

Fokker Brothers Inc Ltd v Fokker Brothers Ltd

[2020] NZHC 953

High Court, Auckland (CIV-2019-404-548)
Palmer J

3 February;
11 May 2020

Appeals — Decision of an Assistant Commissioner of Trade Marks — Determination — An Assistant Commissioner of Trade Marks declined an application for revocation of a trade mark on basis that non-use of trade mark was due to special circumstances outside respondent’s control — Breakdown of a personal relationship between a shareholder and a director of a company, leading to director assisting another business to develop the same trade mark before being removed, was sufficiently out of the ordinary to qualify as special circumstances — Evidence of steps taken by respondent to test the mark — Reasonable inference available that financial difficulties directly contributed to failure to use the mark within relevant period — Circumstances were “outside the control of the owner of the trade mark” — Factual context needed to be assessed through a lens of realism rather than according to artificial legal personality of, and roles of officers within, companies — Appeal dismissed — Trade Marks Act 2002, ss 66(1)(a), 66(1)(c), 66(1A), 66(2), 66(3), 68, 170, 173.

Intellectual property — Marks and names — Application for revocation of a trade mark — Application declined by an Assistant Commissioner of Trade Marks — Grounds — Breakdown of a personal relationship between a shareholder and a director of a company, leading to director assisting another business to develop the same trade mark before being removed, was sufficiently out of the ordinary to qualify as special circumstances — Evidence of steps taken by respondent to test the mark — Reasonable inference available that financial difficulties directly contributed to failure to use the mark within relevant period — Circumstances were “outside the control of the owner of the trade mark” — Factual context needed to be assessed through a lens of realism rather than according to artificial legal personality of, and roles of officers within, companies — Appeal dismissed — Trade Marks Act 2002, ss 66(1)(a), 66(1)(c), 66(1A), 66(2), 66(3), 68, 170, 173.

Mr and Ms Molloy (Mr M and Ms M) married in 2000. They operated a number of restaurants and bars. They intended to develop “Fokker Brothers” as a themed hospitality brand. In January 2006 they incorporated Fokker Brothers Ltd (FBL) for that purpose. In February 2006, FBL applied to register a trade mark for “Fokker Brothers”. It was registered over five classes of goods and services relating to foods and drinks, business services, transport and home delivery services, and takeaway and restaurant services.

The brand was envisaged to be used for pizza, complete with “big Fokkers”, and “little Fokkers”, “fat Fokkers” and “skinny Fokkers”. There was even to be a “Mother Fokker”, a “wee jockey Fokker” and a “‘12’ lucky Fokker”.

By 2008 the concept had evolved into a Fokker Brothers steakhouse and sports bar. Mr M would be the manager of a new company which would be run out of Parnell

premises leased by his sister, Ms Julie Christie. Mr M entered a Heads of Agreement regarding this, but it did not proceed.

In 2013 there was more planning for a Fokker Brothers business, with the development of a menu, a restaurant and bar operation, merchandising ideas and engagement of a graphic designer.

From 2014 to early 2015 gravy products and beer were sold under the Fokker Brothers brand in Harry's Place, a restaurant and bar which the Molloy's operated in Parnell, Auckland. Fokker Brothers advertisements were also run on three television screens there from February to May 2014.

In December 2014, the Molloy's' marriage ended acrimoniously. Mr M was the sole director of FBL, while Ms M continued to be the sole shareholder.

In April 2015, Ms M made handwritten notes for ideas for the further development and use of the Fokker Brothers mark. She prepared a business plan for a Fokker Brothers burger bar as part of a proposed application to a bank for finance, but it did not proceed.

From December 2014 to July 2015, Mr M attempted to persuade Ms M to sell the trade mark to his sister, Ms Christie. She refused, wanting FBL's assets, including the trade mark, to be dealt with as part of an overall settlement of their relationship property.

In July 2015, Ms Christie incorporated Fokker Brothers Inc Ltd (FBIL). She was its sole director and shareholder. FBIL applied for a Fokker Brothers trade mark, but FBL's trade mark was cited against FBIL's application thereby preventing FBIL's trade mark from being accepted and registered.

On 24 July 2015, FBIL applied for revocation of the Fokker Brothers trade mark on the ground it had not been put to genuine use. As director, Mr M did not resist the application for revocation.

On 28 August 2015, as sole shareholder of FBL, Ms M removed Mr M as the sole director of FBL and appointed herself in his place, allegedly because of his failure to protect FBL's assets properly and to act in its best interests. She also resisted FBIL's application. Lawyers' letters ensued.

In September 2015, FBIL opened a Fokker Brothers hamburger restaurant in Market Square, Auckland. Ms Christie's evidence was that Mr M helped with the interior design and menu.

FBIL later applied to revoke FBL's trade mark on the basis it had not been used for three years, under s 66 of the Trade Marks Act 2002 (the Act). On 19 February 2019, Ms Glover, an Assistant Commissioner of Trade Marks, declined the application on the basis that the non-use of the trade mark was due to special circumstances outside of FBL's control.

FBIL subsequently appealed against Assistant Commissioner Glover's decision on her finding of special circumstances.

Held, (1) the special circumstances identified by Assistant Commissioner Glover related to the relationship breakdown between the Molloy's and the actions of Mr M. It was not unusual for relationships to break down. The breakdown of a personal relationship between a shareholder and a director of a company, leading to the director assisting another business to develop the same trade mark before being removed, was sufficiently out of the ordinary to qualify as special circumstances. (para 41)

(2) The non-use of the Fokker Brothers trade mark was due to those circumstances. There was evidence of steps by FBL to test the mark at Harry's Place in 2014, when

the Molloyes were still together. There was also evidence of Ms M's intentions to use the mark within the relevant period, as well as evidence that both Ms M and FBL had financial difficulties after the relationship breakdown. With a closely held company, it was perfectly reasonable to take into account the resources of the sole shareholder in assessing the resources of the company. A reasonable inference was available that the financial difficulties directly contributed to the failure to use the mark within the relevant period. (para 42)

(3) These circumstances were "outside the control of the owner of the trade mark". FBL was not able to control the marriage breakdown, or the actions of Mr M. There was no evidence Ms M was able to control them either. In this regard also, the factual context needed to be assessed through a lens of realism rather than according to the artificial legal personality of, and roles of officers within, companies. Assistant Commissioner Glover had not erred in concluding that the non-use by FBL of the Fokker Brothers trade mark was due to special circumstances that were outside the owner's control. The appeal was dismissed. (paras 43-45)

Cases referred to

- Austin, Nichols & Co Inc v Stichting Lodestar* [2007] NZSC 103, [2008] 2 NZLR 141, (2007) 18 PRNZ 768
- Crocodile International Pte Ltd v Lacoste* [2017] NZSC 14, [2017] 1 NZLR 679, (2017) 14 TCLR 475
- Cure Kids v National Sids Council of Australia Ltd* [2014] NZHC 3366, [2015] 3 NZLR 90
- Dick Smith Investments Pty Ltd v Ramsey* [2016] FCA 939, 120 IPR 270
- Heinz Wattie's Ltd v Goodman Fielder Consumer Foods Pty Ltd* HC Auckland CIV-2007-404-6946, 10 December 2008
- La Chemise Lacoste v Crocodile Garments Ltd* HC Wellington AP32/02, 18 November 2002
- Manhaas Industries (2000) Ltd v Fresha Export Ltd* [2012] NZHC 1815, (2012) 96 IPR 560
- Tasman Insulation New Zealand Ltd v Knauf Insulation Ltd* [2014] NZHC 960, (2014) 108 IPR 162
- Wing Joo Long Ginseng Hong (Singapore) Co Pte Ltd v Qinghai Xinyuan Foreign Trade Co Ltd* [2009] SGCA 9, [2009] FSR 13
- Woolly Bull Enterprises Pty Ltd v Reynolds* [2001] FCA 261, (2001) 107 FCR 166

Appeal

This was an unsuccessful appeal against a decision of an Assistant Commissioner of Trade Marks (*Fokker Brothers Ltd v Fokker Brothers Inc Ltd* [2019] NZIPOTM 2) which declined an application for revocation of a trade mark on the basis that the non-use of the trade mark was due to special circumstances outside the control of Fokker Brothers Ltd.

M C Hayes for appellant

C L Elliott QC for respondent

Cur adv vult

PALMER J

Summary

[1] Ms Ingrid Molloy was the sole shareholder, and her husband Mr Leo Molloy the sole director, of Fokker Brothers Ltd (FBL). FBL registered a trademark over

“Fokker Brothers”. Ms and Mr Molloy separated, acrimoniously. Mr Molloy cut off Ms Molloy from involvement in aspects of their businesses. He assisted his sister, Ms Julie Christie, to set up a new business in a company called Fokker Brothers Inc Ltd (FBIL). Ms Molloy removed Mr Molloy as director of FBL and refused to allow FBL to sell the Fokker Brothers trademark to FBIL. FBIL applied to revoke FBL’s trade mark on the basis it had not been used for three years, under s 66 of the Trade Marks Act 2002 (the Act). The Assistant Commissioner of Trade Marks declined the application on the basis the non-use of the trade mark was due to special circumstances outside the control of FBL. FBIL appeals.

[2] The appeal is governed by the principles usually applicable to appeals by rehearing: I must make my own assessment of the merits. I find there was genuine use of the trade mark in the course of trade by the sale at Harry’s Place, Parnell, Auckland, from February to November 2014, of “Fokker Bros gravy” on a roast of the day and duck-fat chips. Regarding the non-use otherwise, the threshold of “special circumstances” in s 66 is not particularly high. It simply requires that there are special circumstances, the non-use of a trade mark is due to those circumstances and the circumstances are outside the control of the owner of the trade mark. I accept that the breakdown of a personal relationship between a shareholder and a director of a company, leading to the director assisting another business to develop the same trade mark before being removed, is sufficiently unusual to qualify as special circumstances. I accept the non-use was due to those circumstances, which were outside the owner’s control. I uphold the Assistant Commissioner’s decision and dismiss the appeal.

What happened?

The Molloys, FBL and the trade mark

[3] Mr and Ms Molloy married in 2000. They operated a number of restaurants and bars. They intended to develop “Fokker Brothers” as a themed hospitality brand. In January 2006 they incorporated FBL for that purpose. In February 2006, FBL applied to register a trade mark for “Fokker Brothers”. It was registered over five classes of goods and services relating to foods and drinks, business services, transport and home delivery services and takeaway and restaurant services.¹

[4] Apparently, the brand was envisaged to be used for pizza, complete with “big Fokkers”, and “little Fokkers”, “fat Fokkers” and “skinny Fokkers”. There was even to be a “Mother Fokker”, a “wee jockey Fokker” and a “12” lucky Fokker”.²

[5] By 2008 the concept had evolved into a Fokker Brothers steakhouse and sports bar. Mr Molloy would be the manager of a new company which would run out of Parnell premises leased by his sister, Ms Julie Christie.³ Mr Molloy entered a Heads of Agreement regarding this but it did not proceed.

[6] There was more planning for a Fokker Brothers business in 2013, with the development of a menu, a restaurant and bar operation, merchandising ideas and engagement of a graphic designer.⁴

[7] In 2014 to early 2015 gravy products and beer were sold under the Fokker Brothers brand in Harry’s Place, a restaurant and bar which the Molloys operated in Parnell, Auckland. Fokker Brothers advertisements were also run on three television screens there from February to May 2014.

1 Classes 29, 30, 35, 39 and 43 of the Nice Classification system.

2 *Fokker Brothers Ltd v Fokker Brothers Inc Ltd* [2019] NZIPOTM 2 at [37].

3 At [38]-[39].

4 At [94]-[96].

The Molloy, Ms Christie and FBIL

[8] The Molloy's marriage ended in December 2014. Mr Molloy was the sole director of FBL. Ms Molloy was and still is the sole shareholder.

[9] Ms Molloy made handwritten notes in April 2015 for ideas for the further development and use of the Fokker Brothers mark. She prepared a business plan for a Fokker Brothers burger bar as part of a proposed application to a bank for finance but it did not proceed.

[10] The Molloy's were also involved in Cowboys Bar in Queenstown. Ms Latu, the General Manager of Cowboys, gives evidence that Mr Molloy held meetings to discuss plans for a restaurant serving a Big Fokker steak and a Mother Fokker burger. In 2015, Mr Molloy was solely running Cowboys, and he instructed Ms Latu not to allow Ms Molloy into the bar and to trespass her if she turned up. From December 2014 to July 2015, Mr Molloy attempted to persuade Ms Molloy to sell the trade mark to his sister, Ms Christie. She refused, wanting FBL's assets, including the trade mark, to be dealt with as part of an overall settlement of their relationship property.⁵

[11] In July 2015, Ms Christie incorporated FBIL and is its sole director and shareholder. FBIL applied for a Fokker Brothers trade mark. But FBL's trade mark was cited against FBIL's application and prevents FBIL's trade mark from being accepted and registered. On 24 July 2015, FBIL applied for revocation of the Fokker Brothers trade mark on the ground it had not been put to genuine use.

[12] As director, Mr Molloy did not resist the application for revocation. But on 28 August 2015, as sole shareholder of FBL, Ms Molloy removed Mr Molloy as sole director of FBL and appointed herself in his place. Ms Molloy's evidence is that was because of his failure to properly protect the FBL's assets and act in its best interests.⁶ She did resist FBIL's application. Lawyers' letters ensued.

[13] Despite that, in September 2015, FBIL opened a Fokker Brothers hamburger restaurant in Market Square, Auckland. Ms Christie's evidence is that Mr Molloy helped with the interior design and menu.⁷

Decision by the Assistant Commissioner of Trade Marks

[14] On 19 February 2019 Jane Glover, an Assistant Commissioner of Trade Marks, declined the application to revoke FBL's trade mark.⁸ She dealt with a variety of evidential objections. She found the relevant period for the alleged non-use of the trade mark was 24 June 2012 to 24 June 2015.⁹ She considered five alleged uses of the mark in the relevant period, holding:

- (a) The preparatory steps in 2013 showed a subjective intention to use the mark but no objective commitment;¹⁰
- (b) Although the mark had been used for "beer" and "gravy" products at Harry's Place in 2014, these were not covered by the registration so FBL had not put it to use;
- (c) Ms Molloy's actions in 2015 were merely exploratory in nature;¹¹

5 Affidavit of Ms Molloy, 25 September 2015 [Ms Molloy], at [32].

6 At [34].

7 Second Statutory Declaration of Julie Christie, 22 February 2018 at [15].

8 *Fokker Brothers Ltd v Fokker Brothers Inc Ltd*, above n 2.

9 At [9] and [88].

10 At [98].

11 At [111].

- (d) Mr Molloy’s actions in 2015 were not attributable to FBL as he was working to assist his sister to open a Fokker Brothers restaurant;¹² and
- (e) There is insufficient evidence to attribute use of the mark to either Mr or Ms Molloy, on behalf of FBL.¹³

[15] However, Assistant Commissioner Glover found that the non-use of the trade mark was due to special circumstances outside the control of FBL. She held that “special circumstances” must relate to external forces, as distinct from the voluntary acts of an owner, and do not need to be trade-related.¹⁴ She found Mr Molloy’s actions were external to FBL.¹⁵ She held that “[f]rom December 2014 onwards, the company’s actions were seriously hampered by the relationship breakdown between its sole shareholder and its sole director, and the actions that Mr Molloy took after the relationship ended”, in helping a third party competitor get there first.¹⁶ She also found the ability of FBL to access funds and other resources was seriously restricted from December 2014 onwards and Mr Molloy banned Ms Molloy from contacting staff at their other ventures and those same staff from contacting her.¹⁷

Appeal

[16] FBIL appeals the finding of special circumstances. Originally, FBIL had cross-appealed the finding of non-use but it discontinued that before the hearing on 3 February 2020. During the hearing, I gave counsel leave to file further memoranda regarding whether, where only part of a judgment is under appeal, the Court is able to make a decision in respect of other aspects of it. In their further memoranda, counsel correctly agreed that the Court may decide aspects of a decision that are not the subject of appeal, under r 20.19 of the High Court Rules 2016 (the Rules) and s 173 of the Trade Marks Act 2002. They each sought leave to file further brief written submissions regarding the Assistant Commissioner’s findings on non-use of the trade mark, which I granted.

[17] I have considered the submissions. They are not directly relevant to the issue under appeal, which is whether there were special circumstances justifying non-use of the mark. But they do affect the pre-condition for that issue, which is whether there was non-use of the mark. I consider the Assistant Commissioner was wrong in one aspect of her findings of non-use. I consider there was genuine use of the mark in the course of trade by the sale at Harry’s Place, from February to November 2014, of a roast of the day and duck-fat chips, both with “Fokker Bros gravy”.¹⁸ Gravy falls within class 30 of the registration as “sauce”. To that extent, the trade mark was put to genuine use in the course of trade, for the purposes of s 66(1) of the Act.

Relevant law

Law of appeals of Trade Mark decisions

[18] Section 170 of the Act provides that a person aggrieved by a decision of the Commissioner of Trade Marks (which includes Assistant Commissioners) may appeal to the High Court. In determining an appeal, under s 173, the court may confirm, modify or reverse the decision or exercise any of the powers that could have been exercised by the Commissioner.

12 At [117]-[118].

13 At [122].

14 At [129].

15 At [133].

16 At [135].

17 At [138]-[139].

18 Ms Molloy, Exhibit I, CB 126; Affidavit of Pauline Viggo, 25 September 2015, Exhibit A, CB 190.

[19] Mr Elliott QC submits the Assistant Commissioner’s decision was an exercise of a discretion and, accordingly, should be less easily disturbed on appeal. I do not accept that. Under r 20.18 of the Rules, the appeal is by way of rehearing. The decision-making involves an evaluation of fact and law and a reasoned application of one to the other. In accordance with *Austen Nichols & Co Inc v Stitching Lodestar* which concerned appeals under the previous Trade Marks Act 1953, as Mr Hayes submits, I must come to my own view of the merits of the decision.¹⁹

Trade Marks Act 2002

[20] The Supreme Court has noted that the Act passed in 2002 replaced the Trade Marks Act 1953 “which was considered no longer fit for purpose”.²⁰ Its text is based on the Trade Marks Act 1998 (Singapore) which is based on the Trade Marks Act 1994 (UK) which was in turn based on a 1988 European Directive.²¹ I proceed on the basis of the version of the Act in force when the application for revocation was made here, on 24 July 2015.

[21] Under s 3, the purposes of the Act include:

- (a) more clearly define the scope of rights protected by registered trade marks; and
- (b) simplify procedures for registering a trade mark in order to reduce costs to applicants and to reduce business compliance costs generally;
- ...
- (e) ensure that New Zealand’s trade mark regime takes account of international developments.

[22] Part three deals with the process for obtaining registration. Section 65 provided that an aggrieved person may apply for revocation of the registration of a trade mark. Section 66 provided, relevantly:

66 Grounds for revoking registration of trade mark

- (1) The registration of a trade mark may be revoked on any of the following grounds:
 - (a) that at no time during a continuous period of 3 years or more was the trade mark put to genuine use in the course of trade in New Zealand, by the owner for the time being, in relation to goods or services in respect of which it is registered;
 - ...
 - (c) that, in consequence of acts or inactivity of the owner, the trade mark has become a common name in general public use for a product or service in respect of which it is registered;
 - ...
- (1A) For the purposes of subsection (1)(a), *continuous period* means a period that commences from a date after the actual date of registration and continues uninterrupted up to the date 1 month before the application for revocation.
- (2) However, despite subsection (1), a trade mark may not be revoked for its non-use if its non-use is due to special circumstances that are outside the control of the owner of the trade mark.
- (3) The registration of a trade mark must not be revoked on the ground in subsection (1)(a) if that use is commenced or resumed after the expiry of the 3-year period and before the application for revocation is made.

...

19 *Austin, Nichols & Co Inc v Stichting Lodestar* [2007] NZSC 103, [2008] 2 NZLR 141 at [3].

20 *Crocodile International Pte Ltd v Lacoste* [2017] NZSC 14, [2017] 1 NZLR 679 at [6], citing Ministry of Commerce papers.

21 At [6]. And see *Wing Joo Loong Ginseng Hong (Singapore) Co Pte Ltd v Qinghai Xinyuan Foreign Trade Co Ltd* [2009] SGCA 9, [2009] FSR 13.

[23] Section 67 provided that, if the owner of a trade mark intends to oppose an application for revocation, the owner must provide proof of the use of the mark if s 66(1)(a) is the basis of the application and must raise the special circumstances justifying the non-use if s 66(2) applies. Section 68 provided that revocation relates only to those goods and services for which there are grounds for revocation.

[24] In *Manhaas Industries (2000) Ltd v Fresha Export Ltd*, Collins J traces the exception through previous incarnations from s 37 of the Trade Marks Act 1905 (UK) which used the phrase “special circumstances in trade”.²² Since the 1990s, less onerous tests have been enacted in the United Kingdom, Australia and New Zealand, with New Zealand ceasing to require proof of a direct link between special circumstances and trade.²³

[25] There is little in the legislative history illuminating the policy behind the removal of trade in relation to “special circumstances” in s 66(2). But the Ministry of Commerce’s 1991 Report recommending reform of the Trade Marks Act 1953 said this:²⁴

At present non-use of a trade mark cannot be relied upon to support the removal of the trade mark if the non-use is due to special circumstances in the trade. The Ministry considers that it is appropriate to widen the scope of the defence to allow the Commissioner to take into account any special circumstances outside the control of the registered proprietor. This is in line with international trends and would also absorb the present defence relating to warfare.

Australian jurisprudence on special circumstances

[26] In Australia, the equivalent of the “special circumstances” exception in s 66(2) is s 100(3)(c) of the Trade Marks Act 1995 (Cth) which says: “because of circumstances (whether affecting traders generally or only the registered owner of the trade mark) that were an obstacle to the use of the trade mark during the period”.

[27] In *Woolly Bull Enterprises Pty Ltd v Reynolds*, a severe illness was considered not to meet this test.²⁵ Drummond J in the Federal Court of Australia set out six propositions based on the authorities considering the earlier legislative incarnations.²⁶ He accepted the wording of s 100(3)(c) was wider than before and it is not now necessary to show unusual or abnormal trading conditions or an impact on more than just the registered owner.²⁷ He considered “circumstances” do not embrace any event of any kind and must arise from or comprise “events external to the registered owner in the sense of not having been brought about by the voluntary act of the owner”.²⁸ This could include financial impecuniosity or illness and possibly a falling out between joint registered owners.²⁹

[28] But Drummond J also considered the words in parentheses were “some indication” that the required circumstances “must not only arise externally to the

22 *Manhaas Industries (2000) v Fresha Export Ltd* [2012] NZHC 1815 at [23].

23 At [27].

24 *Reform of the Trade Marks Act* (Ministry of Commerce, December 1991) at 21.

25 *Woolly Bull Enterprises Pty Ltd v Reynolds* [2001] FCA 261.

26 At [45].

27 At [46].

28 At [47].

29 At [48].

registered owner, but must also be circumstances of a trading nature”.³⁰ Relying on Parliamentary reference to art 19(1) of the international Agreement on Trade Related Aspects of Intellectual Property Rights (the TRIPS) which states:

If use is required to maintain a registration, the registration may be cancelled only after an uninterrupted period of at least 3 years of non-use, unless valid reasons based on the existence of obstacles to such use are shown by the trade mark owner. Circumstances arising independently of the will of the owner of the trade mark which constitute an obstacle to the use of the trade mark, such as import restrictions on or other government requirements for goods or services protected by the trade mark, shall be recognised as valid reasons for non-use.

[29] Accordingly, Drummond J considered:

[55] In my opinion, circumstances within s 100(3)(c) will only exist when events arise that are capable of disrupting trade in the area of commercial activity in which goods bearing the registered owner’s mark are traded. For the statutory excuse to be made out, those circumstances must cause (in a practical business sense) non-use of the particular mark by the owner, whether or not they have an impact on any persons other than the owner of that mark who are also involved in that same area of commercial activity. There must be a causal link shown between the relevant circumstances and the mark’s non-use ...

[56] Circumstances that do not have a trade character but which only affect a mark owner in his personal character, such as illness afflicting the owner of the mark that is sufficiently disabling to prevent the owner using the mark, can never therefore found an answer within s 100(3)(c) to an application for removal of the mark for non-use.

[30] In *Dick Smith Investments Pty Ltd v Ramsey*, Katzmann J in the Federal Court of Australia considered there was insufficient evidence of difficulties in obtaining access to brewer’s yeast and developing a formula similar to Vegemite to amount to an obstacle to the use of a mark.³¹ But she questioned Drummond J’s construction of s 100(3)(c), relying on art 19(1) of the TRIPS Agreement, that an obstacle has to be independent of the will of the mark owner and said:³²

Moreover, circumstances may arise which are independent of the will of the trade mark owner but are nevertheless not external. In a small business, for example, illness of the trade mark owner, the very matter found in *Woolly Bull* not to constitute an obstacle under the section, may well constitute such an obstacle.

New Zealand case law special circumstances

[31] The revocation provisions of the Act are known as the “use it or lose it” provisions.³³ In *Crocodile International Pte v Lacoste*, the Supreme Court stated that all policy indications support trade mark protection only when a trade mark is in use.³⁴ It cited three arguments for why the traditional justifications for trade mark protection do not apply where a trade mark is not used:

- (a) The mark’s effect in reducing consumer search costs falls away;
- (b) There is no reward for the creation of the mark; and
- (c) The mark may present a large barrier for new market entrants.³⁵

30 At [49].

31 *Dick Smith Investments Pty Ltd v Ramsey* [2016] FCA 939, (2016) 120 IPR 270 at [164].

32 At [175].

33 *Crocodile International Pte v Lacoste*, above n 20 at [51], citing *Tasman Insulation New Zealand Ltd v Knauf Installation Ltd* [2014] NZHC 960, (2014) 108 IPR 162 at [72].

34 At [80].

35 At [79], citing Rob Batty and Richard Watts “Aggrieved No More: Is There a Need for Standing to Remove Unused Trade Marks?” [2013] *New Zealand Law Review* 1.

[32] Similarly, the High Court has observed that the policy rationale underlying the revocation provisions of the Act is the public interest in the commercial and competitive effects of only marks that are actually being used being registered.³⁶

[33] In *Crocodile International Pte v Lacoste*, the Supreme Court of New Zealand accepted that s 66(2) has broader grounds for declining removal than its predecessor provision.³⁷ But it has not been called upon to interpret their meaning. In the High Court, in *Manhaas Industries (2000) Ltd v Fresha Export Ltd*, Collins J upheld a decision of an Assistant Commissioner relying on *Woolly Bull*, where inadequate efforts were made to use a trade mark in four months of the three-year period.³⁸ Collins J extracted three key points as still relevant from *Woolly Bull*, from the six points Drummond J identified in the previous case law:³⁹

- (1) For circumstances to be special they must be “peculiar or abnormal” and arise through “external forces as distinct from the voluntary acts of ...” the registered owner of the trade mark in question.
- (2) It is not necessary to show that the “special circumstances” made use of the trade mark impossible. It is enough to show that those circumstances made it impracticable in a business sense to use [the] trade mark.
- (3) There must be a causal link between any special circumstances and the non-use of the trade mark.

And Collins J said:⁴⁰

These authorities make it clear that the threshold that a registered owner of an unused trade mark must meet is particularly high. The phrase “special circumstances” in a statute invariably involves the need to establish rare and highly unusual factors that are beyond the control of the person who seeks to [rely] upon those special circumstances. The inquiry in this context is very fact specific.

[34] Moore J, in *Cure Kids v National Sids Council of Australia Ltd*, considered there were special circumstances in the non-use by Cure Kids of a trade mark in Red Nose Day, arising from attacks on it by Dr Jim Sprott.⁴¹ He cited the three points extracted by Collins J from *Woolly Bull*.⁴²

Was non-use due to special circumstances?

Submissions

[35] Mr Hayes, for FBIL, submits the Assistant Commissioner erred in fact and law in finding the factual circumstances of FBL’s non-use of the registration were “special circumstances” and those circumstances prevented FBL’s use. He submits:

- (a) Any special circumstances under s 66(2) must have arisen during the relevant period and circumstances arising outside that period cannot be relied upon. Special circumstances do not need to be confined to trade.
- (b) None of the circumstances identified in the decision are or could be characterised as special circumstances preventing FBL from using the registration:

³⁶ *Heinz Watties Ltd v Goodman Fielder Consumer Foods Pty Ltd* HC Auckland, CIV 2007-404-6946, 10 December 2008 at [47]; *La Chemise Lacoste v Crocodile Garments Ltd* HC Wellington, AP32/02, 18 November 2002 at [22].

³⁷ *Crocodile International Pte v Lacoste*, above n 20, at [93](a).

³⁸ *Manhaas Industries (2000) v Fresha Export Ltd* [2012] NZHC 1815.

³⁹ At [28].

⁴⁰ At [30].

⁴¹ *Cure Kids v National Sids Council of Australia Ltd* [2014] NZHC 3366.

⁴² At [136].

- (i) The roles and responsibilities of the shareholder and director of a company should not be conflated, as the Assistant Commissioner did. There is no evidence that caused non-use.
 - (ii) The marriage breakdown is expressly excluded from being special circumstances by the legal test and is not peculiar or abnormal. There is no evidence it caused FBL to fail to use the mark, which it had no developed plans to do.
 - (iii) Ms Molloy's financial status is not relevant to FBL's ability to use the mark. There is no evidence that FBL's ability to access funds from December 2014 was seriously restricted.
 - (iv) Ms Molloy's plans in 2015 were not relevant to FBL's inability to use the registration because she was a shareholder, not a director.
 - (v) There is no evidence Mr Molloy acted as a director of FBL to create special circumstances that prevented use, that FBL had developed any plans to use the registration or that Mr Molloy was an employee, contractor or director of FBIL.
- (c) Any special circumstances did not prevent use of the registration. What evidence there is demonstrates only interest in using the registration for "restaurant services" and not the other classes of goods or services. So the court should order only partial revocation at most.

[36] Mr Elliott QC, for FBL, submits:

- (a) The Assistant Commissioner found the mark had been used on some, but not all, of the goods and services. The mark was used on gravy at least.
- (b) Aspects of *Manhaas Industries (2000) Ltd* and *Woolly Bull* are questionable. Section 66(2) does not impose a "particularly high" threshold, the natural and ordinary meaning of "special" is "out of the ordinary" (rather than "peculiar or abnormal") and special circumstances need not be "external" to the owner.
- (c) In any case, the circumstances here, where a marriage breaks down and a key asset becomes a pawn in the separation, are most unusual, are "external" and meet the threshold. It is even open to infer Mr Molloy acted in an underhanded way to divert the mark to his sister, as a vindictive husband or contrary to his duties as a director. Evidence after the relevant period can be relevant to conduct within it.
- (d) There was a direct causal link between the marriage breakup, Ms Molloy's financial difficulties and FBL's inability to implement its plans for the mark. Ms Molloy had no intention to abandon the mark. Rather there is evidence she did intend to use it. There is also uncontradicted evidence of FBL's limited financial resources.
- (e) While Ms Molloy was the shareholder and Mr Molloy the director until removed, they were also husband and wife going through a breakup. The factual situation should be considered as a whole.

Was non-use due to special circumstances?

[37] I am not comfortable with the three points in *Manhaas Industries (2000) Ltd*, extracted by Collins J from *Woolly Bull*. Those points are adapted from six points in *Woolly Bull* which related to earlier versions of the Australian legislation and were based on earlier judicial interpretations of English legislation. But in *Woolly Bull*, Drummond J accepted that s 100(3)(c) was wider than its predecessor provision. Similarly, the New Zealand Supreme Court has accepted that s 66(2) is wider than its

predecessor provision. The Ministry of Commerce discussion paper indicates that was intended, at least by the executive in proposing the Bill. The plain words of the section suggest as much.

[38] It is perfectly appropriate to interpret s 66(2) with the aid of art 19(1) of the TRIPS agreement, as Drummond J did. But, as is implicit in Katzmann J's observations in *Dick Smith Investments Pty Ltd*, that agreement does not determine the meaning to be accorded to s 66(2).⁴³ That is especially so when s 66(2) was amended by the New Zealand Parliament in 2002 to omit the requirement, which predated TRIPS, that special circumstances be "in trade". Article 19 itself refers only to circumstances "arising independently of the will of the owner" and gives two examples of government restrictions. As Katzmann J points out, that is not necessarily the same as "external" events.⁴⁴ And the art 19 wording is directly reflected in the wording of s 66(2). I do not accept that Drummond J's proposition in Australian law, that only events capable of disrupting trade can constitute the exception to revocation, applies to a differently worded New Zealand provision. In coming to this conclusion, I agree with Assistant Commissioner Glover. I do not understand either counsel to disagree.

[39] Neither do I consider there is good reason to characterise the s 66(2) threshold as "particularly high" in abstract. The threshold was certainly higher than the facts in *Manhaas Industries (2000) Ltd*. But it is only as high as the plain meaning of the words "special circumstances". I accept Mr Elliott's submission that that is equivalent to "out of the ordinary", though it does not necessarily seem very different to "peculiar or abnormal" in abstract. The key point about the test of "special circumstances" is that it is very fact specific, as Collins J observed.⁴⁵

[40] As the Supreme Court noted in *Crocodile International Pte*, there are clear policy considerations underlying the Act which require use of a trade mark. But the purpose of the exception to revocation for non-use is to recognise that, sometimes, an owner cannot use the trade mark within the required three-year period due to circumstances beyond their control. The incentives otherwise created by the requirement to "use it or lose it" within three years do not operate in such circumstances. I consider the best guide to the test is the wording of s 66(2). The plain text of s 66(2) requires that, to qualify as an exception to revocation:

- (a) There must be special circumstances;
- (b) The non-use of the mark must be due to those circumstances; and
- (c) Those circumstances must be outside the control of the owner of the trade mark.

[41] Here, first, the special circumstances identified by Assistant Commissioner Glover related to the relationship breakdown between the Molloys and the actions of Mr Molloy. It is not unusual for relationships to break down, unfortunately. But I accept that the breakdown of a personal relationship between a shareholder and a director of a company, leading to the director assisting another business to develop the same trade mark before being removed, is sufficiently out of the ordinary to qualify as special circumstances.

[42] Second, I agree the non-use of the Fokker Brothers trade mark was due to those circumstances. There is evidence of steps by FBL to test the mark at Harry's Place in 2014, when the Molloys were still together. There is evidence of Ms Molloy's intentions to use the mark within the relevant period. There is evidence that both

43 *Dick Smith Investments Pty Ltd v Ramsey*, above n 31, at [175].

44 At [175].

45 *Manhaas Industries (2000) v Fresha Export Ltd*, above n 22, at [30].

Ms Molloy and FBL had financial difficulties after the relationship breakdown. With a closely held company, it is perfectly reasonable to take into account the resources of the sole shareholder in assessing the resources of the company. A reasonable inference is available that the financial difficulties directly contributed to the failure to use the mark within the relevant period.⁴⁶

[43] Third, I agree these circumstances were “outside the control of the owner of the trade mark”. FBL was not able to control the marriage breakdown or the actions of Mr Molloy. There is no evidence Ms Molloy was able to control them either. In this regard also, I accept that the factual context needs to be assessed through a lens of realism rather than according to the artificial legal personality of, and roles of officers within, companies.

[44] I do not consider Assistant Commissioner Glover erred in concluding that the non-use by FBL of the Fokker Brothers trade mark was due to special circumstances that were outside the control of the owner.

Result

[45] I dismiss the appeal. I award costs for the appeal, and reasonable disbursements, to FBL on a 2B basis.

Appeal dismissed; costs for the appeal, and reasonable disbursements, awarded to respondent on a 2B basis

Reported by P. A. Ruffell

⁴⁶ Ms Molloy at [27]; Second Affidavit of Ms Molloy, 29 January 2016, at [8](e); Third Affidavit of Ms Molloy, 1 November 2017, at [9].