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

**CIV-2010-404-6703
[2013] NZHC 3282**

UNDER the Trade Marks Act 2002 and
the Fair Trading Act 1986

IN THE MATTER OF (i) Trade Mark Infringement
(ii) Passing Off
(iii) Breach of the Fair Trading Act 1986

BETWEEN THE COCA-COLA COMPANY
Plaintiff

AND FRUCOR SOFT DRINKS LIMITED
First Defendant

PEPSICO INC
Second Defendant

Hearing: 4-7, 11, 13, 14, 18, 19 and 20 November 2013

Appearances: B Gray QC, G Arthur and L Carter for the Plaintiff
A Brown QC, A Ringwood and G Williams for the Defendants

Judgment: 10 December 2013

[RESERVED] JUDGMENT OF WYLIE J

*This judgment was delivered by me on 10 December 2013 at 12:30 p.m.
pursuant to r 11.5 of the High Court Rules 1985.*

Registrar/Deputy Registrar

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THE COCA-COLA COMPANY v FRUCOR SOFT DRINKS LIMITED [2013] NZHC 3282 [10 December 2013]

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A. Introduction

[1] In 2009, the defendants, Frucor Soft Drinks Limited (“Frucor”) and PepsiCo Inc (“PepsiCo”), started selling cola and lemonade soft drinks in this country in a new 300 ml glass bottle. The plaintiff, The Coca-Cola Company (“TCCC”) alleges that the defendants have used and intend to continue using the new bottle shape and the silhouette of its shape as a sign and that this sign infringes three registered trade marks it holds in this country. TCCC says that these trade marks protect what it describes as its “contour bottle”.

[2] The defendants say that their sign comprises a combination of one or other of PepsiCo’s Pepsi, Pepsi Max and 7UP trade marks, together with its glass bottle (which it refers to as the “Carolina bottle”), which they point out incorporates a horizontal embossed wave pattern. They deny that the shape or silhouette of the Carolina bottle has been, or is likely to be, taken as use of a trade mark. They say that each of their combination signs is used as a trade mark to denote and distinguish their cola and 7UP products from TCCC’s products in this country.

[3] In relation to the cause of action alleging infringement of trade mark, the key issues can be broadly summarised as follows:

- (a) What sign or signs are the defendants using?;
- (b) Have the signs been used as trade marks?;
- (c) Are the defendants’ signs similar to any of TCCC’s three registered trade marks?;
- (d) Are the defendants’ signs likely to deceive or confuse?

[4] TCCC also alleges that the defendants’ products being sold in the Carolina bottle are being passed off as products, or products associated with it, and further, that the defendants’ products breach the Fair Trading Act 1986 because they mislead or deceive customers into believing that they are its products, or products associated with it.

[5] The defendants deny both passing off and breach of the Fair Trading Act. They say that there are significant differences between the contour bottle and the Carolina bottle, and that in every case, their bottle features one or more of their word and device marks, Pepsi, Pepsi Max or 7UP. They say that they have clearly and adequately labelled their product, that the labelling differentiates their product from TCCC's product, and that there is no likelihood of confusion or deception.

B. Factual Background

(i) Coca-Cola

[6] Coca-Cola is a cola flavoured carbonated soft drink. It is made to a secret recipe first created by a pharmacist, a Dr John Pemberton, in 1886. The fledgling enterprise's accountant, a Mr Robinson, named the new drink Coca-Cola, and penned what TCCC refer to as the "spencerian script logo" which has since become synonymous with the product.

[7] The drink was first served from a fountain at Dr Pemberton's pharmacy in Atlanta, Georgia, in 1886, and he registered his Coca-Cola syrup and extract label as a copyright with the Patent Office in the United States.

[8] In 1888, a Mr Candler began to acquire control of the Coca-Cola recipe and intellectual property from Dr Pemberton and his partners. The purchase was finalised in 1892 and TCCC was incorporated. In 1893, the Coca-Cola spencerian script logo was registered as a trade mark with the United States Patent Office.

[9] At an early stage, TCCC's bottler identified the need for a distinctive package for Coca-Cola. He called for a bottle that "a person could recognise as a Coca-Cola bottle when feeling it in the dark, so shaped that, even if broken, a person could tell at a glance what it was". In response TCCC commissioned the design of a distinctive glass bottle.

[10] A prototype of the contour bottle was designed by a Mr Samuelson in 1915. This first contour bottle was patented by an entity known as the Root Glass Company on 16 November 1915. The bottle was then modified and slimmed down to work with then current bottling equipment and it went into production in 1916. It was approved by the Bottlers' Association, and it became the standard bottle for Coca-Cola. It was the only packaging used by TCCC for the next 40 years. The bottle shape has evolved over more recent years, but it has remained materially consistent throughout. Its evolution can be seen in the following photograph, which was produced in evidence for TCCC. It shows a range of Coca-Cola bottles over the years. Relevantly, it shows the development of the glass contour bottle from 1915 to 1991. The bottle on the right is a plastic bottle made of polyethylene terephthalate. Such bottles are referred to as "PET bottles". As can be seen, they also have a contour shape:



[11] From initial sales of nine drinks a day in 1886, Coca-Cola has grown to become a major worldwide brand. TCCC has developed a range of carbonated soft drinks including Fanta, Sprite lemonade, Diet Coke (which was introduced in 1982), and Coke Zero (which was introduced in 2005).

[12] By 2009 (the relevant year for the purposes of these proceedings), TCCC was operating in more than 200 countries, marketing more than 500 brands and 3,300 beverage products. Its net operating revenue disclosed in the 2009 annual report was approximately \$31 billion (US) and its operating income was \$8.2 billion (US).

According to TCCC's 2009 annual report, Coca-Cola, Diet Coke, Sprite, and Fanta were four of the world's top five non-alcoholic sparkling beverage brands, and 24.4 billion unit cases of TCCC products were sold worldwide.¹

[13] Eighteen percent of TCCC's product sales were in the Pacific region.

[14] Coca-Cola is sold in the contour bottle in most countries around the world. From 2000–2009, worldwide sales of Coca-Cola and Diet Coke in the contour bottle grew from 1.5 billion unit cases (more than 80 million in glass), to more than 3.5 billion unit cases (more than 500 million in glass).

(ii) *Coca-Cola in New Zealand*

[15] In New Zealand TCCC operates through a wholly-owned subsidiary – Coca-Cola Oceania Limited. Coca-Cola Oceania has responsibility for the selection of TCCC products for sale in New Zealand, and the marketing and advertising of those products. TCCC also partially owns an entity known as Coca-Cola-Amatil (NZ) Limited. This entity has responsibility for the production and distribution of TCCC products in New Zealand. Coca-Cola-Amatil and Coca-Cola Oceania work closely together. TCCC owns all of the intellectual property rights in its products that are manufactured, distributed, or sold in New Zealand.

[16] Coca-Cola products available in New Zealand include Coca-Cola, Diet Coke, Coke Zero, Sprite, Sprite Zero, Fanta, Lift, Lift Plus, Glacéau Vitamin Water, Keri, Kiwi Blue, Powerade, Schweppes, Mother and Fuse Tea.

[17] Coca-Cola has been sold and supplied in the contour bottle in New Zealand since 1939. The following dates are noteworthy:

- (a) 1939 — a Coca-Cola bottling operator opened in New Zealand and Coca-Cola was sold in contour bottles;

¹ A unit case is 5.678 litres, or 24 servings each of 8 US fl oz. Unit case sales of TCCC products in 2009 equated to 1.6 billion 8 oz servings per day.

- (b) 1940-1990 — Coca-Cola was bottled in New Zealand at numerous local and independently owned plants. Progressively, these small independent bottlers were acquired by an entity known as Oasis Industries Limited which was a predecessor to Coca-Cola-Amatil (NZ) Limited. By 1990, Coca-Cola-Amatil (NZ) Limited owned all Coca-Cola bottling rights in New Zealand;
- (c) 1984 — Diet Coke was first sold in New Zealand;
- (d) Mid-1980s — Sprite was first sold in New Zealand; and
- (e) 2005/2006 — Coke Zero was first sold in New Zealand.

[18] Through the 2000s, Coca-Cola was supplied in different types of packaging in this country. There were cans, multi-serve and single-serve PET bottles, and single-serve glass bottles. Containers came in a variety of sizes ranging from 175 ml glass contour bottles through to 2.25 litre PET bottles. The glass bottle has always had the contour shape. PET bottles have had the contour shape since the mid-1990s.

[19] In 2009, tens of millions of units of the Coca-Cola beverage were sold in glass contour bottles and in PET contour-shaped bottles. Millions of units of the Coca-Cola beverage were sold in the glass contour bottle.²

[20] As at 2009, 91 percent of all cola purchased in New Zealand was branded Coca-Cola. The balance is either Pepsi, or a house branded cola manufactured and sold by a supermarket chain under labels such as Pams or Home Brands, or one of a small number of minor brands.

[21] Both Coca-Cola and Coke Zero are sold in this country in a 330 ml glass contour bottle.

² The actual figures were given to the Court, but they remain confidential.

[22] I set out two photographs of TCCC's 330 ml glass contour bottles, one containing Coca-Cola and the other Coke Zero:



[23] Actual bottles were produced in evidence.

(iii) *Pepsi*

[24] Pepsi Cola was also invented by a pharmacist, a Mr Caleb Bradham, in New Bern, North Carolina, in the 1890s. He began selling his drink under the name Pepsi Cola in the United States in 1898.

[25] Sales of Pepsi Cola, as it was then known, began in glass bottles in the early 1900s. Mr Bradham registered the trade mark Pepsi Cola in 1902, and that trade mark has been used since that time. It was shortened to Pepsi in 1911, and Pepsi was registered as a separate trade mark in 1915.

[26] PepsiCo was formed in 1931, originally as the Pepsi Cola Company. It changed its name to PepsiCo Inc in 1965. Over the years, PepsiCo has either merged with, or acquired, a number of other entities, including, in this country, Blue Bird Foods in 2007. It now does business in virtually every country and it is one of the two largest soft drink companies in the world, the other being TCCC.

[27] PepsiCo has 22 individual brands that each generate more than \$1 billion (US) in annual retail sales. In 2008, prior to the year in issue in this case, PepsiCo had annual revenue of more than US \$43 billion (US) and employed 198,000 people worldwide.

[28] Since 1964, PepsiCo has introduced into the market various line extensions of its Pepsi brand. These extensions include Diet Pepsi, Pepsi Light and Pepsi Max.

[29] Pepsi Max is one of the carbonated drinks in issue in these proceedings. It is a low-calorie, sugar free cola which was developed as an alternative to Diet Pepsi and Pepsi Light. It debuted in the United States and Italy in April 1993, and the roll out was extended to Australia and other countries later that year. By the end of 1994, Pepsi Max was sold in approximately 20 countries, and that level of growth has continued, with the result that it is now sold in a very large number of countries worldwide.

[30] 7UP is a lime-lemon soft drink that was first created in St Louis, Missouri, in 1929. It has been sold continuously since that date. In July 1986, PepsiCo acquired the business of its owner, the 7UP Company, in every country other than the United States. 7UP is now sold in more than 130 countries around the world. It is one of the two largest selling lemon-lime soft drinks in the world, the other being Sprite, which, as already noted, is made and distributed by TCCC. PepsiCo has also introduced various line extensions of the 7UP brand.

[31] PepsiCo is the registered proprietor of the trade mark consisting of, or including, the Pepsi mark, in virtually every jurisdiction in the world. It is also the registered proprietor of the 7UP trade mark in virtually every country other than the United States. It has made extensive use of the marks Pepsi Cola, Pepsi, Pepsi Max, a three-field circular device incorporating red, white and blue bands known as the "Globe" design, and 7UP.

(iv) *Pepsi in New Zealand*

[32] In New Zealand, the Pepsi trade mark was first registered in 1944. There have been subsequent iterations of the mark registered since that time.

[33] Prior to the 1960s, PepsiCo had bottling contracts with various bottling companies in this country and Pepsi and 7UP were sold here, either in glass bottles or cans.

[34] In 1990, the Australasian brewer and beverage company, Lion Nathan Limited, acquired the Pepsi and 7UP franchises for Australia. With effect from 1 September 1992, New Zealand became part of Lion Nathan's territory for the bottling and distribution of Pepsi and 7UP, and in 1992, a joint venture was formed between Lion Nathan and PepsiCo covering Australia and New Zealand. Pepsi and 7UP continued to be sold in this country throughout and Pepsi Max was introduced to the New Zealand market in 1995.

[35] In 1996, the Pepsi logo was given a worldwide facelift, and the new logo was used by the joint venture in New Zealand to re-launch the brand.

[36] In the late 1990s, Lion Nathan decided to exit the soft drink business, and in July 1999, the joint venture sold its New Zealand Pepsi bottling assets to the first defendant, Frucor. Frucor then became the bottler and distributor of PepsiCo's range of beverages in New Zealand, including Pepsi, Pepsi Max, and 7UP.

[37] Frucor is the second largest non-alcoholic drinks company in New Zealand. It is the market leader in Australasia in energy drinks and juice drinks. It has a large range of products.

[38] Since 1999, Frucor has acted as the bottler and distributor of PepsiCo products in New Zealand, including relevantly, Pepsi, Pepsi Max, and 7UP. Over this period, these brands have been sold through all supermarket chains in New Zealand. Frucor also operates a significant network of what are known as "route trade" representatives and suppliers (the route trade is defined by Frucor as including everything other than supermarket outlets). As a result, Pepsi, Pepsi Max and 7UP have been sold at dairies and convenience stores, service stations, food outlets such as bakeries, take-away stores, fast food outlets, cafés, restaurants and caterers, off-premise liquor stores, educational institutes such as schools, universities and tertiary establishments, and a variety of other retail outlets operated by entities such as sports clubs, hardware stores, cinemas, video stores, and military bases.

[39] The evidence established that as at 2009, Pepsi, Pepsi Max and 7UP sales accounted for only a very small percentage of the carbonated soft drink market in this country. They have a very much larger presence in many overseas markets.

(v) *Competition between Coca-Cola and Pepsi*

[40] Competition between TCCC and PepsiCo is well-known and well documented internationally. This competition has extended to New Zealand.

[41] The evidence established that TCCC is very much the market leader in relation to the sale of cola products in New Zealand. One witness, Ms Hollins, suggested that many consumers “sleep-shop” for Coca-Cola. PepsiCo and Frucor have set out to break this habit and to make consumers more aware of Pepsi – in the witness’ words, “to wake them up”.

C. PepsiCo’s Carolina Bottle

[42] As noted in [1] above, these proceedings concern a 300 ml glass bottle. That bottle is known within PepsiCo as the “Carolina” glass bottle. It was designed in 2003/2004.

[43] Prior to the introduction of the Carolina bottle, PepsiCo used glass bottles to package Pepsi in many of its markets, including the United States. One bottle became relatively well known. It was the Pepsi “swirl” bottle. It was in the market from at least the 1980s. While there were a number of variations of the swirl bottle, both over time and in various markets, in broad terms, the Pepsi swirl bottle was a tall, slim bottle with twisted diagonal fluting. It was described by one of PepsiCo’s witnesses, a Mr Le Bras-Brown, as being like a Corinthian pillar that had been twisted in the middle. The bottle used in most markets had a shoulder that led to a drawn-in midsection, with a heel at the bottom of the bottle.

[44] Between about 2001 and June 2003, PepsiCo set out to re-design its range of Pepsi PET bottles. The project became known as the “Carolina project”. PepsiCo used an external New York design firm – 4Sight Inc – to assist. The initial design concentrated on the 2 litre PET bottle. The resulting bottle which emerged from the

design process came to be known as the “Carolina PET bottle”. It featured a series of undulating wavy lines that appeared horizontally across the bottom section of the bottle. The bottle was also drawn in at the centre. This made it easy to grip and pour. The design was adopted and various versions of the Carolina PET bottle were then put into production. These included a range of 500 ml or less single-serve PET bottles.

[45] In mid-late 2003, PepsiCo turned its attention to the design and development of new glass bottles to complement the Carolina PET bottle. Mr Le Bras-Brown was one of the new glass bottle’s designers and he largely managed this part of the project. 4Sight was also involved.

[46] There were two inter-related glass bottle projects. One was for a glass returnable bottle made of relatively thick glass. The other was for a non-returnable glass bottle. The aim was to come up with a bottle that would be “ownable”, and which would “offer a proprietary design for PepsiCo”. The bottle was intended to have an “exciting look and feel” that would complement the Carolina PET bottle. Mr Le Bras-Brown explained that he wanted to take the undulating horizontal wave feature from the Carolina PET bottle and translate it into glass. He also gave evidence that he drew inspiration from the then existing Pepsi “swirl” bottle. He regarded it as the classic Pepsi glass bottle.

[47] There were constraints on the design of the new glass bottle – particularly the returnable bottle. Any new bottle had to co-exist with the stock of existing bottles already in use in many of PepsiCo’s markets worldwide. Moreover, any new bottle had to be compatible with existing filling lines, crates and delivery systems. These factors constrained, for example, the height of the bottle, its diameter and its “touch points” (that is, where glass bottles touch each other on the production line). The position of touch points in turn limited where any decorative features or labels could be placed.

[48] Starting in September 2003, a number of conceptual designs for the new bottle were presented. Most were rejected. By early October 2003, PepsiCo had selected preferred designs. It was contemplated that the selected designs would be consumer tested against then current PepsiCo bottles and the TCCC contour bottle. There was no evidence led before me, however, to establish that such testing ever took place.

[49] Ultimately, the choice came down to two designs – one known as “1B” and the other as “1E”. Final designs of both bottles were completed in April 2004.

[50] For country-specific reasons, design 1B was chosen for use in Mexico. New glass bottles to that design were released in that market, but only as returnable bottles.

[51] The 1E design offered a tapered shoulder. This tapered shoulder was straight-sided, and this offered an important practical advantage. It provided PepsiCo with maximum flexibility in its labelling options. The bottle could be used either with a labelling product known as “tactiphane” or for applied ceramic labelling (where the label is fired onto the glass). Tactiphane could only be placed on a flat or relatively flat surface. Mr Le Bras-Brown concluded that there was a significant advantage in designing a bottle that could accommodate tactiphane. The use of tactiphane meant that the bottle could be generic – that is, it could be used for any type of soft drink.

[52] In the event, the 1E or Carolina glass bottle (as it came to be known) was chosen for both aesthetic and practical reasons for most markets.

[53] In 2005, PepsiCo filed a design patent in the United States (effectively a registered design in New Zealand) for the Carolina glass bottle. The patent was granted. PepsiCo also filed what are known as convention applications for registered designs in a large number of other jurisdictions including Australia, the European Union, China and Japan. Registered designs of the Carolina glass bottle are now in force in a large number of countries, are pending in three other countries, and are

published in two further countries, awaiting final issue. No steps have been taken to challenge or revoke registration of the design in any jurisdiction to date.

[54] PepsiCo has not sought to register the design of its Carolina glass bottle in New Zealand.

[55] The Carolina glass bottle was commercialised as a non-returnable glass bottle, and it was progressively developed and then rolled out, first in Poland in a 200 ml format in 2005, and then in markets in the Middle East, Asia and Europe. It has now been released in some 35 countries, including China in 2006, the United Kingdom and Australia in 2007, Germany in 2009, and various other countries, through until 2013.

[56] The Carolina glass bottle was released in New Zealand in October 2009. Frucor then started using and it continues to use a 300 ml version of the bottle to market three PepsiCo products, namely Pepsi, Pepsi Max, and 7UP.

[57] I set out photographs of the Carolina glass bottles at issue in this proceeding:

Pepsi 300 ml glass bottle



Pepsi Max 300 ml glass bottle



7UP 300 ml glass bottle



[58] Again, actual bottles were produced in evidence.

[59] It was Frucor's plan to use the 300 ml Carolina glass bottle as a premium offer bottle, aimed to help Frucor gain access for Pepsi, Pepsi Max and 7UP in premium markets, such as cafés, hotels, restaurants, and the like. While sales of the bottle have exceeded initial projections, they have been, in total market terms, relatively modest. As at the end of October 2013, some 618,000 Carolina bottles containing either Pepsi, Pepsi Max or 7UP had been sold throughout New Zealand.

D. TCCC'S Response to Launch of Carolina Bottle

[60] The first complaint from TCCC in respect of the Carolina bottle was made in Germany in July 2010. The Carolina bottle had been available in Germany in a 200 ml version from June 2009, and in a 300 ml version from May 2010.

[61] TCCC obtained an ex parte injunction from the Regional Court in Cologne, on a without notice basis. This decision was overturned by the Court shortly thereafter, when a hearing took place on notice.³

[62] The only other jurisdictions where TCCC has made any complaint in respect of the Carolina bottle are Australia and New Zealand. Letters of demand were sent by TCCC in both countries on the same date – 27 September 2010. Undertakings were requested.

[63] A response to the New Zealand letter was sent by Frucor and PepsiCo on 3 October 2010. Both declined to give the requested undertakings.

[64] A similar response was given in Australia.

[65] As a result, these proceedings have followed in this country. Counsel advised me that proceedings are also on foot in Australia, and that they are due to be heard in March 2014.

E. The Judgment in Germany

[66] The proceedings in Germany have proceeded to a substantive hearing. A decision in Germany was given by the Hamburg Landgericht (a Court comprising three Judges) on 31 May 2012.⁴

³ *The Coca-Cola Co & Coca-Cola GmbH, & Coca-Cola Erfrischungsgetränke AG v PepsiCo Deutschland GmbH* LG Köln, 27 October 2010 (84 0 188/10).

⁴ *The Coca-Cola Co & Coca-Cola GmbH, & Coca-Cola Erfrischungsgetränke AG v PepsiCo Deutschland GmbH* LG Hamburg, 31 May 2012 (513 0310/11). [The Court was provided with an English translation of the judgment. No issue was taken by any of the parties with the translation.]

[67] TCCC, and other plaintiffs associated with it, were alleging that PepsiCo's 200 ml Carolina glass bottle infringed its registered 3D shape mark. That mark had been registered as a community trade mark, and it comprised a series of six photographs of the contour bottle.

[68] The Court held against TCCC and its co-plaintiffs. The Court accepted that the relevant public would immediately notice the waisted basic shape of the Carolina bottle. However, it was held that the waisted basic shape would not be perceived by the public as an indication of origin because, for soft drinks, the public were accustomed to waisted shapes in various proportions. It considered that the precise proportions of TCCC's contour bottle, beyond the mere basic waisted shape, did not have significance as indications of origin. The Court observed that the bottle's waisted basic shape was a general customary aesthetic design form, and that TCCC's trade mark was only characterised by the combination of its additional features having identifying capacity, i.e. the combination of the bottle belt with the distinct vertical fluting of the bottle neck and the bottle body. The Court considered that the combination of these features functioned as the indication of origin. The Court did not agree with submissions made by TCCC that the vertical fluting was not relevant for the function of the contour bottle as an indication of origin. PepsiCo's Carolina bottle, or sign, was held to be not "sufficiently similar" to the registered trade mark. While the Carolina bottle was said to be identical to TCCC's trade mark in that it was also a bottle with a waisted basic shape, the Court noted as follows:⁵

However, agreement in only this one characteristic which does not indicates [sic] origin is not sufficient to justify a similarity between the opposing signs since it is a generally customary basic shape which is not covered as such by the range of protection of Plaintiff's trade mark... The contested design does precisely not show agreements in the characteristics which indicate origin, i.e. the 'belt band' and the vertical grooves. The contested 'Carolina' bottle has neither the belt band in the middle which is set off from the rest of the bottle by its smooth surface nor the characteristic bulgings following immediately above and below. Rather, the waisted bottle body blends into the bottle neck in an uninterrupted line. Further the 'Carolina' bottle does not have vertical grooves, but horizontal wavy lines. Against the background of these differences, there is a lack of sufficient similarity between the signs to be compared.

⁵ At [5].

[69] The Court went on to say that even if it were to assume that the specific waisted silhouette should be included in the protection offered by the registered trade mark as indicating origin, that would not result in a similarity of signs.

[70] Because the Court did not consider that even the basic shapes per se could be considered similar, it did not go on and consider to what extent the brand, (Pepsi), which was always affixed to the Carolina bottle, excluded a similarity of signs.

[71] I was told from the bar that TCCC has appealed the judgment.

[72] I now turn to the proceedings in this country.

F. TCCC's Claim Under the Trade Marks Act 2002

(i) Trade Marks Act 2002

[73] The current legislation in this country is the Trade Marks Act 2002.

[74] New Zealand legislation has consistently drawn in this area of the law from legislation in the United Kingdom. This was apparent in the Trade Marks Act 1953, which was largely modelled on the 1938 United Kingdom statute.⁶ The Trade Marks Act 2002 continues to be drawn from United Kingdom legislation, albeit indirectly. The 2002 Act draws from, and in many places expressly refers to, the Singapore Trade Marks Act 1998. That Act in turn was based on and drew from the Trade Marks Act 1994 in the United Kingdom.

[75] The Trade Marks Act in this country also reflects New Zealand's obligations under what is known as the "TRIPS" agreement. This agreement – Agreement on Trade-Related Aspects of Intellectual Property Rights, Including Trade in Counterfeit Goods – was a key part of the GATT Uruguay Round which was completed in 1993. It set minimum standards for intellectual property protection which member countries, including New Zealand, were required to incorporate in their domestic legislation. New Zealand acceded to the agreement as from 1 January 1995, and the

⁶ Brown and Grant, *Law of Intellectual Property in New Zealand* (Butterworths, Wellington, 1989) at [2.1]; P Sumpter, *Intellectual Property Law, Principles and Practice* (2nd ed, CCH, Auckland, 2013) at 140.

government of the day responded first by passing various amendments to the then Trade Marks Act 1953 and to other relevant statutes, and then by passing the new 2002 Act. The new legislation has made a number of changes to earlier law, some of which arise in these proceedings.

[76] Relevantly, it had traditionally been held that the shape of goods could not be registered as a trade mark, and that other traders had to be able to use a shape, provided that they distinguished their goods by the application of their own mark.⁷ Indeed, the House of Lords held that the shape of the Coca-Cola contour bottle could not be registered under the UK trade mark legislation of 1938.⁸ It held that the word “mark” used in that legislation was apt to describe something that distinguished goods rather than the goods themselves. Their Lordships considered that the legislation was not intended to confer on the manufacturer of a container, or an article, a statutory monopoly, notwithstanding that the manufacturer had established a connection between the shape of the container or article and the manufacturer. Their Lordships considered that a rival manufacturer had to be free to sell any container or article of similar shape, provided that the container or article was labelled or packaged in a manner which avoided confusion as to the origin of the goods, or origin of the article.

[77] In this country, the now repealed Trade Marks Act 1953 had inclusive definitions of the words “mark” and “trade mark”. The definitions did not extend to shapes, and shapes could not be registered.

[78] In other jurisdictions, a different view was taken, and in December 1998, the Council of the European Union issued a directive.⁹ Its purpose was to support a harmonious system of trade mark registration across the European Union. Article 2 in the directive recorded that a trade mark could consist of any sign capable of being represented graphically, including the shape of goods or of their packaging.

⁷ *In Re James's Trade Mark* (1886) 33 Ch 392 (CA).

⁸ *Re Coca-Cola Co's Applications* [1986] 1 WLR 695 at 697-699, [1986] RPC 421 (HL) at 456-458.

⁹ Directive 89/104 on the laws of the Member States relating to trade marks [1989] OJL 40/1, 21 December 1988.

[79] The legislation was revised in the United Kingdom to bring it into accord with the directive. The result was the Trade Marks Act 1994. It does not define the word “sign”, but it does provide that a trade mark means a sign capable of being represented graphically and that it may consist of the shape of goods or their packaging.¹⁰

[80] The TRIPS agreement – Article 15(1) – recorded that signs that were capable of distinguishing should be capable of constituting a trade mark. It was noted that signs could include “figurative elements”.

[81] The 1953 Act was amended to comply with the agreement by the Trade Marks Amendment Act 1994. It adopted the word “sign” and provided that a trade mark was any sign or combination of signs capable of being represented graphically and capable of distinguishing the goods or services of one person from the goods or services of another person. Section 2(2) of the Act provided as follows:

“Sign” includes a device, brand, heading, label, ticket, name, signature, word, letter, numeral, colour, or any combination thereof.

The definition, while inclusive, did not expressly extend to shape. Nevertheless, following the introduction of the amendment, the Intellectual Property Office of New Zealand started allowing registration of shapes as trade marks.

[82] Registration of shapes as three-dimensional marks was expressly provided for in New Zealand for the first time in the 2002 Act. In s 5(1) of this Act, the word “sign” is defined as follows:

...

sign includes—

- (a) a brand, colour, device, heading, label, letter, name, numeral, shape, signature, smell, sound, taste, ticket, or word; and
- (b) any combination of signs

...

¹⁰ Trade Marks Act 1994 (UK), s 1.

It is a requirement of registrability that a trade mark, including a three-dimensional mark, must be capable of being represented graphically.¹¹

[83] Article 16(1) in the TRIPS agreement also recorded the minimum level of exclusive rights that should be provided to the owner of a registered mark. It noted as follows:

The owner of a registered trade mark shall have the exclusive right to prevent all third parties not having his consent from using in the course of trade identical or similar signs for goods or services which are identical or similar to those in respect of which the trade mark is registered where such use would result in a likelihood of confusion...

As a consequence, the 1994 Amendment Act added a new subsection 1A to the infringement provisions in s 8 of the 1953 Act to accommodate the TRIPS agreement.

[84] The relevant statutory provisions relating to infringement are now contained in s 89 of the 2002 Act. Relevantly, it reads as follows:

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—
 - (a) identical with the registered trade mark in relation to any goods or services in respect of which the trade mark is registered; or
 - (b) ...
 - (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
 - (d) ...
- (2) Subsection (1) applies only if the sign is used in such a manner as to render the use of the sign as likely to be taken as being use as a trade mark.

...

¹¹ Trade Marks Act 2002, s 5(1) – definition of trade mark.

[85] As can be seen, this wording closely follows the wording of article 16(1) in the TRIPS agreement. It is also, in many respects, similar to the language used in s 10(1) and (2) of the Trade Marks Act 1994 (UK), and to s 27 of the Trade Marks Act 1998 (chapter 322) of Singapore.

(ii) *The pleadings*

[86] TCCC in its statement of claim, alleged infringement under both s 89(1)(a) and (c). It did not, however, pursue its allegation under s 89(1)(a). Rather, it confined its allegation of infringement to s 89(1)(c).

[87] The pleadings alleging trade mark infringement are identical for each of the trade mark registrations held by TCCC.

[88] TCCC asserted that it has been selling Coca-Cola in its contour bottle for many decades. It accepted that its contour bottle has flutes, a curved label platform, scalloped transitions from the label panel, a contoured shoulder and a pinched waist, but said that the silhouette of its bottle is its most distinctive and memorable feature. It pleaded its trade marks and the introduction of the defendants' Carolina bottle in this country in 2009. It referred to the shape of the Carolina bottle and asserted that the defendants' use of the Carolina bottle and the silhouette of that bottle's shape, is use of a sign in the course of trade, where such sign is likely to be taken as being use as a trade mark. It said that the defendants' use of this sign is likely to deceive or confuse.

[89] The defendants pleaded that their signs comprise a combination of one or more of its Pepsi, Pepsi Max and 7UP marks, together with their "very different" Carolina bottle, and that these combination signs are used as trade marks to denote and distinguish their products. They denied that the silhouette of their bottle shape has been or is likely to be taken as being use as a trade mark, or that there is any likelihood of deceit or confusion.

[90] In its reply to the defendants' statement of defence, TCCC denied that the defendants' bottle is very different, or that the undulating wave pattern on it is distinctive. It also denied that Pepsi, Pepsi Max and 7UP are well-known, and that

they form part of the defendants' sign. Further, TCCC denied that either alone, or in combination with Pepsi, Pepsi Max and 7UP, the defendants' bottle denotes and distinguishes the defendants' products in New Zealand. It claimed that they will be understood by the relevant public as indicating its goods.

(iii) *Matters not in dispute*

[91] Some matters are not in dispute, either wholly or in part.

[92] First, there was no suggestion by any of the parties during the course of the hearing that PepsiCo has the right to use any of TCCC's registered trade marks.

[93] Secondly, under s 89(1)(c), for there to be an infringement, the defendants must be using their sign in relation to any goods that are "identical with or similar to any goods ... in respect of which the trade mark is registered".

[94] TCCC's trade marks are each registered in respect of slightly different specifications of goods. However, for present purposes, this is irrelevant. The defendants have admitted that they are using their sign on goods (that is, soft drinks), that are the same or similar goods to those specified for each of the three registered trade marks in issue.

[95] Thirdly, under s 89(2), it is a pre-requisite to infringement that the defendants' sign is "used in such a manner as to render the use of the sign as likely to be taken as being use as a trade mark".

[96] As noted, the defendants assert that their sign comprises their well-known Pepsi, Pepsi Max and 7UP word and device trade marks, together with their different bottle, incorporating the embossed horizontal wave pattern. They admit that this combination sign is used as a trade mark to denote and distinguish their products in New Zealand. Importantly, however, they deny that use of the bottle shape and silhouette has been or is likely to be taken as use as a trade mark.

(iv) *What has to be compared?*

[97] Section 89(1)(c) calls for a comparison between TCCC's registered trade marks and the sign being used by the defendants in the course of trade. This requires proper identification of PepsiCo's and Frucor's sign or signs for the purposes of the comparison. First, however, I detail TCCC's registered trade marks.

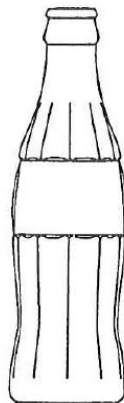
(v) *TCCC's registered trade marks*

[98] TCCC's claim under the Trade Marks Act relies on three trade marks, all registered in this country.

[99] Trade mark 47221 was registered in 1948. Details are as follows:

No	Owner	Class	Goods	Registration Date
47221	The Coca-Cola Company	32	Beverages and syrups for the manufacture of such beverage	3/12/48

There is no written description of the mark. Rather, what is registered is a two-dimensional device or logo mark. It is as follows:



[100] In 1995, TCCC registered a further mark, number 244906. The certificate of registration states that the trade mark consists of a three-dimensional bottle shape shown in a representation which was attached to the application. Details of the registered mark are as follows:

No	Owner	Class	Goods	Registration Date
244906	The Coca-Cola Company	32	Mineral and aerated waters and other non-alcoholic drinks; fruit drinks and fruit juices; syrups and other preparations for making beverages	20/1/95

The registered representation is as follows:



[101] Finally, in 1998, TCCC registered another sign as a three-dimensional shape under number 295168. Details are as follows:

No	Owner	Class	Goods	Registration Date
295168	The Coca-Cola Company	32	Mineral and aerated waters and other non-carbonated soft drinks, fruit drinks and fruit juices; syrups, concentrates and powders used for making beverages	14/7/98

The shape registered is shown as follows:



(vi) *What sign or signs are the defendants using?*

[102] Mr Gray QC, for TCCC, submitted that the sign being used by the defendants is the shape of the Carolina bottle and its silhouette. Mr Brown QC, for PepsiCo and Frucor, submitted that the defendants' sign is a combination sign comprising the Carolina bottle together with PepsiCo's word and device marks.

[103] The starting point must be the legislation. The word "sign" is defined. I have set out that definition above at [82]. The definition is inclusive. A sign can include any of the things listed in (a), and pursuant to (b), it can be any combination of signs.

[104] I agree with Mr Gray that, for a sign to be a combination of signs, there must first be individual signs. A smell, a brand, a colour and a shape, can each be a sign pursuant to the definition. Also, pursuant to the definition, a branded black box with a smell can be a combination sign. There is nothing in the legislation to prevent the one article from being a sign because it incorporates one of the specific features referred to in subpara (a) of the definition, and also a sign under subpara (b), because it adds to that specific feature other features which are themselves signs. The word used between subparas (a) and (b) is "and", not "or".

[105] Any bottle necessarily has a shape, and the evidence established that bottle shapes are routinely registered as three-dimensional marks in New Zealand, including by Frucor. The evidence also established that the defendants are not using the Carolina bottle or its silhouette alone. While they are using the bottle, in every

case it bears either the Pepsi, Pepsi Max, or 7UP word and device marks. Both the Pepsi bottle and the Pepsi Max bottle have the PepsiCo globe logo adjacent to the word marks Pepsi or Pepsi Max. The 7UP label is a registered trade mark consisting of a number of coloured circles of different sizes with a large white figure 7, outlined in blue and intersecting the two largest circles, beside a smaller red circle, outlined in white, with the word “UP” in it, also in white. Each Carolina bottle also has a cap. The cap on the Pepsi bottle is blue. It has the Pepsi globe logo on it. It records that the product was bottled by Frucor, and gives Frucor’s address. It also records that the words “Pepsi” and “Pepsi Max” are registered trade marks of PepsiCo. The cap on the Pepsi Max bottle is black. It contains much the same information. So does the green cap on the 7UP bottle.

[106] The defendants admit that the Carolina bottle, together with the Pepsi, Pepsi Max and 7UP word and device marks is a combination sign. Is the Carolina bottle itself also a sign?

[107] Mr Gray relied on a number of authorities, both in the United Kingdom, and in this country, which hold that once a mark is proved, a user of it cannot escape by showing that by something outside the actual mark itself, he has distinguished his goods from those of the registered proprietor.

[108] The seminal decision in this regard is *Saville Perfumery Limited v June Perfect Limited*.¹² In that case, a registered trade mark comprised the word “JUNE” in a particular font written over a decorative bar with a pendant garland of flowers. The Court of Appeal in the United Kingdom held that JUNE was the distinguishing feature of the mark, and that if a word forming part of the mark had come to be used to identify a trader, it was an infringement of the mark itself to use that word as the mark or part of the mark (sign) of another trader. The Court also held that it was no answer to infringement that the defendant’s mark (sign) included other material in addition to the plaintiff’s mark, or if, by adding other material, the defendant had

¹² *Saville Perfumery Ltd v June Perfect Ltd* [1941] 58 RPC 147 (CA) at 161, upheld by House of Lords at 171; and see *BP Amoco Plc v John Kelly Ltd* [2002] FSR 5 (CA of Nth Ireland) at [41]-[43]; *Origins Natural Resources Inc v Origin Clothing Ltd* [1995] FSR 280 (HC) at 284.

distinguished his goods from those of the plaintiff. Lord Greene MR said as follows:¹³

But this circumstance, relevant though it may be upon the question of passing off, is immaterial upon the question of infringement. In an infringement action, once it is found that the defendant's mark is used as a trade mark, the fact that he or she makes it clear that the commercial origin of the goods indicated by the trade mark is some business other than that of the plaintiff avails him or her nothing, since infringement consists in using the mark as a trade mark, that is as indicating origin.

[109] *Saville Perfumery* was decided under the 1938 Act in the United Kingdom. However, even after the 1994 Act was passed, the decision has been followed in a number of cases decided under its provisions.¹⁴ The Australian Courts continue to disregard additional material.¹⁵ Moreover, I note that the principle is noted without criticism in leading texts.¹⁶

[110] In New Zealand, the *Saville Perfumery* approach has been cited with approval by the Court of Appeal.¹⁷ It was adopted in *Anheuser-Busch Inc v Budweiser Budvar*.¹⁸ There, the court held that use of the word "Budweiser" on a beer called Budweiser Budvar was identical to the registered trade mark Budweiser. Gault P, with whom McGrath and Glazebrook JJ agreed, stated as follows:

[109] ... it is necessary to deal with the question whether ...the use of "Budweiser Budvar" as a trade mark infringes AB's registrations. I do not see this as a serious issue. "Budweiser" is identical to the registered trade mark BUDWEISER. The additional features used with it do not obscure that identity: *Decon Laboratories Ltd v Fred Baker Scientific Ltd* [2001] RPC 293. "Budweiser" is the first word in the name and tends to attract the eye because of its position and relationship to the other words in the panel. ... there is infringing use.

¹³ At 161.

¹⁴ See, for example, *British Sugar PLC v James Robertson & Sons Ltd* [1996] RPC 281 (HC) at 293-294; *Premier Brands UK Ltd v Typhoon Europe Ltd* [2000] FSR 767 (HC) at 776; *Decon Laboratories Ltd v Fred Baker Scientific Ltd* [2001] RPC 293 (HC) at 299.

¹⁵ *Mark Foy's Ltd v Davies Co-op & Co Ltd* [1956] 95 CLR 190 at 205; *Johnson & Johnson Australia Pty Ltd v Sterling Pharmaceuticals Pty Ltd* [1991] 30 FCR 326 at 349; *Adidas AG v Pacific Brands Footwear Pty Ltd (No 3)* [2013] FCA 905 at [213]-[307].

¹⁶ *Kerly's Law of Trade Marks and Trade Names*, (15th ed, Sweet & Maxwell, London, 2011) at [14-071]; *Shanahan's Australian Law of Trade Marks and Passing Off* (5th ed, Thomson Reuters, New South Wales, 2012) at [85.695] and fn 101; *Sumpter*, above n 6, at 173.

¹⁷ See, for example, *Villa Maria Wines Ltd v Montana Wines Ltd* [1984] 2 NZLR 422 (CA) at 431.

¹⁸ *Anheuser-Busch Inc v Budweiser Budvar* [2003] 1 NZLR 472 (CA).

[111] *Anheuser-Busch* was a decision made under the infringement provisions contained in s 8 of the 1953 Trade Marks Act. Mr Brown argued that s 8 was in substantially different terms from s 89 in the 2002 Act. He sought to distinguish *Anheuser-Busch* on this basis.

[112] Mr Brown was in error. Section 8 of the 1953 Act, as originally enacted, was in rather different terms than s 89, but, by the time *Anheuser-Busch* was decided, the 1953 Act had been amended by the Trade Marks Amendment Act 1994. As noted above, this legislation added a new subsection (1A) to s 8. Subsection (1A) introduced provisions which are substantially similar to those now contained in s 89 in the 2002 Act. It is clear from the Court of Appeal's decision that it was considering s 8 as amended.¹⁹

[113] Mr Brown also suggested that *Anheuser-Busch* could be distinguished, because the court was there dealing with the use of the word "Budweiser", which was identical to the registered trade mark. He argued that here, any use by the defendants is not identical to TCCC's registrations.

[114] I do not consider that the Court of Appeal's judgment in *Anheuser-Busch* can be distinguished on this ground. Mr Brown's arguments on behalf of the defendants turned on the words "in the course of trade". Those words appear in the introductory part of s 89, and not in either subsection (a), dealing with infringement where the mark and the sign are identical, or subsection (c) dealing with infringement where the mark and the sign are similar. The nature of any infringement does not assist in interpreting the introductory passage prefacing both subsections.

[115] Mr Brown argued that the words "in the course of trade" require consideration of the context in which any allegedly infringing sign is used.

[116] Section 89(1) contains the words "uses in the course of trade a sign". So did the 1953 Act after it was amended in 1994. In my judgment the words "in the course of trade" simply require the court to consider whether the sign is used in the context of commercial activity, with a view to economic advantage, or whether it is being

¹⁹ At [91] and [96].

used privately and for other than commercial purposes.²⁰ They do not compel a detailed analysis of the particular way in which a defendant is using his or her sign.

[117] Mr Brown submitted that in the United Kingdom, the courts have moved on from the *Saville Perfumery* approach. He argued that as a matter of statutory interpretation, s 10 of the UK Trade Marks Act 1994 is in all material respects, identical to s 89(1) of the Trade Marks Act 2002 in this country. He went on to submit that the UK courts, including the Court of Appeal, have now held that the *Saville Perfumery* approach is no longer good law, because it does not reflect what the average consumer or relevant member of the public would regard as being a defendant's sign. He submitted that the courts in the United Kingdom have also held that when determining whether there has been infringement in a particular instance, it is artificial to try and isolate the defendant's sign from the context of its use, and to narrow it by ignoring other marks or indicia that are used with it.

[118] There were a number of authorities relied on by Mr Brown:

- (a) In *02 Holdings Limited v Hutchison 3G Limited*,²¹ the plaintiff had registered trade marks for static images of bubbles or oxygenated water. The defendant ran a series of television advertisements in which it compared its services to those of its competitors, including the plaintiff. The plaintiff claimed that the defendant infringed four of its trade marks by showing bubbles in its advertisements. Lewison J at first instance considered that it was artificial to compare the mark and the sign through the eyes of the average consumer without considering what impact the overall use of the sign in context would have upon the consumer. He held that likelihood of confusion had to be assessed globally. On appeal, the Court of Appeal, in a judgment delivered by Jacob LJ, emphasised that consideration under the relevant provisions was limited to a comparison between the

²⁰ And see, *Google France v Louis Vuitton* [2010] ETMR 30 (CJEU); *Solid Energy New Zealand Ltd v Frances Mountier* HC Christchurch CIV 2007-409-411, 26 July 2007 – a sign that is used for parody, satirical or political protest purposes might not be used “in the course of trade”; see also *Sumpter*, above n 6, at 171, and fn 130.

²¹ *02 Holdings Ltd v Hutchison 3G Ltd* [2006] EWHC 534, [2006] RPC 699.

defendant's sign and the registered mark.²² He held that the relevant provisions called for an examination of the context of the use, and that the court had to consider how the defendant was using the sign complained of to answer the question whether he was using it in the course of trade. The European Court of Justice in its decision affirmed the approach of the UK Court of Appeal.²³

- (b) In *Julius Sämaan Limited v Tetrosyl Limited*,²⁴ the plaintiff's registered trade mark was the outline of a pine or fir tree on a base. It was registered in respect of deodorants, and the mark had been used on a range of air fresheners used in cars. The defendant began marketing an air freshener for vehicles in the shape of a fir tree decked out with snow and flashing lights and bearing the trade mark "CarPlan Air Care" in a roundel on the tub. The plaintiffs claimed that the comparison should be between their registered trade mark and that the defendant's sign, namely the tree shape, and that it should not include the words "CarPlan Air Care". This argument was rejected by Kitchin J. He held that what was the sign needed to be considered from the perspective of the average consumer. He stated as follows:²⁵

I have no doubt that Tetrosyl is correct. The matter must be considered from the perspective of the average consumer. The tree is fixed into the tub and the two are presented as a composite whole. Further, the roundel clearly has some trade mark significance. It cannot simply be disregarded as descriptive material which is not part of the sign.

This case is noted in *Kerly*.²⁶ It is there observed that "some caution should be exercised in interpreting the... proposition that distinguishing material is to be disregarded" as the defendant may be using distinguishing material as part of its sign.

²² *02 Holdings Ltd v Hutchison 3G Ltd* [2006] EWCA 1656, [2007] RPC 407.

²³ *02 Holdings Ltd v Hutchison 3G Ltd* [2008] RPC 33 (ECJ).

²⁴ *Julius Sämaan Limited v Tetrosyl Limited* [2006] EWHC 529, [2006] FSR 42.

²⁵ At [48].

²⁶ *Kerly's Law of Trade Marks and Trade Names*, above n 16, 456 at [14–071].

- (c) In *L'Oreal SA v Bellure NV*²⁷ Lewison J at first instance expressed the view that the law has moved on from *Saville Perfumery*. The mark relied on was a depiction of a bottle bearing words, and the defendant's sign was also a bottle bearing words. He held that the impact of the words could not be left out in making the comparison between the mark and the sign.
- (d) In *Whirlpool Corporation v Kenwood*,²⁸ the plaintiff's registered mark comprised outlines of a mixing appliance. It was alleged that the defendant was selling an infringing mixer. Deputy Judge Geoffrey Hobbs QC said that the circumstances characterised in the alleged infringing use had to be considered in order to determine the liability for infringement.²⁹
- (e) The English Court of Appeal in *Specsavers International Healthcare Limited v Asda Stores Limited*,³⁰ held that the *Saville Perfumery* test no longer applies. It stated as follows:³¹
- ... the general position is now clear. In assessing the likelihood of confusion arising from the use of a sign the court must consider the matter from the perspective of the average consumer of the goods or services in question and must take into account all the circumstances of their use that are likely to operate in that average consumer's mind in considering the sign and the impression it is likely to make on him. The sign is not to be considered stripped of its context.
- (f) In *Samuel Smith Old Brewery (Tadcaster) v Lee*³² Arnold J, in the context of considering what were the signs used by the defendant, held that the signs' impact had to be considered in the context of their surrounding matter.

²⁷ *L'Oreal SA v Bellure NV* [2006] EWHC 2355, [2007] RPC 14 at [105] and [107]; and see [2007] EWCA 968, [2008] RPC 9. The Court of Appeal referred various questions to the European Court of Justice. I do not know the outcome of that referral.

²⁸ *Whirlpool Corporation v Kenwood* [2008] EWHC 1930, [2009] RPC 2.

²⁹ At [69] and [71].

³⁰ *Specsavers International Healthcare Limited v Asda Stores Limited* [2012] EWCA 24, [2012] FSR 19.

³¹ At [87].

³² *Samuel Smith Old Brewery (Tadcaster) v Lee* [2011] EWHC 1879, [2012] FSR 7 at [88]-[91].

[119] I am not convinced that any of these various decisions in the United Kingdom are directly on point, or that they are of any great assistance when interpreting the legislation in this country.

[120] First, I note that most of the decisions do not all directly address the question of what is a defendant's sign. Many of them appear to be directed more towards the question whether the use of a sign should be examined in its context, when considering whether the impugned sign falls within prohibitions contained in European directives.³³ There is no New Zealand equivalent to the European directives on which the UK Trade Marks Act is based, or to the articles contained in those directives. As a result, the authorities are not directly applicable in this country. While decisions in the United Kingdom can, in some circumstances assist, and while I accept that it is desirable to adopt a common approach in trade mark cases where an international perspective is important,³⁴ in my view, the authorities relied on by Mr Brown are of limited assistance in this case, given the different statutory framework.³⁵

[121] Secondly, and allied to the previous point, in New Zealand, there is a statutory definition of the word "sign", and s 89(2) requires that for there to be infringement, a defendant's use of a sign must be likely to be taken as being use as a trade mark. Neither of these statutory provisions exists in the United Kingdom.

[122] Thirdly, it appears that in many of the cases cited by Mr Brown, the courts were assessing what the defendant's sign was from a use perspective, rather than determining first whether the impugned article was a sign, and then asking whether the sign was used as a trade mark. This is no doubt because the 1994 UK Trade Marks Act does not have an equivalent to s 89(2). A similar approach in this country would conflate the two-step analysis required by our legislation. Section 89(1) requires the court to identify the sign being used in the course of trade by the alleged infringer. The court must go on to consider, under s 89(2), whether that sign is being used in such a manner as to render the use of the sign as likely to be taken as being

³³ See, for example the observation of Jacob LJ in the *02* case, above n 21, at [34].

³⁴ For example, *Leisureworld Ltd v Elite Fitness Equipment Ltd* HC Auckland CIV-2006-404-3499, 21 July 2006 at [96].

³⁵ *Anheuser-Busch Inc*, above n 18, at [100].

use as a trade mark. In my judgment, the architect of New Zealand legislation requires that the two issues be dealt with discretely.

[123] Looking at the matter in the context of the New Zealand legislation, Frucor and PepsiCo are using the Caroline bottle in this country. It has a shape. The shape is a sign pursuant to the definition contained in the 2002 Act. The bottle is being used in the course of trade. Frucor and PepsiCo have added to this shape sign PepsiCo's word and logo marks. As a result, they also use in the course of trade a combination sign. In my judgment, it has to be considered whether either or both infringe TCCC's registered marks. In considering whether the shape sign alone infringes TCCC's registered marks, the added word and logo marks have to be disregarded.

[124] There is considerable force in Mr Gray's argument that the consequence of adopting any alternative argument would be far reaching. He put it to me that if bottle shape alone cannot be a sign, then any trader could adopt any other trader's registered shape mark for a bottle and avoid infringement by adding a brand name. He argued that a plaintiff's registered trade mark for a bottle, where a competitor used an identical bottle, would thus be rendered valueless. I agree.

[125] Accordingly, I find that the Carolina bottle being used by PepsiCo and Frucor is a sign, and that that sign has been and is being used in the course of trade. I also find that the Carolina bottle, together with the Pepsi, Pepsi Max and 7UP word and device marks, is a sign which has been and is being used by the defendants in the course of trade.

[126] I now turn to the matters raised in s 89(2) of the Act.

(vii) *Have the signs been used as trade marks?*

[127] For infringement to occur, a defendant must have used his or her sign in such a manner as to render the use of the sign as likely to be taken as being use as a trade mark.

[128] It has been noted in Australia that this is “a pivotal question”, that “requires an understanding of the purpose and nature of the impugned use”.³⁶ The same can be said in New Zealand. The issue is likely to assume greater significance now that non-traditional marks such as shape, colour, sound and scent, which may have no inherent distinctiveness, can be registered.³⁷

[129] As I noted above at [93], the defendants admit in their statement of defence that they are using their combination sign as a trade mark. Given my finding as to what constitutes the defendants’ signs, the question remains whether the Carolina bottle itself is being used by PepsiCo and Frucor in such a manner as to render their use of this particular sign as likely to be taken as being use as a trade mark.

[130] The leading authority in this country dealing with the issue is the decision of the Court of Appeal in *Mainland Products Limited v Bonlac Foods (New Zealand) Limited*.³⁸ In this case, Bonlac introduced to the New Zealand market a cheddar cheese product in plastic packaging bearing the word “vintage”. The plaintiff brought proceedings alleging infringement of its registered trade mark “VINTAGE”. The trade mark was held in respect of cheese. Bonlac argued that its use of the word “vintage” was not such as to be likely to be taken as use as a trade mark, or as importing a reference to the plaintiff’s cheese, but was merely a bona fide description of the character or quality of its own product. This argument failed. It was held that the use of the word “vintage” on Bonlac’s packaging was likely to be taken as a trade mark and not as a bona fide description of the character or quality of its cheese.

[131] A number of propositions can be gleaned from the decision:

- (a) In considering whether use of a sign is likely to be taken as use as a trade mark, it is appropriate to consider persons to whom the product is presented in the course of trade. This includes persons engaged in

³⁶ *Johnson & Johnson Australia Pty Ltd v Sterling Pharmaceuticals Pty Ltd*, above n 15, at 347.

³⁷ And see, *Shanahan’s Australian Law of Trade Marks and Passing Off*, above n 16, at [85.555].

³⁸ *Mainland Products Ltd v Bonlac Foods (New Zealand) Ltd* [1998] 3 NZLR 341 (CA).

the relevant trade such as wholesalers and retailers as well as retail customers.³⁹

- (b) It is not necessary to show that the use complained of will likely be taken by everyone encountering it in the course of trade as infringing use. It is sufficient to constitute infringement if it conveys or is likely to convey to a substantial number of prospective purchasers trade mark significance.⁴⁰
- (c) What is meant by use as a trade mark is indicated by the definition of the word “trade mark” in the relevant legislation.⁴¹ Under the 2002 Act, it is any sign capable of being represented graphically and capable of distinguishing the goods or services of one person from those of another person.⁴²
- (d) The likelihood of the manner of use of a sign being taken as indicating a trade connection will depend on all the circumstances of that use.⁴³ The way in which the sign is used in relation to the particular goods is a primary consideration. Also relevant are the nature of the market, the kind of customers, and the general circumstances of trade and 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.⁴⁴
- (e) It is frequently the case that products may carry two trade marks, each with a different significance – for example, Holden and Barina for cars.⁴⁵

³⁹ At 345.

⁴⁰ At 345.

⁴¹ At 345.

⁴² Section 5 definition.

⁴³ At 345.

⁴⁴ At 346.

⁴⁵ At 349.

- (f) While care must be taken not to extend unduly the ambit of protection of registered marks, care must also be taken to prevent erosion of the distinctiveness of a good trade mark by competitors with strategic motives claiming use.⁴⁶

[132] In the present case, the Carolina bottle has a waisted shape in the lower section of the bottle. So does the TCCC's contour bottle. So also do a large number of other bottles available in the marketplace which were introduced as exhibits in the course of the hearing. Some bottles have the waisted section higher on the bottle. The shape of the waist or pinch varies from bottle to bottle. Nevertheless, there can be no doubt that a waist or pinched section on a bottle is a common feature. There was evidence, which I also accept, suggesting that a waist or pinch has a functional purpose. It makes the bottles easier to grip and pour.

[133] The fact that a feature of an article may have a functional purpose does not however mean that that feature cannot also serve as a trade mark. A sign may fulfil more than one function,⁴⁷ and a mark can have a descriptive element, but still serve as a badge of trade origin.⁴⁸ Similarly a sign may have multiple uses that are not mutually exclusive.⁴⁹ The issue is essentially whether those to whom the use is directed are being invited to purchase the goods of the alleged infringer, which are to be distinguished from the goods of other traders, partly because they have the feature in question.

[134] I have considered the persons to whom the Carolina bottle is presented by the defendants in the course of their trade. It is presented to retailers, and to members of the public – particularly in the younger age group. Often customers self select the product from a fridge. Professor Brodie, a marketing expert called by TCCC, explained that soft drinks are fast moving consumer goods. They are relatively inexpensive (\$2.50-\$4.00) and are routinely purchased by large numbers of people. There is relatively low consumer involvement in the purchasing decision and

⁴⁶ At 351.

⁴⁷ *Johnson & Johnson (Aust) Pty Ltd v Sterling Pharmaceuticals Pty Ltd*, above n 15, at 347–349; *The Coca-Cola Co v All-Fect Distributors Ltd* (1999) 47 IPR 481 (FCA) at [26]; *Anheuser-Busch Inc v Budweiser Budvar*, above n 18, at [105].

⁴⁸ *Johnson & Johnson (Aust) Pty Ltd v Sterling Pharmaceuticals Pty Ltd*, above n 15, at 347.

⁴⁹ *Adidas AG v Pacific Brands Footwear Pty Ltd (No 3)*, above n 15, at [61].

consumers are likely to make their choice using cues – for example, brand names and distinctive packaging. Cues differ in their validity – that is, their ability to help a consumer distinguish one object from another. A cue of high validity is known as a diagnostic cue. The evidence of Professor Klein, called by PepsiCo and Frucor, was that consumers, making quick judgments, will tend to use the most diagnostic cues available. Brand names, logos, and colour are diagnostic cues. The experts differed on the importance of bottle shape, although both acknowledged that it is a cue.

[135] The evidence established that the Carolina bottle was designed to be distinctive of PepsiCo products. Mr Le Bras-Brown said that he set out to design an “ownable” and “proprietary bottle”, and that he wanted it to be an “iconic PepsiCo design”. He wanted the bottle to be identified as “the Pepsi bottle”, and he believed that he had achieved that aim with the design.

[136] The bottle was presented to the market in a way that emphasised its ability to function as a trade mark. PepsiCo’s presentation on the Carolina bottle, which Mr Le Bras-Brown described as “a selling document to the market”, emphasised that the bottle was designed to be recognised by consumers as originating from PepsiCo. The presentation highlighted that PepsiCo believed that the Carolina bottle was attractive to the market, because of how it looked. It was described as a “unique, cool and trendy looking”, “easy to recognise” bottle with “a great look”, and a “classic soda bottle shape”.

[137] Although marketing in New Zealand was limited, such marketing as did occur emphasised the shape of the bottle. Photographs of the bottle appeared on Frucor’s website. A trade presenter was made available to retailers. It showed the silhouette of the bottle. Fridge stickers again highlighted the silhouette and shape of the bottle.

[138] The bottle and its shape was supposed to be noticed. Ms Hollins, Frucor’s senior brand manager for carbonated soft drinks at the time, thought that the bottle looked “very styley”. There was a post-launch review of the bottle. It was noted that there had been no major consumer response, but that a few comments had been

made about “the good looking shape of the bottle”, and it was recorded that the “bottle and pack design worked well”.

[139] At a more general level, Mr Le Bras-Brown told me that packaging is a key part of PepsiCo’s brand proposition, and that the packaging itself is intended to communicate the values and benefits of the brand. He considered that every design element needed to create a distinctive proprietary look. Similar evidence was given by Ms Hollins and by a Mr Molloy, Frucor’s sales and logistics director. This evidence was consistent with many of PepsiCo’s documents. They referred, for example, to “proprietary” packaging, to “look at me” packaging, and recorded that “every pack is a branding opportunity”. Furthermore, Mr So, PepsiCo’s senior brand director, confirmed that PepsiCo wanted the containers in which its products are packaged to be part of its brand, and that when PepsiCo made claims for registration of various bottles as trade marks, it is claiming that the bottle shape is distinctive of Pepsi. He confirmed that PepsiCo had applied for registration of a PET Carolina type bottle, because it believed that there was “proprietary intellect” in the bottle’s three-dimensional form. He accepted in cross-examination that bottle shapes were distinctive of PepsiCo and its products.

[140] Retailers and customers are accustomed to seeing bottle shapes in the market. The evidence suggested that such shapes are capable of differentiating products. TCCC, PepsiCo, and Frucor each supply their product ranges in proprietary bottles. There was evidence that there are at least 90 trade mark registrations for bottles in New Zealand. These bottles must have been accepted by the Commissioner of Trade Marks as acting as indicators of trade source. I note that all parties have registered, or applied to register, different bottle shapes. The fact that they have done so indicates that they consider that their bottles are capable of acting, either with or without any other trade marks, as indicators of the source of the products for which they are registered – that is, that they are being used as trade marks.

[141] In my judgment a substantial number of retailers and consumers seeing a cola or carbonated soft drink in a Carolina bottle is likely to assume that the bottle is being used as a trade mark – that is that the bottle distinguishes the goods of one person from those of another.

[142] I now turn to consider whether PepsiCo's and Frucor's signs are similar to any of TCCC's registered trade marks.

(viii) *Are the defendants' signs similar to any of TCCC's three registered trade marks?*

[143] Mr Gray submitted that the questions of whether or not the impugned signs and the registered trade marks are similar, and whether the use of the impugned signs would be likely to deceive or confuse, are inter-related questions, that usually are, and in this case should be, dealt with together. He submitted that I should make a global assessment, taking into account the similarity of the signs and the trade marks, when determining whether the use of the signs is likely to deceive or confuse.

[144] Mr Brown was more circumspect. He submitted that three different frameworks or approaches have been adopted by the New Zealand Court of Appeal in recent case law,⁵⁰ and that the courts in the United Kingdom, and in the European Union, have adopted an "average consumer test", which has recently been approved by the Court of Appeal in this country on two occasions. He suggested a hybrid approach – acknowledging that in many cases there will be a degree of inter-dependence between the issues of similarity and likelihood of confusion or deception which will make a global assessment appropriate. However, in this case he argued that Frucor's and PepsiCo's signs are so obviously not similar to TCCC's registered trade marks that it is not necessary to go on to consider whether their use is likely to deceive or confuse.

[145] Again, I start by considering the legislation. It poses the question whether the defendants' sign is similar to the plaintiff's registered trade mark. It then asks whether the defendants' use of his or her sign would be likely to deceive or confuse. On the face of it there are two discrete albeit related questions.

[146] The concepts of similarity and confusion and deception arise in a number of other contexts in the Act. For example, under s 17(1)(a), the Commissioner must not register as a trade mark or part of a trade mark, any matter the use of which would be likely to deceive or cause confusion. Under s 25, the Commissioner must not

⁵⁰ And see Sumpter, *Intellectual Property Law, Principles and Practice*, above n 6, at 165-166.

register a trade mark in respect of any goods or services if it is similar to a trade mark that belongs to a different owner, in respect of the same goods, or goods that are similar to those goods, where its use is likely to deceive or confuse.

[147] The wording in these sections is similar to that used in s 89(1)(c). Nevertheless, when considering case law decided in these contexts, some caution is required. The tests applied are not necessarily identical. In the registration context, consideration must be given to the notional fair use of the mark applied for. In the infringement context, the Court must consider the normal and fair use of the mark and the use that is made of the sign.⁵¹ Further, the threshold to establish the likelihood of confusion or deception in the infringement context is higher than it is in the registrability context.⁵²

[148] The first case considering the appropriate approach to the related issues of similarity, and deception and confusion, was the decision of the Court of Appeal in *NV Sumatra Tobacco Trading Co v British American Tobacco (Brands) Inc.*⁵³ This was a registration case. NV Sumatra was seeking to register the word marks “Lucky Draw” and “Lucky Dream” in respect of cigarettes and other related products. British American Tobacco opposed the application, on the basis that it had a prior registered trade mark for the words “Lucky Strike”. It argued that registration would lead to confusion or deception. The Court of Appeal held first that the issue of similarity is for the Judge, taking into account any relevant evidence. The Court then noted that counsel for NV Sumatra had submitted that there were three elements to the Court’s inquiry:

- (a) Were the marks that were applied for by NV Sumatra similar to the trade mark registrations of British American Tobacco?
- (b) Were NV Sumatra’s marks to be registered in respect of the same or similar goods or services as the goods covered by British American Tobacco’s trade mark registrations?

⁵¹ *Red Bull GmbH v Sun Mark Ltd* [2012] EWHC 1929 at [75].

⁵² *Lever Bros v Newton* (1907) 26 NZLR 856 (CA); *VB Distributors Ltd v Matsushita Electrical Industrial Co Ltd* (1999) 9 TCLR 338 (HC) at [53] and [55].

⁵³ *NV Sumatra Tobacco Trading Co v British American Tobacco (Brands) Inc* [2010] NZCA 24, (2010) 86 IPR 206.

- (c) Was the use of NV Sumatra's mark likely to deceive or confuse?

It had been submitted for British American Tobacco that it was necessary for the Court to conduct a global assessment, which would cover the distinctive nature of the already registered trade marks, the similarity of the goods, and the rules of comparison contained in well known Court cases. The Court noted as follows:

[18] In our view the differences in approach between the parties really amount to semantics. There will be an overall global assessment of the inter-dependent questions set out above ... However, it is likely that the questions (as well as the other factors referred to by [counsel] insofar as they are relevant) would usually be considered and answered separately in the course of the making of the global assessment.

[149] In a decision some 16 months later, *NV Sumatra Tobacco Trading Co v NZ Milk Brands*,⁵⁴ the Court of Appeal adopted a sequential approach. Again, this was a registration decision. The Court stated as follows:

[32] We consider that with regard to s 25(1)(b), the order of inquiry should be:

- (a) Is an applicant's proposed mark (or marks) in respect of the same or similar goods or services covered by any of the opponents trade mark registrations?
- (b) If so, is the applicant's proposed mark (or marks) similar to any of the opponents trade mark registrations of the same or similar goods identified in the first inquiry?
- (c) If so, is use of the applicant's proposed mark likely to deceive or confuse?

The Court dealt with each of these questions in turn.

[150] Mr Brown referred to a further Court of Appeal authority, *Geneva Marketing(1998) Ltd v Johnson & Johnson*,⁵⁵ which he suggested took yet another approach. In this case the Court referred to the judgment of Richardson J in *Pioneer Hi-Bred Corn Co Ltd v Hy-line Chicks Pty Ltd*⁵⁶ (dealing with registrability), which advanced a number of propositions which are relevant both to registrability and infringement, and which deal with the likelihood of deception or confusion.

⁵⁴ *NV Sumatra Tobacco Trading Co v NZ Milk Brands* [2011] NZCA 264, (2011) 93 IPR 156.

⁵⁵ *Geneva Marketing (1998) Ltd v Johnson & Johnson* [2009] NZCA 591.

⁵⁶ *Pioneer Hi-Bred Corn Co Ltd v Hy-line Chicks Pty Ltd* [1978] 2 NZLR 50 (CA) at 61-62.

[151] I do not see the *Geneva Marketing Case* as suggesting yet a further approach. Rather, the Court, in the context of s 89(1)(c), was considering the appropriate test for determining the likelihood of deception or confusion, and it adopted the analysis of Richardson J in *Pioneer Hi-Bred* in that context.

[152] It appears that in the United Kingdom and the European Union, the Courts have adopted an average consumer test when assessing the likelihood of confusion or deception. That test was explained *Interflora Inc v Marks & Spencer PLC*.⁵⁷ Arnold J ventured the view that many questions of European trade mark law are to be assessed from the perspective of the average consumer of the relevant goods or services, who is deemed to be reasonably well informed, and reasonably observant and circumspect. He acknowledged that the average consumer test is a legal construct, and that it involves a benchmark approach.

[153] In New Zealand, the Court of Appeal has referred to the average consumer in two recent decisions. In *Intellectual Reserve Inc v Sintes*,⁵⁸ the Court noted that the test of registrability involves the perceptions of the average consumer. Similarly, in *NV Sumatra Tobacco Trading Co v NZ Milk Brands Ltd*,⁵⁹ the Court, again in the registrability context, considered conceptual similarity from the perspective of the average consumer.

[154] In my judgment, each of the tests articulated by the Courts tend to run together, and any attempt to differentiate between them is largely a matter of semantics. Much will depend upon the facts of any given case. If the defendants' sign is obviously not similar to the registered trade mark, then it will not generally be necessary to go on to consider whether or not use of the defendants' sign is likely to deceive or confuse. On the other hand, where the mark and the sign are similar, it will generally be appropriate to consider the issues of similarity and deception and confusion together, because the extent of the similarity is likely to inform the decision whether there is a likelihood of deception and confusion. The Court in such cases can make a global assessment, taking into account the similarity of the mark

⁵⁷ *Interflora Inc v Marks & Spencer PLC* [2013] EWHC 1291, [2013] FSR 33 at [194] and following, in particular at [208]-[211].

⁵⁸ *Intellectual Reserve Inc v Sintes* [2009] NZCA 305 (CA) at [48].

⁵⁹ *NV Sumatra Tobacco Trading Co v NZ Milk Brands Ltd*, above n 54, at [53].

and the sign, when determining whether the use of the sign will be liable to deceive or confuse. When a global assessment is called for, then the Court will apply the various tests relevant to deception and confusion which have been discussed in the authorities, including by Richardson J in *Pioneer Hi-Bred*. It will do so from the perspective of the average consumer in the relevant market.

[155] I have proceeded on this basis.

[156] The comparison called for is between the normal and fair use that TCCC makes of its registered marks, given the rights granted by the registrations, and the actual use made by Frucor and PepsiCo of their signs.⁶⁰

[157] The evidence established that TCCC has used the shapes that are the subject of its trade mark registrations in the bottle which it uses to package both Coca-Cola and Coke Zero. Indeed, the bottle is the paradigm example of use of the trade marks. Further, TCCC has used the shape of the bottle on billboards, on posters, in advertisements, and on special bottle presentations. The bottle is generally shown as being full of cola – which is a dark brown coloured liquid. The bottles are sold in a very large number of retail outlets throughout New Zealand, and the product and bottle shape have been extensively promoted by TCCC overseas and by TCCC and its New Zealand associates in this country.

[158] Frucor and PepsiCo have used their Carolina bottle for sales of the Pepsi, Pepsi Max and 7UP products. Both Pepsi and Pepsi Max are dark coloured liquids. 7UP is a clear liquid. The bottle was portrayed on some 200 trade presenters which were shown to the trade prior to the launch of the bottle in October 2009. The image of the bottle was also displayed on Frucor's website, and used on fridge stickers or magnets, which were provided to retailers in October 2009. Sales have occurred at cafés and restaurants, where the bottles are generally displayed in a fridge for self-selection. The fridges can be, but are not always, branded. The fridges may well contain not only Frucor and PepsiCo's products, but also products manufactured by

⁶⁰ *Levi Strauss & Co. v Kimbyr Investments Ltd* [1994] 1 NZLR 332 (HC) at 363; *Anheuser-Busch Inc v Budweiser Budvar National Corporation*, above n 18, at [87]-[88]; *Geneva Marketing (1988) Ltd v Johnson & Johnson* HC Auckland CIV-2007-404-2431, 2 October 2008 at [50]; and *Geneva Marketing (1988) Ltd v Johnson & Johnson*, above n 55, at [17].

TCCC and/or by others. Frucor and PepsiCo's product in the Carolina bottle can on occasion be displayed in fridges behind counters at cafés and restaurants, and on such occasions it may be ordered by name. The bottle is sold in some service stations, and in smaller supermarkets (superettes) and food markets such as Four Square stores, and the like. It is also sold in convenience stores and dairies, in larger general retail chains, and in takeaway food outlets, including bakeries, sushi bars, and kebab stores, as well as outlets such as gyms and sports clubs. It is not sold in the larger supermarkets.

[159] While I am required to consider the normal and fair use that TCCC makes of its registered marks, I need to bear in mind that its rights under the Trade Marks Act derive from what is on the trade marks register. Material extraneous to the marks as registered forms no part of their registration, and TCCC cannot extend the scope of what is protected by using signs which are similar to the registered marks.⁶¹

[160] Here, TCCC relies in large part on the silhouette of its contour bottle. Evidence was adduced of numerous advertising campaigns which have used the silhouette in one way or another. I do not consider that TCCC's use of the silhouette of its bottle is a normal and fair use of its registered marks. TCCC has registered the shape of its contour bottle with all its component parts which make up that shape, for example the vertical fluting, the horizontal belt band around the middle of the bottle, and the concave neck from the top of the belt band up to the mouth of the bottle. While any shape must necessarily have a silhouette, TCCC has not registered the silhouette of its contour bottle simpliciter. The silhouette is less subtle than the registered shapes. It does not fully depict the subtlety which the registered shapes exhibit – for example, the vertical fluting. While the silhouette derives from the registered shape marks, it is not a full expression of, or a surrogate for, those marks. In my judgment, TCCC cannot extend the scope of its registration by going on to use as a sign the silhouette derived from its registered marks when that sign is not itself registered.

⁶¹ *O2 Holdings Ltd v Hutchison 3G Ltd*, above n 21, at [80] and [81]; *Shanahan's Australian Law of Trade Marks and Passing Off*, above n 16, at [85.695].

[161] In comparing TCCC's registered marks, and the defendants' signs, the marks have to be considered as a whole. This is because the average consumer normally perceives a mark as a whole, and does not proceed to carefully analyse its various details.⁶² It is the totality of impression of both the registered trade marks and the defendants' signs which is important.⁶³

[162] The issue of similarity falls to be determined from the perspective of the average consumer of the goods in question. Here the evidence was that in 2009, there were 2.394 million New Zealanders in this category. Frucor and PepsiCo's target market for Pepsi is people in the 13 to 20 year age group. Pepsi Max is targeted at a slightly older age group, and marketing is generally male orientated. 7UP is also targeted at an older age group, albeit under the age of 25. The evidence established that TCCC targets a broader demographic – both males and females – in the 18 to 39 age group. Nevertheless, TCCC and the defendants are clearly trade competitors. TCCC's marketing manager, Ms Shields, told me that key competitors to Coca-Cola are not only other colas but also other soft drinks. She accepted that flavoured milk products and energy drinks are also competitors, albeit weaker competitors.

[163] I have to put myself in the position of the average consumer of carbonated soft drinks, flavoured milk products and energy drinks. I have to bear in mind that the average consumer may well have an imperfect recollection of TCCC's registered trade marks. In other words, it is not appropriate for me to carry out a side-by-side comparison of the registered trade marks and the defendants' signs.⁶⁴ I have to allow for the fact that the average consumer will not have had the chance to make a direct comparisons between the marks and the signs, and instead must rely upon the imperfect recollection of the marks he or she has in his or her mind.⁶⁵ I must also bear in mind the circumstances in which the relevant goods are sold. Pursuant to s 164 of the Act, I received evidence of the usages of the trade concerned, and

⁶² *Specsavers International Healthcare Ltd v Asda Stores Ltd*, above n 30, at [52](c) & (d); *Sabel BV v Puma AG* [1998] RPC 199 (ECJ) at 224.

⁶³ *NV Sumatra Tobacco Trading Co v British American Tobacco (Brands) Inc*, above n 53, at [31].

⁶⁴ *Re Sandow* (1914) 31 RPC 196 (HC) at 205; *I & R Morley v Mackey, Logan, Caldwell Ltd* [1921] NZLR 1001 (CA); *R Jamieson & Co Ltd v J & J Abel Ltd* [1926] NZLR 565 at 584 (CA); *New Zealand Breweries Ltd v Heineken's Bier Browerij Maatschappij NV* [1964] 1 NZLR 115 (CA) at 134.

⁶⁵ *Lloyd Schuhfabrik Meyer & Co GmbH v Klijsen Handel BV* [2000] FSR 77 (CJEC) at [26].

evidence of any relevant trade mark, or trade name, or get-up legitimately used by other persons. As a result evidence was adduced about stacking practices, the fact that consumers can, and do, muddle products up and/or turn their labels away, that fridges can be frosted or have condensation on the glass door and the like. There was also a substantial body of evidence which established that many bottles available in the market place have waists.

[164] I now turn to consider whether there is any similarity between the registered marks and the Carolina bottle, disregarding the defendants' word or device marks on the bottle.

[165] There are aspects of TCCC's registered trade marks and the defendants' Carolina bottle which are undoubtedly similar, simply by reason of the fact that they both involve containers used to store liquid. To state the obvious, both are bottles; they have necks; they widen out from the neck to a middle section; they have flat bottoms; they look like and function as bottles.

[166] TCCC's marks, and its contour bottle have a waist. So does the Carolina bottle. The evidence from Mr Wach and Ms Hollins, and the exhibits produced through Mr Smythe, clearly showed that a number of traders in New Zealand are selling colas, water, fruit drinks, carbonated fruit drinks, and energy drinks, using bottles which feature a curved waist. Some of the waists are similar to the waist on TCCC's contour bottle.⁶⁶ It was clear from the evidence that a waist, although not inherent in all bottle shapes, is a common feature in a large number of bottles used to sell carbonated drinks and other similar products. A waist makes a bottle easier to grip and pour. In other words, a waist can be put on a bottle both for aesthetic and functional purposes. I am in no doubt that the average consumer of carbonated soft drinks, flavoured milk products and energy drinks, is well aware of the waisted shapes of many of the bottles used to market the products. The fact that the bottles commonly have a waist must, to some extent, be discounted as being of significance,

⁶⁶ I refer, for example, to the waists on the 200 ml Sparkling Ribena bottle, the 300 ml Lucozade Energy bottle, the 500 ml and 1 litre Waiwera glass bottles, the Spiderman 250 ml orange flavoured fruit drink bottle, the 250 ml SpongeBob tropical flavoured fruit drink bottle, the 250 ml Thomas and Friends apple flavoured fruit drink bottle, and the 250 ml Dora The Explorer tropical flavoured fruit drink bottle.

simply because it is a feature that is common to the trade, and one that the relevant section of the public is used to seeing.⁶⁷ I have therefore concentrated on the distinctive and dominant features of the registered marks and compared those features with the defendants' Carolina bottle.

[167] Although they all seek to protect the same thing, given the way in which the matter has been pleaded, I consider each trade mark in turn.

[168] Trade mark 47221 is a two dimensional mark. I have set out the representation which was registered above at [99]. To my mind, an average consumer, with imperfect recollection, would keep in his or her mind the following:

- (a) The pronounced pinch towards the bottom of the bottle.
- (b) The broad horizontal belt band.
- (c) The vertical fluting both below and above the belt band.
- (d) The slight bulging above and below the belt band.
- (e) The concave curved neck of the bottle, leading from the top of the belt band up to the mouth of the bottle.

All of these are distinctive and dominant features of the mark.

[169] It is noteworthy that TCCC's Brand Identity and Design Standards document, produced in evidence by Ms Shields, contained a section on the standard form of the contour bottle. It referred to the bottle's defining elements and listed the bottle's contoured shoulder, flutes, scalloped transitions, pinch waist, champagne base and overall proportion or silhouette. Clearly TCCC considers the features I have listed in the preceding paragraph to be distinctive and dominant features of its contour bottle.

⁶⁷ *Wingate Marketing Pty Ltd v Levi Strauss & Co* (1994) 28 IPR 193 (FCA) at 229-230; *Mars Australia Pty Ltd v Sweet Rewards Pty Ltd* (2009) 84 IPR (FCA) 12 at [24]-[26].

[170] The primary similarity between the registered mark, the contour bottle encapsulating that mark, and the Carolina bottle used by Frucor and PepsiCo is the fact that all have waists. However, the waists are not the same. Registration 47221, and the contour bottle, have an abrupt pinch in the bottom section of the bottle widening out to a base. The Carolina bottle has a more gently curved waist. The deepest point of the waist on the Carolina bottle is higher than the pinch in the contour bottle.

[171] There are a number of other features which distinguish the Carolina bottle from the shape shown in registered mark 47221 and from the contour bottle. I note the following:

- (a) There is no vertical fluting on the Carolina bottle.
- (b) There is no broad horizontal belt band around the middle of the Carolina bottle.
- (c) The Carolina bottle has a straight tapered neck, and not a concave curved neck.
- (d) There is no bulging on the sides of the Carolina bottle.
- (e) The Carolina bottle has an embossed horizontal wave pattern on the lower curved waist section.

[172] It was submitted by Mr Gray that the horizontal wave pattern is less obvious when the Carolina bottle is full of liquid. I do not accept that submission. The embossing stands proud of the bottle itself. It catches the light. The eight band sinusoidal wave pattern is clear, whether the Carolina bottle is full or empty. It is equally clear whether the bottles contain cola or 7UP. Moreover, it is a tactile feature, obvious to the touch. The horizontal wave pattern clearly distinguishes the Carolina bottle from the registered mark and the contour bottle.

[173] It would be possible to go on and list a number of other rather less obvious features of the two bottle shapes which differ, for example, the shallow scallops

above and below the belt band on the contour bottle, the gently curved sides of the belt band, and the curved bulgings which are part of the flutings. To do so would be to concentrate on features which the average consumer, with imperfect recollection, would, in my view, be unlikely to recollect when he or she is purchasing a carbonated drink from a retailer.

[174] I am satisfied that there is no material similarity between the Carolina bottle and the shape recorded in registered trade mark 47221 (which is reproduced in the contour bottle). The primary feature the bottles have in common – namely, a waist – is not sufficient to justify a finding that there is any overall similarity between the registered mark and the Carolina bottle. The waists are not the same or even substantially similar. On the Carolina bottle it is more gentle and the deepest point is higher. On the contour bottle it is lower and more abrupt. Moreover, a waist is a shape in common usage in many bottles. There is no other relevant similarity between the registered trade mark and the Carolina bottle.

[175] I now turn to registered trade mark 244906.

[176] Before considering what the average consumer, with imperfect recollection, would have in his or her mind, I deal with an issue which is peculiar to this registered trade mark. As can be seen from the representation comprising the trade mark, noted at [100] above, the representation has a vertical line which runs right down the centre of the drawing of the bottle. The vertical line is in part hatched. It goes from the bottom of the bottle to the top and it extends both above and below the vertical fluting shown in the representation. There are also two other lines to the right of the vertical line. All three lines are drawn across the horizontal belt band.

[177] Mr Brown suggested that there were two possible interpretations of these lines – either, the mark includes vertical lines which pass through the belt band, or the belt band is intended to be clear with nothing in it.

[178] Mr Gray argued that the lines simply show that the representation is intended to be three dimensional.

[179] Counsel were not able to refer me to any authority in this country relevant to the issue.

[180] The issue has been considered in relation to the interpretation of registered designs in the United Kingdom. In *Samsung Electronics UK Ltd v Apple Inc*⁶⁸ and in *Kohler Mira Ltd v Bristan Group Ltd*⁶⁹ it was observed that there is no mandatory law of interpretation for dashed or intermittent lines shown on a registered design, and that the interpretation is to be decided by construing the registered design itself. The same position applies in this country.

[181] In the present case, the representation comprising registered trade mark 244906 is not clear. Two of the lines passing through the belt band are irregularly hashed or intermittent. One of the lines is not. There is nothing shown in the belt section on the left hand side of the centre line. Two of the lines appear to line up more or less with vertical fluting shown on the representation. One of the lines does not seem to line up with anything. Moreover, the centre line extends above and below the fluting. While the registration is far from clear, it seems to me likely that the lines were intended to be part of a representation of the contour bottle, and that they were included in an endeavour to show that the shape as registered is a three dimensional shape. The lines were presumably intended to show what can be seen looking through the shape. An average consumer, with imperfect recollection, would not, in my view, worry unduly about the additional lines and I doubt that he or she would consider them to be a distinctive or dominant feature. The position is not clear however and it is troubling that TCCC has registered and now seeks to rely on a registered mark which is so imprecise.

[182] This issue aside, in my judgment an average consumer, with imperfect recollection, would again remember the pronounced pinch near the base of the bottle, the broad horizontal belt band, the vertical fluting, the slight bulging above and below the belt band, and the concave curved neck leading up to the mouth of the bottle.

⁶⁸ *Samsung Electronics UK Ltd v Apple Inc* [2012] EWHC 1882 (Pat) at [81]-[82].

⁶⁹ *Kohler Mira Ltd v Bristan Group Ltd* [2013] EWPC 2 at [23].

[183] The Carolina bottle is different. It does not have vertical flutings. There is no horizontal belt band around the middle of the Carolina bottle. It does not have the curved bulgings above and below the belt band. The Carolina bottle has a straight tapered neck. It also has the distinctive horizontal embossed wave pattern running around the bottom section of the bottle. Again, the only similarity between registered mark 244906, and the Carolina bottle is the fact that both have waists. However, the waists are different, and as I have recorded above, the evidence clearly established the bottles with waists are in common use in the relevant market. The average consumer would be aware of this. In my judgment there is no material similarity between the Carolina bottle and the shape the subject of TCCC's registered trade mark number 244906 (which is reproduced in the contour bottle).

[184] Finally in this context, I turn to registered trade mark 295168. The detail of that registration is set out at [101] above.

[185] Again, this trade mark is not particularly clear. It comprises a two dimensional drawing, intended to show a three dimensional shape. This is stated in the certificate of registration. Further, the horizontal belt band on the reverse side of the bottom can be seen on the drawing, as can the base of the bottle. The mark also shows the back of the mouth of the bottle. There is dark shading going down the right hand side of the representation, from the mouth of the bottle to the base. The shading runs across the horizontal belt band. The left hand side of the representation has rather lighter speckled type shading. The function of the shading, and the intention in portraying it as part of the mark is less clear. It seems likely that the shading was intended to indicate the vertical flutes running down the bottle although it is difficult to see why it runs through the belt band. Again, it is surprising that the representation is not particularly accurate. However, I suspect that the average consumer, with imperfect recollection, would not worry unduly about it. I do not consider the shading to be a distinctive or dominant feature of the mark.

[186] The average consumer with imperfect recollection would, in my view, remember the pronounced pinch near the base of the bottle, the broad horizontal belt band, the vertical fluting, the slight bulging above and below the belt band, and the concave curved neck.

[187] Again, the Carolina bottle is, in my judgment, different. It does not have the vertical fluting. It does not have a broad horizontal belt band around the middle of the bottle. It does not have the curved bulgings above and below the belt band. Rather, it has a straight tapered neck. The waist in the bottom section of the Carolina bottle is more gentle than the abrupt pinch shown in registered mark 295168. Further, the Carolina bottle has the distinctive horizontal embossed wave pattern around the bottom section of the bottle. Again, in my judgment, the Carolina bottle is not materially similar to the shape the subject of TCCC's registered trade mark 295168 (which is reproduced in the contour bottle).

[188] For these reasons, I have concluded that there is no material or sufficient similarity between any of TCCC's registered trade marks (or the contour bottle which is the paradigm example of those trade marks in use), and the defendants' Carolina bottle, such as to lead to the likelihood of deception or confusion. I now turn to consider the defendants' combination sign. I can do so relatively briefly.

[189] If the Carolina bottle per se, discounting the defendants' Pepsi, Pepsi Max and 7UP word and device marks, does not infringe the registered trade marks, clearly the use by the defendants of the combination sign incorporating not only the Carolina bottle but also PepsiCo's word and device marks, cannot infringe TCCC's registered trade marks. The defendants' Pepsi, Pepsi Max and 7UP signs are a very prominent feature on the Carolina bottle. They clearly distinguish the defendants' offering in the market place from TCCC's trade mark and contour bottle. So do the caps on the Carolina bottles, which I have described above at [105].

[190] In reaching this conclusion, I have borne in mind that the Pepsi, Pepsi Max and 7UP marks are well known. Although TCCC, in my view rather churlishly, denied that this was the case, the evidence, particularly from Mr So, clearly established that the marks enjoy an international recognition. The evidence also established that Pepsi, Pepsi Max and 7UP have a significant reputation in this country and that the average consumer is likely to be well and truly aware of the defendants' products and PepsiCo's marks. The products have been on sale in New Zealand for many many years. Tens of millions of litres of the products have been sold. The products compete with TCCC's product, sometimes in identical

packaging, for example cans, when the only identifying feature is the presence of TCCC's and PepsiCo's word and device marks. The defendants' products are available in a very large number of retail outlets in which carbonated soft drinks are sold. In some extremely popular outlets, namely Pizza Hut and KFC, the PepsiCo range is the only carbonated soft drink range available for sale. Substantial sums have been spent marketing the products in this country and extensive advertising campaigns have been undertaken. The evidence established that the prompted awareness of the products is very high. I accept the evidence that PepsiCo's marks are well known not only overseas, but also in this country. I do not consider that anybody purchasing the defendants' Carolina bottle with the defendants' word and device marks on it, would be under any misapprehension as to the products' true origin or nature.

[191] In summary, I have concluded that neither of the signs being used by the defendants is materially similar to any of TCCC's three registered trade marks. There is no likelihood that their use would deceive or confuse.

[192] For the sake of completeness I go on to consider the issue of deception and confusion.

(ix) *Are the defendants' signs likely to deceive or confuse?*

[193] The Trade Marks Act uses the phrase "likely to deceive or confuse". Those words have been in a number of earlier statutes, both in this country and overseas. They have been the subject of considerable judicial scrutiny, and the factors the Court is required to take into account when considering whether use of a sign is likely to deceive or confuse are well settled.

[194] The locus classicus is the decision in *Re Pianotist Co Ltd's Trade Mark Application* where Parker J stated as follows:⁷⁰

You must take the two words. You must judge of them, both by their look and by their sound. You must consider the goods to which they are to be applied. You must consider the nature and kind of customer who would be likely to buy those goods. In fact, you must consider all the surrounding

⁷⁰ *Re Pianotist Co Ltd's Trade Mark Application* (1906) 23 RPC 774 at 777.

circumstances; and you must further consider what is likely to happen if each of those trade marks is used in a normal way as a trade mark for the goods of the respective owners of the marks. If, considering all those circumstances, you come to the conclusion that there will be a confusion – that is to say, not necessarily that one man will be injured and the other will gain illicit benefit, but that there will be a confusion in the mind of the public which will lead to confusion in the goods – then you may refuse the registration, or rather you must refuse the registration in that case.

[195] The *Pianotist* case was cited with approval by the Court of Appeal in *New Zealand Breweries Ltd v Heineken Bier Browerij Maatschappij NV*. Turner J noted as follows:⁷¹

It is well settled that the onus of proving that the proposed mark does not so nearly resemble the registered mark as to be likely to deceive or cause confusion rests on the applicant for registration. What degree of resemblance is likely to deceive or confuse in any particular case is incapable of definition a priori, and the observations of Judges in other, and quite different, cases are usually of little assistance: *Johnston v Orr Ewing* (1882) 7 App. Cas. 219, 220 per Lord Watson. The rules for comparison of word marks have been summarised as follow: 1. You must take the two words and judge of them both by their look and by their sound; 2. You must consider the goods to which they are to be applied and the nature and kind of customer who is likely to buy these goods; and 3. You must consider all the surrounding circumstances and what is likely to happen if each of the marks is used in a normal way as a trade mark for the goods of the respective owners of the marks: *In re Pianotist Co.'s Application* (1906) 23 R.P.C. 774, 777. It is for the Court to decide the question of fact as a matter of impression, having due regard, of course, to any relevant evidence which has been produced. But the question is not one to be decided upon the opinion of the witnesses. It is a matter for the Judge. He looks at the exhibits before him, and, while he must pay due regard to any relevant evidence produced, the matter remains one of personal impression, visual or phonetic. He cannot shelter behind another Judge's decision.

Haslam J observed as follows:⁷²

The meaning of “deceive” for present purposes may perhaps be regarded as equivalent to “mislead,” with the implication of creating an incorrect belief or mental impression. Causing “confusion” may go no further than perplexing or mixing up the minds of the purchasing public ...

[196] Perhaps the best known case dealing with deception and confusion in this country is the decision of the Court of Appeal in *Pioneer Hi-Bred Corn Co v Hy-Line Chicks Pty Ltd*.⁷³ Richardson J summarised a number of propositions which he

⁷¹ *New Zealand Breweries Ltd v Heineken Bier Browerij Maatschappij NV*, above n 64, at 138-139.

⁷² At 142.

⁷³ *Pioneer Hi-Bred Corn Co v Hy-Line Chicks Pty Ltd*, above n 56.

considered were clearly settled. A number are relevant when there are allegations of infringement.⁷⁴

- (5) In considering the likelihood of deception or confusion all the surrounding circumstances have to be taken into consideration, including the circumstances in which the applicant's mark may be used, the market in which his goods may be bought and sold and the character of those involved in that market.

...

- (7) It is in relation to commercial dealings with goods that the question of deception or confusion has to be considered, and the persons whose states of mind are material are the prospective or potential purchasers of goods of the kind to which the applicant may apply his mark and others involved in the purchase transactions.
- (8) For a mark to offend against s 16 it is not necessary to prove that there is a commercial probability of deception leading to a passing off or infringement action. Detriment or financial loss to an opponent need not be established. It is sufficient if the result of the registration of the mark will be that persons to whom the mark is addressed are likely to be deceived or confused. "Deceived" implies the creation of an incorrect belief or mental impression and causing "confusion" may go no further than perplexing or mixing up the minds of the purchasing public (*New Zealand Breweries Ltd v Heineken's Bier Browerij Maatschappij NV* [1964] NZLR 115, 141). Where the deception or confusion alleged is as to the source of the goods, deceived is equivalent to being misled into thinking that the goods bearing the applicant's mark come from some other source and confused to being caused to wonder whether that might not be the case.
- (9) The test of likelihood of deception or confusion does not require that all persons in the market are likely to be deceived or confused. But it is not sufficient that someone in the market is likely to be deceived or confused. A balance has to be struck. Terms such as "a number of persons" (*Jellinek's Application*), "a substantial number of persons" (*Smith Hayden & Co Ltd's Application*), "any considerable section of the public" (*New Zealand Breweries Ltd v Heineken's Bier Browerij Maatschappij NV*), and "any significant number of such purchasers" (*Polaroid Corporation v Hannaford & Burton Ltd*) have been used. As Cooke J put it in his judgment in this case:

"The varying terminology in the judgments is a reminder that it is not always necessary that large numbers of people should be, or should probably be, of the state of mind in question: rather it is a question of the significance of the numbers in relation to the market for the particular goods" ([1975] 2 NZLR 422, 429).

⁷⁴ At 61-62.

- (10) Where goods are sold or may be sold to the general public for consumption or domestic use, the judge or officer making the decision is entitled to take into account his own experience and his own reactions as a member of the public, as well as evidence from other members of the public, when considering whether buyers would be likely to be deceived or confused by use of a trade mark. But where the goods are of a kind not normally sold to the public at large, but are ordinarily sold and expected to be sold in a specialist market consisting of persons engaged in a particular trade, evidence of persons accustomed to dealing in that market as to the likelihood of deception or confusion is essential (*GE Trade Mark* [1973] RPC 297, 321; [1972] 2 All ER 507, 515).

[197] I have applied these various dicta in considering the likelihood of deception or confusion in this case.

[198] I have found that there is no material similarity between TCCC's trade marks and contour bottle, and the defendants' Carolina bottle. I have also found that the defendants' combination sign clearly distinguishes the defendants' offering in the market place from TCCC's trade marks and contour bottle. It follows from these findings that no issue of deception and confusion can arise. There are, however, some further observations which assist and which reinforce the conclusion that there is no material similarity between the Carolina bottle and the contour bottle such as to create any likelihood of deception or confusion.

[199] First, I note that there is no evidence of any confusion at all, and notwithstanding that the Carolina bottle has been available in the market place since October 2009. The evidence established that Frucor has a robust system for recording any consumer complaints and feedback. There is nothing on its system to suggest that there has been any consumer confusion. TCCC's principal witness, Ms Shields, could not provide any evidence of confusion. Mr Molloy and Ms Hollins, both Frucor employees, confirmed that no-one involved in the project had ever raised any issue as to likely confusion with the Coca-Cola bottle. Mr Molloy's evidence was that when he first saw the Carolina bottle, it did not occur to him that it looked like a coke bottle. He went on to say that no-one in the trade had ever suggested this either. As noted above, some 618,000 300 ml Carolina bottles have been sold in New Zealand by the defendants over the last four years. It seems to me likely that any confusion would have manifested itself either in comments from the

trade, or from consumers. The fact that there has been no confusion is a strong indication that confusion has not, and is not in the future, likely to occur.⁷⁵

[200] Secondly, there is nothing to suggest any undetected confusion. Given the number of sales of the Caroline bottle, if there was confusion amongst even a very small percentage of customers, say 5%, there would still be a significant number of consumers affected – say 30,000 consumers. It is inherently unlikely that confusion amongst so many people would remain undetected. I bear in mind that TCCC's market share in New Zealand's cola market is over 90%. It is in a unique position. One would expect that it would readily have been able to find out whether any retailers anywhere in the country are aware of any instances of confusion arising from the presence in the market of the defendants' Carolina bottle. There was no evidence of any such instances.

[201] Thirdly, it is surprising that TCCC took no steps to complain about the Carolina bottle until almost a year after it had first become aware of the bottle. As noted above, TCCC's first letter of demand in this country was only sent in September 2010, notwithstanding that the Carolina bottle had been released in October 2009. TCCC's dilatoriness in pursuing the defendants over the matter suggests that even it did not consider that there was a real likelihood of confusion, at least initially.⁷⁶

[202] Fourthly, it is surprising that TCCC has taken no steps in relation to the Carolina bottle in most countries where it is sold. The bottle was first released in Poland in 2005, and it has been released in a large number of countries subsequently. Proceedings have only been commenced in Germany, Australia and New Zealand. If there is confusion amongst consumers in the New Zealand market, one would expect there to be confusion elsewhere as well. There is no evidence to suggest there has been any confusion in any other jurisdiction. Mr Le Bras-Brown gave evidence that prior to July 2010, when the first letter of demand was sent in Germany, there had been no suggestion made to him that the Carolina bottle was a copy of, or similar to

⁷⁵ *Hannaford & Burton Ltd v Polaroid Corporation* [1976] 2 NZLR 14 (PC) at 20; *VB Distributors Ltd v Matsushita Electric Industrial Co Ltd*, above n 52, at [72]-[73].

⁷⁶ *Samuel Smith Brewery (Tadcaster) v Lee*, above n 32 at [105]; *J W Spear & Sons Ltd and Ors v Zynga Inc* [2013] EWHC 3348 at [105].

the Coca-Cola contour bottle. Other evidence backs this up. When the Carolina bottle was launched in the United Kingdom in February 2008, it won a silver award in the Star Pack Awards (the premier United Kingdom annual awards scheme recognising innovation in packaging and design). The award recorded that the bottle offered “a bold and contemporary design that fully deserves recognition”. It also recorded that “the Pepsi brand is maintained through the use of its distinctive flint glass bottle shape”. These comments would not have been made if the Carolina bottle could be readily confused with the contour bottle. Mr Le Bras-Brown also produced various contemporaneous blogs and on-line articles which have appeared on the internet. In none of those documents was there any suggestion that the Carolina bottle resembled the contour bottle or that there has been resulting confusion. Had there been any confusion with the contour bottle, that would undoubtedly have featured in contemporaneous comments on the internet.

[203] Although I accept that survey evidence has fallen out of favour in recent years, it is nevertheless curious, where there is no evidence of any confusion at all after four years side-by-side trading, that no survey evidence of customer’s perceptions was produced by TCCC. Nor was there evidence of any other relevant research undertaken by TCCC. Professor Klein indicated that there were other types of extrinsic evidence that could readily have been obtained, such as eye-tracking studies, to determine what percentage of customers look at various features of a bottle when they purchase a carbonated soft drink. While Professor Brodie considered that there was a likelihood of deception or confusion in some limited circumstances, I did not find his evidence in this regard convincing. It was simply an expression of his personal, albeit expert, opinion which was at odds with the actual experience in the market place.

[204] In the absence of evidence, I find that there has been no deception or confusion, and that there is no likelihood of deception or confusion in the future.

(x) *Summary in relation to TCCC’s claims under the Trade Marks Act*

[205] For the reasons I have set out, I have found as follows:

- (a) The signs being used by the defendants in the course of trade comprise both the Carolina bottle without any of PepsiCo's word and device marks, and the Carolina bottle together with PepsiCo's word and device marks.
- (b) Both the defendants' signs have been, and are being, used in such a manner as to render their use as likely to be taken as being use as trade marks.
- (c) The defendants' signs are not materially similar to any of TCCC's three registered trade marks.
- (d) The defendants' use of their signs has not deceived or confused and their continued use is not likely to deceive or confuse in the future.

[206] I now turn to TCCC's claim alleging passing off.

G. Passing off

(i) Summary of legal requirements

[207] The requirements to establish passing off are well known. They were summarised by Lord Jauncey in *Reckitt & Coleman Products Ltd v Borden Inc* as follows:⁷⁷

In a case such as the present where what is in issue is whether the goods of A are likely to be passed off as those of B, a plaintiff, to succeed, must establish (1) that his goods have acquired a particular reputation among the public, (2) that persons wishing to buy his goods are likely to be misled into buying the goods of the defendant and (3) that he is likely to suffer damage thereby.

[208] The statement of principle has been approved by the Court of Appeal in this country.⁷⁸

⁷⁷ *Reckitt & Colman Products Ltd v Borden Inc* [1990] 1 WLR 491, [1990 RPC 341 (HL) at 418; see also at 406; *Erven Warnink BV v J Townend & Sons (Hull) Ltd* [1979] AC 731 at 742 and 755-756.

⁷⁸ See, for example, *New Zealand Tax Refunds Ltd v Brooks Homes Ltd* [2013] NZCA 90, (2013) 13 TCLR 531 at [16].

[209] The basic rationale underlying the tort of passing off is that “a man is not able to sell his own goods under the pretence that they are the goods of another man”.⁷⁹ The Courts have, however, recognised the importance of preserving freedom of competition in trade. A defendant does no wrong by entering a market to compete with another so long as he or she clearly and adequately differentiates his or her product.⁸⁰ While it is always a question of fact, where a defendant has sufficiently labelled his or her products with his or her own name or trade mark, this will generally be sufficient to avoid passing off, based upon product get-up or product design. If the defendant’s mark is a well known brand, that will be a further factor.⁸¹

(ii) *The arguments*

[210] TCCC asserted that the Coca-Cola contour bottle has a characteristic silhouette, comprising a pinch in the bottom portion of the bottle, a relatively wide portion of the bottle above the pinch, and the tapering of the bottle from the wider portion up to the neck of the bottle. It accepted that its current contour bottle has flutes, a curved label panel, scalloped transitions from the label panel, a contoured shoulder, and a pinched waist, but was adamant that the overall silhouette is the most distinctive and memorable feature of its bottle. It went on to assert that it has marketed, sold and promoted Coca-Cola in the contour bottle in New Zealand for more than 50 years, and that its advertising and marketing of Coca-Cola has made extensive and repeated use of the contour bottle or its silhouette. It said that as a result of its use and promotion of the contour bottle for its cola drink, there is a reputation and goodwill for its contour bottle in New Zealand, and that the defendants, by their get-up, are confusing members of the public. TCCC claimed it has suffered, or is likely to suffer, damage as a consequence.

[211] The defendants asserted that TCCC’s get-up as a whole must be compared with their 300 ml Carolina bottle as a whole. They argued that as a matter of both pleading and law, TCCC could not rely on just three features of its bottle – namely,

⁷⁹ *Reckitt & Colman Products Ltd v Borden Inc*, above n 77, at 416-417.

⁸⁰ *Cadbury-Schweppes Pty Ltd v Pub Squash Co Ltd* [1981] 1 WLR 193 (PC) at 204.

⁸¹ *Parkdale Ltd v Puxu Pty Ltd* (1982) 149 CLR 191 at 200; *Dr Martens Australia Pty Ltd v Rivers (Aust) Pty Ltd* (1999) 47 IPR 499 (FCA); *UPL Group Ltd v Dux* (1988) 13 IPR 15 (CA) at 20 and 27-28; *Levi Strauss & Co v Robertsons Ltd* (1989) 20 IPR 227 (HC) at 238 and 239; *Clorox New Zealand Ltd v Elldex Ltd* HC Auckland CIV-2003-403-4292, 13 November 2003 at [49].

the pinch, the relatively wide portion above the pinch, and the tapering of the bottle from the wider portion up to the neck of the bottle. The defendants went on to argue that they have clearly and adequately differentiated the Carolina bottle from TCCC's contour bottle. They asserted that their bottle has a different shape, that it has a distinctive horizontal wave pattern covering the bottom section of the bottle, and that it exhibits PepsiCo's well known trade and device marks, Pepsi, Pepsi Max, and 7UP. They denied any deception, and further asserted that TCCC has suffered no damage.

(iii) *Reputation of TCCC's contour bottle in New Zealand*

[212] As I have already noted at [17] to [21] above, the evidence established that TCCC has used the contour bottle in New Zealand since 1939, and that since that time it has sold its products in a glass contour bottle in a variety of sizes. The evidence also established that large numbers of contour bottles have been sold in New Zealand either in glass, or in PET, and the contour bottle has featured extensively in advertising.

[213] I accept that the TCCC contour bottle has a strong reputation in this country. The evidence clearly established that the iconic nature of the contour bottle is widely recognised, and that it is part of TCCC's brand semiotics.

(iv) *Are persons likely to be misled?*

[214] The test most often applied in New Zealand is whether there is a reasonable likelihood of confusion or deception amongst a substantial number of persons.⁸² It is necessary to consider persons who are ordinary sensible members of the public, and who represent the consumers in question. The perspective is that of the average prudent person with reasonable eyesight.

[215] What is required is a comparison between actual products, in the circumstances of actual use.⁸³

⁸² *Hannaford & Burton Ltd v Polaroid Corporation*, above n 75 at 18; *Klissers Farmhouse Bakeries Ltd v Harvest Bakeries Ltd (No 2)* [1985] 2 NZLR 143 (HC) at 153.

⁸³ *Anheuser-Busch Inc v Budweiser Budvar*, above n 18, at [128].

[216] The courts have made it clear that a plaintiff cannot pick and choose between those elements of its get-up which find counterparts in the defendant's get-up, and rely on those alone. Rather the get-up of a claimant's goods as a whole has to be compared to that of the defendant's goods as a whole, including features which are not to be found in the plaintiff's get-up. Weight has to be given to differences in brand names, or other marks.⁸⁴

[217] For the reasons I have set out above, I do not consider that there is any reasonable likelihood of confusion or deception. First, the Carolina bottle is not the same as, or in my judgment materially similar to, the contour bottle. Further, the defendants have differentiated their bottle from the contour bottle in a number of ways. First, they have affixed to the Carolina bottle PepsiCo's Pepsi, Pepsi Max and 7UP mark and device marks. This can be compared to the plaintiff's distinctive spencerian script logo – the words Coca-Cola – exhibited on the contour bottle. Secondly, the Carolina bottle has the distinctive embossed horizontal wave pattern, which has no equivalent on the contour bottle. Even allowing for imperfect recollection, I do not consider that there is any reasonable possibility of deception or confusion amongst a substantial number of persons. The vast majority of people wishing to buy Coca-Cola are not likely to be misled into buying Pepsi, Pepsi Max or 7UP.

[218] I note again that there is no evidence of confusion or deception at all, and notwithstanding that the two bottles have been sold side-by-side for some four years.⁸⁵

(v) *Likely damage*

[219] Mr Gray submitted that damage will flow because sales will be diverted from TCCC to the defendants. He expressed concern at what he called the "dilution / inundation" to TCCC's trade marks which would impair their distinctiveness.

[220] I do not consider that there is any good reason for these concerns. There is nothing to support the assertion that sales have been or are likely to be diverted. The

⁸⁴ And see C Wadlow *The Law of Passing Off* (4th ed, Sweet & Maxwell, London, 2011) at [8-146].
⁸⁵ *Bars Leaks (NZ) Ltd v Motor Specialities Ltd* [1970] NZLR 826 (HC) at 831.

trade marks cannot be diluted if there is no similarity likely to mislead customers. I do not consider TCCC has or is likely to suffer damage.

(vi) *Summary*

[221] In relation to the cause of action alleging passing off, I have found as follows:

- (a) TCCC's contour bottle as a whole enjoys a reputation in New Zealand.
- (b) The defendants have not used the same or a similar get-up and there is no reasonable likelihood of confusion or deception amongst a substantial number of persons.
- (c) No damage has been, or is likely to be caused, to TCCC's business reputation, goodwill or trade marks by the defendants' use of the Carolina bottle.

H. Fair Trading Act

[222] TCCC's statement of claim relies on ss 9, 10, 13(a), (e) and (f) of the Fair Trading Act 1986. These provisions read as follows:

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.

10 Misleading conduct in relation to goods

No person shall, in trade, engage in conduct that is liable to mislead the public as to the nature, manufacturing process, characteristics, suitability for a purpose, or quantity of goods.

...

13 False or misleading representations

No person shall, in trade, in connection with the supply or possible supply of goods or services or with the promotion by any means of the supply or use of goods or services,—

- (a) make a false or misleading representation that goods are of a particular kind, standard, quality, grade, quantity, composition, style,

or model, or have had a particular history or particular previous use;
or

...

- (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;

[223] The Fair Trading Act, in general, and s 9 in particular, is designed to protect the consumer and the public from unfair practice – namely, from being misled or deceived.⁸⁶ No element of intention is necessary to establish contravention of the Act. There will be a breach where the conduct results in a substantial section of the public being misled or deceived, or where there is a likelihood of people being misled or deceived.⁸⁷

[224] Whether the conduct complained of is misleading or deceptive has to be determined objectively, in the context of the particular circumstances, and the circumstances of the person said to be affected. Conduct is likely to mislead or deceive if it might well happen. There must be a real risk of this occurring, and not a mere possibility. Where the conduct is directed to a wide section of the community, the matter has to be assessed having regard to all who come within the section, including “the astute and the gullible, the intelligent and the not so intelligent, the well educated as well as the poorly educated, men and women of various ages pursuing a variety of vocations”. Consumers may be prone to some looseness of thought; they may not undertake careful analysis and they may be influenced by the overall impression conveyed. However, the court can assume that they will not be lacking in perception, and that they can be expected to bring a reasonable degree of common sense to their purchase.⁸⁸

[225] On the evidence, I do not find that the defendants’ conduct in trade has been, or is capable of being, misleading. Nor have the defendants made a false or

⁸⁶ *Neumegen v Neumegen and Co* [1998] 3 NZLR 310 (CA) at 316-317.

⁸⁷ *Bonz Group (Pty) Ltd v Cooke* (1996) 7 TCLR 206 (CA) at 212-213.

⁸⁸ *Godfrey Hirst NZ Ltd v Cavalier Bremworth Ltd* [2013] NZHC 1907 at [20].

misleading representation. When the Carolina bottle is compared with the contour bottle as a whole, there is no misrepresentation. I note the following:

- (a) The defendants have put their distinctive trade and device marks – Pepsi, Pepsi Max, and 7UP – on the bottles. These marks clearly distinguish the defendants’ products from those of TCCC.
- (b) They have incorporated the distinctive wave pattern on the Carolina bottle. It is very different, both from a visual perspective and to the touch, from TCCC’s vertical fluting.
- (c) The Carolina bottle is a different shape from the contour bottle.
- (d) The defendants have sold lemonade in the Carolina bottle. TCCC has never sold anything other than a brown cola product in its contour bottle.

[226] There is no evidence of any person being misled or deceived in the four years that the products have been available side-by-side in the market place. Given the differences between the two bottles, there is no reasonable likelihood of anyone being misled. I have found that there was no misleading or deceptive conduct in the context of passing off, and I reach the same conclusion in relation to the proceedings brought under the Fair Trading Act.

[227] Accordingly, I find there has been no breach of either s 9, s 10, or s 13(a), (e) or (f) of the Fair Trading Act.

I. Costs

[228] TCCC has failed in this proceeding. The defendants are entitled to their reasonable costs and disbursements.

[229] It may be that counsel can agree costs. If not, I make the following directions:

- (a) Within 15 working days of the date of release of this judgment, the defendants are to file a memorandum seeking costs and disbursements.
- (b) Within a further 15 working days, TCCC is to file a memorandum in reply.

[230] I will then deal with the issue of costs and disbursements on the papers, unless I require the assistance of counsel.

Wylie J