

## The end of the essential feature test?

Posted on 31/03/2009 by [Kate Duckworth](#)

### Citation

Geneva Marketing (1998) Limited v Johnson & Johnson, Johnson & Johnson (New Zealand) Limited and Johnson & Johnson Pacific Pty Limited unreported, High Court Auckland, CIV-2007-404-2431, 2 October 2008, Harrison J.

### Single sentence summary

Geneva, the owner of the trade mark SYLK, is unable to prevent rival Johnson & Johnson from using the word SILK for the same goods.

### Legal context

Infringement of registered trade mark, passing off, misleading and deceptive conduct and invalidity and revocation of a registered trade mark.

### Facts

Geneva Marketing (1998) Limited (Geneva) is the owner of the registered trade mark SYLK in New Zealand for, inter alia, personal lubricants. It had sold personal lubricants under the SYLK trade mark for some years in New Zealand as well as in other countries including Australia, the United States and the United Kingdom. Geneva had

sold between 20,000 to 40,000 units per year with a retail value of approximately NZ\$180,000.

Johnson & Johnson (J&J) is a leader in the personal lubricant market with products sold under the trade mark K-Y and sales of approximately NZ\$1 million per year. J&J applied for the trade mark K-Y SENSUAL SILK in 2006 and gained registration in 2007. It commenced selling products under the name K-Y SENSUAL SILK in New Zealand in 2007.

Geneva did not become aware of J&J's registration for K-Y SENSUAL SILK until well after it was registered and therefore missed the opportunity to oppose.

Geneva sued for registered trade mark infringement, passing off and breach of the Fair Trading Act which prohibits misleading and deceptive conduct in the course of trade. Geneva also sought to invalidate and revoke J&J's registration for K-Y SENSUAL SILK.

## **Analysis**

Under section 93 of the Trade Marks Act 2002, use of one registered trade mark cannot infringe any other registered trade mark. Geneva therefore had to clear J&J's registration of K-Y SENSUAL SILK from the register before being able to progress its claim to trade mark infringement.

### *Invalidity*

The first question for determination was whether J&J's registration for K-Y SENSUAL SILK should be removed from the register on the ground that it should never have been

registered in the first place because it was likely to confuse or deceive in light of Geneva's registration for SYLK. That question required the judge to consider the situation at the date of application and on the basis of fair and notional use by J&J.

The market for personal lubricants was said to be characterised by a significant degree of consumer loyalty, care and discernment.

The judge, in finding there was no likelihood of confusion or deception, said that the addition of the words 'sensual silk' to the existing 'K-Y' trade mark would not be likely to materially affect existing brand loyalty for either brand. Purchasing decisions were said to be influenced much more by visual than aural impression and the phonetic similarities between one word among found would be of little importance to consumers.

### *Revocation*

Under the revocation grounds the judge was required to consider whether, as a consequence of J&J's use of K-Y SENSUAL SILK, the use was likely to confuse or deceive. Geneva submitted that J&J had given prominence to the word SILK. Rejecting this argument, and the revocation claim, the judge found that J&J were entitled to give prominence to any part of the K-Y SENSUAL SILK trade mark.

### *Infringement*

Geneva claimed that J&J was not using its registered trade mark K-Y SENSUAL SILK but a different trade mark on its packaging because it used 'K-Y ® BRAND MARQUE' following 'K-Y' in a rectangle with the words 'sensual Silk' followed by a separate '™'. 'Silk' was over three times the size of 'sensual'. The judge referred back to the definition

of use in the Trade Marks Act 2002, which includes “use in a form differing in elements that do not alter the distinctive character of the trade mark”. Dismissing Geneva’s claim that the use altered the distinctive character of the trade mark, the judge held that the additions were minute and did not interrupt or affect the impression of a continuum created by its four constituent words. Section 93, use of a registered trade mark, was an absolute defence for J&J.

Despite finding that J&J had an absolute defence, the judge went on to consider the final question, did J&J’s use of K-Y SENSUAL SILK infringe Geneva’s SYLK registration?

The judge acknowledged that he must consider the essential feature or idea of each trade mark. Geneva claimed that J&J’s trade mark was dominated by the component ‘Silk’ and this element was emphasised in its marketing and promotion.

Geneva also called evidence to prove actual confusion. A Mr White, whose surgeon had recommended Geneva’s product to relieve discomfort from a catheter said that when he asked for the product at a pharmacy he was given J&J’s product but on further enquiry he was then directed to Geneva’s product. The judge found that this was not evidence of actual confusion or deception but quite the opposite, because Mr White was directed to Geneva’s product (eventually) and it showed that the market was discerning. This finding is at odds with two previous New Zealand decisions, where it has been held that confusion or deception at any point in the purchasing process is actionable, including post sale.

In *Trust Bank Auckland Limited v ASB Bank* [1989] 3 NZLR 385, 389 (CA) Cooke J, held that the Fair Trading Act, which prohibits misleading and deceptive conduct, protects the public from being led into business premises by being misled as to the ownership of the business. Once a prospective customer has entered, he or she will often be more likely to buy. In *Levi Strauss & Co v Kimbyr Investments* [1994] 1 NZLR 332, 382 (HC), Williams J held that even post-sale confusion might be actionable. The defendant claimed post-sale confusion was caught by the Fair Trading Act, for example, someone walking down the street wearing the defendant's jeans and someone seeing those jeans believing that they were the jeans of the plaintiff, Levi Strauss, was not in the course of trade. Williams J, rejecting the defendant's argument, held that such an argument would restrict the ambit of the Fair Trading Act to actual purchasers rather than potential purchasers.

The judge also made a curious finding that the goods were similar but not identical. While this finding does not materially alter the result, it is curious given that both are personal lubricants, and despite Geneva's goods being made from natural ingredients, as opposed to synthetic as J&J's were, and being of superior quality, they are for all intents and purposes the same type of goods.

When considering infringement, the judge largely repeated his findings under invalidity and revocation: visual similarities were said to predominate, SYLK is stand-alone but SILK is one in four words and the marks as a whole create significantly divergent impressions, even though the judge did not articulate what those impressions were.

### *Passing off and the Fair Trading Act*

The claims under passing off and the Fair Trading Act were dismissed for largely the same reasons as invalidity, revocation and infringement.

### *Would a different result have been achieved if Geneva had opposed?*

Similar considerations apply to an opposition as to invalidity, revocation, infringement, passing off and breach of the Fair Trading Act, namely, would any fair and proper use by J&J of K-Y SENSUAL SILK for the specified goods be likely to cause confusion and deception? However, having supplied the goods to the market for two or so years, J&J were, ignoring Mr White's evidence, able to say that confusion and deception had not occurred and were arguably in a better position than it would have been at the opposition stage.

### *Essential feature test*

Despite saying that he considered the essential feature of each trade mark, the judge made no reference to authority such as *De Cordova v Vick* (1951) 68 RPC 103. *De Cordova v Vick* has long been considered authority for the proposition that if a word forming part of a trade mark has come in trade to be used to identify the goods of the owner, it is an infringement to use that word as the trade mark or part of the trade mark of another trader. The use of "Silk" by J&J is not use of part of Geneva's trade mark, it is use of the whole of Geneva's trade mark. One would have thought that *De Cordova v Vick* would have been discussed by the judge.

Under section 25(1)(c) of the Trade Marks Act 2002, a trade mark cannot be registered if it, or an essential element of it, is identical or similar to a trade mark that is well known

in New Zealand in respect of those goods or services or any similar goods or services if use of the trade mark would be taken as indicating a connection in the course of trade between those goods and services and the goods and services of the owner of the well known trade mark and the use would be likely to prejudice the interests of the owner of the well-known trade mark.

There was no consideration by the judge of section 25(1)(c). It is not known whether it was not pleaded by Geneva or whether the trade mark SYLK was not considered to be “well known”. If for arguments sake it was well known, and the SYLK product does, despite having a much smaller market share than J&J’s K-Y, seem to be well known for personal lubricants, then it would appear to be open to Geneva to argue that SILK was an essential element of K-Y SENSUAL SILK and registration was prohibited by section 25(1)(c).

There is very little New Zealand authority on section 25(1)(c). Commentary indicates that “indicating a connection in the course of trade” and “prejudices the interests of the owner” is a lower standard than “likely to confuse and deceive”. Even if the judge thought confusion and deception was unlikely, J&J might have been caught by section 25(1)(c).

Geneva is no doubt aggrieved by its inability to prevent a competitor using a virtually identical trade mark on identical goods. Trade mark owners would normally safely assume that such a registration would prevent their competitors from using their registered trade marks, in any manner.

Further, as recognised by the judge, J&J's registration gives it the entitlement to use the trade mark in any fair and proper manner. J&J would therefore be entitled to emphasise the word SILK to any extent it liked and still use section 93 (use of one registered trade mark cannot infringe any other registered trade mark) as a defence. If the word SILK were emphasised even further by J&J then it could be accused of passing off and breaching the Fair Trading Act but Geneva could not use its registration of SYLK to prevent it.

### **Practical significance**

Each case is decided on its facts, but it would appear that, following *Geneva v J&J*, traders are entitled to use their competitor's trade marks, provided they use other words or elements as well, at least in relation to goods where the purchasers are discerning. It would also appear that the essential feature/element test will play less of a role when considering whether trade marks are similar and whether confusion and deception will occur.

*Journal of Intellectual Property Law & Practice 2009*