names have the slightly different (though overlapping) function of representing the business as a whole, and therefore it may be argued that the 'source doctrine' underpinning the trade marks regime should not be imported into a business names regime. This would undermine the flexibility presently provided by passing off and s 9 actions which do not strictly require common activity and can provide protection for dissimilar or non-competing fields of operation.

If a regime instead aimed to implement substantively the scope of protection provided by passing off and s 9, it would perhaps have to disallow the registration of *any* similar or identical name. This would necessitate an extensive system of ascertaining concurrent rights,¹⁸⁰ which would create substantial costs upon implementation. Also, the difficulty would be that while at present business names can be used concurrently without any conflict arising, if the concurrent registration of similar or identical names were only permitted after examination of the individual circumstances, parties would have to prove an absence of public confusion before being granted rights to use the name.

Another issue is the threshold of protection for the business names register. Given that marks will be easier to register under the proposed reforms to the TMA, if a register separate from the TMA were to lower the threshold of registration, an even lower threshold would have to involve automatic registration with no need to establish distinctiveness. This would conflict with the public interest in restricting the private rights granted by proprietary protection, and the lowered thresholds of a business names system could raise the monopoly power granted, thus increasing entry barriers to competitors. However, if distinctiveness was required and a

¹⁷⁹ A concern common to the TMA, passing off and s 9 is to deprive words of protection when they have become 'generic', or merely descriptive; see for example *Liebig's Extract of Meat Co Ltd v Anderson* (1886) 55 LT 206. Section 24 of the TMA provides that where the whole mark comprises the generic word it is deemed to be an entry wrongly remaining on the register; and if part of the mark contains the generic word, the Commissioner may require the proprietor to disclaim any right to the exclusive use of the word. For a general discussion of the policy relating to generic words, see Duncan, above 121, 29; Folsom and Teply above n 118.

¹⁸⁰ Section 17(5) of the TMA provides for the registration of identical or similar marks in cases of honest concurrent use, subject to conditions and limitations imposed by the Commissioner. A number of factors are balanced, such as the extent of use of the mark in time and quantity, the area of the trade; the degree of confusion likely to ensue from the resemblance of the marks; and the honesty of the use; see *Pirie's Application* (1933) 50 RPC 147, 159.

register was differentiated from the TMA in other substantive respects, the burden of collecting evidence to prove distinctiveness may be prohibitive to many entities.

Another consideration would be the interaction with the company name regime. If business names (and names companies trade under which differ to the registered company name) are given proprietary rights, unless companies would be given the same rights, there would be the anomalous situation where business names may be conferred with proprietary rights under a special register, while companies trading under the company name would still have to rely on the TMA, passing off and s 9. Proprietary registration could exist in tandem with the Companies Register, as the latter does not endorse the use of a name, and so there would be no conceptual conflict in that sense. This, however, would defeat the purpose of rationalising the whole area of name protection into one source. Alternatively, if the Companies Register was abolished, a conceptual conflict could arise if applicants had to specify the classes of goods or services the name would be used in relation to, as companies no longer have to specify their objects on incorporation. Also, if the proprietary rights were determined on registration, there could be considerable problems of delay in incorporation. The delay could be addressed if registration was automatic provided a name was not similar or identical to a name on the register, but again, the public policy concerns would then arise.

E Conclusion

While the issues raised by the preceding discussion are not exhaustive, they serve to highlight some of the conceptual and practical problems involved in introducing a proprietary business names regime. Although the present cumulative system of protection contains a number of overlaps, in practical terms they do not justify the imposition of a system which would be likely to create more problems of implementation and maintenance than it would solve. Furthermore, the 1994 Trade Marks Amendment Act has enhanced the rights available under the TMA, and the proposed reforms of the Intellectual Property Law Reform Bill will align the threshold of protection with passing off and s 9 to a greater extent. For these reasons it is concluded that from a practical point of view, the cumulative operation of the trade mark registration system, s 9 and passing off should remain.

IV COMPANY AND BUSINESS NAME REGISTRATION

A Overview

Under the Companies Act 1955 ("1955 Act") the Registrar's wide discretion to refuse names included those which were confusingly similar to a name already registered, giving protection to company names through the administrative procedure of name reservation. However this discretionary power has been reduced under the 1993 Act to the refusal of names which are

identical or almost identical to a name already registered. As a result there are greater possibilities for confusion, and inevitably, there must be a greater reliance on passing off and s 9 of the FTA to protect traders and consumers from misleadingly similar names. Business names have even less protection as there is no formal register for non-incorporated entities. Therefore a significant proportion of names have rights enforceable in court under passing off and s 9 through reputation or goodwill built up by use, yet which are less accessible to those seeking a simple means of adopting a non-infringing name.

This Part will firstly examine whether the current level of protection is appropriate for company names, and then discuss whether a similar register for business names should be established as a measure both to provide traders with a simplified means of selecting a name, and to benefit consumers.

B The Effect of Company Name Registration

As an identifier, a company name is not only of financial importance to the company itself, but also benefits consumers by ensuring that they "know both that they are dealing with a limited company and know the identity of the particular limited company with which they are dealing."¹⁸¹ A name is therefore one of the four essential requirements of a company,¹⁸² and to be incorporated, a name must first be reserved.

It seems that the effect of name reservation is commonly misunderstood as conferring intellectual property rights in a company name.¹⁸³ Instead, it serves to identify the legal entity for the purposes of the Act, merely conferring an exclusive right to the name on the register,¹⁸⁴ and the right to prevent the incorporation of another company under an identical or almost identical name. Reservation does not constitute approval for use of the company name,¹⁸⁵ and the use of a registered company name may still give rise to a trade mark infringement action,¹⁸⁶ and passing off or s 9 actions brought by someone with a competing interest in the name.¹⁸⁷ Nor does registration prevent a non-incorporated entity using the name, and an entity that is a company can use the name as an operating or trading name provided that it also uses its registered name on documentation as required by the Act.¹⁸⁸ Any

¹⁸¹ *Jenice v Dan* [1993] BCLC 1349, 1352.

¹⁸² Section 10 of the Companies Act 1993.

¹⁸³ Ministry of Commerce (1992), above n 174, 54. See also above n 8, 174.

¹⁸⁴ Ministry of Commerce, above n 183.

¹⁸⁵ Above n 8, 171.

¹⁸⁶ Section 13 of the TMA provides that in an action for infringement of a trade mark it shall not of itself be a defence that the infringement arose from the use of the name under which a company has been registered.

¹⁸⁷ See for example *Toyota Motors (Ltd) v The Registrar of Companies* Unreported, 27 March 1979, Auckland Registry, M 439/77. See also *Fletcher Challenge*, above n 70.

¹⁸⁸ Department of Justice *Companies Bill - Company Names* (Submission to the Justice and Law Reform Committee, 1992) 5.

rights of use, then, arise independently of the Companies Act by establishing reputation or goodwill as the basis of s 9 or passing off actions, or by applying for proprietary rights under the TMA.

C The Registrar's Discretion

1 Scope of the discretion under the 1955 Act

Although the rights conferred through company name registration are limited, companies under the 1955 Act were provided with a de facto "form of name protection."¹⁸⁹ The principal ground available to the Registrar of Companies for rejecting a proposed name or directing a change of name was, that in the opinion of the Registrar, the company name in question was "undesirable".¹⁹⁰ This term was interpreted to include confusing similarity between two names on the basis that while there may be no inherent property right in a name, any name likely to mislead or confuse the public should not be registered.¹⁹¹ The effect on the plaintiff was also a factor to consider, whether through financial detriment or inconvenience.¹⁹²

The 1955 Act also provided that an appeal could be brought against a decision of the Registrar to direct (or not to direct) a company to change its name.¹⁹³ Just as passing off principles have been imported into s 9 of the FTA when determining misleading similarity between names, the courts exercising the discretion on appeal referred, albeit with "some caution"¹⁹⁴ to passing off principles. For example, the reluctance to give rights to descriptive or geographic words in the absence of evidence of secondary association was also transferred to the cases dealing with confusing similarity under s 31.¹⁹⁵ Other imported principles included the relevance of the

¹⁸⁹ Above n 188.

¹⁹⁰ Section 31(1)(a), as enacted by s 13 of the Companies Amendment Act (No2) 1983. Previously, s 31 contained a number of matters for consideration such as whether the name was calculated to deceive within s 31(1)(a), and whether it was undesirable within s 31(4).

¹⁹¹ *South Pacific Airlines of New Zealand Ltd v Registrar of Companies* [1964] NZLR 1, 5.

¹⁹² If the effect was inconvenience, the degree was a factor to be decided on the circumstances of the case; see *Charisma Waterbeds Co Ltd v Registrar of Companies* (1987) 3 NZCLC 96-131. See also *Pacific Life Ltd v First Pacific Life Insurances* (1988) 4 NZCLC 96-258.

¹⁹³ Pursuant to s 9B of the unamended 1955 Act, appeals could be made to the court within 21 days of a decision of the Registrar. Section 32(2) of the unamended 1955 Act gave the Registrar the power to direct a company to change its name within six weeks of the direction if the name was registered which contravened s 31. On appeal, effectively the court's discretion was substituted for that of the Registrar and the matter dealt with de novo; see *Abacus Finance Ltd v Registrar of Companies* [1985] 2 NZLR 605.

¹⁹⁴ *Charisma Waterbeds*, above n 192, as per Williamson J.

¹⁹⁵ See *Trade Consultants Ltd v Registrar of Companies* (1986) 1 NZIPR 706 applying *Office Cleaning*, above n 34; *Asia Pacific Trading Corporation Ltd v Registrar of Companies* (1989) 4 NZCLC 96-318; and *New Zealand Trophy Hunting Ltd v Registrar of Companies* (1990) 5 NZCLC 96-380.

relative spheres of the companies' activities in assessing the probability of confusion;¹⁹⁶ the significance of evidence of actual confusion;¹⁹⁷ and the relevant section of the public, with reference to the specialist nature of the goods and services and the ability of customers to differentiate.¹⁹⁸

Companies were therefore able to prevent another company registering a similar name without the expense of bringing a passing off action, or having to establish each of the criteria demanded by passing off,¹⁹⁹ yet with a level of certainty afforded when establishing confusing similarity. The exercise of the discretion created a functional overlap with passing off and s 9, as it pre-empted disputes that may have resulted in litigation. This overlap was however removed by the company law reform process.

2 *Company law reform*

During the overhaul of the 1955 Act, the process of authorising name reservation came under scrutiny. The need was identified to speed up the process of incorporation by reducing administrative delay, increasing the certainty of applications, and decreasing the resources spent by the Registrar.²⁰⁰ The Registrar's discretion was therefore reduced to address these problems,²⁰¹ and now only applies to a name the use of which would contravene an enactment, which is identical or almost identical to an already reserved name,²⁰² or in the opinion of the Registrar is offensive. Similar names are now acceptable for registration purposes, and the onus has been placed on the applicant to ensure that there is no confusing similarity with a registered name at the point of registration. The function of determining rights to use names has therefore been placed solely with the judiciary under the law of passing off and s 9.²⁰³

¹⁹⁶ For example, in *First National Brokers Ltd v Registrar of Companies* (1986) 3 NZCLC 96-119, 98-867 it was material that the rival companies were "operating in almost identical spheres in some of their activities and somewhat parallel spheres in the remainder of their activities." Similarly to passing off, this was not always conclusive, as it was still necessary to show the use of a similar name was likely to cause confusion.

¹⁹⁷ For example, in *Asia Pacific*, above n 195, the absence of actual confusion weighed against the application for a name change of a rival company.

¹⁹⁸ *New Zealand Trophy Hunting*, above n 195.

¹⁹⁹ Above n 194, 99-926.

²⁰⁰ New Zealand Law Commission *Company Law: Preliminary Paper No 5* (Wellington, 1987) 17. See also New Zealand Law Commission *Company Law Reform and Restatement: Report no 9* (Wellington, 1989) 19.

²⁰¹ Section 22(2) of the 1993 Act, and section 32(2) of the 1955 Act as amended by the 1993 Act.

²⁰² For guidelines the Registrar of Companies follows when determining whether a name is identical or almost identical to another, see *Flight Centre (NZ) Ltd v Registrar of Companies* (1994) 7 NZCLC 96-651; see also N Harris "Registrar's Notes" (1995) 5 CSLB 62.

²⁰³ During the debate of the Companies Bill 1990, the Hon Doug Graham stated that "company names that cause confusion will cease to be a matter for the Registrar of Companies but will be a matter for the respective companies to litigate." (1993) 533 NZPD 13353.

In *Flight Centre (NZ) Ltd*,²⁰⁴ an attempt was made to argue that as the Registrar must not reserve a name "the use of which would contravene an enactment",²⁰⁵ the FTA came within the scope of the section, and the Registrar would therefore have to have regard to s 13(f) of the FTA²⁰⁶ when making decisions as to registrability. However Blanchard J concluded that Parliament's intention was to confine the role of the Registrar in the name reservation process, and the words were restricted to enactments which specifically prohibit or restrict the use of a name.²⁰⁷

If accepted, the argument would have circumvented the removal of the Registrar's wide discretion by requiring the Registrar to have regard to deceptive similarity under s 9 of the FTA.²⁰⁸ The case therefore confirms that aggrieved companies must now rely on the remedies of passing off or a breach of the FTA to prevent another company using a similar name. To avoid infringement actions after registration and use of a name, companies must ensure that the name chosen is not misleadingly similar to another business or company name, does not damage the goodwill or cause likely damage to the goodwill of another name, or infringe existing or pending trade marks.²⁰⁹

Initially, the Law Commission also recommended that the Registrar should have a right to issue cessation notices to companies if the Registrar believed on reasonable grounds that the continued registration of a name was undesirable.²¹⁰ If implemented, the recommendation would have provided companies with the residual right to object once a confusingly similar name had been registered. That specific recommendation was later abandoned by the Law Commission to reflect the policy of restricting the Registrar's discretion.²¹¹ The provision

²⁰⁴ *Flight Centre*, above n 202.

²⁰⁵ Section 22(2)(a) of the 1993 Act, and s 32(2)(a) of the amended 1955 Act.

²⁰⁶ Section 13(f) provides that no person shall, in trade, in connection with the supply or possible supply of goods or services with the promotion by any means of the supply or use of goods or services, falsely represent that a person has any sponsorship, approval, endorsement, or affiliation.

²⁰⁷ For example, the Flags, Emblems and Names Protection Act 1981.

²⁰⁸ Above n 204, 260-615. Blanchard J agreed with the Registrar's submission that to uphold the appellant's argument would create considerable difficulties for the Registrar's office as "in many instances the Registrar would simply not have the information necessary to discharge such a function", and would slow the reservation process down. It was noted that to determine breaches of the FTA, "the Registrar would often have to call for evidence and might be in the position of having to give parties affected by his decision the opportunity of a hearing".

²⁰⁹ Letters sent to applicants by the Registrar of Companies when reserving the applicant's name warn the applicant that they are responsible for ensuring the name does not conflict with rights arising under the TMA, the FTA or at common law.

²¹⁰ Section 20(1) of the Law Commission's Draft Companies Act provided that the Registrar could serve a cessation notice if the Registrar believed on reasonable grounds that a) a name should not have been registered; or b) continued registration of the name is undesirable. See Law Commission (1989), above n 200, 200.

²¹¹ New Zealand Law Commission *Company Law Reform: Transition and Revision - Report No 16* (Wellington, 1990) 157. The Law Commission restricted its recommendation to when registration was not sought in good faith or when a name should not initially have been registered. The reference to good faith was, however, dropped in law reform process.

finally enacted gives the Registrar a new power to direct a company to change its name and select a new name,²¹² however it is limited to situations where the Registrar believes on reasonable grounds that the name should not have initially been reserved.

3 *The corresponding position in Australia*

These changes to the company name regime parallel those introduced in Australia, and have therefore been supported by the Steering Committee of ANZ-CERTA "as a harmonising move which will enhance the common commercial environment."²¹³ Previously, a name was unavailable if it closely resembled a name which was already registered,²¹⁴ however in 1991 the subjective test was removed by the Corporations and Securities Law.²¹⁵ Similarly to the New Zealand position, the responsibility for avoiding confusingly similarity with registered names is placed with the company, and the TPA and passing off have therefore increased in importance. To reduce the possibility of confusion between companies, the concept of the Australian Company Number has been introduced, whereby the number given to a company upon incorporation is required to be used on a company's seal, public documents and negotiable instruments.²¹⁶

4 *Assessing the reform*

In *Sika (NZ) Ltd*,²¹⁷ Tompkins J stated that the role of the Registrar under the 1955 Act concerned the "effective administration of the Act" and was therefore "an administrative rather than a judicial or quasi-judicial function." This view may however be contrasted to that held by those involved in the law reform process. The Department of Justice was of the opinion that the Registrar "in effect determines property rights in the use of company names",²¹⁸ presumably referring to the way that conferring exclusive rights of registration may then enable one company to build up goodwill in a name through use. The Department of Justice

²¹² Section 24(2). Previously, if a change of name direction was not complied with, the Registrar could only prosecute to enforce; see A Beck, P Foley, D Goddard, D Jones, and M McDonald (eds) *Morison's Company and Securities Law* (Butterworths, Wellington, 1994) C305.

²¹³ Steering Committee of Officials *The Harmonisation of Australian and New Zealand Business Law: Closer Economic Relations Trade Agreement - Report to Governments* (July, 1992) 6.

²¹⁴ Section 38 of the Companies Act 1981.

²¹⁵ Pursuant to s 367, the three circumstances when a name is unavailable are 1) when it is already reserved or registered 2) when it is a name which appears on the national business names register 3) when the name is one which has been declared by the regulations to be unacceptable for registration. For a discussion of the reforms, see R Webb "Names" in R P Austin, H A J Ford, A B Greenwood, A G Hartnell, P G Hely, J R F Lehane, Justice B H McPherson and J B Shanahan (eds) *Australian Corporation Law: Principles and Practice - Vol 2* (Butterworths, Sydney, 1991) 42-101.

²¹⁶ Section 219. Section 372 provides that the company name may comprise its number, in which case its name need not be reserved (s 120(2)). See generally J Story *An Overview of Australian Company Law and Practice* (New Zealand Law Society Seminar, 1991) 14.

²¹⁷ *Sika (NZ) Ltd v Sika Technology Ltd* (1991) 5 NZCLC 96-470, 67-156.

²¹⁸ Above n 188, 4.

then submitted that similar names should be excluded from the Registrar's discretion. While recognising the potentially increased costs for parties that could result, it was argued that the cost argument is outweighed by the inappropriateness of allowing the Registrar to continue with the "judicial role".²¹⁹

A company name can now be reserved within 24 hours, and so from the perspective of reducing the delays of incorporation the reforms of the 1993 Act must be seen as a success. Furthermore, from a harmonisation perspective, the system has the advantage of being substantially aligned to the Australian system. However, from a cost perspective, a more favourable regime for companies would be that initially recommended by the Law Commission in 1989 which incorporated a right to object to registered names on the basis of undesirability. It would recognise the importance of minimising administrative delay by only refusing identical names at the initial registration stage. However it would also give companies a cost effective method of resolving disputes with other companies, and by relying on objections after registration, less strain would be placed on official resources than under the 1955 system.

The Law Commission's recommendation for the residual right of objection was based on the conclusion that "there is a substantial demand for and a public interest in name protection and in avoiding names that are confusing or otherwise undesirable".²²⁰ A system incorporating the right of objection would not only benefit the companies, but also would benefit consumers in the same way that they benefit through the actions brought by "ethical traders" under the FTA. The pre-existing case law under the 1955 Act could provide the basis for decisions, and would ensure that important principles, such as those relating to descriptive names and the relative fields of activity, would continue to apply. Continued consistency with the general law could be ensured by including an appeal process to the High Court.

A system similar to the regime thus envisaged operates in the United Kingdom, where the removal of the subjective test has been tempered by a system allowing companies to object to names once registered.²²¹ A company cannot be registered by a name which is the *same* as a name appearing in the registrar's index of company names.²²² Yet for 12 months after incorporation,²²³ the Secretary of State can order a company to change its name if the name is

²¹⁹ Above n 189.

²²⁰ Law Commission (1989), above n 200, 87.

²²¹ Previously, no company could register a name which was "undesirable"; s 17 of the Companies Act 1948. The Registrar usually made a search of the Register and the Trade Marks Register, and refused to consent if there was likely to be confusion. The subjective test was removed by s 22 of the Companies Act 1981, due to delays in name approval and the policy of reducing public expenditure. See J H Farrar, N E Furey and B M Hannigan *Farrar's Company Law* (3ed, Butterworths, London, 1991).

²²² Section 26(1)(c) of the Companies Act 1985 (UK). Guidelines as to whether one name is the same as another are contained in s 26(3).

²²³ The 12 month period is inclusive of the time taken by the secretary to come to a decision; above n 172, 410.

the same as, or in the opinion of the Secretary of State *too like*, a name on the index of names - a power usually exercised in response to an objection.²²⁴

It is, however, acknowledged that introducing a residual system of objection is highly unlikely, given the policy of separating company names from other issues in name protection such as trade mark infringement and prior rights built up by use. Instead, the company name regime is viewed purely as a means of identifying the legal entities incorporated. The official responsibility for protecting both companies and consumers from the negative consequences of confusingly similar names has been eschewed, limiting the obligation of the Companies Office to avoiding identical or almost identical names. Any consumer deception or disputes over the right to use a company name are left for the relevant parties to remedy in court, as was demonstrated by *Magellan*.²²⁵

D Business Names Protection

1 Present position in New Zealand

While the protection of company names has decreased under the 1993 Act, there is, as a minimum, the assurance that a name which is identical or almost identical to a registered company name will not be accepted for reservation. The Register also serves the important public function of making company information available to the public. However, in New Zealand there is no equivalent register for names used by non-incorporated business entities. As a result, there is a large group of names used in trade and with rights enforceable in court, which can only be found through informal means such as trade journals or telephone directories. The issue therefore arises as to whether a register should be introduced for non-incorporated entities (and companies trading under names which differ from their registered names), as a means of providing a complete register of prior rights in conjunction with the Companies Register and the TMA.

2 Australian model

In Australia, the 'uniform' business names registers²²⁶ at State (or Territory) level prohibit a person carrying on business in a State (or Territory) unless the business name consists of the

²²⁴ Section 28(2). Relevant considerations to the issue of whether two names are "too alike" include the geographical area of a business conducted by the companies, any evidence of confusion between them, and a visual and phonetic examination of the names to assess the likelihood of public confusion. See Mosawi, above n 172, 410. If a company does not comply with the direction, it is liable on summary conviction to a fine, and on conviction after continued contravention, to a daily default fine (s28(5)).

²²⁵ Above n 28.

²²⁶ See Business Names Ordinance 1963 (A.C.T.); Business Names Act 1962 (Victoria); Business Names Act 1962 (Qld); Business Names Act 1963 (S.A.); Business Names Act 1962 (W.A.); Business Names Act 1962 (Tas.). As a matter of convenience, this paper will refer to the provisions of the Business Names Act 1962 (NSW) ("BNA").

name of that person without any addition; if a company carries on business under the company's name; or if the business name is registered under the Act.²²⁷ The main object of the uniform legislation is to protect the public by identifying those not carrying on business under their own name,²²⁸ and thereafter regulating the use and disclosure of the business name.²²⁹

A subsidiary consideration is to avoid public confusion by disallowing the registration of identical or deceptively similar names, and in this way there is a minimum level of protection through registration of a name.²³⁰ Similarly to company name reservation, however, rights granted are incidental. Moreover, registration cannot be used as a defence to a passing off action,²³¹ an action pursuant to s 52 of the TPA²³² or immunity against an action for infringement of a registered trade mark.²³³ The only effect of registration, then, is that the registrant does not commit an offence against the relevant legislation if it carries on business under the name.²³⁴

3 *Should New Zealand adopt a business names register?*

Establishing a business names register would not require any substantive change to New Zealand's intellectual property law, as the rights conferred under a register would be both minimal and incidental. It would, however, provide both a source of information for consumers, and a simplified and potentially low risk means for prospective businesses and companies to select a name by providing a cross-searching registration facility. As a result of the abolition of the business names register in England in 1981,²³⁵ it has been noted that selecting a new business name "is a more hazardous procedure than it used to be".²³⁶

A business names register could provide exclusive rights to the registration of the name or an almost identical name. The benefits to traders would also be enhanced if a system incorporated a right of objection to continued registration of a name on the basis of confusing similarity, for

²²⁷ Section 5 of the Business Names Act 1962 (NSW).

²²⁸ Above n 5, 3.

²²⁹ Section 20 of the BNA regulates the use and exhibition of business names.

²³⁰ Webb, above n 215, 42-106.

²³¹ *Franconi Holdings Pty Ltd v Gunning* (1982) 1 SR 341 (WA).

²³² *Aspar Autobarn Cooperative Society Ltd v Dovala Pty Ltd* (1986) ATPR 40-727, 47-939.

²³³ See for example *B M Auto Sales Pty Ltd v Budget Rent-A-Car Systems Pty Ltd* (1977) 51 ALJR 254.

²³⁴ See for example *Nauru Local Government Council v Australian Shipping Officer's Association* (1978) ATPR 40-087.

²³⁵ The register, established by the Registration of Business Names Act 1916, was abolished by the Companies Act 1981 and replaced with the consumer oriented Business Names Act 1985 which merely regulates the display of business names and the supply of information to customers or suppliers.

²³⁶ A J Boyle (ed) *Gore-Brown on Companies* (44ed, Jordan & Son Ltd, Bristol, 1991) 2.005. The fact that a business name is the same as, or similar to, another business name will not be an infringement of s 2 of the Business Names Act 1985.

the reasons discussed in relation to the companies regime. Another consideration is that if there is a move towards greater ease of company registration between New Zealand and Australia, business names legislation may have to be considered as a harmonising move given that in Australia the companies register is cross-referenced with the business names register.²³⁷

The Consultative Committee examining tax simplification in New Zealand has suggested that the government evaluate the use of a business names register, taking into account the tax simplification advantages.²³⁸ This was based on the view that in seeking name protection, many taxpayers have registered companies because there is no business names register, therefore facing unnecessary compliance costs.²³⁹ The Committee's conclusion on this point should be treated warily, given the level of misconception about the effect of company name reservation. It is unclear whether the taxpayers chose to form companies out of a mistaken belief that company name reservation gave greater rights than would in fact be gained, and whether they would choose to take on the extra administrative burden if the extent of the rights were fully known. However if the Registrar's discretion under the 1955 was seen as an incentive, the report is clearly of less relevance since the 1993 Act. If a system allowing the Registrar to make cessation notices for undesirable names was to be adopted under the 1993 Act, the report would then have more weight, as the incorporated form would again be of some advantage in relation to name protection.

The Ministry of Commerce has focused on the NSW business names register as a possible model for New Zealand,²⁴⁰ but concluded that the disadvantages of a separate business names register would outweigh the advantages. It was considered that the present cumulative regime of name protection is adequate,²⁴¹ and potential users of business names are able to "adequately locate existing business names through existing sources" such as trade journals. These conclusions were reinforced in 1994.²⁴²

Among the disadvantages cited by the Ministry is the potential for abuse through the hoarding or pirating of names. This problem can result from a 'first in first served' basis of registration,

²³⁷ Story, above n 216, 17. Whenever a new company name is sought to be reserved, the Australian Securities Commission has regard to both existing company names and the National Business Names Register to determine name availability. See Webb, above n 215, 42-106. The Steering Committee noted that if a simplified registration system between New Zealand and Australia was established, then the effect of the business names legislation would need to be considered, although at this stage it is not proposed to have a common name registration system; above n 213.

²³⁸ Tax Simplification Consultative Committee *Final Report of the Consultative Committee* (September, 1990) 103.

²³⁹ See also New Zealand Law Commission (1987), above n 200, 17.

²⁴⁰ Above n 1, 218. See also Ministry of Commerce (1992), above n 174.

²⁴¹ Ministry of Commerce (1992), above n 174, 56.

²⁴² Ministry of Commerce *Intellectual Property Law Reform Bill - Maori Consultation Paper* (Ministry of Commerce, Wellington, 1994) 37.

with no account taken of prior use of the name or trade mark registration.²⁴³ It was as a result of these problems that the United Kingdom abolished their business names register.²⁴⁴ Recommendations were also made in Australia to follow the United Kingdom's example in abolishing the system of business names registration, with new legislation to cover disclosure requirements for businesses.²⁴⁵ Following public opposition, the system was not abolished.²⁴⁶

Presently, some protection from piracy in New Zealand derives from the fact that company registration does not prevent another non-incorporated entity using the name, and also another company can use the name in trade as long as they use their registered name as required by the Act. There would be an increased potential for hoarding if a business names register was cross-referenced with the Companies Register, as all trading names would have to be registered, and they could not be identical or almost identical to a name on either register.

Despite this concern, the problem of hoarding is not an insurmountable barrier to establishing a business names register in New Zealand. Limiting the Registrar's discretion to refuse the registration of names which are identical to those on both the Companies Register and the business names register would minimise the problem, as the victims of pirates or hoarders would still have the option of registering a similar name.²⁴⁷ Any residual concerns could be addressed by, for example, imposing a condition of good faith registration or providing that an application could be made to expunge the name after a period of non-use or if bad faith is demonstrated.²⁴⁸ Moreover, it must be remembered that registration does not guarantee rights of use, and the possibility of passing off, FTA or trade mark infringement actions remain if the name is then used in trade.

Another factor cited by the Ministry as militating against the establishment of a register was the difficulty of preventing the perception that a register implied proprietary rights to the name, or rights of exclusive use.²⁴⁹ This consideration is not a persuasive argument for rejecting a

²⁴³ Ricketson, above n 89, 805; citing the Industrial Property Advisory Committee *Report on the Registration of Service Marks under the Trade Marks Act 1955 and the Protection of Company and Business Names* (1981) 15 ("IPAC report").

²⁴⁴ Above n 1, 221. See also above n 241.

²⁴⁵ Ricketson, above n 243, 806. A Task Force set up to review the NSW register also recommended that it be abolished; see NSW Corporate Affairs Commission *Discussion Paper: Proposed Deregulation of Business Names Legislation*; cited in H H Ednie, H A J Ford and W E Paterson (eds) *Butterworths Company Law Bulletin no 5* (Butterworths, North Ryde, 1986) 84.

²⁴⁶ See for example R Webb *Butterworths Company Law Bulletin No 13* (Butterworths, North Ryde, 1989) 192.

²⁴⁷ When considering the problem of hoarding, the IPAC report argued that allowing similar names to be registered would enable those with legitimate claims to register a name similar to their own, thus lessening the problem. Above n 243.

²⁴⁸ The IPAC report concluded that one option to overcome the problem of hoarding was to improve the opposition procedures for business and company registers; above n 243.

²⁴⁹ Above n 241.

register, given that there are misconceptions about company name reservation, and it is not suggested that the company names register be abolished. Rather than being a matter which itself overrides the benefits of an index, the danger of creating misconceptions is a matter to be considered when implementing the new regime and explaining to the users the rights and obligations created thereunder.

More persuasive, however, are the administrative costs involved in establishing and maintaining a register, and keeping it free from unused marks. If a system incorporated a right of objection to similar names or names registered in bad faith, these costs would increase. There would also be a significant problem with enforcing compliance. While company name reservation is an initial step in the statutory process of incorporation, a business names register would have to rely on a system whereby penalties were imposed for non-registration. A register could only be useful if full compliance could be guaranteed, as partial compliance would defeat the aim of establishing a complete register of rights. The effectiveness of a system enforcing compliance would therefore be crucial.

One option to deal with the problem of non-registration would be to remove the existing prior rights of the businesses and companies which do not register their trading name. This option would, however, be undesirable, as the fundamental right to protect a name in court could be removed as a result of ignorance of the system and its implications upon non-registration. The Mathys Committee in the United Kingdom examined this issue when considering whether there should be an 'official list of unregistered trade marks'²⁵⁰ to facilitate the selection of new marks. The Committee recommended against such a register, as any practical procedure for encouraging or forcing inclusion on such as list would "be at the expense of those very benefits which all concerned wish to retain",²⁵¹ and there was no convincing reason for "detracting from this right of redress to compel the users of unregistered trade marks to enter those marks on a list." Similarly it may be argued that the importance of the right to bring actions for protecting business names, and especially those not registered as trade marks, is such that the potential removal of the rights as a means of negatively enforcing compliance of a register cannot be justified.

A second option would be to adopt a penalty system based on the NSW scheme whereby fines are imposed for non-compliance.²⁵² These fines could be justified on the basis of consumer protection and as an attempt to achieve full compliance which ultimately benefits the business community. It would still be very difficult to achieve full compliance by a system which relies on negative motivation for registration in contrast, for example, to the companies regime where companies can only be incorporated once a name has been reserved. Further, if complete compliance is a goal, then the resources required to police such a system in contrast

²⁵⁰ Above n 134, 35.

²⁵¹ Above n 134, 36.

²⁵² Carrying on business under an unregistered business name could incur a fine of A\$200 under the BNA, but the Business Names (Amendment) Act 1989 increased the amount to A\$5,000.

to the system of company incorporation may be considerable.

4 Conclusion

Ultimately, the problems of maintaining a register and enforcing compliance may lead to the conclusion that while the absence of a complete register of rights creates a risk for commercial entities when they adopt a name, the present risk does not arguably justify the administrative burden. As the Mathys Committed has observed in relation to trade marks,

...many businesses find circumstances arise which call for relatively quick action and so they take what precautionary steps they can and then go ahead accepting an element of risk; ...we can only assume that in the majority of cases they find the risk was justified and the limited precautionary steps adequate.

It has already been discussed how the Companies Act 1993 places an increased risk on those registering a name, which has resulted from the policy decision to reduce the discretion of the Registrar and the resources spent by the Companies Office. In light of this, it is not surprising that the Ministry of Commerce has concluded that the risk of adopting names is something that must be borne in the wider interests of economic and administrative expediency. Indeed, the problems of enforcing compliance and keeping the register free from unused marks are significant. However, it is submitted that the Ministry of Commerce was too quick to dismiss the option, focusing on the administrative difficulties and the potential problem of hoarding without examining possible solutions. Given the benefits of a register to potential traders, existing businesses, and consumers, it is submitted that the implementation of a register in New Zealand deserves further examination.

V CONCLUSION

This paper began with the proposition that words, as part of a wider conception of a 'common heritage', are excluded from the limited monopoly protection of copyright. However, separate policy imperatives have led to the protection of the exclusivity of commercial names under the cumulative and overlapping heads of passing off, s 9 and the TMA. While each provides an avenue for name protection and on that level serve the same general purpose, each confers protection on closely defined terms, and so they are also potentially in conflict.

As a result of the differing policy priorities of s 9 and passing off, actual and potential conflicts have arisen in the substantive law and its future development. This was demonstrated by discussing the implications of s 9 for the areas of concurrent use, the 'own name' defence, and for the development of passing off in the areas of spill-over reputation and pre-launch publicity. Secondly, while there is no conceptual conflict between the trade mark registration system and the prior rights accumulated through reputation or goodwill, the cumulative

operation of the heads of protection has created the situation whereby names may be protected through litigation although they do not meet the TMA's threshold of protection; and litigation may provide protection where none is available through infringement actions. This overlap was discussed with reference to the protection of descriptive and geographic words; and the ability of s 9 and passing off to extend protection to marks in circumstances where identical or similar marks are used on similar or dissimilar goods or services.

In each Part it was considered whether the present framework of the cumulative legal avenues should be reformed in order to solve the conflicts, yet it was concluded that it is preferable to maintain the current framework. Reform is only desirable if it is able to solve more problems than it creates, and in both Parts it was concluded that a generalised protective head could not.

Firstly it was considered whether a general tort of misappropriation should be adopted in place of both passing off and s 9. This could potentially remove the need for judges to employ artificial reasoning to ostensibly maintain the boundaries of each action while implicitly implementing a conflicting policy objective. However it was concluded that in the area of business name protection an 'umbrella' tort would simply transfer the same issues to another framework, and as the scope of protection available under passing off and s 9 is adequate, the imposition of an overarching tort of uncertain scope is not sufficiently justified.

In circumstances such as concurrent use where the differing policy priorities directly conflict, some uncertainty is preferable to attempts to impose a fixed hierarchy of policy priorities as a guide to the implementation of the actions. This would negate judicial flexibility in meeting the justice of the case. In the areas of spill-over reputation and pre-launch publicity, however, it is argued that reform of passing off is desirable by removing its artificial requirement of customer connection, and thus aligning the thresholds of the actions in these areas. A more honest recognition should be made by the New Zealand courts that the underlying purpose of passing off is to protect traders against misrepresentations resulting in consumer deception. This may become inevitable as s 9 places pressure on passing off either to 'move with the times' in line with commercial expectations, or become obsolete.

In Part III it was then concluded that an attempt to rationalise the whole area of business and company name protection by implementing a single proprietary register would be fraught with conceptual and practical difficulties. Moreover, the proposed trade mark reforms will have the effect of aligning the thresholds of protection to a greater extent by removing the requirement that a mark be inherently distinctive before it can be registered. While s 9 and passing off may be seen as threatening the carefully established boundaries of protection thereafter conferred by the TMA, at a practical level passing off and s 9 perform a supplementary role, and thus enhance the protection available to commercial entities. This interaction has been implicitly endorsed by the Ministry of Commerce, as the proposed reforms acknowledge the ability of passing off and s 9 to provide flexibility and wider scope than the TMA.

While it is therefore concluded that the practical operation of the cumulative heads of protection does not demand change on a broad level, two recommendations are made to enhance the practical operation of the cumulative system of protection. Firstly, it is argued that a system be implemented within the 1993 Act whereby companies can object to a name at the post-registration stage on the basis of undesirability. The speed of incorporation would not thereby be compromised, and while a functional overlap with passing off and s 9 would be reintroduced, it would serve only to pre-empt litigation which may otherwise result. Companies would benefit by having a cost-effective means of resolving disputes at the administrative level, and consumers would also benefit.

Secondly, it is submitted that the option of establishing a business names index was too readily dismissed by the Ministry of Commerce. A result of the cumulative approach to name protection is that a trader contemplating a new name has no complete or simplified register of prior rights to consult, and while there are indeed significant administrative problems to be addressed, a register has the potential to enhance the system from the perspective of both commercial entities and the consuming public. Furthermore, if greater harmonisation between New Zealand and Australia in the area of company registration is considered, a business names register may have to be reassessed.

Company names have been divorced from other prior rights to names, functioning under the 1993 Act simply to ensure the identification of companies for the purposes of the Act. Underpinned by the policy of fiscal restraint, the reform indicates that both these recommendations conflict with the current governmental policy. Yet if the goal of enhancing the practical operation of the present system of name protection is instead prioritised, the two areas indicated should be revisited.

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