

GOOD FAITH/BAD FAITH - TRADE MARKS AND DOMAIN NAMES

Introduction

1. It is interesting to reflect on the concept of good faith and bad faith in trade mark matters. Many trade mark professionals will be familiar with the former requirement¹ – now abandoned in the New Zealand statute but not in Australia² - that there must be a bona fide intention to use a mark applied for.
2. The importation of bona fides/good faith has also been seen in other areas of the law. In contract law in New Zealand, there has been academic writing and some judicial exposition (notably by one of our famous dissenting judges, Thomas J)³ as to whether contract law should require a general duty of good faith in the performance of contractual obligations. Thomas J has noted that a duty to exercise good faith has at least been asserted in the context of relational contracts such as agency relationships, distributorships, partnerships, franchise arrangements and joint ventures⁴:

“Readiness to import such a term is founded on the fact that the parties have a mutual interest in the successful performance of their agreement”

3. The purpose of this paper, is to look at the converse of good faith - namely bad faith - and the way in which this concept has become a potent part of trade mark law, particularly affecting the registrability of marks. Bad faith has also been the “coat hook” on which a whole body of law has evolved concerning the improper registration of domain names.

(1) Trade Marks Act 2002: S17(2)

4. S17(2) of the New Zealand Trade Marks Act 2002 provides:

“The Commissioner must not register a trade mark if the application is made in bad faith”
5. Bad faith has its origins in European law. Although the 2002 Act does not make any reference in the footnote to the derivation of this provision, it comes from s7(6) of the Singapore Trade Marks Act 1998 which, in turn, was sourced from s3(6) of the UK Trade Marks Act 1994. The UK provision derives from the optional Article 3(2)(d) of the European Directive.
6. Thus by a very circuitous route, New Zealand has adopted this European concept of bad faith. The European flavour of this provision has been commented on by *Kerly*⁵:

¹ S35(1)(a) Trade Marks Act 1935. It was a ground for removal if there was no bona fide intention on the part of the applicant that the mark should be used in relation to those goods or services by the applicant *and* in fact there had been no such bona fide use up to a date one month before the application.

² S92(4)(a) Trade Marks Act 1995.

³ *Bobux Marketing Limited v Raynor Marketing Limited* [2002] 1 NZLR 506 (CA).

⁴ *Ibid* at [42].

⁵ 14th edition para 8-242.

“There is no definition of “bad faith” in the Act, the Directive or the CTM Regulations. The concept is not unknown in United Kingdom law but continental lawyers are likely to be more familiar with it, since consequences flow from acts done *contra bonos mores* or in bad faith in many civilian systems of law”

7. Previously, the nearest that New Zealand came to a bad faith concept was:

- The restriction in s16 of the 1953 Act which prevented registration of matter “the use of which would be contrary to law or morality or would otherwise be disentitled to protection in a court of justice”. In *Wham-O Manufacturing Co v Lincoln Industries Limited* in 1984⁶, the Court of Appeal upheld a finding that the defendant’s application was not in good faith and was therefore “disentitled to protection in a court of justice”. Here a New Zealand toy manufacturer and distributor had sought to steal a march on its overseas principal and had improperly registered its FRISBEE trade mark in New Zealand⁷.

In a more recent decision under the 1953 Act, *Valley Girl v Hanama Collection Pty Limited*⁸, Miller J held that an applicant was not entitled to claim proprietorship of a mark in New Zealand if its claim was affected by fraud or bad faith. He accepted that bad faith was not confined to dishonesty but “might be demonstrated by evidence of conduct falling short of reasonable standards of commercial behaviour” i.e. importing back into the 1953 Act the bad faith tests from the UK 1994 Trade Marks Act.

- The requirement (as noted in the introduction) under the original s35(1)(a) of the 1953 Act – but repealed in 1994 – which formerly required bona fide intention to use the trade mark. Bona fide can be said to be the converse of bad faith, so that some of these cases will likely be relevant to s17(2). For example, in *Re Trade Mark Bragatto*⁹, Commissioner Dalefield held that there was no bona fide intention by an applicant who stated in opposition proceedings that her whole intention in applying for the mark ROMEO BRAGATTO was to prevent her famous father’s name and reputation (as a pioneer in the wine industry) from being the subject of a trade mark application by an unconnected company.

8. The concept of bad faith is potentially available in New Zealand at three different stages in the consideration of a registered trade mark:

- (a) *Examination*: under s17(2) bad faith is an absolute ground for non-registration;
- (b) *Opposition*: at opposition stage the grounds of opposition under s47 plainly include s17;
- (c) *Invalidity proceedings*: after registration a trade mark can still be attacked for bad faith by means of an application for a declaration of invalidity under s73. This provides:

“S73(1) The Commissioner or the Court may, on the application of an aggrieved person (which includes a person who is culturally aggrieved), declare that the registration of a trade mark is invalid

⁶ [1984] 1 NZLR 641.

⁷ See also *North Shore Toy Company Limited v Charles L Stevenson Company Limited* [1973] 1 NZLR 562, 572. (2005) 66 IPR 214.

⁸ (2005) 66 IPR 214.

⁹ (1976) 1 NZIPR 30.

to the extent that the trade mark was not registrable under Part 2 at the deemed date of its registration.”

It is important to note that the bad faith ground can still be raised even after the seven year presumption of validity¹⁰.

(a) Examination

9. Initially when the Act was first enacted it was thought – based on UK experience – that bad faith might be raised by examiners in their compliance reports. However, experience has shown that it will be rare indeed that bad faith is raised at this stage. The IPONZ Practice Guidelines on s17(2) state:

“‘Bad faith’ is likely to cover issues of ownership and intention to use the mark. Both of these issues are more likely to be raised by a third party in opposition proceedings than by an examiner in the course of examining the application.

As the expression ‘bad faith’ has ethical overtones and implies dealings that fall short of accepted business practice, IPONZ would only raise concerns under s17(2) of the Act in exceptional circumstances.

Examiners may raise concerns that a mark is not registrable under s17(2) of the Act if it seems very likely that the applicant is not the owner of the trade mark that is the subject of the application. This situation would usually only arise where the trade mark concerned is well-known as being the trade mark of a particular company or individual, and where there is no apparent relationship between the applicant and the known owner of the trade mark.”

Overly wide specifications

10. Under the UK Act, bad faith has been relied on in respect of *overly wide specifications* at the examination stage¹¹. The UK Work Manual¹² raises the possibility of a bad faith objection.
11. However in New Zealand, IPONZ does not have any cause to use the bad faith provision in such circumstances. This is because New Zealand already has a specific provision in s32 allowing the Commissioner to refuse registration unless satisfied that the specifications of goods and services applied for are justified by the use or intended use¹³. The UK did not previously and still does not have such a provision.

Intention

12. Further, the New Zealand Act provides¹⁴ that a person may apply for a trade mark “used or proposed to be used”. By contrast, the UK Act has a much more specific provision in s32(3) which requires the applicant to state that the trade mark “is being used by the applicant or with his consent in relation to those goods or services **or that he has a bona fide intention** that it should be so used”.
13. Clearly with such an explicit UK provision, a bad faith objection can be taken on this basis. It is not so clear that this will be available in New Zealand where we already have s32(2) and **no requirement** to state bona fide intention.

¹⁰ S75 Trade Marks Act 2002.

¹¹ As well as in opposition proceedings by opponents.

¹² Chapter 6 para 40 under the heading *Wide Specifications – Objections under s3(6) of the Act*.

¹³ S20 1953 Act; s32(2) 2002 Act.

¹⁴ S32(1).

Names of famous individuals

14. The UK Manual¹⁵ states that where third parties apply to register the name of a famous individual, or a recently deceased famous individual an objection under the bona fide provision 'may be appropriate'. This depends, however, on whether the goods or services are ones which the famous individual is associated with e.g. a fashion model's name and the goods of "lipstick" or "clothing" – but not so if the goods were agricultural machinery.
15. Again in New Zealand there is a specific statutory provision in s23 which renders reliance on bad faith unnecessary in these circumstances. (This is despite the comments in the New Zealand Manual.) S23 provides:

"If a person applies for registration of a sign as a trade mark and the sign contains the name or representation of a person, the Commissioner may require the written consent of:

- (a) That person unless the person died ten years or more before the making of the application; or
- (b) The person's legal representative if –
 - (i) the person died within ten years before the making of the application; or
 - (ii) the Commissioner thinks the person's consent cannot for any other reason be obtained."

16. So, in summary, it seems that in New Zealand bad faith objections are likely to be rare at examination stage.

(b) Opposition and invalidity proceedings: What are the tests of bad faith?

17. In the UK one of the leading early decisions as to what constitutes bad faith was *Gromax Plastics Limited v Don & Lowe Non-Wovens Limited*¹⁶:

"I shall not attempt to define bad faith in this context. Plainly it includes dishonesty and, as I would hold, **includes also some dealings which fall short of the standards of acceptable commercial behaviour observed by reasonable and experienced men in the particular area being examined.** Parliament have wisely not attempted to explain in detail what is or is not bad faith in this context; how far a dealing must fall short in order to amount to bad faith is a matter best left to be adjudged not by some paraphrase by the courts (which leads to the danger of the courts then construing not the Act but the paraphrase) but by reference to the words of the Act and upon a regard to all material surrounding circumstances." (emphasis added)

18. This statement appeared to imply an objective standard. The case was followed, however, by a line of cases anxious as to whether the actions of the applicant were to be judged by an objective or subjective standard. The issue has now been resolved by the UK Court of Appeal in a case known often as *Chinawhite*¹⁷ and involves both objective and subjective elements.
19. In the *Chinawhite* case, the applicant had applied to register the mark CHINAWHITE in classes 32 and 33 for various beverages. The mark was the name of a well-known nightclub in London. A barman at the club had been instructed to prepare a new cocktail to be sold at the nightclub under the CHINAWHITE mark. He approached

¹⁵ Chapter 21.6.

¹⁶ [1999] RPC 367, 379.

¹⁷ *Harrison's Trade Mark Application* [2005] FSR 177.

the applicant and together they established a company called China White Limited. It was found that the barman had acted in bad faith but that the applicant was not found to have been aware that the barman was acting wrongfully. But he did know of the name of the nightclub. That was held to be enough to have required him to make further enquiries. By failing to do so, he fell short of the standards of acceptable behaviour.

20. The latest edition of *Kerly*¹⁸ purports to sum up the combined test as follows:

“Properly interpreted, the combination is best expressed as follows:

Before there can be a finding of bad faith, it must be established that the applicant’s conduct in filing the application fell short of the standards of acceptable commercial behaviour observed by reasonable and experienced men in the particular area being examined and that the applicant himself realised that by those standards, his conduct fell short.”

21. It is clear from subsequent litigation that the second part of *Kerly*’s articulation of the test is wrong i.e. the suggestion that the applicant itself realised that its conduct fell short of the “Gromax” standards. This was clarified by the Privy Council in *Barlow Clowes v Eurotrust*¹⁹. Lord Hoffman delivering the judgment stated:

“15. Their Lordships accept that there is an element of ambiguity in these remarks which may have encouraged a belief, expressed in some academic writing, that *Twinsectra* had departed from the law as previously understood and invited inquiry not merely into the defendant’s mental state about the nature of the transaction in which he was participating but also into his views about generally accepted standards of honesty. But they do not consider that this is what Lord Hutton meant. The reference to ‘what he knows would offend normally accepted standards of honest conduct’ meant only that his knowledge of the transaction had to be such as to render his participation contrary to normally acceptable standards or honest conduct. It did not require that he should have had reflections about what those normally accepted standards were.”

22. So what really is required is an inquiry into what the applicant *knew* about the transaction or the matter in question. Objectively, it must then be decided whether, in the light of that knowledge, the applicant’s conduct was dishonest judged by ordinary standards of honest people, the defendant’s own standards of honesty being irrelevant to the determination of that objective standard.
23. These principles were exemplified and applied in a 2006 case *AJIT WEEKLY Trade Mark*²⁰. Here the applicant, which published a free weekly Punjabi paper in Canada and North America, applied for the trade mark:



24. This application was sought in both English and Punjabi in class 16. (AJIT means invincible.)

¹⁸ 14th edition para 8-275.

¹⁹ [2005] UKPC 37.

²⁰ [2006] RPC 25, 633.

25. The publisher of a daily newspaper in Punjab which used the same AJIT logo and had been publishing under that mark since 1959²¹ applied for a declaration of invalidity against the UK registration on the basis that the application had been filed in bad faith. The Hearing Officer concluded that, given the background of the applicant editor – previously an editor of a newspaper in Punjab – he must have been aware of the longstanding use and reputation of the applicant for invalidity and that it would be known amongst the UK Punjabi community. He must therefore have been aware that registration of the mark would result in confusion and deception to the detriment of the applicant for invalidity.
26. On appeal, one of the grounds was that the Hearing Officer had been wrong. It was contended it must be shown that the trade mark owner subjectively *thought* that his actions fell below the *Gromax* standard. This was effectively the second *Kerly* proposition.
27. The Appointed Person²² concluded that an inquiry into a person's view about the standards of honesty was not required, rather his knowledge of the transaction had to be such as to render his participation contrary to normal accepted standards of honest conduct. Thus the standard by which *the defendant* judges his actions is irrelevant.
28. The first New Zealand High Court decision on bad faith under the Trade Marks Act 2002 is *Neumann v Sons of the Desert SL*²³. Here the respondent company had filed a trade mark application for a cartoon figure and the words EL NINO TARIFA. The contention was that the respondent company was owned and operated by a Mr Galdeano who had been party to agreements in Spain to the effect that trade marks comprising the elements applied for would always be owned jointly by certain parties. Effectively, by seeking (through his company) to own the trade mark in New Zealand outright, the respondent was held to be acting in bad faith.
29. Andrews J adopted the combined test from the UK *Chinawhite* decision²⁴:
- "That is, the Commissioner (or Court) must decide whether the knowledge of the applicant (a subjective element) was such that its decision to apply for registration would be regarded as being in bad faith by persons adopting proper standards (and objective element)."
30. This does not articulate particularly clearly²⁵ exactly *what* the applicant or owner of the mark (if already registered) must be shown to have known. The answer is that this subjective knowledge can be of:
- the relevant circumstances relied on by the challenging party as evidencing bad faith.
 - earlier rights to the mark in New Zealand or in another jurisdiction.
 - a transaction relevant to rights to the mark.

²¹ Its newspaper was available to and widely known amongst the UK Punjabi community.

²² Prof. Ruth Annand, relying on *Barlow Clowes International Limited v Eurotrust International Limited* [2005] UK PC37. CIV 2007-485-212, 5 November 2007, Andrews J – being reported in IPR.

²³ Ibid para [33].

²⁴ Ibid at [35]. It appears from the judge's findings that the relevant subjective knowledge was that of the respondent's shareholder and director, Mr Galdeano. He knew of the appellant company's ownership of the trade mark in issue in all the territories of the world and his knowledge was imputed to the respondent.

- contractual or fiduciary obligations which run counter to the applicant or owner claiming rights to the mark.
31. *Kerly* is very critical²⁶ of this combined subjective/objective test on the basis (inter alia) that it is:
- (a) Unnecessarily complicated. *Kerly* takes the view that where liability requires dishonesty, it is easy to see why some objective element is required. But where one is considering a rather vaguer standard – conduct falling short of acceptable standards – the subjective element is more difficult to apply and to justify. Furthermore, what happens where allegations of bad faith may be made many years after the relevant application?²⁷;
 - (b) *Kerly* asserts that an objective test would appear to be sufficient. The objective approach in *Gromax* appears to have worked satisfactorily in practice. This is because most bad faith cases are dealt with in opposition proceedings without cross-examination – despite a greater willingness to allow cross-examination if reasons are put forward as to why it is necessary.
32. Some of these objections may have been defused by Lord Hoffman’s observations in *Barlow Clowes* noted earlier. Overall it seems that the critical issue in each case will be to show (by direct evidence or by cross-examination what the applicant or one of the prime movers of the applicant in the case of a company or partnership) *knew* of the circumstances that are at the heart of the bad faith allegation e.g. another party’s prior right or reputation. Then, in light of that knowledge, the objective standard is applied.

Examples of bad faith

33. The sheer scope and extent of what might amount to bad faith is apparent from a number of examples taken from UK and New Zealand decisions:
- (i) *Copying of another party’s copyright work*
34. In one UK case, a mark showed a “striking similarity” to marks which had long been used by the opponent. The applicant did not deny an allegation that he had copied the mark which was a reasonably complex logo mark comprising a number of different elements. The Hearing Officer found that it defied belief to suggest that the logo mark had been independently designed by the applicant *Team Lotus*²⁸. Were this same case to be litigated in New Zealand, the applicant’s actions appear likely to have involved copyright infringement and would also have involved the breach of s17(1)(b) i.e. “contrary to law or otherwise disentitled to protection in any court”.
- (ii) *Registering an overseas proprietor’s trade mark*
35. A difficult area of the law has always been when a local person registers a trade mark in New Zealand knowing that the overseas owner of the mark may well come to New Zealand and use the mark, but at the time of application, the overseas owner

²⁶ Para 8-276.

²⁷ This latter point is a thoroughly valid observation. It may be that an applicant for invalidity only becomes aware of the trade mark registration a considerable time later. It would seem unfair if the ability to invalidate should not be compromised by a difficulty in showing the applicant’s subjective intention (for example if the applicant has died or disappeared, or where the prime mover within a corporate registrant has moved on) when, by an objective standard, the application can be shown to have been made in bad faith.

²⁸ [1999] ETMR 669.

has not used the mark here. In 1994 (as part of compliance with the TRIPs Agreement), provisions inserted in the 1953 Act as s17(2) and (4) provided protection in such circumstances but only where the mark was **well-known**²⁹. If the trade mark was not well-known and the overseas owner could not show breach of some fiduciary or other duty, no remedy was available.

36. The orthodox approach in New Zealand to a claim to proprietorship is that³⁰:
- (a) There is no prior use or prior assertion of proprietorship in New Zealand;
 - (b) The applicant is using or has a sufficiently definite intention to use the mark; and
 - (c) There is no fraud or breach of duty involved.
37. So it is the case that absent any fraud or breach of duty, and absent the mark being well-known in New Zealand, it has never been unlawful for a trader to make application for a mark that is used overseas³¹.
38. The AGIT WEEKLY case already discussed was an instance of a well-known mark so would probably have been protected by the well-known provision in s25(1)(c) anyway without having to rely on bad faith. What if the mark is not well-known? Can bad faith still come to the rescue?
39. In the MONSTER ENERGY Trade Mark case³², the Australian applicant had applied for the MONSTER ENERGY mark for goods in class 32. A US energy drink company as opponent alleged that the application was in bad faith on the basis that it had sold MONSTER ENERGY energy drinks extensively in the US and branded clothing/bike cosmetics featuring the MONSTER ENERGY mark had been sold in *New Zealand* prior to the date of application. (The latter were different goods from those applied for in class 32.) Further, the Assistant Commissioner found that the overseas mark was not known amongst a significant number of the relevant market, let alone being well-known.
40. The opponent did not and could not allege any fraud or breach of duty on the part of the applicant but it did allege bad faith. It pointed to the fact that the applicant had approached the opponent for a licence to access its product formula and business strategy just before applying for the mark. This, it contended was an admission that the opponent had the rights to the mark.
41. Assistant Commissioner Walden held that there was no bad faith – principally on the strength of a declaration from the managing director of the applicant which stated:

“Bickfords puts a lot of resources into protecting its trade marks in the countries where it sells or intends to sell its products. I wanted to be sure Bickfords did not infringe on another entity’s trade mark, and that the trade mark was protected, in event (sic) that we should use it. This is why I asked Rebecca to undertake a search of the Australian and New Zealand trade marks database to make sure that Hansen did not have the trade mark lodged or registered in those countries. If it did so, or had I been aware of promotion of the product in Australia or New Zealand, I would not have proceeded with using “Monster” for Bickford’s product.”

²⁹ Now s25(1)(c) Trade Marks Act 2002.

³⁰ *Neuman v Table for Six (1996) Limited* [insert] IPR 269, 278.

³¹ *Seven Up Co Limited v OT Limited* (1947) 75 CLR 203, 211; *Valley Girl v Hanama Collection* (2005) 66 IPR 214 at [57].

³² T 13/2008, Assistant Commissioner Walden, 19 May 2008.

42. The case seems to leave open the *Seven Up/Table for Six* approach that, even though the applicant did know of an overseas opponent's use of the same mark, if the mark was not used in New Zealand or was not well-known in New Zealand, then it will not amount to bad faith to file an application.

43. No doubt this area will be tested further in future cases.

(iii) *Where applicant admitted that he was not the owner of the mark*³³

(iv) *Local Distributor registers Principal's mark*

44. Bad faith was found established where an overseas company employed a local distributor, who, being fully aware of the overseas company's intention to use the mark locally, registered that mark for himself: *Be Natural*³⁴

45. The same result applied where a party had an established business in the United States under the mark and had begun to trade in the United Kingdom. One of its customers in the United Kingdom then attempted to register the trade mark for himself. When challenged, he sought to register the mark in combination with his own name. The Registrar said³⁵:

"It is difficult to see how a person who applies to register a mark in his own name which he has previously recognised as the property of a potential overseas principal can be said to be acting in accordance with acceptable standard of commercial behaviour. I do not believe that combining the mark with the applicant's own name is any answer to that criticism.": *New Century*³⁶.

(v) *Ulterior motives*

46. Ulterior motives such as seen in *Re Trade Mark Bragatto*³⁷ may now be enough to constitute disqualifying bad faith.

47. One recent New Zealand decision where bad faith failed was *Re Weingut Seifried Limited*³⁸. Here the opponent who owned the RABBIT RANCH trade mark for wine, opposed an application for RABBIT ISLAND for wine. The allegation of bad faith appeared to involve ulterior motives that the applicant would benefit from the opponent's investment in and efforts made towards developing the popularity of its RABBIT RANCH wines. This could also be characterised as a type of passing off.

48. The opposition failed on the facts when the Assistant Commissioner held that the applicant had chosen its mark because of Rabbit Island being close to the applicant's home and also that the name was chosen before the opponent started to use its mark in New Zealand. However the case exemplifies another situation which might conceivably fall within bad faith.

Pleading and proving bad faith

49. Where fraud is alleged, there is a positive duty on counsel and solicitors in New Zealand to satisfy themselves that the claim is justified. Bad faith falls into a closely

³³ CHINESE BUSINESS YEARBOOK Trade Mark T16/2008, Assistant Commissioner Walden, 17 July 2008.
³⁴ (SRIS O/106/99).

³⁵ Ibid page 9.

³⁶ (SRIS O/018/00).

³⁷ (1976) 1 NZIPR 30, 40-41. For the facts see para [insert] above.

³⁸ T09/2008, 17 April 2008, Assistant Commissioner Walden.

analogous category. There are obligations on counsel and solicitor to be very careful when pleading bad faith and to ensure that there is a proper and justifiable basis for such a pleading³⁹.

50. An associated issue involves the obligation to properly *particularise* bad faith rather than simply making the assertion. In New Zealand I have seen several pleadings where there have been inadequate or no particulars. There is definitely a case for a practice direction from the IPONZ Hearings Office requiring that full particulars be given and making provision for requests for further particulars where these are not supplied⁴⁰.
51. In the UK, case management of opposition and revocation proceedings has led to the UK registry exercising considerable scrutiny over bad faith pleadings so that a bald pleading will simply not pass the registry's initial scrutiny⁴¹.
52. The UK Tribunal Practice Note⁴² sets out the general practice of scrutiny of statements of case and counterstatements. This refers specifically to the proper procedure for alleging bad faith under the UK provision and provides as follows:

“Another ground frequently found is that under section 3(6). The Registrar considers an allegation that an application was made in bad faith to be a particularly serious one, (see *Gromax* [1999] RPC 367). If a party wishes to raise this ground in their statement of case then the Registry will expect the allegation to be particularised and will not accept a general allegation that an application is made in bad faith. An explanation of why the opponent believes that the conduct of the applicant was dishonest or fell below the normal standards of commercial behaviour will be expected. The registrar would not expect the statement of case to set out a party's evidence on this ground but an indication of the basis of the claim should be given. If the allegation is that the applicants do not have the bona fide intention to use the trade mark in relation to the full range of goods or services for which registration is sought then the goods and services in respect of which the allegation is made should be set out.”⁴³
53. Another consequence of pleading bad faith is the requirement to properly *prove* this. Although the proof needs only be on the balance of probabilities, cogent evidence is required due to the seriousness of the allegation⁴⁴. It is not enough to prove facts which are equally consistent with good faith⁴⁵.
54. As with proof of fraud, it may be necessary or proper to rely on inference⁴⁶.
55. In some cases the circumstantial or documentary evidence may be strong enough to prove the case without more and for the Hearing Officer or Court to be able to make appropriate findings both as to the conduct of the applicant in his or her subjective knowledge. In *Neumann v Sons of the Desert SL*⁴⁷, Andrews J was able to find on the affidavit evidence that Mr Galdeano controlled the respondent applicant. The

³⁹ *ROYAL ENFIELD Trade Marks* [2002] RPC 24 at [31]; *BRUTT Trade Marks* [2007] RPC 462 at [29].

⁴⁰ In one recent case, Assistant Commissioner Walden was forced to summarise rival contentions by saying it “**appears**” that this is being contended *MONSTER ENERGY T13/2008* [38], [40], [41]. Pleadings should be required to make the allegation absolutely clear.

⁴¹ *Kerly* 14th edition para 8-280.

⁴² TPN 42000.

⁴³ See also UK Work Manual para 7.3.4 “Evidence to support a claim under s3(6) of the Act must be particularly focused as this is a very serious claim ... therefore a claim under s3(6) must be supported by evidence of dishonest activities or dealings or at the least commercial behaviour activities below the standard regarded as acceptable by the community at large.

⁴⁴ *BRUTT Trade Marks* [2007] RPC 462 at [29]; *MONSTER ENERGY Trade Mark T13/2008* Assistant Commissioner Walden [31]; *ENZAGREEN Trade Mark T20/2008* Assistant Commissioner Walden [78].

⁴⁵ *Ibid.*

⁴⁶ *FERRERO SpA's Trade Mark* [2004] RPC 29; *BRUTT Trade Marks* [2007] RPC 462 at [29] and [30].

⁴⁷ *Supra* at para [35].

respondent therefore had knowledge of the applicant's co-ownership of the trade mark in all territories of the world with Mr Galdeano's knowledge being reputed to the respondent applicant.

56. However in a close run case, it may be necessary to seek the right to cross-examine. Certainly the New Zealand Court of Appeal and Supreme Court have commented in the *Aqua Technics* case⁴⁸ (being appeals from a trade mark opposition), that if a party wants to challenge an applicant's or witness's evidence in such a forum then it will be necessary to request cross-examination:

"It is unfair to challenge the veracity of a witness when the challenge has not been put to him as it could have been."⁴⁹

(2) Bad faith: Unfair Registration of domain names

57. New Zealand has had a dispute resolution service for domain names since 2006. The Dispute Resolution Service ("DRS") is run by the Domain Name Commissioner ("DNC") and can be located at the website "dnc.org.nz". The DNC operates as part of InternetNZ, the controller of the .nz domain space.
58. The dispute resolution process chosen in New Zealand was not the UDRP operated by WIPO and NAF. Rather it was decided to adopt the UK Nominet system. Initially, amongst the Panel of the New Zealand DRS Experts - many of whom are already on the WIPO UDRP Panel – there was some scepticism at this choice.
59. However, after several years experience of the New Zealand DRS/Nominet system, I detect a view amongst Experts that the choice to go with the Nominet system has been a good one. In the case of bad faith for domain name registration, the DRS/Nominet Rules given a much more sensible coverage for the *range* of bad faith situations⁵⁰ - or *unfair* registrations which is the New Zealand term. Let me explain.
60. The UDRP requires proof of three elements. The complainant has the burden of showing:
- (i) That the domain name registered by the respondent is identical or confusingly similar to a trade mark or service mark in which the complainant has rights;
 - (ii) That the respondent has no rights or legitimate interest in respect of the domain name;
 - (iii) That the domain name has been registered and is being used by the respondent in bad faith.
61. An important requirement of the UDRP is that the complainant show both **registration** and **use** in bad faith. (The consensus view of the UDRP Panels is that the lack of active use of the domain name does not as such prevent a finding of bad faith and the Panel can examine all the circumstances to determine whether the respondent is acting in bad faith: *Telstra Corp v Nuclear Marshmallows* D2000-0003.) But the key factor is that the domain name must have been shown to be registered **and** used in bad faith.

⁴⁸ *Aqua Technics Pool & Spa Centre NZ Limited v Aqua Tech Limited* [2007] NZCA 90; [2007] NZSC 52; (2007) 18 PRNZ 547.

⁴⁹ Per Ellen France J [2007] NZCA 90 at [85], see also [2007] NZSC 52 at [5].

⁵⁰ Further, it has enabled the New Zealand DRS to have access to a body of UK decisions from the .uk domain space, which is the third busiest domain space in the Internet world.

62. But, by contrast, the Nominet/New Zealand DRS Policy requires (paras 4.1 and 4.2) that the complainant show on the balance of probabilities just two requirements i.e. that:
- (i) The complainant has Rights in respect of a name or names which is identical or similar to the domain name (4.1.1);
 - (ii) The domain name in the hands of the respondent is an Unfair Registration.
63. Under the New Zealand DRS and Nominet system, it is not an absolute requirement that the domain name was itself **registered** in bad faith. If, on all of the facts of the case, it can be shown that the domain name is an unfair registration – then, even though it may not have been registered in bad faith, the domain name can still be held to be an unfair registration.
64. The Nominet/DRS has also avoided one of the awkward features encountered with the UDRP – namely proof by the complainant of the second UDRP factor i.e. that the respondent has no rights or legitimate interest in the disputed domain name. UDRP Panels have recognised that this could result in the often impossible task of proving a negative and requiring information that is often primarily within the knowledge of the respondent. To meet this, UDRP Panellists have been forced to adopt an approach that the complainant is required to make out an initial *prima facie* case that the respondent lacks rights or legitimate interests. Thereafter the respondent carries the burden of demonstrating rights or legitimate interests in the domain name.
65. This is avoided with the DRS.
- Bad faith: unfair registration*
66. Whereas the UDRP uses bad faith, the DRS uses *unfair registration*⁵¹.
67. The Policy (Rule 3) defines an Unfair Registration as:
- “A Domain Name which either:
- (i) was registered or otherwise acquired in a manner which, at the time when the registration took place, took unfair advantage of or was unfairly detrimental to the Complainant’s rights; **or**
 - (ii) has been, or is likely to be, used in a manner which took unfair advantage of or was unfairly detrimental to the complainant’s rights.”
68. The Policy bases its analysis of unfair registration on the concepts of “unfair advantage” and “unfair detriment”. These concepts have a link back to trade marks law, because Nominet took them from the UK Trade Marks Act 1994. As already seen, the New Zealand Trade Marks Act 2002 is modelled on the UK 1994 Act, so we are familiar with these concepts which are found in the infringement section, s89(1)(d) (the dilution type infringement for well-known marks) and also in the comparative advertising defence in s94.
69. But it is absolutely important to mention that unfair registration is **not** the same as passing off or trade mark infringement. There is no automatic correlation⁵².

⁵¹ The UK Nominet system uses the term “abuse of registration” although privately Nominet officials have indicated that they prefer the New Zealand term.

⁵² DRS 00248 *seiko-shop.co.uk*; DRS 00359 *parmaham.co.uk* paras 9.38 and 9.47.

Approach to assessing unfair registration

70. In assessing whether or not the domain name is an Unfair Registration the approach will be to start by evaluating the domain name and reviewing the use made of it **as a whole**.
71. The timing as to *when* this assessment is made is clear from the wording of the definition of Unfair Registration – the Expert is entitled to look at the circumstances surrounding registration and all use of the domain name from commencement of that use to date. However, it may be that less weight will be given to any changes in that use made following the complaint.

Relevant factors

72. Section 5 of the DRS policy sets out a non-exhaustive list of factors that may be evidence of Unfair Registration. It is most important to emphasise that these are deliberately non-exhaustive. These are:

- 5.1.1. Circumstances indicating that the Respondent has registered or otherwise acquired the Domain Name primarily:
- (a) for the purposes of selling, renting or otherwise transferring the Domain Name to the Complainant or to a competitor of the Complainant, for valuable consideration in excess of the Respondent's documented out-of-pocket costs directly associated with acquiring or using the Domain Name;
 - (b) as a blocking registration against a name or mark in which the Complainant has Rights; or -
 - (c) for the purpose of unfairly disrupting the business of the Complainant; or
- 5.1.2 Circumstances demonstrating that the Respondent is using the Domain Name in a way which is likely to confuse, mislead or deceive people or businesses into believing that the Domain Name is registered to, operated or authorised by, or otherwise connected with the Complainant;
- 5.1.3 The Complainant can demonstrate that the Respondent is engaged in a pattern of registrations where the Respondent is the registrant of domain names (under .nz or otherwise) which correspond to well known names or trade marks in which the Respondent has no apparent rights, and the Domain Name is part of that pattern;
- 5.1.4 The Complainant can demonstrate that the Respondent has knowingly given false contact details to a Registrar and/or to the DNC; or
- 5.1.5. The Domain Name was registered arising out of a relationship between the Complainant and the Respondent, and the circumstances indicate that it was intended by both the Complainant and the Respondent that the Complainant would be entered in the Register as the Registrant of the Domain Name”

73. Experts sometimes apply criteria other than those listed. For example in the UK DRS 00292 decision *Chivas Bros Limited v Plenderleith*, Tony Willoughby made the following comments in relation to the website *chivasbrothers.co.uk*:

“The Expert agrees with the Complainant that there is no obvious reason why the Respondent might be said to have been justified in registering the Domain Name [chivasbrothers.co.uk] and the Respondent has elected not to come forward with any explanation for his registration of the Domain Name.

While it may be possible (at least theoretically) that the Respondent registered the Domain Name for no purpose at all, the Expert regards that as most improbable. What could the Respondent's purpose have been? It could have been with a view to making a use of it, or it could have been with a view to selling it, or simply to block the Complainant. We are left to speculate because the Respondent has not responded, nor has the Respondent made any use at all of the domain name.

Where a Respondent registers a Domain Name:

1. Which is identical to a name in respect of which the Complainant has rights; and
2. Where that name is exclusively referable to the Complainant; and
3. Where there is no obvious justification for the Respondent having adopted that name for the Domain Name; and
4. Where the Respondent has come forward with no explanation for having selected the Domain Name,

it will ordinarily be reasonable for an Expert to infer first that the Respondent registered the domain name for a purpose and secondly that that purpose was abusive [unfair in the New Zealand context]. In this case the expert draws those inferences."

Examples of unfair registration

74. The scope and extent of what amount to unfair registration can be judged by some of the cases before the Panel of Experts.
 - (i) *Where the domain name takes advantage of or is detrimental to the complainant's rights in a registered or unregistered trade mark*
75. In *Fiji Water Company LLC*⁵³, the complainant had rights in registered trade marks for the FIJI WATER family of marks prior to the registration of the domain name such that the domain name registration took unfair advantage of this and was blocking and disrupting the complainant's use of this in New Zealand.
 - (ii) *Where there is a pattern of cyber-squatting and of the respondent using a domain name for the purpose of diverting customers and achieving "click through" revenue*
76. This is a very common pattern of behaviour encountered in domain name cases and has led to its share of these in New Zealand: *thaiairways.co.nz*⁵⁴; *wwwferrit.co.nz* and *tellecom.co.nz*⁵⁵; *yellowpages.co.nz*, *witepages.co.nz* and *whitpages.co.nz*⁵⁶.
77. In *kitomba.co.nz*⁵⁷, the unusual name of Kitomba was registered as a domain name. It is clear that the respondent was aware of the complainant's rights to this mark when he registered the domain name. It was found that he must have intended to attract users looking for the complainant's site. Even though the respondent never offered the site to the complainant for sale, he offered it generally and must have known and understood that the complainant would eventually become aware of this. The Expert found that the question of who offered first to whom was not determinative. Here there was a diversion of trade as well and overwhelmingly the case was one of unfair registration.

⁵³ DRS 290, 25 July 2008.

⁵⁴ DRS 203.

⁵⁵ DRS 206.

⁵⁶ DRS 208.

⁵⁷ DRS 260.

(iii) *Misappropriating a well-known mark*

78. A somewhat amusing example of this was *danone.co.nz*⁵⁸. Here the respondent had registered the well-known Danone domain name as *danone.co.nz*. His explanation was that this stood for “Do a Number ONE” and was a partial abbreviation was simply not believable. Here it was found that this amounted to trade mark infringement and therefore clearly unfair registration. It was also likely to confuse, mislead or deceive members in the form of initial interest confusion. Further the registration was plainly in bad faith.
79. Overall the dispute resolution service for Unfair Registrations in New Zealand has been a very helpful addition to the armoury of rights and protections for trade mark owners. Although the number of decided cases has been modest, many more are settled in mediation. So the DRS is fulfilling a need.

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