McCain Foods (Aust) Pty Ltd v Conagra Inc

CORRIGENDA

[2002] 3 NZLR 40

p 41 line 24 *Delete* "Tiffany & Co v Fabrique de Tabac Reunies SA" *and substitute* "Tiffany & Co v Fabriques de Tabac Reunies SA".

p 47 lines 26-27 *Delete* "Tiffany & Co v Fabrique de Tabac Reunies SA" *and substitute* "Tiffany & Co v Fabriques de Tabac Reunies SA".

McCain Foods (Aust) Pty Ltd v Conagra Inc

Court of Appeal Wellington CA 176/01
29 April; 6 June 2002
Gault P, Blanchard and Anderson JJ

Trade marks and trade names – Registration – Whether words "healthy choice" distinguished goods of respondent from those of competitors – Trade Marks Act 1953, s 15.

Conagra Inc (Conagra) applied for registration of the word combination "healthy choice" as a trade mark under the Trade Marks Act 1953 (the Act). McCain Foods (Aust) Pty Ltd (McCain) opposed the application on two principal grounds. First, McCain alleged that the marks "healthy choice" and "McCain healthy choice" were used by it for the same or similar goods as that being applied for by Conagra and, therefore, the combination could not be distinctive of Conagra's goods. Secondly, the word combination "healthy choice" lacked the necessary inherent distinctiveness to qualify for registration as a trade mark.

The Assistant Commissioner of Trade Marks noted the lack of distinctiveness of the words "healthy" and "choice" separately, but concluded that the combination of the words was not so descriptive as to be unregisterable. The assistant commissioner concluded that both companies had adopted the term "healthy choice" as a trade mark to which they attached significant value. This supported the position that as at the date of the application by Conagra the trade mark had some inherent distinctiveness and was capable of distinguishing goods. The assistant commissioner allowed registration of the trade mark in Part B of the register to proceed.

McCain appealed to the High Court. It argued that the assistant commissioner had erred in finding that the mark was capable of distinguishing Conagra's goods. McCain argued that the assistant commissioner was wrong in taking into account as supportive of Conagra's application McCain's activities in the market after the date of Conagra's application, and that any discretion should have been exercised to refuse registration. The High Court accepted that for the test in s 15(2) of the Act to be satisfied the assistant commissioner needed to be satisfied both that "healthy choice" was inherently capable of distinguishing and that, by reason of its use or any other circumstances, it was in fact capable of distinguishing. The Judge found that the assistant commissioner did not err in finding that "healthy choice" was inherently capable of distinguishing the goods of Conagra. McCain appealed to the Court of Appeal.

Held: 1 The capacity of the mark to distinguish the goods or services of the proprietor from those of competitors was required to be shown at the date the application for registration of the trade mark was made. It involved an existing

capacity rather than mere capability (in the sense of potential) for becoming distinctive in the future. The capacity to distinguish had to be inherent in the mark or must have been proved to exist in fact by reference to use of the mark or by other circumstances (see paras [14], [41]).

"TARZAN" Trade Mark [1970] RPC 450 (CA) not adopted.

2 The existence of subsequent use of the mark in relation to the same goods by a competitor could not be relied on to prove that the mark was capable of distinguishing the goods of the applicant. The combination of the words "healthy choice" could not be regarded as creating any subtle or skilful allusion. The term was descriptive of products of desirable nutritional character and, as there was no evidence of actual distinctiveness acquired through use, the phrase did not have the quality of being capable of distinguishing the goods of the applicant to be registerable (see paras [42], [56]).

Appeal allowed.

Observation: In appropriate circumstances the use by another trader in relation to different goods, or in a different market, may assist in assessing capacity to distinguish (see para [43]).

Other cases mentioned in judgment

American Screw Co's Application, Re [1959] RPC 344.
Mainland Products Ltd v Bonlac Foods (NZ) Ltd [1998] 3 NZLR 341 (CA).
Pioneer Hi-Bred Corn Co v Hy-Line Chicks Pty Ltd [1978] 2 NZLR 50 (CA).
Procter & Gamble v Company Office for Harmonisation in the Internal Market [2002] Ch 82; [2002] All ER (EC) 29.
Tiffany & Co v Fabrique de Tabac Reunies SA [1999] 3 SLR 147.
Trade Marks (The Registrar of) v W & G du Cros Ltd [1913] AC 624.
"WELDMESH" Trade Mark [1966] RPC 220 (CA).
Yorkshire Copper Works Ltd's Application for a trade mark [1954] 1 All ER 570; (1953) 71 RPC 150 (HL).

Appeal

This was an appeal by McCain Foods (Aust) Pty Ltd, the appellant, from the judgment of Wild J (High Court, Wellington, AP 105/00, 22 June 2001) upholding the decision of the Assistant Commissioner of Trade Marks allowing the application by Conagra Inc, the respondent, pursuant to the Trade Marks Act 1953 for registration of the mark "healthy choice" under Class 29 in Part B of the Register of Trade Marks to proceed.

B W F Brown QC for McCain.
C J Elliott and *A E McDonald* for Conagra.

Cur adv vult

The judgment of the Court was delivered by

GAULT P. [1] McCain Foods (Aust) Pty Ltd (McCain) appeals against the judgment of Wild J in the High Court (Wellington, AP 105/00, 22 June 2001) upholding the decision of Assistant Commissioner Howie to allow registration as a trade mark in Part B of the register of the word combination "healthy choice".

[2] The respondent Conagra Inc (Conagra) applied for registration under the Trade Marks Act 1953 (the Act) in Class 29 on the basis of proposed use of the mark in New Zealand. The goods for which registration is sought (as amended) are:

"Meat, fish, poultry and game, not being live; frozen prepared dinners in this class comprised of fruit and/or vegetables and meat or seafood or poultry."

The law

[3] Before proceeding it is convenient to refer to the relevant provisions of the Act. Trade marks may be registered in either Part A or Part B of the register. There are a number of different consequences but they are not material in the present case. The requirements for registration also differ. For a Part A registration there must be a high degree of distinctiveness in the mark and registration confers stronger protection (ss 8, 14 and 22). The application with which we are concerned would have proceeded (but for McCain's opposition) in Part B to which ss 9 and 15 apply. Section 15 reads:

> **15. Capability of distinguishing requisite for registration in Part B –** (1) In order for a trade mark to be registrable in Part B of the register it must be capable, in relation to the goods or services in respect of which it is registered or proposed to be registered, of distinguishing goods or services with which the proprietor of the trade mark is or may be connected in the course of trade from goods or services in the case of which no such connection subsists, either generally or, where the trade mark is registered or proposed to be registered subject to limitations, in relation to use within the extent of the registration.
>
> (2) In determining whether a trade mark is capable of distinguishing as aforesaid the Commissioner or the Court may have regard to the extent to which –
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> (a) The trade mark is inherently capable of distinguishing as aforesaid; and
>
> (b) By reason of the use of the trade mark or of any other circumstances, the trade mark is in fact capable of distinguishing as aforesaid.
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> (3) A trade mark may be registered in Part B, notwithstanding any registration in Part A in the name of the same proprietor of the same trade mark or any part or parts thereof.

[4] Eligibility for registration in Part A requires the mark to be "distinctive" (s 14(2)). That is defined for the purposes of s 14 to mean:

> (2) . . . adapted, in relation to the goods or services in respect of which a trade mark is registered or proposed to be registered, to distinguish goods or services with which the proprietor of the trade mark is or may be connected in the course of trade from goods or services in the case of which no such connection subsists, either generally or, where the trade mark is registered or proposed to be registered subject to limitations, in relation to use within the extent of the registration.

It follows from the structure of s 14(1) that "a word or words having no direct reference to the character or quality of the goods" will meet the requirement of "adapted . . . to distinguish".

[5] The essential characteristic of being "adapted" to distinguish the proprietor's goods or services from those of others is to be compared with the requirement for Part B registration that the mark is "capable" of so distinguishing the proprietor's goods.

[6] Under each of ss 14 and 15, whether the mark qualifies may be determined having regard to the inherent qualities of the mark and to any use of the mark or "other circumstances".

[7] Under s 22 the Commissioner or the Court may require the proprietor to disclaim any right to the exclusive use of any part of the mark that is "common to the trade or otherwise of a non-distinctive character".

[8] Registration when granted, dates back to the date of application (s 28(1)). Accordingly, it is at the date of application that the trade mark must meet the eligibility requirements: *Pioneer Hi-Bred Corn Co v Hy-Line Chicks Pty Ltd* [1978] 2 NZLR 50 at p 61.

[9] Opposition proceedings are governed by s 27 and regs 36 – 45 of the Trade Marks Regulations 1954 (SR 1954/222). The provisions for extensions of time explain how it is that we must consider now the eligibility of this mark for registration as at 5 April 1989.

[10] Section 12(1)(b) provides that no registration for a trade mark shall interfere with the use by any person of any bona fide description of the character or quality of that person's goods or services.

[11] The provisions referred to all were drawn from, and are in material respects the same as, those in the English Trade Marks Act 1938. The requirements in s 14 for Part A registration trace back to the Trade Marks Act 1905 in England. Part B registration was introduced in England in 1919 (when use for two years was a prerequisite). But in the 1938 Act the eligibility provision now appearing in our s 15 was enacted. In 1994 the United Kingdom moved to new trade mark laws in harmony with those of the EEC. The 1994 Act incorporates into the definition of "trade mark" the element of "capable of distinguishing" and provides for presumptive registrability subject to disqualifying grounds the relevant one of which is that the mark is "devoid of distinctiveness". Reported English and European decisions since 1994 therefore relate to a statutory scheme recognised as different from the former law but retaining some similarities.

[12] Unfortunately, even the cases decided in England before 1994 give limited guidance in identifying the quality of being capable of distinguishing and its relationship with that of being adapted to distinguish – see Kerly's *Law of Trade Marks and Trade Names* (12th ed), paras 8.73 and 8.74.

[13] Attributing practical meaning to these provisions is complicated by the definition of "trade mark" in the Act. As it stood in 1989 (in this respect as it also now reads) the definition includes the element of being "capable of distinguishing the goods of one person from those of another person". It follows that if a "sign" (as defined) meets the definition of "trade mark" it can be registered in Part B under s 15 so long as the capacity to distinguish relates to the goods or services with which the particular applicant is concerned in the course of trade.

[14] Since the quality of being capable of distinguishing must be present before the date of registration (it must be a trade mark), the meaning to be given to the quality of capable of distinguishing must involve an existing capacity rather than merely a capability (in the sense of potential) for becoming distinctive in the future. That must be correct; otherwise it would be possible to obtain registration and sue for infringement before a mark has realised the very quality essential to any trade mark – that of distinguishing the goods or services of the proprietor from those of competitors. Further, to grant registrations on the basis of potential would require speculation about the manner and extent of future use by which the potential will be realised.

[15] Accordingly, to be capable of distinguishing, a mark must at the date of registration have that as an inherent quality or have it demonstrated in fact by prior use or "other circumstances". There seems no reason why subsequent events might not constitute "other circumstances" where they assist in establishing the essential quality at the time of registration. Clearly, "capable of distinguishing" represents a lesser level of distinctiveness than is required for Part A registrations. The most commonly cited formulation seems to be that of Lloyd Jacob J in *American Screw Co's Application* [1959] RPC 344 at p 346:

> "Part B of the Register is intended to comprise marks which in use can be demonstrated as affording an indication of trade origin without trespassing upon the legitimate freedom of other traders."

That is an adaptation of the well-known passage from the speech of Lord Parker in *Registrar of Trade Marks v W & G du Cros Ltd* [1913] AC 624 at pp 634 – 635. He said (albeit with reference to the test now applicable to Part A registration):

> "The applicant for registration in effect says, 'I intend to use this mark as a trade mark, ie, for the purpose of distinguishing my goods from the goods of other persons,' and the Registrar or the Court has to determine before the mark be admitted to registration whether it is of such a kind that the applicant, quite apart from the effects of registration, is likely or unlikely to attain the object he has in view. The applicant's chance of success in this respect must, I think, largely depend upon whether other traders are likely, in the ordinary course of their business and without any improper motive, to desire to use the same mark, or some mark nearly resembling it, upon or in connection with their own goods. It is apparent from the history of trade marks in this country that both the Legislature and the Courts have always shewn a natural disinclination to allow any person to obtain by registration under the Trade Marks Acts a monopoly in what others may legitimately desire to use."

[16] The *American Screw Co* test was relied upon for Conagra in the High Court and was accepted as appropriate in this Court by counsel for both parties.

The application and opposition

[17] Conagra's application with which we are concerned was initially objected to by the examiner on the ground that the mark lacked distinctiveness. Assistant Commissioner McCardle was persuaded after a hearing to allow the application to proceed to advertisement with a view to registration in Part B of the register subject to disclaimers of exclusive rights in each of the separate words "healthy" and "choice".

[18] After advertisement, the application was opposed by McCain. In due course the opposition proceeding came before Assistant Commissioner Howie. He was presented with a good deal of documentary evidence and, after hearing the parties, determined that the application could proceed.

[19] The opposition was advanced on two principal grounds. The first was that the marks "healthy choice" and "McCain healthy choice", for the same or similar goods, are the trade marks of McCain and so the combination "healthy choice" cannot be distinctive of Conagra's goods. The second, and alternative, ground was that the word combination "healthy choice" lacks the necessary inherent distinctiveness to qualify for registration as a trade mark.

[20] Evidence before Assistant Commissioner Howie included reference to litigation between the parties in Australia in which, on evidence adduced there, it was held that McCain adopted the mark "healthy choice" in Australia knowing of, and intending to emulate, the market success of Conagra in the United States of America.

[21] The evidence in the New Zealand opposition proceeding proved use by McCain, and recognition in this country, of, and applications to register, trade marks incorporating or consisting of the words "healthy choice", but all from dates after the application by Conagra with which we are concerned.

[22] There was also evidence of the extensive use and market leadership in the United States of Conagra's mark "healthy choice" frequently depicted in conjunction with a stylised running man device.

[23] The evidence referred to was directed to the competing claims to proprietorship of "healthy choice" as a trade mark in New Zealand and to claims that the mark can serve in the marketplace to distinguish the goods of one trader from those of competitors – that is, as a trade mark.

[24] On the other hand, seemingly with reference to the fallback position taken by McCain, that no one trader should be granted exclusive rights, there was evidence adduced to show that the word combination "healthy choice" is quite naturally used as a descriptive expression in relation to food products. That appears in a statutory declaration of Mr Wilmot, managing director of the New Zealand company McCain Foods (NZ) Ltd, a sister company of McCain, both being subsidiaries of a common Canadian parent company. Mr Wilmot said:

> "I accept that HEALTHY CHOICE is easily understandable and has clear and positive connotations. HEALTHY CHOICE must have these attributes because when used in conjunction with food products, it is totally descriptive of food which has the characteristic of being healthy (or perceived as being healthy). The term 'HEALTHY CHOICE' clearly identified the food product as providing the consumer with the choice of a healthy alternative. In my view, HEALTHY CHOICE inherently fails as being memorable because of its descriptiveness.
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> . . .
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> McCain progressively brought out convenience foods to compete alongside its established food products and, as I have said, used HEALTHY CHOICE as the description to distinguish this product range from the traditional product range. McCain chose to use HEALTHY CHOICE, not because it 'was a very strong trade mark because of its inherent qualities as a powerful and evocative brand' (to use Mr Delaney's words) but simply because it described the goods as giving the consumer a choice of healthy food and therefore identified to the consumer this was the choice of healthy convenience food that the consumer wanted. The inherent credibility which the product range had when launched came from the strong reputation which existed in the McCAIN trade mark."

That view stands in contrast with the claims by McCain to be entitled to register "healthy choice" as a trade mark.

[25] Mr Wilmot exhibited two cuttings from New Zealand publications which he described as but recent examples of numerous instances "where terms such as 'Healthy Choice' and 'Healthy Food Choice' are employed in common English usage to describe a particular type or category of food product".

[26] With reference to these examples Assistant Commissioner Howie said in his decision:

> "Neither use would be a trade mark use. The New Zealand Trade Marks Act (s 12b) [sic] recognises that trade marks can be used where in the context they are clearly not being used as trade marks or with improper motive, without any risk of infringement."

[27] A contrary view to that expressed by Mr Wilmot was given by Mr Innes, executive director of the Advertising Agencies Association of New Zealand Inc. His evidence as an independent expert was summarised by Assistant Commissioner Howie as follows:

> "Mr Innes provides his views of the significance of trade marks in advertising and promotion. Mr Innes has substantial experience in marketing roles since 1966 and has been a part time senior lecturer in marketing communications at the University of Auckland since 1987. It is Mr Innes's view that the trade mark HEALTHY CHOICE clearly meets the criteria of a good trade mark in that it should be memorable, easily pronounceable and clear and beneficial in meaning. Mr Innes deposes the mark does not describe any particular food or drink product and is a clever coining of two powerfully suggestive words which imply that the consumer has the ability to make a decision, which would have positive health benefits."

[28] While we have considered the extensive documentary evidence reviewed by the assistant commissioner, it is unnecessary to set out more for the purpose of the present judgment.

The assistant commissioner's decision

[29] Assistant Commissioner Howie recognised that the boundary between a trademark having some element of descriptiveness but still being capable of registration, and a mark which is so descriptive as to be lacking in inherent distinctiveness is difficult to determine. He referred to the need to look at the circumstances of the particular case (the trade setting in which the mark is to be used). He then cited, as helpful in determining the approach to be adopted, a passage from the judgment of this Court delivered by Gault J in *Mainland Products Ltd v Bonlac Foods (NZ) Ltd* [1998] 3 NZLR 341 at pp 345 – 346. That passage (including the first sentence the assistant commissioner did not cite) reads:

> "The likelihood of the manner of use of a word being taken as indicating a (not necessarily identifiable) trade connection will depend on all the circumstances of that use. The normal meaning (if any) of the word will be a primary consideration. The way it is used in relation to the particular goods will be another. Also relevant will be the nature of the market, the kinds of customers and the general circumstances of trade in the goods concerned. These matters are to be discerned from the evidence including any direct evidence of what the usage has conveyed to relevant members of the trade or public."

[30] After noting the undoubted lack of distinctiveness of the words "healthy" and "choice" separately, the assistant commissioner approached the claim that the combination, though suggestive, is not so descriptive as to be unregistrable, by reference to the evidence. He referred to the "somewhat unusual situation" in which the opponent had used "healthy choice" in

New Zealand as a trade mark whereas there had been no use in New Zealand up to the relevant date by the applicant, even though its mark was a major brand in the United States. He concluded:

> "This evidence does establish that as at the present time both companies have adopted HEALTHY CHOICE as a trade mark to which they attach significant value. This would support a position that as at the date of the application the trade mark had some inherent distinctiveness and was capable of distinguishing goods.
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> . . .
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> Working from first principles it would seem reasonable that if the mark through use by the opponent has become distinctive, then that ought to be a circumstance that can be relied upon by the applicant but having regard to the approach taken above it is only one factor in the analysis adopted following the guide lines set by Gault J."

[31] The decision goes on to deal with a further point which, though not raised by the parties, was considered a matter to be addressed in the public interest. That was whether registration was prohibited by s 16(1) which reads:

> **16. Prohibition of registration of deceptive, etc, matter –** (1) It shall not be lawful to register as a trade mark or part of a trade mark any scandalous matter or any matter the use of which would be likely to deceive or cause confusion or would be contrary to law or morality or would otherwise be disentitled to protection in a Court of justice.

[32] Considering the matter at the date of application, before any use by McCain, this section was clearly no bar to Conagra's application. However, there is some authority for refusal if, at the date of the decision to register, the mark is likely to deceive or cause confusion: *Tiffany & Co v Fabrique de Tabac Reunies SA* [1999] 3 SLR 147 at p 163 and Kerly at para 10.27.

[33] The assistant commissioner found neither blameworthy conduct by Conagra nor other grounds to exercise any discretion adversely to Conagra. He therefore ordered that the mark be entered on the register.

The High Court judgment

[34] Before Wild J it was argued on behalf of McCain that the assistant commissioner erred in finding that the mark was capable of distinguishing Conagra's goods. In particular it was contended that the approach adopted from the *Mainland* case was inappropriate. It was further argued that he had been wrong to take into account as supportive of Conagra's application McCain's activities in the market after the date of Conagra's application, and that any discretion should have been exercised to refuse registration.

[35] On the first ground Wild J referred to the difficulty of finding the boundary between wholly descriptive and unregistrable words and words that qualify for registration although having some descriptive connotation. Determining registrability, he said, is a matter of judgment in the circumstances and upon the evidence in the particular case. Although he focused on the real issue of whether the combination of the words "healthy" and "choice" was registrable, he did express the view that "healthy" and "choice" "either singly or in combination are not, in my view, words merely laudatory or descriptive".

[36] The Judge considered and rejected the argument that the adoption by the assistant commissioner of the approach based on the dictum in the *Mainland* case was inappropriate and unorthodox. He held also that the correct test had been used (that posed by Lord Parker in the *W & G du Cros Ltd* case).

[37] Referring to the test laid down in s 15(2), the Judge accepted:

> ". . . that the Assistant Commissioner needed to be satisfied both that HEALTHY CHOICE is inherently capable of distinguishing and that, by reason of its use or any other circumstances, it is in fact capable of distinguishing."

The Judge drew upon certain dicta in the judgments in *"TARZAN" Trade Mark* [1970] RPC 450 at p 458 emphasising that the focus in s 15 is "forward looking". The Judge said:

> "My assessment of that inherent capability is this:
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> (a) Neither word is a laudatory epithet, and I did not understand Mr Brown so to argue.
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> (b) Importantly and significantly, none of the witnesses from the New Zealand market place considered the words 'healthy' and 'choice' in combination were merely descriptive, or even really descriptive at all of a particular product or range of products. I agree. May I demonstrate why by adapting a passage from Assistant Commissioner Frankel's decision in *TOTAL*:
>
> > '. . . it is not usual to ask for [food] which is "healthy choice". There is no such thing as [healthy choice food]. Such a statement would not be ordinary English and would have no meaning unless it was a reference to a brand name or trade mark "HEALTHY CHOICE".'
>
> (c) Conagra's uncontested evidence is that it coined HEALTHY CHOICE in the United States, building it around the concept of 'wellness'. When Conagra sought registration of HEALTHY CHOICE in New Zealand in 1989 no-one was using that mark here, nor had anyone thought of combining the two words. There was thus no risk of registration causing confusion. This evidence supports registrability in Part B.
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> (d) I do not consider that registration of 'HEALTHY CHOICE' will prevent or inhibit the ordinary use of the English language by writers on food, health and the like. I agree with the Assistant Commissioner that the examples exhibited by Mr Wilmott would be protected from infringement by s 12. In fact, as they are not even descriptions by a person of that person's goods, I consider they are wholly unobjectionable. Thus, registration does not give rise to the concerns – the 'snatching away of the language' or 'chilling effect of registration' referred to by McGechan J in *Re Dollar Rent a Car Systems, Inc* [(High Court, Wellington, AP 12/97, 24 March 1998)]. I see no similarities between this case and cases such as *"TARZAN" Trade Mark and "Holts" Trade Mark* (1896) 13 RPC 118, 121 where the Courts held that the words in question ('Tarzan' and 'Trilby'), although undoubtedly originally invested, had long ago become too well-known to be any longer so regarded, and were not registrable as marks.'

> Taking into account all these considerations, I can see no sound remaining basis on which McCain can contend that HEALTHY CHOICE is inherently incapable of distinguishing."

[38] Wild J added that he considered the use in New Zealand by McCain should most appropriately be considered under s 15(2)(b) but that it does have some relevance in considering the inherent capacity of the mark to distinguish. He accepted the point "that if through use a mark has become distinctive of a trader's goods, then that suggests that it is inherently capable of distinguishing".

[39] On the second ground advanced before him, Wild J tentatively accepted (without deciding), the assistant commissioner's view that the use to which s 15(2)(b) relates is not restricted to use by the applicant. He did find, however, that McCain's use in New Zealand was an "other circumstance" on which Conagra could rely.

[40] Finally the Judge found the Commissioner has a discretion implicit in s 16 to refuse registration where a mark at the time of entry on the register is likely to deceive or cause confusion, but he was not persuaded he should interfere with the exercise by the assistant commissioner of that discretion.

Is "healthy choice" capable of distinguishing?

[41] For the reasons already given we do not concur in the view expressed in some of the English decisions (for example *"TARZAN", "WELDMESH" Trade Mark* [1966] RPC 220) that the test in s 15 is entirely forward-looking. We consider that the capacity to distinguish must be shown at the date of the application. It must be inherent in the mark or it must be proved to exist in fact by reference to use of the mark or by other circumstances.

[42] In this case there was no use by the applicant Conagra up to the date of application so the use limb of s 15(2)(b) can be put aside. The argument that use by a competitor can be relied upon is difficult to accept. We do not see how evidence that the mark is used in the trade subsequently to distinguish the same goods of a competitor tends to prove that the mark is capable of distinguishing the goods of the applicant. If that subsequent use is relevant at all it tends to prove only that the mark does not in fact distinguish the goods of the applicant. We think such later adverse use may be better treated as irrelevant since, if the registration is granted, it will constitute infringing use that can be restrained.

[43] It may be that in appropriate circumstances use by another trader in relation to different goods, or in a different market, may assist in assessing capacity to distinguish but that will depend on the circumstances.

[44] In this case the use by Conagra of its mark in the United States may show (if it is assumed that the markets are similar) that if promoted on a massive scale the mark may come to distinguish Conagra's goods. But if that occurs the mark may then be able to be registered on the basis of evidence of that use – though even that is not inevitable having regard to the emphasis on its descriptiveness in the promotional material produced.

[45] The present case requires consideration of the word combination "healthy choice" as an unused mark by reference to its inherent capacity to distinguish. It is necessary to have regard not just to the particular manner in which the applicant intends to use it, but to all fair use within the scope of the monopoly sought. It is for this reason that evidence of the manner in which the mark is perceived by those who have encountered it in trade is of limited assistance. It is for the same reason that the approach adopted in the *Mainland* case is insufficient for this case.

[46] In the *Mainland* case the issue was whether alleged infringing use of the word "vintage" fell within the exclusion in s 12(1)(b) as use of a bona fide description. The focus thus was upon what the particular use complained of might convey in the course of trade. That was a much narrower question than presented in our case. We are concerned with how any fair use of the word combination in relation to any of the goods covered by the application would be understood by those to whom it will be presented in the course of trade – members of the trade and ultimate consumers.

[47] There are no special characteristics of the trade in food products of the kind in the application nor of the types of purchasers likely to be involved so as to give rise to any need to consider special trade usages. We are therefore presented with ordinary words proposed to be used in a field encompassing high-volume sales to the whole range of New Zealand purchasers.

[48] Mr Elliott submitted that the particular word combination "healthy choice" does not represent a description of the character or quality of the goods and certainly not a direct one. He said that the goods themselves are not healthy and the goods themselves are incapable of making a choice. His contention was that, taken at its highest, the mark may possibly allude to a process of choice whereby a person becomes or may become healthy or healthier. There is however a big difference between a direct description of goods and a cognitive process whereby a person makes a positive lifestyle choice.

[49] In considering descriptiveness that others might, without improper motive, wish to use it is necessary to consider not simply whether others might wish to employ the word combination on product labels. Modern marketing involves extensive promotion through oral and visual media and not always confined to strict grammatical usage. Accordingly, there is no answer to a descriptiveness objection to say that the mark is not a description of a particular product. If it is a description that might reasonably be used in relation to products of the kind in question it should not be monopolised by one trader. Section 12(1)(b) does not affect that. That paragraph saves from infringement the use of bona fide descriptions. But as Lord Simmonds LC said in *Yorkshire Copper Works Ltd's Application for a trade mark* (1953) 71 RPC 150 at p 154:

> "I do not ignore that some protection is given by Sec 8 of the Act, but I accept the view frequently expressed in regard to this section, and to Sec 44 of the earlier Act which it replaced, and in particular by Lord *Maugham*, Lord *Atkin* and Lord *Russell of Killowen* in the *Glastonbury* case, that it should not afford a guide as to whether a name should be registered or not."

[50] On the approach we have set out it would be unlikely that the word combination "baby dry" for disposable nappies would qualify for registration in New Zealand. That mark has recently been held eligible for registration by the European Court of Justice: *Procter & Gamble Company v Office for Harmonisation in the Internal Market* [2002] Ch 82. That decision reflects the shift from the previous English law.

[51] With reference to the separate words "healthy" and "choice", it is surprising that until the hearing before us no reference seems to have been made to the word "choice" as an adjective. It is recorded as such in dictionaries and widely used – often in relation to foods. Considered in that light it is difficult to see why it is not a word wholly descriptive of certain foods in exactly the same way as the word "healthy". The emphasis in the evidence and

argument has been on the combination of the word "choice" as a noun qualified by the adjective "healthy". That is how the parties have presented it in the course of their business activities.

[52] Contrary to the view by the Judge, we consider the words "healthy" and "choice" "singly" are purely laudatory of food products. That is why they were separately disclaimed. But in agreement with the Judge, we accept the real issue is whether the combination "healthy choice" gains from the juxtaposition of the two words a sufficient identity and unusual connotation. Do the words in combination convey a different meaning or allusion from that conveyed separately, or would other traders in food products of the kind covered by the application reasonably wish to use the word combination in normal descriptive contexts in relation to their products?

[53] References to "laudatory epithets" and "commonplace" words in the cases tend to restate the question rather than to provide guidance in reaching the answer.

[54] We see nothing unusual in selecting two apt adjectives in combination to refer to food products. A particular food item could quite ordinarily be described as both healthy and choice. We see nothing catchy, striking or unusual in putting them together. The same would apply to a combination of "wholesome" and "fresh" when applied to a meat product.

[55] Even if the mark is taken by those to whom it will be presented as a combination of a noun qualified by an adjective (as the parties intend) that does not mean registration would not intrude upon the freedom of others to use the words together descriptively.

[56] The reality of modern marketing and buying of food products with emphasis on the health value of foods and the dominance of self-selection shopping (we apprehend not materially different in 1989) mean that combining the words "healthy" and "choice" could not be regarded as creating any subtle or skilful allusion. Rather it appeals as descriptive of products of desirable nutritional character. As such, without evidence of actual distinctiveness acquired through use it does not have the quality of being capable of distinguishing the goods of the applicant so as to be registrable.

[57] Having reached that view, we do not need to deal with s 16 and whether there is a discretion to refuse registration because of circumstances arising between the date of application and the date of entry on the register. Section 28(1) would suggest there is not. But the contrary argument cannot be rejected easily. We prefer to leave that issue until it arises directly for decision.

[58] For the reasons given the appeal is allowed and registration is refused.

[59] The appellant is entitled to costs at each level. Before the assistant commissioner and in the High Court the cost orders can simply be reversed so as to stand in favour of the opponent McCain. In this Court we fix costs at $5000 together with reasonable disbursements including the costs of preparation of the case on appeal fixed, if necessary, by the Registrar.

Appeal allowed.

Solicitors for McCain: *Brandons* (Wellington).
Solicitors for Conagra: *Baldwin Shelston Waters* (Auckland).

Reported by: Tania Richards, *Barrister*