Mathys & Squire

New Zealand: the trade mark basics

When first entering any overseas market, whether to sell goods or services or as a place of manufacture, one of the most important things to remember is that trade mark rights are geographical in nature. Hence, rights which you might have in one territory (such as the UK) do not necessarily provide corresponding protection in an overseas market. In view of this, we have put together some advice and top tips for those entering the New Zealand market for the first time.

The 'heads up'

1. Overseas investment consent

Governmental consent is required for certain direct and indirect investments by overseas companies and individuals. Such investments include the acquisition of business assets for value exceeding NZ$100M and the acquisition of leasehold or freehold interests in 'sensitive' New Zealand land (which includes farmland, coastal land, and land located near waterways, reserves and historic areas). Investments of this nature by New Zealand incorporated companies that are substantially (25% or more) owned or controlled by overseas interests, also require consent.

2. Registration on New Zealand's register of overseas companies

An overseas incorporated company that commences business in New Zealand must register on the New Zealand register of overseas companies within 10 working days of having done so. The definition of 'carrying on business' is very wide, and includes dealing with property in New Zealand through an agent.

3. Filing audited accounts

All overseas incorporated companies that carry out business in New Zealand and all New Zealand incorporated subsidiaries of overseas companies must register audited accounts annually. Where an overseas company does not conduct business through a New Zealand subsidiary, branch accounts must be prepared and filed for its New Zealand operations on a standalone basis. New Zealand incorporated companies in which overseas persons have a controlling interest of 25% or more, and with assets and/or turnover exceeding defined thresholds, must also file audited accounts. These accounts, once filed, are available to the public online.

4. New Zealand income tax obligations

New Zealand income tax may be payable by an overseas entity on income derived from its business activities in New Zealand, depending on the manner in which the business is conducted and whether tax relief may be available under a double tax agreement. For example, royalties paid to an overseas entity for the use of a trade mark are subject to New Zealand withholding tax, and the payer of any such royalties may be required to deduct New Zealand withholding tax from such payments at a rate of up to 15%.

5. New Zealand Goods and Services Tax ('GST') registration

GST is a tax imposed on the supply of goods and services, similar to value added tax (VAT). An overseas entity may be required to register and account for GST depending on the nature of the products or services that it supplies in New Zealand and the manner in which the supplies are made. This is regardless of whether the overseas entity is based in a jurisdiction with which New Zealand has a double tax agreement.

Some important branding considerations for overseas companies planning expansion into New Zealand

1. Registration as an overseas company does not of itself allow use of that name, nor protect it.

Registration of a company name does not give a right to trade under that name in New Zealand in the face of prior registered or unregistered trade mark rights, nor does it give a right to prevent others from using the same or a confusingly similar name. Those rights are matters for New Zealand trade mark law and trade mark applications should be filed to obtain those rights.

2. Clearing brand elements in advance for use in New Zealand

Trade mark clearance searches for relevant brand elements should be undertaken in advance of bringing a brand into New Zealand. New Zealand's common law system means unregistered trade mark rights will be relevant as well as registered trade mark rights. If a trade mark has been cleared for use, it should be registered as a trade mark to best protect it.

3. Fair Trading Act

Apart from taking care to avoid conflict with prior conflicting trade mark rights, care needs to be taken that a business' branding does not, of itself or in the way it is used, contravene the Fair Trading Act; consumer protection legislation which, at its broadest, prohibits conduct in trade that is likely to mislead or deceive.

4. Maori words and imagery

Care needs to be taken with branding that incorporates Maori words or imagery. the Trade Marks Act prohibits registration of trade marks that are likely to be offensive to Maori. Possibly more important are potentially adverse commercial consequences from using words or images that are likely to offend or would otherwise be regarded as inappropriate to Maori. These considerations apply even when the words or imagery are in fact derived from other cultures.

5. New Zealand is not the same as Australia

While New Zealand and Australia are similar culturally and share some branding laws (for example, those relating to product labelling), there are material differences in culture, language and laws that businesses ignore at their peril. New Zealand and Australia should prudently be treated as separate jurisdictions for commercial and legal purposes.