

CHETTLEBURGH v SEDUCE GROUP AUSTRALIA PTY LTD

HIGH COURT OF NEW ZEALAND

WOODHOUSE J

1 May, 4 October 2012 — Auckland

[2012] NZHC 2563

Trade marks — Declaration of invalidity — Whether claim to proprietorship is an available ground — Person aggrieved — Whether discretion available in declaration of invalidity proceedings — Pleadings — Whether owner had adequate notice — Remitting back to commissioner for new hearing — (NZ) Trade Marks Act 2002 ss 13, 32(1), 73.

On 16 January 2006, Chettleburgh applied for registration of the trade mark SEDUCE in class 25 for (inter alia) “women’s fashion clothing”. The mark was registered in July 2006. In October 2008, Seduce Group sought a declaration of invalidity in respect of this registration.

At the first instance hearing, the grounds on which invalidity was alleged included a claim under s 32(1) that Seduce Group was the true proprietor of SEDUCE in New Zealand in respect of women’s fashion clothing. Seduce Group produced evidence that it had made sales into New Zealand of women’s clothing under the SEDUCE mark between June 2001–June 2003 and from March 2006 (the latter date being after Chettleburgh’s application). Seduce Group asserted that at no time had it intended to cease trading in New Zealand under the trade mark.

The assistant commissioner held that Seduce Group had not succeeded in other grounds on which invalidity was alleged, namely s 17(1)(a) and (b), s 17(2) (bad faith) and s 25(1)(c) (well-known mark).

The assistant commissioner dismissed Chettleburgh’s claim that the proprietorship ground had not been expressly pleaded so that he had had no proper notice. She held that Seduce Group was the true proprietor and granted the declaration of invalidity.

Chettleburgh appealed. On appeal the key issues were:

- (a) Was Seduce Group an “aggrieved person”?
- (b) In determining an application for a declaration of invalidity, could the court or commissioner rely on the proprietorship ground under s 32(1)?
- (c) Was Seduce Group the owner of the mark SEDUCE as at 16 January 2006?
- (d) Was there a discretion under s 73 to decline to make a declaration of invalidity notwithstanding findings in favour of the applicant?
- (e) Had there been adequate notice of the proprietorship ground to Chettleburgh?

Held, allowing the appeal on a limited basis:

Proprietorship ground

(i) Section 73 gave power to the commissioner or the court to declare a registration invalid “to the extent that the trade mark was not registrable under Pt 2 [of the Act] at the deemed date of its registration”. Although s 32, governing proprietorship, was not in Pt 2, s 13(2) of the Act provided as one of the requirements that:

“(a) An application for the registration of the trade mark must be made in accordance with this Act.”

This meant that, if an application for registration was not made in accordance with the Act, the trade mark would not be registrable: at [11].

(ii) Section 32 prescribed how an application was to be made. The claim to ownership of the mark was not a purely formal requirement but rather must have some substance. The words in s 32(1) “claiming to be the owner” had been added by an amendment in 2005. Section 32 could be raised as a ground of opposition to registration under s 47. The section could not have a different meaning depending on whether it was being considered in an opposition proceeding under s 47 or an invalidity proceeding under s 73: at [32], [33], [36], [38].

(iii) The claim to ownership must be one that is capable of being established as valid. The commissioner or the court is required to make an assessment of the merit of the claim to ownership. The mere fact that the bad faith ground under s 17(2) provided an indirect means of considering proprietorship did not displace this requirement. Even if there was a bona fide claim to ownership, it could nevertheless be challenged on the grounds that another person was the true owner: at [40], [42], [43].

(iv) The law which applied under the 1953 Act in respect of the expression “claims to be the proprietor” continued to apply under the 2002 Act: at [49].

(v) The court was satisfied that Seduce Group had met the onus of establishing that it was the owner of the mark SEDUCE when Chettleburgh applied for it in January 2006. A small amount of use in New Zealand would be sufficient.

Seven Up Co v OT Ltd (1947) 75 CLR 203; [1947] ALR 436; *Pioneer Hi-Bred Corn Co v Hy-Line Chicks Pty Ltd* [1978] 2 NZLR 50 (CA); [1979] RPC 410, applied.

(vi) As to whether Seduce Group had a continuing intention to use the mark after June 2003 or whether the mark had been abandoned, the evidence of Seduce Group was presently unchallenged: at [56].

Aggrieved person

(vii) The commissioner was justified in finding that Seduce Group was an aggrieved person and in inferring that registration of the trade mark in Chettleburgh’s name was an obstacle to Seduce Group in its own application: at [3], [75].

Inadequate notice of proprietorship ground

(viii) It was a mandatory requirement in reg 107 for the applicant for a declaration of invalidity to state the grounds on which the application was made. That requirement might be met by adequate notice to a respondent by means other than the formal application. The need for a clear pleading was given emphasis by the legal uncertainty (in this case at first instance) as to whether s 32 was a ground of invalidity: at [64], [66], [67].

(ix) The case should be remitted back to the assistant commissioner for a new hearing on ownership. Chettleburgh had not had adequate notice of Seduce Group’s intention to claim that it was the true owner. Section 27 of the New Zealand Bill of Rights Act 1990 contains a right to the observance of the principles of natural justice: at [64], [70].

Discretion under s 73

(x) Because the matter was to be remitted to the commissioner, it was inappropriate for the court to express any concluded view as to this point. However the court’s tentative view was that s 73(1) did require the commissioner or court to consider, as a matter of discretion, whether a declaration of invalidity should be made, notwithstanding the relevant finding in favour of the s 73 application. The grounds for invalidity would range from those in respect of which there would be no real discretion to decline a declaration, to those where the applicant may have established technical grounds for a declaration, but where the underlying merit favoured the respondent who held the current registration: at [62], [63].

D L Marriott instructed by *D Macaskill, James & Wells, Solicitors*, for the appellant.

C L Elliott instructed by *H Cumming, Pipers Patent & Trade Mark Attorneys*, for the respondent.

[1] **Woodhouse J.** In July 2006 the trade mark “SEDUCE” was registered in the name of the appellant, Mr Chettleburgh. In October 2008 the respondent, Seduce Group, made an application under s 73(1) of the Trade Marks Act 2002 (the 2002 Act) for a declaration that the registration was invalid.

[2] On 20 September 2011, Assistant Commissioner Walden made a declaration of invalidity.¹ The decision was founded on s 32(1) of the 2002 Act. This provides that an application for registration of a trade mark may be made by a person claiming to be the owner of the trade mark. The assistant commissioner held that, when Mr Chettleburgh applied for registration, in January 2006, the owner of the trade mark was Seduce Group, not Mr Chettleburgh.

[3] Mr Chettleburgh has appealed against the decision. The appeal gives rise to the following issues, stating them in broad terms:

- (a) An application under s 73 must be made by “an aggrieved person”. Was Seduce Group “an aggrieved person”? I agree with the assistant commissioner’s finding that Seduce Group was an aggrieved person. The facts relevant to this question are also relevant to other issues and it will be convenient to deal with those other issues before setting out my reasons for the conclusion that Seduce Group was an aggrieved person.
- (b) In determining an application for a declaration of invalidity pursuant to s 73(1), can the commissioner or the court rely on the provision in s 32(1) of the Act that the applicant for registration must claim to be the owner? If so, what is the meaning and scope of the provision? These issues, which are primarily ones of statutory interpretation, do not appear to have earlier been considered by the High Court. They are important issues bearing on the rights of rival claimants to ownership of a trade mark; whether one person, who has not registered a mark but claims to be the owner, can advance that claim to seek to invalidate registration of a mark in the name of another person.
- (c) Was the assistant commissioner correct in her conclusion that Seduce Group, not Mr Chettleburgh, was the true owner of the trade mark at the relevant date? The relevant date was the date of Mr Chettleburgh’s application for registration in January 2006. The expression “true owner” means the person who, in relation to an unregistered trade mark, owns all of the rights in the mark.²
- (d) Is there a discretion under s 73 to decline to make a declaration of invalidity notwithstanding findings in favour of the s 73 applicant?
- (e) If the commissioner was entitled as a matter of law to determine the question of ownership, did Seduce Group give adequate notice of this issue to Mr Chettleburgh? A closely related issue is whether there was unfairness to Mr Chettleburgh in the way in which this issue was dealt with in the course of the hearing.

The statutory framework

[4] The material provision of s 73 is s 73(1), as follows:

73 Invalidity of registration of trade mark

1. *Chettleburgh v Seduce Group Australia Pty Ltd* [2011] NZIPOTM 34.

2. Definition of “owner” in s 5 of the Act: see below at [37].

(1) The Commissioner or the court may, on the application of an aggrieved person (which includes a person who is culturally aggrieved), declare that the registration of a trade mark is invalid to the extent that the trade mark was not registrable under Part 2 at the deemed date of its registration.

5 [5] Section 73 expressly requires consideration of the provisions of Pt 2. Part 2 is headed “Registrability of trade marks”. Part 2 contains ss 9–30. Sections 9–12 are not relevant in this case. Section 13 is pivotal. It is under a sub-heading “Registrability of trade marks: general”. The material provisions are as follows:

10 13 *When trade mark registrable*

(1) If all the requirements set out in subsection (2) are met, a trade mark is registrable under this Act ...:

...

(2) The following requirements must be met:

- 15 (a) an application for the registration of the trade mark must be made in accordance with this Act;
- (b) all prescribed fees, if any, must be paid in respect of the application;
- (c) the Commissioner must be satisfied that there are no absolute or relative grounds set out in this Part that would prevent the registration of the trade mark.

20 [6] The question under s 73(1) as to whether the mark was not registrable under Pt 2 therefore requires consideration whether the three matters stipulated in s 13(2) were met. It will be convenient to consider paras (a)–(c) of s 13(2) in reverse order.

25 [7] Absolute or relative grounds preventing registration, referred to in para (c), are contained in Pt 2; in ss 17–21 (absolute grounds) and ss 22–30 (relative grounds). It was not in issue before the assistant commissioner, or on this appeal, that on a s 73 application the commissioner, or the court, is bound to consider any absolute or relative grounds advanced by the applicant. That approach is plainly

30 correct having regard to the clear direction in s 73(1).

[8] The specific absolute and relative grounds for not registering a trade mark have a bearing on the question whether true ownership can be assessed on a s 73 application. This may be illustrated, for the purposes of setting out the statutory framework, by reference to the three absolute grounds and one relative ground that were advanced by Seduce Group in support of its s 73 application. These

35 were, in summary:

- (a) Use of the mark “would be likely to deceive or cause confusion”: an absolute ground: s 17(1)(a).
- 40 (b) Use of the mark “is contrary to New Zealand law” or the mark “would otherwise be disentitled to protection in any court”: an absolute ground: s 17(1)(b).
- (c) “The application for the registration of the trade mark is made in bad faith”: an absolute ground: s 17(2).
- 45 (d) The relative ground advanced by Seduce Group was under part of s 25(1)(c), to the following effect: “The Commissioner must not register a trade mark (*trade mark A*) in respect of any goods or services if ... it is, or an essential element of it is, identical or similar to, or a translation of, a trade mark that is well known in New Zealand (*trade mark D*), whether through advertising or otherwise, in respect of those goods or services or similar goods or services or any other goods or services if the
- 50 use of trade mark A would be taken as indicating a connection in the

course of trade between those other goods or services and the owner of trade mark D, and would be likely to prejudice the interests of the owner”.

[9] The assistant commissioner ruled against Seduce Group on all of these grounds. There is no cross-appeal against those findings.

[10] The second requirement under s 13(2) is that all fees must be paid. This would be most unlikely to arise as an issue on a s 73 application.

[11] Paragraph (a) of s 13(2) is central to the present question of statutory interpretation. Stated negatively, para (a) means that, if an application for registration is not made in accordance with the Act, the trade mark will not be registrable. But it may nevertheless have been registered; just as registration may occur, even though there was an absolute or relative ground requiring that it not be registered, if the commissioner did not know this.

[12] Section 13(2)(a) requires consideration of the provisions of the Act governing the making of applications. Most of these provisions, including s 32, are in Pt 3 of the Act. Section 32(1) is as follows:

32 Application: how made

(1) A person claiming to be the owner of a trade mark or series of trade marks may, on payment of the prescribed fee (if any), apply in the prescribed manner (if any) for the registration of the trade mark or series of trade marks used or proposed to be used in respect of the following:

- (a) particular goods or services within 1 or more classes:
- (b) particular goods and services within 1 or more classes.

The factual background

[13] The purpose of this section is to provide a broad outline of the parties’ contentions as to their use of the trade mark in New Zealand without intending to make firm findings of fact. This caution is necessary because of Mr Chettleburgh’s contention that he did not have adequate notice that questions of ownership were being challenged in the way they were in the end challenged and my conclusion, for reasons I come to, that the proceedings should be referred back to the commissioner for a new hearing on the issue of ownership.

[14] Seduce Group is an Australian company. It says that it is the registered owner of the trade mark SEDUCE in Australia, and in other countries. The trade mark is used in relation to women’s clothing. The first store was opened in Sydney in 1997.

[15] Seduce Group says that, from June 2001 until June 2003, it sold its women’s clothing to a New Zealand importer, and all of this clothing carried the SEDUCE trade mark. There is no evidence of any relevant activity by Seduce Group in respect of the mark in, or in connection with, New Zealand after June 2003 until March 2006.

[16] Mr Chettleburgh applied for registration of the trade mark SEDUCE on 16 January 2006. The application was in class 25 in respect of women’s fashion clothing. This date of application is the relevant date in respect of the issues of ownership in this case. The trade mark was registered on 20 July 2006.

[17] When dealing with Seduce Group’s bad faith argument the assistant commissioner made the following findings of fact in favour of Mr Chettleburgh (substituting my abbreviations for the parties’ names for those used by the assistant commissioner, as will be done throughout this judgment):

51.2 Seduce Group and Mr Chettleburgh appear to be independent traders. This does not appear to be a case where there was a business relationship or

connection between the two traders on the basis of which the knowledge of one trader could be imputed to the other trader.

51.3 In early 2006 [when Mr Chettleburgh applied for registration], Mr Chettleburgh was not aware of any clothing ever having been available in New Zealand under the SEDUCE trade mark. ...

51.4 It appears that Mr Chettleburgh became aware of Seduce Group in mid 2007 ... and Seduce Group (through its lawyers) became aware of Mr Chettleburgh's presence in the New Zealand market in September 2007 ...

51.5 Experienced New Zealand clothing retailers were not aware of Seduce Group's SEDUCE mark in the New Zealand market at the relevant date.³

51.6 Seduce Group did not have a trade mark application/registration for the relevant mark in New Zealand which could have alerted Mr Chettleburgh or any other trader to Seduce Group's presence in the New Zealand market.

[18] Seduce Group said it resumed sales into the New Zealand market in March 2006. There is evidence of a sale for a sum of \$1040 to a New Zealand business in March 2006. There is evidence of sales to other New Zealand businesses, in greater volume, from September 2006. In addition, an agency was established with a New Zealand company in August 2007.

[19] Seduce Group applied for registration of the trade mark in New Zealand on 21 September 2007. Seduce Group made its application for a declaration of invalidity in respect of Mr Chettleburgh's registration in October 2008.

The decision under appeal

Aggrieved person

[20] The expression "aggrieved person" is not defined in the Act. The commissioner held that the expression is to be given "a liberal or wide interpretation", consistent with s 5(1) of the Interpretation Act 1999.⁴ She concluded that Seduce Group was an aggrieved person having regard to four matters: (1) Seduce Group's claim to ownership based on use of the mark in New Zealand between June 2001 and June 2003 and the resumed use from March 2006; (2) registration in Mr Chettleburgh's name was hindering use of the mark in New Zealand by Seduce Group; (3) use by Mr Chettleburgh of the relevant mark was likely to deceive or confuse at the relevant date; (4) it was reasonable to infer that the existing registration in Mr Chettleburgh's name was an obstacle to an application for registration by Seduce Group.⁵

The "pleading" issue: notice of the ownership claim

[21] The assistant commissioner next dealt with Mr Chettleburgh's contention that Seduce Group had not, in its application, given any notice that it relied on s 32 as a ground for invalidity. This contention was dismissed in three short paragraphs. She said that Seduce Group was not required "to expressly plead

3. This is based on the statutory declarations of the owners of three clothing retailers in New Zealand who provided evidence for Mr Chettleburgh and whose evidence appears not to have been challenged.

4. As authority, the assistant commissioner referred to *Fareed Khalaf Sons Co v Phoenix Dairy Caribe NV* HC Wellington CIV-2002-485-000207, 3 September 2003, Hammond J, at [23]. The assistant commissioner's citation is not entirely accurate: see below at [71].

5. *KODIAK Trade Mark* [1987] RPC 269 at 273.

[s 32(1)] in order to put the ownership of the relevant mark in issue”. In support of that proposition she cited three of her own decisions.⁶

[22] The assistant commissioner also considered that Mr Chettleburgh’s counterstatement to the application by Seduce Group, some of his evidence, and submissions on his behalf, indicated that Mr Chettleburgh “understood that ownership of the relevant mark on the basis of prior use was a live issue”.

The application of s 32

[23] In respect of the s 32 issues, the commissioner did not consider any questions of statutory interpretation, although these issues had briefly been touched on in two of her earlier decisions.⁷ She held that the applicable principles relating to ownership of a trade mark are those set out by the Court of Appeal in *Aqua Technics Pool and Spa Centre NZ Ltd v Aqua-Tech Ltd*.⁸ She cited [14]–[18] of the Court of Appeal’s decision, including the following:

[15] The parties agree that the requirements for a legitimate claim to proprietorship under s 26 of the 1953 Act are as set out in *Newnham v Table for Six (1996) Ltd* (1998) 44 IPR 269 at 278 (HC) citing Brown and Grant, *The Law of Intellectual Property in New Zealand* (1989) at [2.8], that is:

- (1) There is no prior use or prior assertion of proprietorship.
- (2) The applicant is using or has sufficiently definite intention to use the mark.
- (3) There is no fraud or breach of duty involved.

True ownership

[24] On the merits, the assistant commissioner concluded that, on the date Mr Chettleburgh applied for registration, at which point the mark was not registered in New Zealand in any person’s name, the true owner was Seduce Group. She noted the evidence for Seduce Group as to its sales into New Zealand between June 2001 and June 2003 and from March 2006. She also referred to Mr Chettleburgh’s evidence that his first sales of Seduce branded clothing in New Zealand (through a trading entity) were in May 2006.

[25] Although there was the reference to the activities of Seduce Group from March 2006, after Mr Chettleburgh’s application was filed, the assistant commissioner recorded her conclusion that Seduce Group was the owner when Mr Chettleburgh made his application, and at which point Mr Chettleburgh claimed pursuant to s 32 that he was the owner, on the following grounds:

25. ... (1) Seduce Group was first to use (through its New Zealand importer, Ball Agencies from June 2001 until June 2003) its SEDUCE mark, which is identical to the relevant mark, in New Zealand on and in relation to Seduce Group’s ladies’ fashion garments; and (2) Seduce Group had not abandoned its SEDUCE mark.

6. *Kiwicare Corporation Ltd v Advanced Formulations (Europe) Ltd* [2008] NZIPOTM 20; *Husssh Silencers v Gun City Ltd* [2010] NZIPOTM 10; and *Transworld International Trading Ltd v Northwest Natural Products, Inc* [2011] NZIPOTM 8.

7. *Kiwicare Corporation Ltd v Advanced Formulations (Europe) Ltd* [2008] NZIPOTM 20, in particular at [49]–[52]; and *Transworld International Trading Ltd v Northwest Natural Products, Inc* [2011] NZIPOTM 8, in particular at [5]–[7] (recording the opposing submissions) and [22].

8. [2007] NZCA 90.

[26] The conclusion that Seduce Group had not abandoned its mark was based on a statement of Alex Gibbons, who appears to have become general manager of Seduce Group sometime after 1 May 2009.⁹ The assistant commissioner referred to Ms Gibbons' statement that "At no time was it our intention to cease trading in New Zealand and we maintained customers in New Zealand directly through our Sydney office".

The absolute and relative grounds for invalidity

[27] The assistant commissioner then considered the three absolute grounds and the one relative ground relied on by Seduce Group. As earlier noted, she ruled against Seduce Group on all of these grounds and there has been no cross-appeal against any of those findings. However, some of the assistant commissioner's findings are relevant to issues arising under the central question of ownership and the application of s 73. Her findings on the question of bad faith have already been noted.¹⁰ Some others need to be recorded or summarised.

[28] On the question whether use of the trade mark registered to Mr Chettleburgh would be likely to deceive or cause confusion, part of the test applied by the assistant commissioner was whether there was an awareness of Seduce Group's mark in the New Zealand market, with that to be assessed in accordance with the Court of Appeal's decision in *Pioneer Hi-Bred Corn Company v Hy-Line Chicks Pty Ltd*.¹¹ Her findings of fact, in her conclusion, were as follows:

35.1 the use of Seduce Group's SEDUCE mark in New Zealand (at the relevant date) appears to have been for 2 years (which is a relatively short period) and it involved selling ladies fashion garments wholesale to a single New Zealand importer (paragraph 10 of the Mimis declaration). There is no evidence concerning: (1) the number of units that were sold to New Zealand purchasers of ladies fashions; (2) the actual New Zealand trade channels for these garments; and (3) how those garments were promoted to New Zealand purchasers. I note that even experienced New Zealand clothing retailers¹² were not aware of Seduce Group's SEDUCE mark in the New Zealand market at the relevant date:

35.2 there is insufficient detail concerning Seduce Group's use of its SEDUCE mark and its SEDUCE stores in Australia to inform a determination concerning the level of awareness of that mark in the Australian market. There is also no evidence concerning: (1) travel statistics between Australia and New Zealand; (2) how likely New Zealand visitors to Australia would be left with an awareness of Seduce Group's SEDUCE mark; and (3) whether this awareness would be of a sufficient scale to cross the relatively low threshold referred to in *NV Sumatra Tobacco Trading Co v British American Tobacco (Brands) Inc*¹³ bearing in mind the size and nature of the relevant market for the relevant mark, which appears to be larger than the relevant market¹⁴ for Seduce Group's mark.

9. The date on which Ms Gibbons became general manager is not stated in any evidence. The conclusion that she became general manager after 1 May 2009 is based on the fact that there is an earlier declaration on behalf of Seduce Group from Elizabeth Mimis who was the general manager and whose declaration is dated 1 May 2009.

10. At [17] above.

11. [1978] 2 NZLR 50 (CA); [1979] RPC 410.

12. Paragraph 6 of the Paget declaration, paragraph 6 of the Mountford declaration, and paragraph 6 of the Gibson declaration.

13. (2010) 86 IPR 206; [2010] NZCA 24 at [77].

14. Paragraph 8 of the Gibbons declaration states:

[29] Seduce Group’s argument that the mark was and is contrary to New Zealand law was founded on the contention that use of it by Mr Chettleburgh amounted to passing off or was in breach of the Fair Trading Act 1986, or both. The assistant commissioner concluded that this ground did not require consideration because the relevant tests required a threshold higher than that arising under the deception or confusion ground already dismissed.

[30] The relative ground, under s 25(1)(c), was dismissed on the basis that Seduce Group had not established that its mark was well known in the relevant market at the relevant date, and for reasons more fully dealt with when rejecting the Seduce Group claim under s 17(1)(a) that use of the mark would be likely to deceive or cause confusion.

Discussion: can ownership issues arise under s 73?

[31] Reading ss 73, 13 and 32 in that sequence makes clear, in my judgment, that a s 32 claim to ownership can be considered on an application under s 73.

[32] Section 73 has the provision “to the extent that the trade mark was not registrable under Part 2”. This does not exclude consideration of sections in parts of the Act other than Pt 2 if Pt 2 requires consideration of sections in other parts. Part 2 does require consideration of sections in other parts of the Act. This is because s 13(2)(a), in Pt 2, says that an application “must be made in accordance with this Act”. Section 32, in Pt 3, prescribes how an application is to be made.

[33] The next question is whether the claim to ownership is a purely formal requirement; is it sufficient that the written application for registration, as a matter of form, contains a statement that ownership is claimed with the merit of that claim being irrelevant? Or must there be something more — some substance to the claim? There are some superficial pointers to the possibility that the requirement is a mere formality. But I am satisfied, for a number of reasons, that the claim must have some substance.

[34] First, if an Act of Parliament requires that an applicant must claim to be the owner, parliament will not have intended that it would be sufficient if the person who states a claim to ownership in fact has no genuine belief in the claim.

[35] Dictionary definitions support this conclusion. The *Shorter Oxford English Dictionary* defines “claim” as including “a statement of one’s right to something” and to “assert or demand recognition of (the fact that)”. *Webster’s Encyclopedic Unabridged Dictionary of the English Language* defines “claim” as “a right to claim or demand; a just title to something” and “demand as a right or as a due”. These definitions connote substance.

[36] The words “claiming to be the owner” were added to s 32(1) by an amendment in 2005.¹⁵ The opening words of s 32(1), as originally enacted, were “A person may on payment of the prescribed fee (if any), apply in the prescribed manner ...”. The 2005 amendment was introduced in the Statutes Amendment Bill (No 5) 2005 (249-2) as cl 93 of that bill. The explanatory note to the bill states: “*Clause 93* amends s 32(1) of the principal Act by clarifying that it is the owner of the trade mark who applies for its registration”. Although the words added to s 32(1), if read literally, do not fully reflect what is recorded in the explanatory note, the amendment coupled with the explanatory note reinforce the conclusion that some substance is required in the claim to ownership.

“ ... our brand is a more ‘premium’ priced fashion brand and is for ‘special occasion’ wear.”

15. Section 6 of the Trade Marks Amendment Act 2005.

[37] In addition, the 2005 amendment, containing the word “owner”, has to be considered in relation to the definition of owner that was in the Act when the amendment to s 32(1) was introduced. The definition of owner, so far as relevant, was as follows:

- 5 owner,—
 (a) in relation to a registered trade mark ... means the person in whose name the trade mark is registered; and
 ...
 (d) in relation to an unregistered trade mark, means the person who owns all of
10 the rights in the mark¹⁶

In consequence, a person claiming to be the owner under s 32(1) is a person who claims, under para (d), to be the owner of all of the rights in the mark.

[38] The application of s 47 of the Act provides a further reason for concluding that a claim to ownership is a substantive requirement, not a formality. Under s 47 an application for registration may be opposed. The Act does not prescribe the grounds for opposition. But it is not in issue that they include a contention that the person opposing registration, not the applicant, is the true owner. Section 32 cannot have a different meaning depending on whether it is being considered in an opposition proceeding under s 47 or an invalidity proceeding under s 73.

[39] For these reasons I am satisfied, as a matter of statutory interpretation, that, on a s 73 application, the claim to ownership under s 32 can be considered and that there must be some substance in the claim to ownership. I note that a contrary conclusion is stated in *Laws of New Zealand*.¹⁷ The conclusion appears to be based solely on the fact that s 32 is in Pt 3.

[40] What remains to be considered is what is meant by “substance” in the claim. Is it sufficient that the applicant for registration genuinely believes that they are the true owner or must the claim be one capable of being established in law and in fact as valid if there is a challenge? I am satisfied for a number of reasons that the claim must be one that is capable of being established as valid.

[41] The preceding discussion as to whether the words are matters of form or substance also indicates reasons why the claim must be one that is capable of being established as valid if challenged. There is, in particular, the definition of the word “owner” and the fact that, under an opposition proceeding under s 47, the question of true ownership may be investigated and s 32 cannot mean something different if it is a s 73 application.

[42] As already outlined, one of the absolute grounds for refusing registration is that the application is made in bad faith. It might be argued that that sufficiently defines, at least in an indirect way, the scope of s 32. If a claim of ownership under s 32 is not made in good faith, registration will be set aside (or successfully opposed under s 47). This indirect route to ownership challenges under s 73 has been discussed in some of the literature.¹⁸ Approaching s 32 in this manner would limit the scope of s 32. It would mean that a claim that is made in good

45 16. The text of paragraph (d) recorded above is in fact the text following an amendment in 2011. However, that amendment was simply to correct a typographical error of no relevance to the matters being considered. Paragraph (d) as enacted commenced “in relation to an unregistered trade mark ...” The 2011 amendment deleted the word “a”.

17. *Laws of New Zealand*, Intellectual Property: Trade Marks (online ed) at 182.

50 18. See Paul Sumpter, “Bad faith and ownership: some observations on the Trade Marks Act of Australia and New Zealand” (2005) 4 NZIPJ 118 at 122–6; Paul Sumpter, *Intellectual Property Law: Principles in Practice* (CCH, Auckland, 2006) at 144–7; I Finch (ed), *James & Wells*

faith, but which could be established to be incorrect in terms of the definition of owner, would nevertheless result in registration that could not be set aside under s 73. That would be an odd result if the opposite outcome would arise under s 47. In any event, the absolute grounds for declining registration under Pt 2 appear to be designed to operate, or be applied, in a manner different from the requirement in s 32. On an application for registration the commissioner, in terms of s 13(2)(c), “must be satisfied that there are no absolute or relative grounds” that would prevent registration. That requires some assessment of the merit of the application irrespective of any opposition to registration under s 47. The commissioner is not required to make a similar assessment in respect of the claim to ownership required by s 32.

[43] Consideration of the legislative history also indicates that the claim to ownership under s 32 must be one which is capable of being established as a valid claim. Or, putting it another way, if there is a bona fide claim to ownership — a claim genuinely made — it may nevertheless be challenged on the grounds that another person is the true owner.

[44] The 2002 Act replaced the Trade Marks Act 1953 (the 1953 Act). Section 26(1) of the 1953 Act was as follows:

26 Application for registration

(1) Any person claiming to be the proprietor of a trade mark used or proposed to be used by him who is desirous of registering it shall apply in writing to the Commissioner in the prescribed manner for registration.

[45] This is, in all respects material to the present inquiry, the same as s 32(1). This similarity may be at least part of the reason for the statement in the explanatory note to the 2005 Bill that the amendment was for the purposes of clarification.

[46] Section 27 of the 1953 Act made provision for opposition to registration; the broad equivalent to s 47 in the 2002 Act. Section 41 of the 1953 Act contained provisions under the heading “General power to rectify entries in the register”. Section 41(1), so far as material, was as follows:

(1) Any person aggrieved by the non-insertion in or omission from the register of any entry, or by any entry made in the register without sufficient cause, or by any entry wrongly remaining on the register ... may apply ... to the court or ... to the Commissioner, and the court or the Commissioner, as the case may be, may make such order for making, expunging, or varying the entry as the court or the Commissioner may think fit.

[47] The procedures available under s 41 are now contained, in modified forms, in separate sections of the 2002 Act, including s 73 and under ss 64–68 for revocation of registration of a trade mark on specified grounds. Under the 1953 Act, on an application under s 27 or under s 41, the question of true ownership could be determined. Applications for rectification under s 41 are the applications of present relevance. As noted in *Brown and Grant*,¹⁹ one of the grounds on which an application for rectification could be made was that

Intellectual Property Law in New Zealand (2nd ed, Thompson Reuters, Wellington, 2012) at 473; Paul Sumpter, *Trade Marks in Practice* (2nd ed, LexisNexis, Wellington, 2011) at [TMA17.13(c)].

19. A Brown and A Grant, *The Law of Intellectual Property in New Zealand* (Butterworths, Wellington, 1989) at para 2.62.

“the applicant is not entitled to claim to be the proprietor of the trade mark”. This passage in the text refers back to the discussion of proprietorship at para 2.8. The authors there note:

5 The phrase “claiming to be the proprietor” [which is the equivalent to claiming to be the owner] is drawn from earlier trade marks statutes and can only mean “claiming that he is entitled to be registered as proprietor”.

10 [48] In *Aqua Technics Pool and Spa Centre NZ Ltd v Aqua-Tech Ltd* the Court of Appeal discussed the meaning of the expression “claiming to be the proprietor” in 20 s 26(1) of the 1953 Act.²⁰ The court affirmed the conclusion of Venning J that a claim to proprietorship under s 26 must be a “legitimate claim”.²¹ The court also approved the statement in *Newnham v Table for Six (1996) Ltd*²² as to the requirements for a legitimate claim to proprietorship and the discussion in Brown and Grant noted above. In the *Aqua-Tech* case there was
15 no question of fraud or breach of duty. The focus was on whether one of the parties, Aqua-Tech (in a position broadly similar to that of Seduce Australia), had used the mark in question before Aqua Technics (in a position broadly similar to that of Mr Chettleburgh) and whether Aqua-Tech was using or had sufficient definite intention to use the mark. Although the original proceeding in the
20 *Aqua-Tech* case was an opposition proceeding under s 27 of the 1953 Act, in my judgment there is no principled basis upon which the Court of Appeal’s approach could be said not to have been applicable to a proceeding under s 41 of the 1953 Act, and therefore a proceeding including what is now contained in s 73 of the 2002 Act.

25 [49] The 2002 Act is not a restatement of the 1953 Act. As one author has observed, although many provisions of the 2002 Act contain references to the Singapore Trade Marks Act 1998, the 2002 Act is substantially based on the Trade 23 Marks Act 1994 (UK).²³ The UK Act in turn contains wording derived from an EC Directive including bad faith as an absolute ground for refusing
30 registration. Notwithstanding the origins of parts of the 2002 Act, and the introduction of new concepts such as bad faith, I am satisfied that the law that applied under the 1953 Act in respect of the scope of the expression “claiming to be the proprietor” continues to apply under the 2002 Act. In this regard it is also to be noted that the UK Act does not have the requirement now found in s 32(1)
35 that the applicant for registration be a person claiming to be the owner.

[50] For these reasons I am satisfied that, on an application under s 73, the applicant is entitled to advance a claim that they are the true owner and the commissioner or the court, on that application, is bound to determine the question of true ownership in accordance with the law that applied in that regard under the
40 1953 Act.

Ownership — The decision on the merits

45 [51] The primary submissions of Mr Marriott for Mr Chettleburgh were, first, that the assistant commissioner was wrong to conclude that Seduce Group had not abandoned its mark in New Zealand. He submitted that the claim by the new

20. *Aqua Technics Pool and Spa Centre NZ Ltd v Aqua-Tech Ltd* [2007] NZCA 90 at [13]–[16].

21. *Aqua-Tech Ltd v Aqua Technics Pool & Spa Centre NZ Ltd* HC Auckland CIV-2005-404-2037, 3 October 2005 at [16].

22. (1998) 44 IPR 269 at 278 (HC).

50 23. Paul Sumpter, “Bad faith and ownership: some observations on the Trade Marks Acts of Australia and New Zealand”, above n 18 at 122.

general manager, Alex Gibbons, that there had been no intention to cease trading in New Zealand, was disingenuous. He further submitted that the commissioner's clear findings in favour of Mr Chettleburgh on the absolute and relative grounds were inconsistent with her conclusion on the question of true ownership. Some challenge was also made to the finding that there had been relevant use of the mark by Seduce Group in New Zealand between June 2001 and June 2003. Mr Marriott noted that Seduce Group's documentary evidence only recorded sales by Seduce Group from Australia to a New Zealand agency, without any proof of sales into the New Zealand market. Mr Elliott submitted that the commissioner was correct in law and in fact for the reasons she gave.

[52] I am bound to reach my own conclusion on these questions. This is assisted in this case by the fact that all of the evidence is contained in statutory declarations, without any cross-examination. On the present evidence I am satisfied that Seduce Australia met the onus on it of establishing that, in January 2006 when Mr Chettleburgh applied for registration, Seduce Australia was the owner of the mark in New Zealand.

[53] The two critical areas of inquiry are whether there had been prior use by Seduce Australia and whether Seduce Australia had abandoned the mark in New Zealand. The evidence produced for Seduce Australia establishes that there were sales into New Zealand between June 2001 and June 2003 of clothing with the mark. The total value recorded on one schedule is AU\$239,123. There is a schedule recording importation into New Zealand by a company called Ball Agencies. This led to Mr Marriott's submission that there was no evidence of on-sales into the New Zealand market. However, the general manager in May 2009, Elizabeth Mimis, said that "Seduce Group has independent retail clients in New Zealand and first began selling in New Zealand in 2001". That is ambiguous, to an extent, because it could be a reference to the sales which resumed in March 2006, and being sales not relevant to the present inquiry. However, the subsequent declaration of the new general manager, Alex Gibbons, refers to sales from a retail outlet in Tauranga in the years "2000 [sic] to 2003". And Mr Chettleburgh, in his first declaration, said the following:

My own investigations have revealed that there appear to only ever have been four retail outlets selling Seduce Group Australia's clothing. These were ... in Christchurch, ... in Blenheim, Sisters in Tauranga [being the retail outlet mentioned by Alex Gibbons] and ... in Rotorua. It appears that there was little if any awareness of their mark with any other retailers elsewhere in New Zealand prior to our own use of Seduce.

[54] As a matter of law, a very small amount of use of the foreign mark in New Zealand will be sufficient: *Seven Up Co v OT Ltd*²⁴ The principle stated by Williams J in this case was applied by the Court of Appeal in *Pioneer Hi-Bred Corn Co v Hy-Line Chicks Pty Ltd*.²⁵ The assistant commissioner referred to its application in *Valley Girl Co Ltd v Hanama Collection Pty Ltd*.²⁶

[55] The second question is whether Seduce Australia had a continuing intention to use the mark after June 2003 or whether, as Mr Chettleburgh submits, the mark had been abandoned. The only evidence is the bare statement, earlier noted, of the new general manager, Alex Gibbons:

24. (1947) 75 CLR 203 at 211; [1947] ALR 436 at 437.

25. [1978] 2 NZLR 50 at 53, 57 and 68–9; [1979] RPC 410 at 413, 417 and 428–9. It has been followed in numbers of cases since.

26. (2005) 66 IPR 214 at [20].

At no time was it our intention to cease trading in New Zealand and we maintained customers in New Zealand directly through our Sydney office.

5 [56] There is no other evidence supporting an intention to maintain the mark in New Zealand and Ms Gibbon's statement is not readily reconciled with the fact that in June 2003 Seduce Group ceased sales to New Zealand. However, this evidence is, at present, unchallenged. In addition, I do not consider that the particular findings by the assistant commissioner on the absolute and relative grounds are sufficient to displace the weight that should be attached to the presently unchallenged statement.

10 [57] I have used the expression "presently unchallenged" because of my conclusion, as earlier noted, that the issue of ownership should go back to the commissioner for a new hearing. Matters that I have just referred to will be able to be further explored to the extent the parties consider it appropriate. And because I am referring the matter back to the commissioner, the conclusions I have expressed in this part of the judgment on the merit, although sufficient to dismiss the appeal on the merit at this point, are not to be taken as findings binding on the parties other than for the purposes of disposing of the appeal by directing a new hearing.

20 **The discretion under s 73**

[58] There is a further matter that will need to be addressed in a new hearing before the commissioner. This is consideration of the extent to which there is a discretion under s 73 and, if there is a discretion, an assessment as to how it should be exercised.

25 [59] Section 73(1) provides that the commissioner or the court "may" declare a registration invalid. As with the question as to the meaning of s 32, there do not appear to be any decisions of the court as to whether there is a true discretion under s 73(1), or whether the word "may" is directed more to the scope of a declaration, assuming the applicant for the order has established invalidity to some extent.²⁷

30 [60] This question was not the subject of argument on this appeal. For that reason, and because the case is to be remitted back to the commissioner, it is inappropriate to express any concluded view as to the true meaning of the word "may".

35 [61] I nevertheless record a tentative view that s 73(1) does require the commissioner, or the court, to consider as a matter of discretion whether a declaration of invalidity should be made notwithstanding a relevant finding in favour of the s 73 applicant.

40 [62] It is relevant that grounds for invalidity that could be established under s 73 will range from those in respect of which there would be no real discretion to decline a declaration of invalidity, to those where the applicant may have established technical grounds for a declaration, but where the underlying merit favours the respondent who holds the current registration. The former will include cases where the applicant under s 73 establishes that at the relevant date there was an absolute or relative ground for not registering the mark. Under the various provisions dealing with absolute and relative grounds for not registering trade marks, the commissioner "must not" register the mark if an absolute or

50 27. The question is discussed in Paul Sumpter, *Trade Marks in Practice*, above n 18 at [TMA73.3]. Decisions in other jurisdictions, holding that there is no real discretion, are cited.

relative ground exists. There would be no real scope for exercise of a discretion if an absolute or relative ground is established on a s 73 application, except to the extent that there is some specific discretion provided in ss 17–29.

[63] On the other hand, a case such as the present illustrates circumstances of fact which could raise questions of relative merit. The facts here, on the available evidence, indicate a relatively short period of use of the mark in New Zealand by Seduce Group, no clear evidence that the goods were put into the market to any great extent, with this followed by a reasonably substantial period of no actual use of the mark at all. Coupled with this are the assistant commissioner's firm conclusions on the absolute and relative grounds for the challenge by Seduce Group. A number of Mr Marriott's submissions on the question as to whether Seduce Australia was an aggrieved person could also apply to questions going to the exercise of a discretion under s 73. There may be other areas of inquiry relevant to exercise of a discretion, including the fact that Seduce Group did not register its mark in New Zealand some time before June 2003 and as to why it did not respond to Mr Chettleburgh's application in January 2006 until October 2008. There will be further areas of inquiry in this broad context, but being matters not explored or fully explored by Mr Chettleburgh for reasons I now come to.

Did Mr Chettleburgh have adequate notice of the ownership issues?

[64] I am satisfied that the assistant commissioner was wrong in her conclusion that Mr Chettleburgh had adequate notice of Seduce Australia's intention to claim that it was the true owner.²⁸

[65] The first question is whether Seduce Group was required to give notice of the grounds it relied on. Regulation 107 of the Trade Marks Regulations 2003 prescribes the information required to be included in an application under s 73. Regulation 107 relevantly provides:

107 Information required for application for declaration of invalidity

An application for a declaration of invalidity must contain the following information:

...

(f) the grounds for a declaration of invalidity:

[66] Having regard to the clear terms of this regulation I am satisfied that the assistant commissioner was wrong in her conclusion that an express statement of the particular ground was unnecessary. The requirement is mandatory.²⁹ This was obviously recognised by Seduce Group because it did expressly plead the absolute and relative grounds relied on. There was express reference to ss 17(1)(a), (b), 17(2) and 25(c). Section 32(1) was not referred to, nor was there a contention in the application that Mr Chettleburgh's claim to ownership, when he made the application for registration, was in some way a wrongful claim.

[67] The requirement in reg 107 to state the grounds for a declaration of invalidity might be met by adequate notice to the respondent by means other than the formal application. The assistant commissioner suggested, in effect, that Mr Chettleburgh was aware of the s 32(1) contention of Seduce Group because of matters recorded in Mr Chettleburgh's counter statement, in Mr Chettleburgh's declaration, and in submissions for Mr Chettleburgh. I am not persuaded that

28. The summary of the commissioner's conclusions is above at [21]–[22].

29. And see *Rainbow Technologies Inc v Logical Networks Ltd* (2003) 59 IPR 247; [2003] 3 NZLR 553 at [76].

these provide grounds for concluding that Mr Chettleburgh apprehended that s 32(1) was in issue. The various statements relied on, in the different documents, were in response by Mr Chettleburgh to what Seduce Group had expressly pleaded — that is to say, the response to the absolute and relative grounds for refusing registration — and a response to Seduce Group’s contention that it was an aggrieved person. The need for a clear pleading is given emphasis in this case by the legal uncertainty as to whether there could be any argument under s 32(1), including the opinion expressed in *Laws of New Zealand* that s 32(1) cannot apply on a s 73 application.³⁰

5 [68] I accept Mr Marriott’s submissions to the essential effect that, if the questions of true ownership had been clearly pleaded, the approach on Mr Chettleburgh’s behalf, including evidence adduced for him and decisions on cross-examination of Seduce Group witnesses, were likely to have been different.

15 [69] The conclusions to this point are sufficient to justify an order that the proceeding be remitted to the commissioner for a new hearing on the question of ownership. There is a separate reason for the same order. This is that the way in which the hearing proceeded resulted in unfairness to Mr Chettleburgh. Mr Marriott acted for Mr Chettleburgh before the assistant commissioner as well as acting for him on this appeal. Mr Marriott, on this appeal, said that the first reference to s 32(1) in a document from Seduce Group was a reference in the written submissions for Seduce Group which Mr Marriott received on the day of the hearing. Section 32 is mentioned twice without any significantly developed submission in that regard. Mr Marriott raised with the commissioner the fact that there had been no prior statement by Seduce Group that it was seeking to rely on s 32(1). Mr Marriott’s advice to me was that the assistant commissioner did not overrule what amounted to Mr Marriott’s objection that there was very late notice. Nor did she indicate that argument should be developed for Mr Chettleburgh on the point, or that Mr Chettleburgh was in any way at risk on the point. Before me, Mr Elliott did not take issue with any of Mr Marriott’s advice and in that regard I note that Mr Elliott was supported in the hearing before me by Mr Cumming, the patent attorney who appeared for Seduce Group before the assistant commissioner.

20 [70] I am satisfied that there was unfairness to Mr Chettleburgh to an extent that, for this separate reason, the relevant issues should be reheard. If authority is needed for that proposition it is contained in s 27(1) of the New Zealand Bill of Rights Act 1990 — the right to the observance of the principles of natural justice.

Was Seduce Group an aggrieved person?

40 [71] The expression “an aggrieved person” is not defined in the Act. The assistant commissioner concluded that the expression should be given the same wide interpretation that had been applied in cases under the 1953 Act. She cited a statement in *Fareed Khalaf Sons Co (t/as Khalaf Stores) v Phoenix Dairy Caribe NV*:³¹

45 [23] I would add only that the term “aggrieved person” in s 41(1) of the Trade Marks Act 1953 is to be given a wide interpretation, consistent with s 5(1) of the Interpretation Act 1999.

50 30. See above at [39] and n 17.

31. HC Wellington CIV-2002-485-000207, 3 September 2003, Hammond J at [23].

[72] The broad scope of the expression is indicated by the following statement of the Supreme Court of New South Wales in *Ritz Hotel Ltd v Charles of the Ritz Ltd*:³²

It is sufficient for present purposes to hold that the expression “person aggrieved” would embrace any person having a real interest in having the Register rectified, or the trade mark removed in respect of any goods, as the case may be, in the manner claimed, and thus would include any person who would be, or in respect of whom there is a reasonable possibility of his being, appreciably disadvantaged in a legal or practical sense by the Register remaining unrectified, or by the trade mark remaining unremoved in respect of any goods, as the case may be, in the manner claimed.

[73] In *James & Wells Intellectual Property Law in New Zealand*³³ an aggrieved person is said to be any person with a substantial or real interest in a declaration of invalidity. There is a similarly broad definition in *Kerly*.³⁴

[74] Mr Marriott did not question the proposition that the expression is to be given a wide interpretation. He argued, on the facts, that Seduce Group could not qualify as an aggrieved person. The arguments were, in part, directed to Mr Chettleburgh’s primary argument that, even if Seduce Group had used the mark in New Zealand for a short period, the use had been discontinued or abandoned and the commissioner’s conclusions on the absolute and relative grounds indicated that Seduce Group was not an aggrieved person. For reasons already discussed I do not agree with Mr Marriott’s submissions. And it is to be noted that the question here is whether there is sufficient evidence to establish standing to argue the case and the threshold for proof is in consequence lower than what is required to establish true ownership.

[75] Mr Marriott also submitted that the commissioner was wrong to conclude that registration of the mark in Mr Chettleburgh’s name was an impediment to the application by Seduce Group to registration and that in any event this was insufficient to establish standing. I am satisfied that the commissioner was justified in inferring that registration of the mark in Mr Chettleburgh’s name was an obstacle to Seduce Group in its own application and that this provided further evidence of an aggrieved status.

Result

[76] The appeal is allowed.

[77] This proceeding is referred back to the commissioner for a new hearing limited to determination, in accordance with this judgment, of the following questions:

- (a) At the relevant date was Seduce Group the true owner, as defined in this judgment, of the trade mark SEDUCE?
- (b) If Seduce Group was the true owner, is there a discretion under s 73 of the 2002 Act which could be exercised by declining to make the declaration of invalidity sought notwithstanding the finding of true ownership?
- (c) If there is such a discretion, how should it be exercised?

32. (1988) 88 ALR 217 at 254; 12 IPR 417 at 454; 15 NSWLR 158 at 193.

33. I Finch (ed), *James & Wells Intellectual Property Law in New Zealand*, above n 18 at 618.

34. *Kerly’s Law of Trade Marks and Trade Names* (12th ed, Sweet & Maxwell, London, 1986) at [11]–[07].

[78] The parties have leave to apply for an order better defining the issues to be determined by the commissioner if the issues as outlined in the preceding paragraph leave uncertainty. If there is uncertainty counsel are first to confer to endeavour to reach agreement on the precise terms of reference. Agreed
5 modification of the order should be submitted in a joint memorandum to be filed within 1 month of the date of this judgment. If further directions are required and the parties are unable to agree, a separate memorandum should be filed by one party within 1 month of the date of this judgment with a response from the other party within a further 2 weeks.

10 [79] The appellant is entitled to costs. If the parties are unable to agree on the quantum of costs, and reasonable disbursements, a memorandum for the appellant should be filed and served within 1 month and any response for the respondent within a further 2 weeks.

15

ANDREW BROWN

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