

CADBURY LTD v EFFEM FOODS LTD

Court of Appeal (CA274/05)
William Young P, Glazebrook, Ellen France JJ

16 May; 20 July 2007

Intellectual property — Creation of interests — Marks and names — Application to register the word “PURPLE” as a trade mark — Registration opposed — Assistant Commissioner of Trade Marks held “PURPLE” was eligible for registration — Assistant Commissioner’s decision overturned in High Court — Appeal against High Court decision — Trade Marks Act 1953, ss 2, 8(2), 9(1), 14, 14(1), 14(1)(a), 14(1)(d), 14(1)(e), 14(2), 14(3), 15, 15(2), 16; Trade Marks Act 2002, ss 89(1), 89(2), 95.

The appellant company, Cadbury, applied to register the word “PURPLE” as a trade mark for a number of goods, such as chocolate, chocolates, non-medicated confectionery etc, in Class 30. None of these goods were coloured purple. Though the appellant intended to use the word “PURPLE” on all goods in Class 30, it accepted that it would only have a monopoly on the trade mark if the goods on which it was used, including the packaging, were not coloured purple.

The respondent opposed the registration on the grounds that PURPLE was not a trade mark within s 2 Trade Marks Act 1953 (“TMA”), and that it was not eligible for registration under ss 14 or 15 TMA. On 7 September 2004, the Assistant Commissioner of Trade Marks held that purple was eligible for registration. This decision was overturned in the High Court by MacKenzie J (see *Effem Foods Ltd v Cadbury Ltd* 12/12/05, MacKenzie J, HC Wellington CIV-2004-485-002127).

Cadbury appealed against the High Court decision. The issues on appeal were: (i) does the word “PURPLE” have a direct reference to the character and quality of the goods?; (ii) if not, is there a separate requirement of distinctiveness?; (iii) does the word “PURPLE” meet the distinctiveness criterion?, and; (iv) is the exclusion of goods coloured purple allowable?

Held, (1) under s 14(1) TMA in order for a trade mark to be registrable in Part A of the Register, it must possess at least one of five characteristics. Under s 14(1)(d) a “word or words having no direct reference to the character or quality of the goods [or services], and not being according to its ordinary signification a geographical name or a surname” was not registrable. The appellant’s submission that the word PURPLE had no direct reference to the character or quality of the goods in the specification was correct if the exclusion could be taken to have excluded all goods that might be seen as being purple. This, however, was not the case. People’s perceptions of colour differed. The question might well be asked, as the respondent pointed out, whether the word PURPLE was apt to describe lilac, lavender, mauve or violet goods. There was also the issue of how much purple

there had to be in the goods, or on the packaging before goods could be described as being purple and thus come within the exclusion. Unless the use of any purple (as the colour might be perceived by an ordinary person), either in the goods or on the packaging, meant that they were excluded from the scope of the registration, the word PURPLE could be descriptive of some of the goods coming within the registration. The word PURPLE did not meet the criteria set out in s 14(1)(d) TMA. It had a direct reference to the character of at least some of the goods within the specification, even if the exclusion of goods coloured purple was valid. (paras 6, 10, 11)

(2) For a trade mark to be registrable it must be distinctive. It is not sufficient merely that it meet the s 14(1)(d) TMA requirement. Often a finding that the proposed trade mark meets the s 14(1)(d) criteria will mean that it is distinctive. Though distinctiveness is always required, where a case falls into one of the categories in s 14(1), the requirement of distinctiveness will “in the normal case” be satisfied without the need to show more. That does not mean, however, that the distinctiveness inquiry can be dispensed with. Nor does it mean that the inquiry is a single, composite one. While the question of the lack of direct reference will be relevant to the distinctiveness inquiry, it remains a separate inquiry and one that must be made. (para 16)

Elvis Presley Trade Marks [1999] RPC 567; (1999) 22(5) IPD 22050 referred to

(3) The word “PURPLE” was in most cases inherently descriptive and connoted the colour purple. Goods in the same market as the goods for which registration was sought were commonly coloured purple. Traders would be inhibited in using the word purple in relation to those goods. The word was thus not inherently adapted to distinguish the appellant’s goods from those of any other trader, although it could become distinctive by use. This was not to suggest that this would always be the case. There would be cases where colour does not serve any utilitarian, ornamental, or economic function or where the colour is an “out of left field choice”. (para 27)

(4) The test of distinctiveness is wider than merely whether use of the mark would lead to successful infringement proceedings. This means that a narrow view restricting the inquiry to the actual goods in relation to which registration is sought would be inappropriate, despite the terms of s 14(2) TMA. Section 14(2) may define distinctiveness for the purposes of s 14(1)(e), but it does not define it for the purpose of the extra-statutory requirement of distinctiveness under the other paragraphs of s 14(1). (para 28)

(5) It was legitimate for the High Court to have regard to consumer reaction. If consumer confusion was likely, then this would, in all likelihood, inhibit traders in their use of the word. The confusion of consumers would be exacerbated by the fact that Cadbury intended to use the word PURPLE on all goods in Class 30 and not merely on those which were not coloured purple.(paras 32, 33)

(6) An exclusion based on the particular characteristics of goods or services covered by any registration, as against the types of goods or services, would, in most cases, be too uncertain as to scope to be allowable. (para 40)

Cases referred to

Advantage Group Ltd v Advantage Computers Ltd [2002] 3 NZLR 741 (CA)
Blue Paraffin Trade Mark [1976] FSR 29; [1977] RPC 473

Colorcoat Trade Mark [1990] RPC 511
Croom's Trade Mark Application [2005] RPC 2
Cycling is . . . Trade Mark [2002] RPC 37
Elvis Presley Trade Marks [1999] RPC 567; (1999) 22(5) IPD 22050
Fanfold Ltd, Re (1928) 45 RPC 325
Ford Werke AG's Application (1955) 72 RPC 191
Frucor Beverages Ltd v Commissioner of Trade Marks [2001] 1 NZLR 362
Koninklijke KPN Nederland NV v Benelux-Merkenbureau [2006] Ch 1; [2005] 3 WLR 649; [2005] All ER (EC) 19
McCain Foods (Aust) Pty Ltd v Conagra Inc [2002] 3 NZLR 40 (CA)
Monogram Trade Mark [1968] FSR 126; [1968] RPC 246
Registrar of Trade Marks Appellant v W & G du Cros Ltd [1913] AC 624; (1913) 30 RPC 660 (HL)
SVM Asset Management Ltd v Merlin Biosciences Ltd, 17/2/05, Richard Arnold QC, UK Hearings Office Case O-043-05

Appeal

This was an appeal against a High Court decision which overturned a decision of the Assistant Commissioner of Trade Marks, who held that the word "PURPLE" was eligible for registration as a trade mark.

C Elliott, R Wallis, and K Duckworth for appellant
J G Miles QC and B M Sullivan for respondent

The judgment of the Court was delivered by

GLAZEBROOK J (reserved):

Introduction

[1] Cadbury has applied to register as a trade mark the word PURPLE. The application covers the following goods in Class 30:

Chocolate, chocolates, non-medicated confectionery, biscuits, wafers, cakes, snackfood, preparations made from cereal; ice cream, ices, frozen confections; *none of the foregoing goods being coloured purple* (emphasis added)

[2] Cadbury intends to use the word "PURPLE" on all goods in Class 30 but accepts that it will only have a monopoly on the mark if the goods on which it is used (including the packaging) are not coloured purple.

[3] Effem opposes the registration on the basis that PURPLE is not a trade mark within s 2 of the Trade Marks Act 1953 ("TMA") and that it is not eligible for registration under ss 14 or 15 of the TMA.

[4] On 7 September 2004, the Assistant Commissioner of Trade Marks held that PURPLE is eligible for registration: *Trade Mark Application No 642574 T19/2004*. MacKenzie J overturned that decision on 12 December 2005: *Effem Foods Ltd v Cadbury Ltd* 12/12/05, MacKenzie J, HC Wellington CIV-2004-485-002127. Cadbury appeals against MacKenzie J's decision.

[5] The issues that arise in this appeal are:

- (a) Does the word PURPLE have a direct reference to the character and quality of the goods?
- (b) If not, is there a separate requirement of distinctiveness?
- (c) Does the word PURPLE meet the distinctiveness criterion?
- (d) Is the exclusion of goods coloured purple allowable?

Does the word PURPLE have a direct reference to the character and quality of the goods?

[6] Section 14(1) of the TMA provides that, in order for a trade mark to be registrable in Part A of the Register, it must possess at least one of five characteristics. Paragraphs (a)-(c) are not relevant in this case. Paragraphs (d) and (e) provide as follows:

- (d) A word or words having no direct reference to the character or quality of the goods [or services], and not being according to its ordinary signification a geographical name or a surname:
- (e) Any other distinctive [sign], but a name, signature, or word or words, other than such as fall within the descriptions in the foregoing paragraphs (a), (b), (c) and (d), shall not be registrable under the provisions of this paragraph except upon evidence of its distinctiveness.

[7] MacKenzie J considered that the word PURPLE raised the connotation of the colour purple. There are goods in Class 30 that might be described as purple or that contain purple elements or that are packaged in purple packaging in whole or in part. Thus, in his view, without the exclusion of goods coloured purple, the word PURPLE would potentially be a direct reference to goods in the relevant class.

[8] MacKenzie J left open the question of whether “the goods” as described in s 14(1)(d) include the excluded goods (ie those coloured purple). He was prepared to assume, for the purposes of the judgment, that the word PURPLE has no direct reference to the character and quality of the goods and therefore that it met the criteria set out in s 14(1)(d) of the TMA. MacKenzie J also left open the question of whether the mark PURPLE might be deceptive in terms of s 16 of the TMA. We also make no comment on the s 16 issue as it was not before us in this appeal.

[9] Cadbury’s argument in relation to s 14(1)(d) is simple. It says that the word PURPLE has no direct reference to the character and quality of the goods. In its submission, the question can only be answered with regard to the goods for which registration is sought. Those goods do not include purple goods or, Cadbury accepts, goods in purple packaging. The word PURPLE cannot be descriptive of goods that are not coloured purple, or packaged in purple. It therefore has no direct reference to the character and quality of the goods.

[10] Cadbury’s submission that the word PURPLE has no direct reference to the character or quality of the goods in the specification is correct if the exclusion can be taken to have excluded all goods that might be seen as being purple. We do not think that is the case, however. People’s perceptions of colour differ. The question might well be asked, as Effem points out, whether the word PURPLE is apt to describe lilac, lavender, mauve or violet goods. There is also the issue of how much purple there has to be in the goods or on the packaging before goods can be described as being purple and thus come within the exclusion. Unless the use of any

purple (as the colour may be perceived by an ordinary person), either in the goods or on the packaging, means that they are excluded from the scope of the registration, the word PURPLE could be descriptive of some of the goods coming within the registration.

[11] For the above reasons, we do not consider that the word PURPLE meets the criteria set out in s 14(1)(d). It has a direct reference to the character of at least some of the goods within the specification, even if the exclusion of goods coloured purple is valid — see discussion below at paras 36-40. Our conclusion on s 14(1)(d) determines the appeal as it is accepted that s 14(1)(e) does not apply.

[12] For completeness, however, given they were fully argued before us, the other issues set out at para 5(b)-(d) are discussed below.

Is there a separate requirement of distinctiveness?

[13] MacKenzie J held that it is not enough for a proposed trade mark to have no direct reference to the character or quality of the goods or services. It is also necessary for the mark to have the character of distinctiveness. This means that it must be adapted, in relation to the goods in respect of which it is to be registered, to distinguish the goods of the proprietor from the goods of others. MacKenzie J referred, as authority for that proposition, to White T and Jacob R, *Kerly's Law of Trade Marks and Trade Names* (12th ed), London, Sweet & Maxwell, 1986, at para 8-06, *Re Fanfold Ltd* (1928) 45 RPC 325, at p 332 and *Monogram Trade Mark* [1968] RPC 246, at p 250. He also considered this to be clear from the legislative scheme, including the definition of trade mark in s 2 and the heading to s 14 of the TMA (which is “Distinctiveness requisite for registration in Part A”).

[14] Cadbury submits that the law is less clear than the Judge postulated. In its submission, the principle is as stated by Robert Walker LJ in *Elvis Presley Trade Marks* [1999] RPC 567, at p 574. In Cadbury's submission, this case is authority for the proposition that, where any of the paras (a)-(d) in s 14(1) are satisfied, then the distinctiveness requirement will usually be satisfied without the need to show more. Cadbury submits that there is a link between direct reference (to character and quality) and distinctiveness, such that they form a single composite question. A mark that makes direct reference will not be distinctive. Where a mark has no direct reference to the goods, that is likely to be determinative, apart from exceptional cases. Such exceptional cases will normally arise under s 14(1)(a) where the name of a company, individual or firm is at issue, such as in *Fanfold or Monogram*.

[15] Effem submits that the position is clear, both in New Zealand and the UK. To be registrable a trade mark must, as well as meeting the s 14(1)(d) criteria, meet the distinctiveness requirement. For this proposition, it refers, in addition to the authorities set out by MacKenzie J, to Brown A and A Grant, *The Law of Intellectual Property in New Zealand*, Wellington, Butterworths, 1989, at para 2.20, *Frucor Beverages Ltd v Commissioner of Trade Marks* [2001] 1 NZLR 362, at paras 22-26, and *Advantage Group Ltd v Advantage Computers Ltd* [2002] 3 NZLR 741 (CA), at para 10. In its submission, there is nothing in *Elvis Presley* to detract from this position.

[16] In our view, the difference between the position of Cadbury and Effem is slight. Cadbury accepts, as it must given the authorities, that to be registrable a trade mark must be distinctive. It is not sufficient merely that it meets the

s 14(1)(d) requirement. It is true that often a finding that the proposed trade mark meets the s 14(1)(d) criteria will mean that it is distinctive. Robert Walker LJ stated in *Elvis Presley* at p 574, that distinctiveness is always required, but where a case falls into one of the categories in s 9(1) (the equivalent to s 14(1)), the requirement of distinctiveness will “in the normal case” be satisfied without the need to show more. That does not mean, however, that the distinctiveness inquiry can be dispensed with. Nor does it mean that the inquiry is a single, composite one. While the question of the lack of direct reference will be relevant to the distinctiveness inquiry, it remains a separate inquiry and one that must be made. We do not read Robert Walker LJ’s comments in *Elvis Presley* (nor the judgments of Morritt and Simon Brown LJ in that case) as suggesting anything different.

Does the word PURPLE meet the distinctiveness criterion?

[17] Section 14(2) provides a definition of distinctiveness. Section 14(3) sets out two factors which the Commissioner or the Court may consider in assessing whether a trade mark is adapted to distinguish. They provide as follows:

- (2) For the purposes of this section *distinctive* means adapted, in relation to the goods [or services] in respect of which a trade mark is registered or proposed to be registered, to distinguish goods [or services] with which the proprietor of the trade mark is or may be connected in the course of trade from goods [or services] in the case of which no such connection subsists, either generally or, where the trade mark is registered or proposed to be registered subject to limitations, in relation to use within the extent of the registration.
- (3) In determining whether a trade mark is adapted to distinguish as aforesaid, the Commissioner or the Court may have regard to the extent to which—
 - (a) The trade mark is inherently adapted to distinguish as aforesaid; and
 - (b) By reason of the use of the trade mark or of any other circumstances, the trade mark is in fact adapted to distinguish as aforesaid.

[18] There was no evidence of the use of the trade mark PURPLE. Therefore, to meet the distinctiveness requirement under s 14, it must be inherently adapted to distinguish. The parties are agreed that the appropriate test for distinctiveness is that of Lord Parker in the case of *Registrar of Trade Marks Appellant v W & G du Cros Ltd* [1913] AC 624; (1913) 30 RPC 660 (HL). He said:

In my opinion, in order to determine whether a mark is distinctive it must be considered quite apart from the effects of registration. The question, therefore, is whether the mark itself, if used as a trade mark, is likely to become actually distinctive of the goods of the persons so using it. The applicant for registration in effect says, ‘I intend to use this mark as a trade mark, ie, for the purpose of distinguishing my goods from the goods of other persons,’ and the *Registrar* or the Court has to determine before the mark be admitted to registration whether it is of such a kind that the applicant, quite apart from the effects of registration, is likely or unlikely to attain the object he has in view. The applicants’ chance of success in this respect must, I think, largely depend upon whether other traders are likely, in the ordinary course of their business and without any improper motive, to desire to use the same mark, or some mark nearly resembling it, upon or in connection with their own goods. [PP 634-635; PP 671-672]

[19] MacKenzie J was of the view that the *du Cros* test is not met. He said that there is no suggestion that the goods on which other traders may wish to use the mark must be in all respects identical to, and within the specification for, the goods

covered by the mark. He referred, in this regard, to this Court's decision in *McCain Foods (Aust) Pty Ltd v Conagra Inc* [2002] 3 NZLR 40 (CA), at para 49. He did not consider, therefore, that the only possible legitimate use of the mark to be considered was on non-purple goods.

[20] In MacKenzie J's view, defining the goods which are to be distinguishable by reference to a characteristic which does not alter their inherent nature does not achieve distinctiveness. He considered that those in trade seeking to distinguish the goods in question would not be expected to know that purple ice cream, for example, is to be regarded as a different category of goods from non-purple ice cream. Even if the person had knowledge of the details of the registration, the Judge considered that a degree of mental agility would be needed to understand, after encountering the word purple, that, if the goods are not coloured purple, they will be Cadbury's goods whereas, if they are coloured purple, they could belong to another trader.

[21] Further, if an advertisement was for purple ice cream, it would be impossible to distinguish whether the word purple was used to indicate that it was Cadbury's ice cream without seeing the goods or a coloured picture of the goods. Even then, if the packaging was not purple, it would be necessary to open the container to ascertain if the contents were purple. The Judge considered that the dearth of evidence of the use of the word purple by other traders was beside the point. The question of whether other traders would be likely to use the term was met by the evidence of there being purple goods and purple packaging on the market and the fact that the use of the word purple as descriptive of such goods would be legitimate.

[22] In the Judge's view, to allow the registration of the word PURPLE would in effect be to extend the protection of the mark to purple goods which are expressly excluded from it. MacKenzie J acknowledged that there were other instances where words denoting a colour had been registered but said that he did not find such comparisons helpful. Each case had to be decided on its own facts.

[23] In Cadbury's submission, no other legitimate traders are likely to want to use the word PURPLE on goods that are not purple. This means that Lord Parker's test in *du Cros* is satisfied. Cadbury points to a number of alleged errors in the Judge's analysis. First it says that MacKenzie J erred in equating the word PURPLE with the colour purple. Secondly, he was wrong to take into account goods which are expressly excluded from the specification (ie purple goods) in assessing the distinctiveness question. In its submission, this is contrary to the plain words of s 14(2) and s 8(2) which limit consideration to the goods (subject to any limitations) for which registration is sought — in this case to goods in Class 30 which are not coloured purple. Thirdly, Cadbury submits that MacKenzie J's interpretation of *McCain Foods* is flawed as Gault P's comment at para 49 of the judgment was taken out of context. It is submitted that Gault P was referring to a particular product which implicitly fell within the specification, saying that it was not possible to avoid an objection by saying that the mark was descriptive of one product but not descriptive of another. Cadbury argues that this is confirmed by the statement at para 45 of the case that the Court must take into account "all fair use within the scope of the monopoly sought".

[24] Fourthly, Cadbury submits that the Judge was wrong to look at the position from the point of view of those ignorant of the register. The register is a public

document that can be readily accessed at no cost. It is argued that MacKenzie J's comments were out of step with the fundamental purpose of the Act and the practical way in which the register operates. It is submitted that the correct position is set out in *Cycling is ... Trade Mark* [2002] RPC 37, at para 58 where Geoffrey Hobbs QC stated that the average consumer of goods and services concerned is to be regarded as reasonably well-informed. Fifthly, the Judge was wrong to examine the question from the position of consumers rather than from the perspective of other traders. The test is whether legitimate traders are likely to want to use the trade mark for the goods concerned not whether a consumer viewing the goods in a supermarket will know what goods are and are not covered by the trade mark and whether they can assess what is to be distinguished. Finally, Cadbury submits that the Judge should have taken into account the practice of the Intellectual Property Office of New Zealand ("IPONZ") of allowing the registration of colour marks and the names of colours as word marks.

[25] In reply, Effem submits that the word PURPLE is not inherently adapted to distinguish Cadbury's goods. It could only acquire distinctiveness through use such as was the case in *Blue Paraffin Trade Mark* [1976] FSR 29; [1977] RPC 473. In its submission, the word PURPLE denotes the colour purple and is or may legitimately be used to describe the non-origin attributes of goods. It is in common use. It cannot therefore distinguish the goods of one trader from those of another. In Effem's submission, where a word is descriptive, which the word purple is, a restriction to the specification of goods which excludes goods covered by that description does not necessarily alter the significance of the word and render the word itself distinctive. The word PURPLE must be considered in the context of the relevant market where purple colours are commonly used and where the word purple is likely to be used as a descriptor. There is no separate sub-market for non-purple goods.

[26] Effem further submits that MacKenzie J was correct to consider that other traders may be hindered in how they use the word purple in respect of goods similar to those to which registration applied — ie on purple or partly purple goods in Class 30. In its submission, the distinctiveness inquiry is wider than an inquiry of whether actual infringement proceedings would succeed. Possible defences (such as that any use is as a bona fide description) should not be taken into account when considering whether registration should be allowed. The privilege of monopoly should not be conferred where it might require honest people to look for a defence — see *Colorcoat Trade Mark* [1990] RPC 511, at pp 516-517 Robin Jacob Esq QC, and *McCain Foods* at para 49.

[27] We accept Effem's submissions on the issue. In our view, the word PURPLE is in most cases inherently descriptive and connotes, as MacKenzie J held, the colour purple. Goods in the same market as the goods for which registration is sought are commonly coloured purple. Traders would be inhibited in using the word purple in relation to those goods. The word is thus not inherently adapted to distinguish Cadbury's goods from those of any other trader, although it could become distinctive by use. This is not to suggest that this will always be the case. There will be cases where colour does not serve any utilitarian, ornamental or economic function or where the colour is an "out of left field choice". See the discussion in Davison et al, *Shanahan's Australian Law of Trade Marks and Passing Off* (3rd ed), Sydney, Lawbook Co, 2003, at paras 2.90-2.100, 6.60 and 6.65.

[28] We do not accept Cadbury's criticisms of the Judge's decision. We, like the Judge, are unable to divorce the word PURPLE from the colour purple, despite Cadbury's submission as to other connotations of the word such as royal, imperial and regal. We also consider that the Judge was correct to examine the question of whether other traders would be inhibited in their use of the word PURPLE in relation to goods in the same market as those for which registration is sought. As Effem submits, the test of distinctiveness is wider than merely whether use of the mark would lead to successful infringement proceedings. This means that a narrow view restricting the inquiry to the actual goods in relation to which registration is sought would be inappropriate, despite the terms of s 14(2) of the TMA. Section 14(2) may define distinctiveness for the purposes of s 14(1)(e). It does not define it for the purpose of the extra-statutory requirement of distinctiveness under the other paragraphs of s 14(1).

[29] Arguably, the s 14(2) definition may also be read in light of the extended reach of infringement proceedings under the Trade Marks Act 2002 ("TMA 2002"). While the test for distinctiveness is wider than that of whether infringement proceedings would be successful, it may include a consideration of whether infringement proceedings might be brought. The possibility of infringement proceedings would clearly inhibit other traders in their legitimate use of the word. Under s 89(1) of the TMA 2002, which applies to infringement proceedings after 20 August 2003, the use of the word PURPLE on similar goods to those specified in the registration would constitute infringement (subject to any defences, such as for honest practices under s 95 of the TMA 2002 which, as noted above at para 26, are ignored for these purposes). It is uncertain the extent to which purple goods might be held to be similar to non-purple goods and thus the extent to which the use of PURPLE even on purple goods might constitute infringement. This is particularly the case as there remains a question as to the extent of any exclusion — whether it covers goods coloured lilac for example — see at para 10 above.

[30] In response to Cadbury's third argument, set out at para 23, that the Judge was wrong to see *McCain Foods* as authority for the proposition that the distinctiveness inquiry is not limited solely to the goods within the scope of the monopoly sought, we do not see this as the correct interpretation. Even if the comment at para 49 of that case was taken out of context by the Judge, we consider that the reasoning in the case taken as a whole is compatible with a wider inquiry which includes goods in the same market that are not within the specification.

[31] As to Cadbury's fourth criticism that the Judge was looking at the position from the point of view of those ignorant of the Register, that is in effect what the *du Cros* test requires. Distinctiveness must be assessed setting aside the effects of registration. Although the *Cycling Is* case states that the average consumer is to be regarded as reasonably well-informed, this does not mean that they are to be taken as reasonably informed of the exact contents of the register. This is a logical conclusion as, when a party is objecting to the registration, this is a matter which must be assessed before registration, at a time when there is nothing on the register regarding the trade mark. See also the comment in *Ford Werke AG's Application* (1955) 72 RPC 191:

That such a mark [the letters FK in fancy script form] is not inherently adapted to distinguish was determined long since by the House of Lords in the 'W &G' case

(*W & G Du Cros Ltd's Application* (1913) 30 RPC 660). The two letters in association are not so unusual as to justify the view that to exclude them from the free use by others would not impair the natural mode of reference employed in the conduct of businesses by other persons.

Nor would the position be any different were the Applicants' offer to enter a disclaimer to the exclusive right to the use of these letters to be accepted. Such a disclaimer, while affecting the scope of the monopoly conferred by the registration, could not affect the significance which the mark conveyed to others when used in the course of trade. If it be right to conclude that it is the letters 'F' and 'K' which constitute the feature of the mark which would strike the eye and fix in the recollection, this cannot be affected by what is or is not entered upon the Register housed at the Patent Office. Attention must, therefore, be focussed upon the content of the mark, and not upon the content of the protection sought for the mark. [P 195]

[32] We also consider that it was legitimate for the Judge to have had regard to the reaction of consumers. The *du Cros* test is whether other traders would be inhibited in their legitimate use of the word PURPLE. However, if consumer confusion is likely, then this will, in all likelihood, inhibit traders in their use of the word. We refer to Kitchen D, *Kerly's Law of Trade Marks and Trade Names* (14th ed), London, Sweet & Maxwell, 2005, at paras 8.121-8.123 where it is stated that the ultimate source of evidence as to whether distinctiveness has been acquired comes from the body of consumers for the goods or services in question. We also note the European test, as set out in *Koninklijke KPN Nederland NV v Benelux-Merkenbureau* [2006] Ch 1; [2005] 3 WLR 649, at para 34 ("*Postkantoor*"). That case held that the test of distinctiveness is to be assessed first by reference to the goods and services and then by reference to the perception of them by the relevant public, which consists of average consumers of the goods or services in question who are reasonably well informed and reasonably observant and circumspect.

[33] In our opinion too, the confusion of consumers would be exacerbated by the fact that Cadbury intends to use the word PURPLE on all goods in Class 30 and not merely on those which are not coloured purple. We consider, in any event, that MacKenzie J was using the examples relating to ice cream to illustrate that the word PURPLE is essentially descriptive and, in the situation he describes, incapable of acting as a badge of origin.

[34] As to Cadbury's sixth criticism, like MacKenzie J and for the reasons he gave, we do not find the practice of IPONZ in accepting colour and name of colour registrations helpful. We also agree with MacKenzie J that there is an issue of Cadbury gaining a *de facto* monopoly on the use of the word PURPLE, thus providing a disincentive to other traders to use that word even in a descriptive sense on purple goods. Because of the close link between the word purple and the colour, we also consider that it would provide a disincentive to use the colour purple or similar colours on goods in Class 30 for fear consumers may associate those goods with the word mark PURPLE and thus with Cadbury. The granting of a monopoly over what is essentially a feature of the goods in the relevant class is not, in our view, within the scheme of the trade mark regime.

[35] Cadbury also argued in its written submissions that, under the parallel regime for registration in s 15, the word PURPLE is "capable of becoming distinctive". Even though this was not pressed in oral argument before us,

for completeness we deal with this argument. Effem submitted that since the trade mark has not been in use, the main consideration under s 15(2) is whether the sign possesses an inherent capacity (as opposed to a potential) to distinguish the applicant's goods or services — see also *Brown and Grant* at para 2.34 and *McCain Foods* at para 41. We accept this submission. Our conclusion on inherent capacity to distinguish set out above at para 27 is in accord with MacKenzie J's decision and is decisive on this matter.

Is the exclusion of goods coloured purple allowable?

[36] The final issue is whether a registration excluding goods coloured purple is allowable. Effem submits that a negative restriction relating to a characteristic of goods, as opposed to an exclusion of certain categories of goods, should not be allowed. This argument is based on the decision of the European Court of Justice in *Postkantoor*, which was applied in the UK in *Croom's Trade Mark Application* [2005] RPC 2 per Geoffrey Hobbs QC. Effem points out that the definition of trade mark in Europe and the UK is very similar to ours and thus that those decisions should be directly applicable in New Zealand.

[37] Effem also refers to a proposed practice direction issued by IPONZ on 27 July 2005 entitled "Restriction of Specifications", where the office says that it will not allow the registration of a mark where there is a condition that the goods or services it applies to do not possess a particular characteristic or nature. This could lead to uncertainty as to the protection afforded by the mark. In the office's view, other traders may refrain from legitimately using the mark to describe their goods or services as it would be unclear whether or not the mark's protection extends to the particular goods or services for which it is descriptive.

[38] Cadbury's first submission is that, as Effem did not cross-appeal on this point, the issue is not live in this appeal. If this is not accepted, it submits that the Commissioner has a broad unfettered discretion under the TMA to accept applications subject to conditions or limitations. There is no reason to read this down by excluding limitations of the type at issue here. Further, it has been the practice of IPONZ to accept such limitations. As to *Postkantoor* and *Croom's*, it submits that these cases are reliant on a different legislative framework. In addition, the exclusions in those cases ("connected with a post office" in *Postkantoor* and the exclusion of "haute couture" in *Croom's*) are different in character and much more vague than the exclusion of purple coloured goods. Cadbury also says that those cases have subsequently been distinguished in *SVM Asset Management Ltd v Merlin Biosciences Ltd*, 17/2/05, Richard Arnold QC, UK Hearings Office Case O-043-05, where an exclusion based on the recipient of a service was upheld.

[39] If leave is required for Effem to raise this issue (given it did not cross-appeal) then it is granted. The issue was fully argued in the High Court and before us and thus Cadbury has not been disadvantaged. It is also an important issue where guidance from this Court would be of assistance.

[40] We accept Effem's submission that any differences in statutory framework do not prevent *Postkantoor* and *Croom's* applying in New Zealand. We consider these cases applicable to the extent that they stand for the proposition that an exclusion based on the particular characteristics of goods or services covered by any registration, as against the types of goods or services, will, in most

cases, be too uncertain as to scope to be allowable. In effect, the distinction we draw between the characteristics of goods and services and the type of goods and services is the distinction drawn by Richard Arnold QC in *Merlin's* case. It is also the distinction made in the proposed IPONZ guidelines summarised at para 37 above. We also do not accept, for the reasons set out at para 10, that the exclusion of purple goods is any less vague than the exclusions in *Postkantoor* and *Croom's*.

Result and costs

[41] For the above reasons, the appeal is dismissed.

[42] Costs of \$6,000 plus usual disbursements are awarded to Effem. We certify for second counsel.

Appeal dismissed; respondent awarded costs of \$6,000, plus usual disbursements

Reported by Paul Ruffell