

**IN THE HIGH COURT OF NEW ZEALAND  
AUCKLAND REGISTRY**

**I TE KŌTI MATUA O AOTEAROA  
TĀMAKI MAKĀURAU ROHE**

**CIV-2017-404-001185  
[2021] NZHC 1505**

IN THE MATTER OF      Passing off, the Fair Trading Act 1986 and  
                                         the Trade Marks Act 2002

BETWEEN                      FLUJO SANGUINEO HOLDINGS PTY  
                                         LTD  
                                         Plaintiff

AND                              MERISANT COMPANY  
                                         First Defendant

MERISANT AUSTRALIA PTY LTD  
Second Defendant

NEW ZEALAND SUGAR COMPANY  
LIMITED  
Fourth Defendant

Hearing:                      19 – 23 April, 1 June 2021

Appearances:                D L Marriott for Plaintiff  
                                         C Elliott QC, J B Rutter and L E Royers for First, Second and  
                                         Fourth Defendants

Judgment:                    23 June 2021

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**JUDGMENT OF WOOLFORD J**

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*This judgment was delivered by me on Wednesday, 23 June 2021 at 4:30 pm  
pursuant to r 11.5 of the High Court Rules.*

*Registrar/Deputy Registrar*

Solicitors:                    Hudson Gavin Martin for Plaintiff  
                                         Dentons Kensington Swan (J Rutter), for First, Second and Fourth Defendants

Counsel:                      D L Marriott, Auckland for Plaintiff  
                                         C Elliott QC, Auckland for First, Second and Fourth Defendants

## **Introduction**

[1] This is an intellectual property (IP) dispute between two rival manufacturers of natural sweetener products derived from stevia leaves as a sugar substitute. The plaintiff sues the defendants in 1) passing off, 2) breach of the Fair Trading Act and 3) infringement of its trademark.

[2] The plaintiff, Flujo Sanguineo Holdings Ltd (Flujo), is an Australian company that owns the IP relating to a range of natural sweetener products called Natvia. Flujo is part of a small closely held group of companies. Two of Flujo's wholly owned subsidiaries have manufactured and marketed Natvia products throughout New Zealand since July 2010. Natvia products are exclusively distributed in New Zealand by Acorn Group Limited.

[3] The first defendant, Merisant Company, is an American corporation based in Chicago. It is the controlling entity behind the worldwide Merisant group of companies, which includes the second and third defendants. The third defendant, against whom Flujo has now discontinued proceedings, is the Swiss company Merisant Company 2 Sarl, which manufactures a range of natural sweetener products called Naturals and owns all Merisant Group's non-US IP. The second defendant, Merisant Australia Pty Ltd, is a wholly owned subsidiary of the third defendant. Merisant Australia Pty Ltd authorises the distribution of Natural products in New Zealand through the fourth defendant, New Zealand Sugar Company Ltd (NZ Sugar). Hereinafter the first and second defendants are referred to together as 'Merisant'.

[4] In brief, Flujo says that its product, Natvia, is marketed in packaging with a distinctive get-up.<sup>1</sup> Flujo alleges that Merisant unfairly gained market share for their Naturals products, at Natvia's expense, by changing the packaging of the Naturals products to a design that incorporated a misleading combination of key features from the Natvia get-up. This has led to causes of action in passing off and breach of the Fair Trading Act. Flujo also alleges that using "Naturals" as a trademark infringes its registered trademark "Natvia".

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<sup>1</sup> The term "get-up" is used to mean the whole visible external appearance of goods in the form in which they are likely to be seen by the public before purchase.

## **Factual background**

[5] Natvia is the name of a natural sweetener product that was developed by Flujo's principal, Mark Hanna, with the assistance of his business partner, Sam Tew, in 2008-2009 in response to the growing awareness of the detrimental health effects of artificial sweeteners. It uses an extract from the leaves of the Stevia plant, which is 250 to 300 times sweeter than sugar. It is produced and packaged in a form very similar to sugar through the use of a blending and bulking agent, erythritol, thus making it attractive to consumers as a sugar substitute. Stevia was approved as a food additive in Australia and New Zealand in August 2008.

[6] Natvia products were released at retail in Australia in February 2010 and have been sold by the major New Zealand supermarket chains since July 2010. When first introduced, Natvia products were packaged in a predominately white and green get-up. In mid-2010, the packaging was changed to a more distinctive get-up, which Flujo says was quite unlike anything used by any competing products at that time. Flujo's range of Natvia products includes a 40 stick box (containing 40 2g sachets or sticks), a tablet pack and a 200g or 300g canister.

[7] Flujo says that the Natvia get-up comprises a number of distinctive features that individually and in combination made the Natvia packaging completely distinctive from that used by any competitor, at least prior to the introduction of Naturals by Merisant. According to Flujo, Natvia's get-up comprises:

- (a) a recycled packaging appearance with a natural earthy feel and theme utilising a green, brown, and light beige colour scheme with a somewhat rustic styling and layout;
- (b) the most prominent feature being a centrally located banner or device featuring the words "the 100% Natural Sweetener" in a brown and light beige colour way and in a larger font than all remaining text on the package and with the word "Sweetener" positioned below;
- (c) an image of a green leaf depicted towards the top of the device;

- (d) the product trademark, located in the top left corner of the get-up, comprising:
  - (i) the word Natvia in a stylised brown lower case font, and
  - (ii) a leaf image; and
- (e) pink ‘call-out’ blocks to highlight brand elements and/or laudatory epithets.

[8] Flujo says that the Natvia get-up was immediately successful and that the new packaging coincided with the beginning of a period of rapid growth for Natvia in New Zealand and elsewhere. They claim that this period of growth continued until early 2016, when Naturals was repackaged, after which Natvia sales immediately began to decline.

[9] Flujo says it has taken three years for Natvia to overcome the effect of the repackaging of Naturals and resume its growth trend. Natvia products now account for 60-70 per cent of the New Zealand market for natural sweetener products and almost 25 per cent of the total market for sugar substitutes (which also includes artificial sweeteners).

[10] Merisant’s range of Naturals products have been sold in New Zealand since October 2013. The range includes a 40 stick box (containing 40 1.5g sachets or sticks) and a tablet pack, but also includes a 40g jar and a 250g crunch product with a spout. Two of the four products (the stick box and crunch product) had a large “100% natural low calorie sweetener” claim on the front of the pack and bore the Naturals trademark vertically down the left hand side of the front of the pack. The other two products (the granules jar and tablet pack) bore the Naturals trademark horizontally across the top of the pack. Flujo had no complaint about the original 2013 packaging.

[11] In January 2016, Merisant launched a redesigned Naturals stick box. It had intended to launch the redesigned packaging across the entire Naturals range, but when Flujo issued infringement proceedings in May 2016, Merisant asked its manufacturer

to keep any future production of Naturals products, other than sticks, in the 2013 packaging for the time being. The principal product at issue is therefore the Naturals stick box in comparison with the Natvia stick box.

### **Previous proceedings**

[12] Proceedings were initially filed in 2016 by Flujo Holdings Pty Ltd (Flujo Holdings), another corporate entity within the same group of companies as Flujo. At the time, Flujo Holdings owned all of the Natvia IP. The IP was later transferred to Flujo.

[13] Prior to trial, Flujo Holdings applied for an injunction restraining Merisant and NZ Sugar from using the new packaging for the Naturals products pending disposition of its claim of passing off, breach of the Fair Trading Act 1986 and infringement of its trademark. Courtney J dismissed the application for an injunction in a decision dated 2 August 2016.<sup>2</sup>

[14] It is instructive to set out in full Courtney J's reasoning that Flujo Holdings had not established a serious issue for trial.

[24] As I have discussed, Flujo particularly relies on its "the 100% natural sweetener" slogan coupled with the prominent speech bubble device and its green/beige/brown colour scheme as distinctive of its brand. It asserts that the Naturals packaging utilises these (and other) features in such a similar way that confusion or deception either has or is likely to occur.

[25] I accept that the packaging is similar but the evidence does not satisfy me that there is a serious question that the Naturals packaging has or is likely to lead to confusion as to whose product it is. Like the Natvia product, the Naturals product is sold in a slightly rectangular packaging, though the shape is closer to square than the Natvia box. Like the Natvia product the most distinctive features of the Naturals packaging are the prominent device in the middle of the box featuring the slogan "100% natural sweetener" and the colour scheme. However, to my eye, neither those nor the other features are sufficiently like those of the Natvia product to be likely to cause confusion.

[26] The central device is dark brown with beige text, the opposite of the Natvia packaging, which is beige with dark brown text. The Naturals device is a stylised rectangular plaque shape, compared with Natvia's (almost) round speech bubble.

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<sup>2</sup> *Flujo Holdings Pty Ltd v Merisant Company* [2016] NZHC 1779 at [24] – [32].

[27] Although the colour scheme of the Naturals packaging is, like Natvia's, beige, brown and green, these colours are used differently. Mid-beige is the background colour on the Naturals box whereas light beige on the Natvia box is used for the speech bubble device. Green on the Naturals box is used only for text and call-out boxes whereas the Natvia box features bright green as the background colour. Brown on the Naturals box appears in a solid block as the central device whereas on the Natvia box it is used only for text. Overall, the Naturals box impresses as being predominantly brown and the Natvia box as predominantly green.

[28] Other aspects of the Natvia get-up said to be distinctive have not been used in a way that is similar. For example, the Naturals box does feature a pink call-out box but it is a minor feature in a different tone to the bright pink rectangular and square Natvia call-out boxes. The overall effect is more muted.

[29] Finally, although the Naturals trademark appears in the same position as the Natvia trademark ( top left corner) it is quite different, being cursive script with a realistic leaf image forming part of the crossbar of the "t" compared to Natvia's print script with its distinctive stylised "v".

[30] There is also insufficient evidence from which to conclude that consumers either have been or are likely to be confused between the brands. Mr Norris said that he had seen a letter to Flujo from a disgruntled consumer who had not received a cookbook which was part of a Merisant/NZ Sugar promotion. Flujo produced a screenshot of an instagram post referring to "natvianaturals" and a photograph of a Naturals box wrongly placed above a Natvia price tag in a supermarket. None of these instances are particularly compelling.

[31] Flujo also relied on sales figures for the year to 12 June 2016 showing a 3.7 per cent increase in unit sales for Natvia products overall but a 6.5 per cent decrease in unit sales of the 40 stick box. Conversely, over the same period the sales of the Naturals 40 stick boxes in the new packaging rose 7.1 per cent. Mr di Benedetto suggested that Natvia lost sales momentum in the first quarter of 2016 and the decrease was due to Natvia increasing its price and decreasing its marketing activity. Mr Hanna rejected both suggestions. I cannot determine that issue in the context of the present application. Given the paucity of evidence as to actual confusion I do not feel able to infer confusion from the sales figures alone.

[32] It is possible that at trial there will be stronger evidence to show actual or probable confusion. But the evidence before me is insufficient to show a serious issue for trial.

[15] A five-day fixture to hear the substantive claim by Flujo Holdings was set down to commence on Monday, 1 May 2017. On Wednesday, 26 April 2017, Flujo Holdings' counsel filed an application for leave to withdraw. On Thursday, 27 April 2017, Wylie J granted leave. Flujo Holdings immediately filed an application to adjourn the trial. It was refused by Wylie J in a decision dated 28 April 2017. Flujo Holdings immediately filed a notice of discontinuance of the proceedings.

[16] On 9 June 2017, Flujo commenced the present proceedings. The defendants made an application to have the present proceedings dismissed or stayed on the ground that they were an abuse of process. Fitzgerald J dismissed the application for dismissal or stay in a decision dated 5 February 2018.<sup>3</sup> An appeal against Fitzgerald J’s decision was dismissed by the Court of Appeal in a decision dated 26 September 2018.<sup>4</sup> On 29 October 2019, Associate Judge Bell ordered Flujo to pay \$67,000 as security for costs in the present proceedings.<sup>5</sup>

### **Causes of action / The law**

[17] There are three causes of action pleaded by the plaintiff in the amended statement of claim dated 30 March 2020.

#### *Passing off*

[18] The plaintiff alleges that the defendants passed off, caused or enabled others to pass off its 2016 Naturals products as the equivalent of the plaintiff’s Natvia stick box products, or as authorised or endorsed by the owner of and/or originating from the same source as the Natvia sweetener products.

[19] The plaintiff alleges that the 2016 Naturals get-up is confusingly similar to the Natvia get-up because, in common with the Natvia get-up, it features the following visual elements:

- (a) a dark brown and mottled beige and green colour scheme;
- (b) a prominent stylised box centrally positioned in the design hierarchy on the face of the product packaging featuring the words “100% natural sweetener” displaying
  - the words “100% natural” in larger font as the most prominent text-feature of the get-up,

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<sup>3</sup> *Flujo Sanguineo Holdings Pty Limited v Merisant Company Inc* [2018] NZHC 54.

<sup>4</sup> *Merisant Company Inc v Flujo Sanguineo Holdings Pty Ltd* [2018] NZCA 390.

<sup>5</sup> *Flujo Sanguineo Holdings Pty Limited v Merisant Company Inc* [2019] NZHC 2891.

- the word “sweetener” placed in smaller font below, and
  - a green leafed device;
- (c) the “Naturals” trademark logo located in the top left corner of the front face of the packaging (or top of the face for the pouch product), namely the words “Naturals” in less prominent brown cursive script with a stevia leaf forming the cross bar of the “t”; and
- (d) set elements coloured and styled and laid out to evoke a natural, wholesome, earthy look and feel.

[20] There is a long-established test for passing off.<sup>6</sup> The plaintiff must prove:

- (a) a misrepresentation;
- (b) made by a trader in the course of trade;
- (c) to prospective customers or ultimate consumers of the plaintiff’s goods;
- (d) which is calculated to injure the business or goodwill of the plaintiff (in the sense that it is a reasonably foreseeable consequence); and
- (e) which causes actual damage to the business or goodwill of the trader or will probably do so.

*Breach of the Fair Trading Act*

[21] The plaintiff alleges that the defendants’ actions comprise conduct in trade that is misleading or deceptive or which is likely to mislead or deceive in breach of s 9 of the Fair Trading Act 1986 (the Act). They allege further that the defendants falsely represented and are continuing to falsely represent that the 2016 Naturals stick box and other naturals products have the sponsorship and/or approval of Flujo, or that

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<sup>6</sup> *Erven Warnink BV v J Townend & Sons (Hull) Ltd* [1979] 2 All ER 927 at 932-933 per Lord Diplock.



Merisant is sponsored, approved, or affiliated with Flujo, when neither is the case, thereby contravening s 13(e) and (f) of the Act. This latter claim is made in connection with the supply or possible supply of the 2016 Naturals stick box and other Naturals products or in connection with the promotion by any means of the supply of the 2016 Naturals stick box and other Naturals products.

[22] Sections 9,13(e) and (f) of the Fair Trading Act provide:

**9 Misleading and deceptive conduct generally**

No person shall, in trade, engage in conduct that is misleading or deceptive or is likely to mislead or deceive.

...

**13 False or misleading representations**

...

- (e) make a false or misleading representation that goods or services have any sponsorship, approval, endorsement, performance characteristics, accessories, uses, or benefits; or
- (f) make a false or misleading representation that a person has any sponsorship, approval, endorsement, or affiliation;

...

[23] For the purposes of this trial, little turns on the differences between passing off and conduct which is contrary to ss 9,13(e) or (f) of the Fair Trading Act. The primary difference between the two relates to damage. In order to prove passing off, Flujo must show that it suffered and/or is suffering loss or damage, or was and/or is likely to do so. In order to prove a breach of ss 9, 13(e) or (f) of the Fair Trading Act, it is sufficient for Flujo to prove conduct which is misleading or deceptive or likely to mislead or deceive. It need not prove actual or likely damage or loss to itself or any other party.

*Infringement of registered trademark*

[24] The plaintiff alleges that the defendants' actions constitute use of a trademark that is confusingly similar to the plaintiff's Natvia trademark in contravention of its exclusive rights in the registration, and therefore infringe the registration.

[25] In order to succeed in its claim for trademark infringement, the plaintiff must prove that 1) Merisant's Naturals trademark on its 2016 get-up is similar to the registered Natvia mark for natural sweeteners, and 2) Merisant' use of its Naturals trademark is therefore likely to deceive or confuse. Section 89(1)(c) of the Trade Marks Act, on which the plaintiff relies, provides:

**89 Infringement where identical or similar sign used in course of trade**

(1) A person infringes a registered trade mark if the person does not have the right to use the registered trade mark and uses in the course of trade a sign—

...

(c) similar to the registered trade mark in relation to any goods or services that are identical with or similar to any goods or services in respect of which the trade mark is registered, if that use would be likely to deceive or confuse; or

...

**Counterclaim / The law**

[26] Merisant says that Flujo's claim alleging that the defendants have infringed the registered Natvia trademark is without merit, unjustified and has caused them loss and damage. The defendants therefore counterclaim against the plaintiff under s 105 of the Trade Marks Act 2002, which provides:

**105 Unjustified proceedings**

(1) If a person brings proceedings alleging an infringement of a registered trade mark, the court may, on the application of any person against whom the proceedings are brought,—

(a) make a declaration that the bringing of proceedings is unjustified;

(b) make an order for the payment of damages for any loss suffered by the person against whom the proceedings are brought.

(2) The court must not grant relief under this section if the person who brings the proceedings proves that the acts in respect of which proceedings are brought constituted, or would have constituted if they had been done, an infringement of the trade mark concerned.

(3) Nothing in this section makes a barrister or solicitor of the High Court of New Zealand liable to any proceedings under this section in respect of any act done in his or her professional capacity on behalf of a client.

[27] The defendants say that the plaintiff's proceeding alleging trademark infringement is misconceived and has been from the outset. The losses suffered by the defendants are yet to be particularised, but will primarily comprise legal fees.

### **Experts' reports**

[28] Flujo called Peter Cresswell Thirkell, Professor Emeritus at the Victoria University of Wellington, to give evidence on its behalf. In response, the defendants called Richard Granville Starr Jnr, Senior Lecturer in Marketing at the University of Auckland Business School. Both were suitably qualified to give expert evidence. Both prepared briefs of evidence. They then conferred and produced a Joint Expert Conference and Report dated 31 March 2021. They agreed on many issues and when they did disagree, they identified which expert disagreed and the basis for that disagreement.

[29] In response to the question of how the average consumer is likely to perceive "100% natural sweetener" in the context of the get-up of the Natvia and/or Naturals packaging, Mr Thirkell concluded that, given the size, high visibility and longevity of "the 100% natural sweetener" as a key feature of the Natvia get-up, the average consumer is likely to perceive this description as inextricably linked to recognition of the Natvia branded product. Mr Starr disagreed. He was of the opinion that the words "the 100% natural sweetener" do not rise to the level of a clear and central brand promise. "100% natural" is a vague laudatory term implying positive attributes but having no clear or universally understood meaning. "Sweetener" is a category descriptor that by definition can be used by any brand in the category. Heavy reliance on a generic phrase cannot make it proprietary to one particular brand, according to Mr Starr.

[30] Mr Thirkell was also of the opinion that the words "100% natural sweetener" are capable of functioning as an indication of the trade source of a natural sweetener product generally. The overall Natvia get-up therefore functions as an indicator of the trade source of the Natvia product. He concluded that if the "100% natural sweetener" descriptor was visually presented as the central and dominant feature in the get-up of another branded product in the same product category, then brand confusion on the

part of some consumers is likely to result. Again, Mr Starr disagreed. Any brand is able to use the words as a central or dominant feature. A version of the words is also central to a greater or lesser extent on every other brand in the category. Because the words are so generic, so common, and so similarly used, he cannot accept that it will help consumers reliably recognise one particular brand.

[31] Mr Thirkell believes that there are several features of the Naturals stick box packaging which are likely to mislead consumers because of their similarity to features of the Natvia stick box packaging. Apart from the central and dominant position of the words “100% natural sweetener”, the Naturals brand name and logo is offset to the top left of the pack. Although the names Naturals and Natvia are distinct words in their own right, when considered alone, the similar size and placement of the brand and logo and their shared use of the leading letters “Nat” adds to the possibility of confusion. Furthermore, the Naturals product makes use of a small pinky-red splash element similar in colour to a colour used on the Natvia pack. Finally, the Naturals pack conveys an overall impression of natural, recycled and down to earth, reinforced by the use of a predominantly brown and green colour palette reminiscent of the Natvia pack.

[32] Mr Starr did not agree that placing a common generic phrase in a central and dominant position made it more distinctive. The Naturals logo differs semantically, is in a different colour and is rendered in a different typeface than the Natvia logo. Because Naturals is a recognisable English word and Natvia is clearly a neologism, Mr Starr found little confusion between the two. Furthermore, the addition of a small pink splash element with the words “New improved formula” on a time limited package was unlikely to cause confusion. Finally, although the colours used in the two competing brands are similar, the proportions in which they are used are dramatically different, leading to significantly different package impressions.

[33] As to the products other than the stick boxes, Mr Thirkell acknowledged that the packaging forms of the Natvia and Naturals dispenser and canister products are sufficiently different that consumers should be able to properly differentiate between them if they considered product form alone. However, because the other products also prominently feature the “100% natural sweetener” graphic, he remained concerned

about the Naturals get-up being deceptively or misleadingly similar to the equivalent Natvia get-up for all of the variants. Again, Mr Starr disagreed. He said the very noticeable difference in terms of the Natvia and Naturals dispenser and canister products makes it extremely unlikely that consumers would be deceived or misled about the origin of the product.

## **Discussion**

### *Passing off / Breach of Fair Trading Act*

[34] It is convenient to deal with these two causes of action together as there is little difference between them in the context of the present proceedings, except the need to prove actual or potential damage in passing off.

[35] In essence, Flujo claims that it is entitled to sole use of the phrase “the 100% natural sweetener” centrally positioned, in large type, as the most prominent element on natural sweetener products. It claims that due to its promotion and marketing, consumers associate this element exclusively with Flujo. There is, however, no proof that any goodwill exists in the Natvia get-up. Flujo has not provided specific and comprehensive evidence explaining its investment in media and advertising, consistency of its packaging and consumer survey evidence. This is nowhere near the “Jif Lemon” case in which a company had been marketing lemon juice in the United Kingdom in convenient plastic squeeze packs coloured and shaped like natural lemons for close on 30 years before a competitor produced a version of the plastic lemon container which they proposed to launch on the market.<sup>7</sup> The Court held that the plastic lemon shaped container had acquired a secondary significance, indicating not merely lemon juice, but specifically Jif lemon juice.

[36] In order to succeed in the present case, Flujo must demonstrate more than simply the sole use of the phrase “the 100% natural sweetener”. Flujo must demonstrate that the phrase has become so closely associated with its products as to acquire the secondary meaning not simply of goods of that description, but specifically of goods of which it and it alone is the source. It has not done so. The evidence

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<sup>7</sup> *Reckitt & Colman Products Ltd v Borden Inc* [1990] 1 All ER 873.

establishes that the use of the words “100% natural” is not uncommon on a wide range of products. Flujo’s modest use of the phrase “the 100% natural sweetener” prior to January 2016 does not entitle Flujo to a monopoly on its use when a secondary meaning has clearly not been established.

[37] Looking more closely at the packaging, Flujo’s complaint has always been focussed largely on the Naturals stick box. The Naturals and Natvia boxes are set out below.



[38] Mr Thirkell queried the value of side by side comparisons of the two products. He was of the opinion that there was a material risk of consumers with good prior experience of the Natvia brand confusing the Naturals stick box for the Natvia stick box in the event that the Natvia product is out of stock or less visible on supermarket shelves. Mr Thirkell also believed that consumers are used to brand refreshment and associated changes occurring from time to time and, accordingly, may purchase the Naturals product thinking it to be “newer stock” of the refreshed Natvia offering.

[39] I am, however, of the view that the most valuable comparison is side by side. That is a common way of displaying different products on supermarket shelves. The average consumer interested in purchasing a natural sweetener will consider the packaging as a whole and make a decision based on their overall impression. Although a feature by feature comparison is, in my view, not the best way to approach this issue — the overall impression conveyed by the packaging is of most significance — it is

still necessary to analyse the individual features, without according primacy to any one feature.

[40] First, as to the overall impression, I am of the view that the two products have dramatically different visual appearances. Here I agree with Mr Starr that analysing and deconstructing the packaging into a simplified description, such as a green, brown and light beige colour scheme is far too simplistic to indicate how consumers will view the package as a whole. While both products could be described as having a green, brown and light or mid-beige colour scheme, their use of those colours is dramatically different.

[41] Similarly, while the plaintiff identifies the primary feature leading to confusion as the large and centrally prominent descriptor “100% natural sweetener”, the two brands’ treatment of it could not be more different.

[42] I am of the view that the most significant element in a consumer’s overall impression is that of the contrasting major colours. The Natvia stick box is predominately bright green, while the Naturals stick box is predominantly mid-beige.

[43] Furthermore, the large and centrally prominent descriptors use contrasting colours. The Natvia descriptor is in brown lettering on a light beige speech bubble, while the Naturals descriptor is in beige on a dark brown badge or plaque. The Natvia product uses a prominent callout “We use organic Stevia” in bold brown colours at the top right of the speech bubble. The Naturals product uses the words in green “with Stevia” on the dark brown badge or plaque itself. The light beige speech bubble on the Natvia product shows a large wooden scoop holding a quantity of a white crystalline substance. There is nothing similar on the Naturals product. The two packages are distinctly different.

[44] Furthermore, since proceedings were first issued five years ago, Flujo has not produced any reliable evidence of consumer confusion. In her judgment dated 2 August 2016 refusing an interim injunction, Courtney J stated:<sup>8</sup>

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<sup>8</sup> *Flujo Holdings Pty Ltd v Merisant Company*, above n 2, at [30].

[30] There is also insufficient evidence from which to conclude that consumers either have been or are likely to be confused between the brands. Mr Norris said that he had seen a letter to Flujo from a disgruntled consumer who had not received a cookbook which was part of a Merisant/NZ Sugar promotion. Flujo produced a screenshot of an Instagram post referring to “natvianaturals” and a photograph of a Naturals box wrongly placed above a Natvia price tag in a supermarket. None of these instances are particularly compelling.

[45] The same three instances were advanced in the present proceeding.

[46] Mr Norris, a director and shareholder of Acorn Group Limited, Flujo’s distributor in New Zealand, stated that when Merisant conducted a promotion offering a free cookbook, they received a letter from an outraged consumer who missed out on a copy. Mr Norris has been unable to locate the original or a copy of the letter but says he did personally read it.

[47] When shown the cookbook, Mr Norris said it did not look like a cookbook - “It looks like an advert [for Naturals]”. All the Naturals products shown in the cookbook show the old packaging carrying the message “from the makers of Equal” in respect of which complaint is not taken by Flujo. It therefore appears that the cookbook was produced prior to January 2016 when the new packaging was introduced, at least initially, on the Naturals stick box product. Without any further evidence about the complaint it is difficult to attribute any weight to it.

[48] Flujo again produced a screenshot of an Instagram post under the account name “anafitfoodie”, referring to “Natvianaturals”. Flujo’s Natvia Instagram account is however called “natvianaturalsweetener”. The post shows an image of sugar-free Anzac biscuits and sets out the full recipe. The text lists “1 tablespoon @ natvianaturalsweetener Natvia” as one of the ingredients and then goes on to list several hashtags, including # Natvia and # Natvianz.

[49] Mr Di Benedetto is the former Regional Managing Director of Merisant Australia Pty Ltd. I accept his opinion that it is likely that when typing the hashtag #natvianaturals, the Instagram user made a mistake by adding an “s” or by leaving off the letters “weetener” at the end of “natvianaturals”, which is consistent with the Natvia Instagram account being called “natvianaturalsweetener”. Again, I am of the



view that it is difficult to attribute any weight to this posting as evidence of any wider confusion.

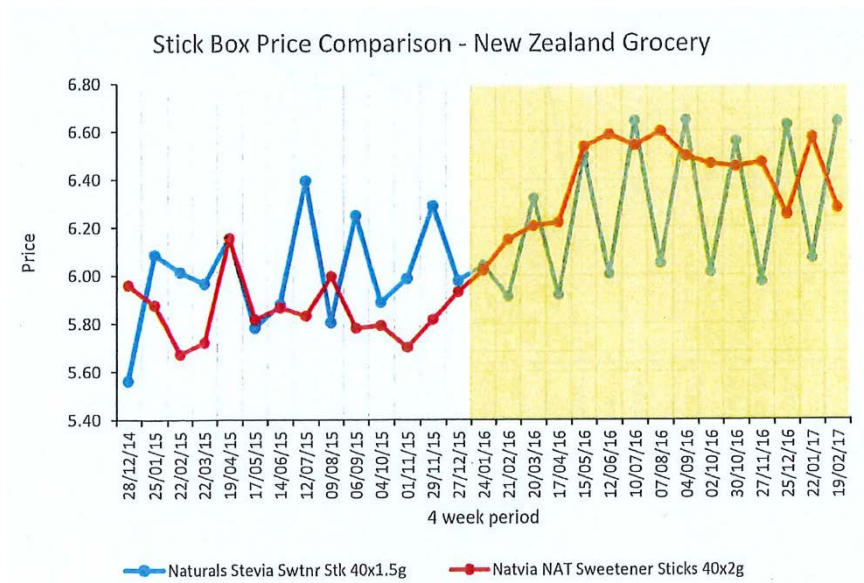
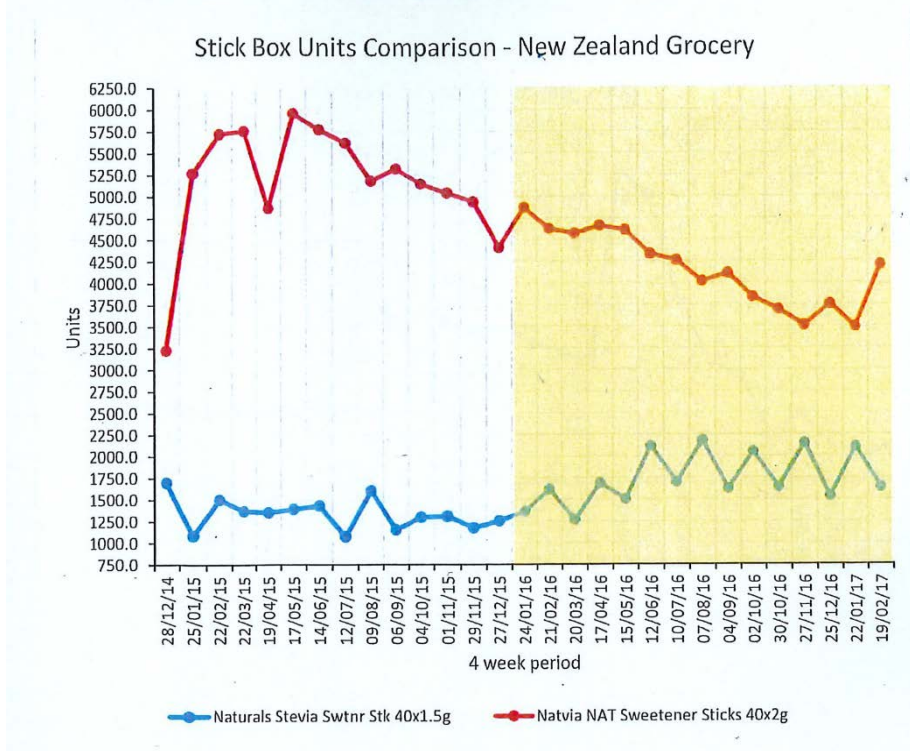
[50] The third matter advanced was a photograph of a Naturals box wrongly placed above a Natvia price tag in a supermarket. Mr Hanna used the photograph to argue that staff and customers constantly mixed up the Natvia and Naturals products, placing or replacing them on the shelves in the position for the other. When cross-examined, Mr Hanna accepted that the photograph was taken in an Australian supermarket and that neither the Natural nor Natvia products were in a position which accorded with the price tags on the shelves. I am therefore unable to attribute any weight to Mr Hanna's speculative opinion about the behaviour of supermarket staff or customers in New Zealand.

[51] Mr Hanna also points to what he says was a dramatic fall in sales of the Natvia stick box when Merisant introduced its new packaging in the form of the Naturals stick box into the market in January 2016. Mr Hanna says he is quite certain that this can only be explained by the confusingly similar packaging. He also says that there were no significant pricing changes for that product, which might have otherwise explained such a large increase/drop.

[52] Data from New Zealand Grocery (a combination of Progressive and Foodstuffs stores) suggests otherwise.

[53] In May 2015, Flujo sold 6,000 Natvia stick box units, but this slowly but steadily declined to 3,500 units in January 2017. This decline cannot be explained by the introduction of the new Naturals stick box in January 2016. The decline had already started eight months earlier. A more cogent explanation is available and that is the shelf price, as can be seen from the following two graphs.

**New Zealand Grocery – Stick Box comparison**



[54] In April 2015, when the average price of the Natvia stick box increased from \$5.70 to \$6.15, the number of units sold dipped from 5,750 to 4,850 over the four-week period. When the average price dropped back to \$5.80, over the next four-week period, sales rebounded from 4,850 to 6,000, its highest volume between December 2014 and February 2017.

[55] The graph also shows that the average price of the Natvia stick box product steadily increased from \$5.70 to \$6.60 over the period from November 2015 to August 2016. In contrast to Natvia, Naturals engaged in regular and consistent price promotions every two weeks or so from May 2015 to February 2017. Its sales increased from about 1,000 units in July 2015 to 1,700 units in February 2017. The change in the Naturals packaging in January 2016 appears to have been immaterial to the continuing trend of increasing prices and declining sales of the Natvia stick box product.

[56] Flujo also submits that the incorporation of key features from the Natvia get-up was not accidental. It was intended to “cause disruption at shelf” by changing the emphasis to “100% natural” and stevia as opposed to the brand. Flujo submits that the packaging changes were made following detailed analysis of the reasons for Natvia’s success and using Natvia’s products as a reference point for clarification of what was required.

[57] This, however, is not blameworthy. Merisant has, albeit with a strong desire to compete with Flujo, designed its get-up independently and made changes for genuine commercial reasons. Merisant’s intentions were not only honest, they are peripheral to the key issue of whether its packaging comprises a misrepresentation as required for the purposes of passing off and/or a breach of the Fair Trading Act.

[58] As made clear in *Verrochi v Direct Chemist Outlet Pty Ltd*,<sup>9</sup> a case about the get-up of competing chemist store frontages, “there is an important distinction between an intention to copy and an intention to deceive. The former does not establish the latter.” This passage reaffirms the principle that competitors are entitled to copy the get-up of others provided the end result does not deceive. The Naturals packaging does not deceive or mislead.

[59] In summary, I am not satisfied that Flujo has proven that the Natvia get-up has become associated in the minds of substantial numbers of the purchasing public, specifically and exclusively, with Flujo (that is, it has not proven any goodwill in its get-up). Nor am I satisfied that Flujo has proven any misrepresentation on the part of

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<sup>9</sup> *Verrochi v Direct Chemist Outlet Pty Ltd* (2016) 247 FCR 570 at [104].

Merisant. The Naturals and Natvia products are distinctly different. Finally, I am not satisfied that Flujo has suffered any loss or damage caused by Naturals' introduction of the new packaging. Any diminution of sales has been caused by legitimate competition. There is no reliable evidence of consumer confusion. Analysis of sales shows consumer choices are largely driven by price.

### *Infringement of Trade Mark*

[60] Flujo says that the manner in which the Naturals trade mark has been used on the 2016 Naturals packaging constitutes the use of a mark that is similar to Natvia in relation to goods that are identical to the goods in respect of which Natvia is registered. It therefore contends, for the reasons advanced in relation to the first two causes of action, that its use would be likely to mislead or deceive.

[61] In this regard, Flujo submits that it is important to consider the manner in which the Naturals trade mark has been used by the defendants, and to compare that with the manner in which the Natvia trademark has been used by the plaintiff. It is said to be relevant that Naturals, which has the same prefix "Nat" as Natvia, has been placed on the package with secondary prominence, with stylisation, and in conjunction with features of get-up that increases the likelihood of it being mistaken for Natvia.

[62] I am, however, of the view that there is no likelihood of deception or confusion between the two marks in terms of s 89(1) of the Trade Marks Act. The two marks as shown on the sachets or sticks contained in the Natvia and Naturals stick boxes are set out below:



[63] Although the goods contained in the packaging are clearly identical, being natural sweeteners derived from stevia leaves in the form of a white granular sugar substitute, the marks differ visually and phonetically.

[64] The word “naturals” is in a dark brown colour against a beige background. It is in a cursive script with a realistic leaf image forming part of the cross bar of the “t”. Although the word “natvia” is also in a dark brown colour, it is against a bright green background. It is in a print script with a distinctive stylised “V” with a bud contained within it. Immediately underneath the word “Natvia” and connected with it visually are the words “Inspire a better life” in a bright pink box, almost in the form of an underlining.

[65] Although the marks both begin with the letters “nat”, they are easily distinguished by consumers. Naturals is clearly an English word formed by adding the letter “s” to the adjective “natural”, meaning existing in or formed by nature as opposed to artificial. On the other hand, Natvia is a made up word not in ordinary usage formed by combining the first three letters of the word “natural” with the last three letters of the word “stevia”. It does not have a readily understandable meaning.

[66] The plaintiff has provided no credible evidence of confusion between the Naturals mark and the Natvia mark since Naturals came onto the market in 2013.

[67] Here, I disagree with Mr Thirkell, who thinks that the similar relative size, the placement of the marks on the packaging and their shared use of the leading letters “nat” adds to the possibility of confusion by repeat purchasing consumers operating in *gestalt* mode at the time of purchase without much decision process. I prefer the evidence of Mr Starr, who is of the opinion that the uses of colour and graphic treatments are significantly different and who sees little chance of confusion between the two. Given natural sweetener products are sold to consumers who are health conscious and at times medically motivated, they are normally a high involvement purchase. So called natural sweeteners are also significantly more expensive than sugar which tells against a likelihood of confusion in the normal purchasing environment in a supermarket.

### *Counterclaim*

[68] Merisant claims that Flujo’s trademark infringement cause of action was unjustified. The cause of action would be justified if Flujo could show that it had acted in the genuine belief, held on reasonable grounds and after taking legal advice, that there had been or might have been an infringement.<sup>10</sup>

[69] I have found that there was no infringement of the Natvia trademark. However, in the present case it is relevant that the trademark infringement cause of action forms part of broader claims of passing off and breach of the Fair Trading Act. Merisant was, accordingly, already required to defend the additional causes of action pleaded. The amount of time spent on the trademark cause of action was minimal compared with that spent on the broader claims.

[70] Furthermore, the marketing expert called by Flujo, Mr Thirkell, did make reference to the similar relative size and placement of the brand logo on the pack and their shared use of the leading letters “Nat” as reinforcing the possibility of consumer confusion when he was giving evidence.

[71] I have no doubt that Mr Hanna genuinely believes that the Natvia trademark has been infringed. Legal advice that Mr Hanna may have taken has not been produced, but Flujo’s expert did include the trademarks in his analysis of the comparative get-ups of the Naturals and Natvia products. In those circumstances, Merisant’s counterclaim under s 105 of the Trade Marks Act 2002 is dismissed.

### **Result**

[72] The plaintiff has failed to prove passing off, breach of the Fair Trading Act or infringement of its trademark. The plaintiff’s claim is accordingly dismissed.

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<sup>10</sup> *Heinz Watties (New Zealand) Ltd v Effem Foods Pty Ltd* (2001) 7 NZBLC 103,437 (HC) at [19] as cited in *Tasman Insulation New Zealand Ltd v Knauf Insulation Ltd* [2014] NZHC 960, (2014) 108 IPR 162 at [266].

[73] Costs are to follow the event. If they cannot be agreed, the parties are to file memoranda of no more than five pages within a month of the date of this judgment.

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Woolford J