

IN THE HIGH COURT OF NEW ZEALAND
CHRISTCHURCH REGISTRY

C.P. No.514/87

BETWEEN

FREEDOM FURNITURE LIMITED
a duly incorporated
company having its
registered office at
Christchurch, carrying on
the business of Furniture
Retailers

Plaintiff

A N D

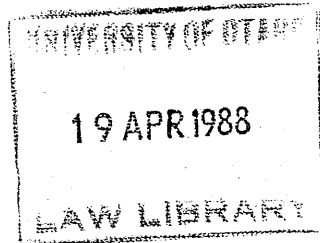
LIFESTYLE FURNITURE
LIMITED a duly
incorporated company
having its registered
office at Dunedin,
carrying on business as
Furniture Retailers

First Defendant

A N D

ANTHONY FRANCIS BOHM of
Dunedin, Director and
Manager

Second Defendant



Chambers:: 22 February 1988

Counsel: D.I. Jones for Plaintiff
O'Brien for First and Second Defendant

Judgment: 22 February 1988

ORAL JUDGMENT OF TIPPING, J.

I have heard argument this afternoon on an application for interim injunction in these proceedings.

The Plaintiff carries on the business of a furniture retailer. It operates from Christchurch but has

branches in Dunedin and in Wellington and in other places.

The Defendant and its Director and Manager, the Second Defendant, operate primarily in Dunedin in the same field of furniture retailing.

On 1 July 1987 the Plaintiff placed an advertisement in the Otago Daily Times in respect of bedroom furniture and bookcases. It described the furniture as its KORUS range.

In particular within the body of its advertisement there is a section headed "A Complete Bookcase Range". The advertisement features in descending order of size from both sides of the page a series of four bookcases. The wording of the advertisement is as follows:-

"Say goodbye to book case blues. The Korus range features a choice of 8 different bookcases.... You won't buy better than the Korus range - available at all our stores today."

The evidence satisfies me that prior to the entry of the Defendant into the picture the Plaintiff had been advertising along the lines of the advertisement to which I have referred, quite extensively. The Plaintiff company had in fact been trading since 1983 and opened its premises in Dunedin in 1985.

The events which have given rise to the present litigation commenced by the placing on 3 September 1987 of an advertisement again in the Otago Daily Times. This time the advertisement was placed by the First Defendant.

The advertisement refers to the First Defendant's KUDOS bookcase range. It sets out a series of four bookcases, followed by another series of four bookcases

immediately underneath it, each arranged in descending order from the left downwards.

It will be recalled that the Plaintiff's advertisement had the series of four bookcases coming in from both the left and the right but I do not regard this as a particularly material distinction.

The text of the advertisement, after referring to the KUDOS bookcase range, says this:-

"You will certainly say goodbye to bookcase blues at these prices. The Kudos range features a choice of 8 different bookcases - and all but the smallest size have adjustable shelves! You won't buy better than our Kudos range!"

On becoming aware of this advertisement in the Otago Daily Times the Plaintiff instructed its solicitors to write to the Manager of the First Defendant and a letter was written on 4 September 1987.

It complained of passing off in a number of particulars. The letter required the First Defendant to desist and threatened a passing off action, incorporating a claim for injunction and damages.

There was no reply, according to the evidence before me, to that letter; except perhaps one might say there was a reply in the form of a further advertisement of exactly the same kind by the First Defendant in the Otago Daily Times for 3 October 1987.

There was a further solicitor's letter from the Plaintiff's side on 14 October 1987 again requesting that the alleged passing off cease and again threatening an application for an injunction without further notice.

Again there was no reply, according to the evidence, except that this time the First Defendant responded both in the Christchurch Star and in the Christchurch Press.

The affidavit of Mr Marshall, Governing Director of the Plaintiff, deposes to these various facts. He then deposes to his belief that the Defendants, as he put it, are seeking to advertise their product in a way similar to the Plaintiff's product with a view to misrepresenting the Defendant's product as that of the Plaintiff and he deposes that the Defendants' doing so causes or is likely to cause confusion or deception in the retail furniture trade between the Plaintiff's business and that of the Defendants.

There was no affidavit filed in reply on behalf of either Defendant. A notice of opposition was filed to the following effect -

- "1. That in all the circumstances an interim injunction is not required to protect the Plaintiff's position.
2. The advertising and promotion of the First Defendant's business is of -
 - (a) an acceptable commercial standard;
 - (b) a competitive style now adopted in a number of advertisements and the Plaintiff has the opportunity to advertise to meet such competition."

There is a further element in the notice of opposition to which I will come in due course.

Based on the foregoing set of circumstances, Mr Jones for the Plaintiff submitted that there was a serious question to be tried, both in respect of the tort of passing off and in respect of a breach of the Fair Trading Act 1986.

In respect of the latter cause of action reference was made to s.9 of that Act which provides:-

"No person shall in trade engage in conduct that is misleading or deceptive or which is likely to mislead or deceive."

The Court can grant injunctions and indeed interim injunctions in this context by reason of s.41(4) of the Act. Indeed it is perhaps to be noted that the terms of s.41(4) are somewhat less onerous in respect of interim injunctions or so it might seem than under the general law.

Mr Jones referred me to a number of authorities in respect of tort of passing off and in particular to the wellknown five elements as laid down by Lord Diplock in the case of Erven Warnink BV v. J. Townend & Sons (Hull) Ltd [1979] A.C. 731.

It was submitted by Mr Jones that even if the Court were in some doubt as to the five elements there was nevertheless a serious question to be tried for a breach of s.9 of the Fair Trading Act 1986.

I am by no means doing justice to the detailed and helpful submissions presented by Mr Jones in this very brief review of his submissions.

A number of cases were referred to where analogous facts were thought to be helpful. Particular reference was made to the decision of Hardie Boys, J. in Shotover Marine Jet Boat Ltd v. Marine Enterprises Ltd [1984] 2 N.Z.L.R. 154.

In that case His Honour held it was not necessary to show that a Defendant intended to deceive nor was it necessary to show particular instances of deception or

damage, although obviously if that were done the Plaintiff's position would be strengthened.

I was also referred to the recent decision of Holland, J. in Noel Leeming Television Ltd v. Noel's Appliance Ltd 5 I.P.R. 249 at page 256. There His Honour referred to whether it was a reasonably foreseeable consequence that a mistake would be made by prospective customers. That was in the context of the question of a misrepresentation which is of course the first of the five criteria referred to by Lord Diplock.

The way the Defendant's advertisement is framed, coupled with the use of the word KUDOS leaves me in no doubt whatever that there is a serious question to be tried both in respect of a common law passing off and in respect of a breach of s.9 of the Fair Trading Act 1986.

There are, as Mr Jones submitted, four elements which go to make up the whole picture and it is that whole picture which is material.

First of all there is the name. The comparison is between KUDOS and KORUS. There are two ways of looking at a name in this context. There is the literal approach and what I might call the visual impact approach. Both must be considered.

Each word starts with the letter K and ends with the letter S. Each word contains an O and a U, admittedly transposed. The middle letter is of course different being in the one word a D and in the other an R. There are therefore distinct literal similarities.

One only has to write down or compare the two words side by side to see what a similar visual impact they have. When one looks at the style or the logo effect one sees that the letters comprising the two words are got up in a very similar fashion.

The body of the letters is in white, in each case with a thin black border and each of the two get ups has a broad black background coming approximately half way up the letters. In fact the black background seems to my eye to come up the letters to almost exactly the same point in each case.

So there are distinct similarities and a distinct capacity for misconstruction and deception from that aspect as well. Then one comes to the third aspect, the way the bookcases are depicted.

I have already indicated that in the Plaintiff's advertisement they are arranged in a slightly different way from that of the Defendant but the distinction, which basically relates to which side of the page they run from, although there, is by no means sufficient to dispel the overall similarity.

As the fourth and final element that I was referred to, one comes to the reference to the "bookcase blues" wording. That seems to me to speak for itself.

It is, without mincing words, simply stealing the Plaintiff's wording. I do not imagine that this was a coincidence and the Defendant has not chosen to go on oath to suggest that it was.

Overall the whole picture in my view smacks strongly of passing off. I am not of course trying the

ultimate action but I am mentioning these points to explain my earlier reference to the fact that the Plaintiff has in my judgment established a serious question to be tried and well and truly established that point.

The next issue is the balance of convenience and in respect of that Mr Jones mentioned, quite rightly, the point that often applies in these cases, that the Plaintiff would, so it was submitted, have considerable difficulty in establishing loss should an injunction not be granted.

I accept that submission. While it is sometimes said that an account of profits will do justice to the Plaintiff, prima facie if there has been a passing off the Plaintiff is entitled to injunctive relief and in my view this aspect favours the Plaintiff significantly on the balance of convenience argument.

Mr Jones also pointed to the fact that apart from proving financial loss there could well be matters of genuine concern to the Plaintiff such as diminution of reputation and that sort of thing.

Mr Jones also made reference to the fact that the Plaintiff trades in a number of centres whereas the Defendant only trades in Dunedin and it was suggested that the Defendant had set out on a deliberate course to try and get as close as possible to the Plaintiff's get up and had overstepped the mark and that if this calculated process, so it was submitted, had gone too far this was a matter which weighed in the Plaintiffs favour in the balance of convenience. I record the point without necessarily according it any great weight.

Finally, Mr Jones submitted that when one adopts the third test, namely to stand back and ask where the overall justice of the case lay, this too strongly favoured the Plaintiff because the Plaintiff had established a strong prima facie case; there was a clear balance of convenience in his favour and that these two points were in no way overtaken by anything that could be urged the other way.

Mr O'Brien faced in my view a formidable task in persuading the Court not to grant any interim relief in the light of the facts and the Plaintiff's submissions.

He rightly reminded me that the granting of an interim injunction was a serious matter and that such relief should not be lightly awarded. He also quite rightly reminded me that the onus of proof of the necessary elements lay with the Plaintiff and I have approached the matter on that basis.

It was submitted that the Plaintiff had not discharged the onus. Mr O'Brien called to my attention the fact that a defence had been filed and the tort of passing off and any breach of the Fair Trading Act was strongly denied.

That is noted but of course the Court has to deal with the matter on the basis of the evidence before it at the moment. The submission for the Defendants was that no serious question to be tried had been shown. As already implicit in the earlier part of this judgment, that submission is rejected.

Mr O'Brien then made the submission that the evidence stopped short of proof of any actual incident of

deception. I refer back to what Hardie Boys, J. said in the Shotover case in that connection.

I also make reference in the specific circumstances of this case to the sworn testimony of the witness Marshall, to which I have already referred, to which there is no rejoinder by the Defendant or on its behalf.

While the evidence presented so far by the Plaintiff may, and I express it no higher than that, be insufficient to satisfy this evidentiary point at full trial, it is certainly sufficient in my view to satisfy the onus for present purposes, particularly when the Defendant has chosen not to dispute it.

Mr O'Brien accepted, as he was bound in terms of the authorities to do, that it is a question of effect rather than intent. By that I mean, it is not so much the intent with which the Defendant has acted but the effect of what he has done which must be assessed.

On the premise, well founded as it is, that the Plaintiff had jumped the first hurdle of serious question to be tried, Mr O'Brien then turned to consider the balance of convenience.

He drew to my attention several matters in this respect. I mention them not necessarily in the same order as he did.

First of all it was submitted that damages would be an adequate remedy. I have already touched on this earlier. I am by no means satisfied that this is the case.

Cases of this kind are frequently very hard of proof when it comes to a Plaintiff endeavouring to assess

its loss. I am far from satisfied that the remedy of injunction should be withheld on this ground.

Mr O'Brien then drew to my attention the proposition referred to at the foot of the notice of opposition which was to the effect that an injunction should not go because the Defendants had undertaken, without prejudice to the merits of their opposition, not to further advertise under the logo KUDOS, unless the advertisement records that the KUDOS bookcase range is not to be confused with the KORUS bedroom furniture or bookcase range either as to identity or price.

Reference was made to a decision of Hillyer J. in Auckland where some similar sort of formula was adopted.

I am by no means satisfied that such a proposal as put forward by the Defendants meets the justice of the case. It would involve the Court in monitoring how the suggested disclaimer was to be worded; how prominent it would have to be; where it would have to find its place in the advertisement and matters of that kind.

I have considered this point carefully but am of the view that even after it is taken into account it does not tip the balance of convenience the Defendant's way.

Anticipating that that perhaps might be the Court's view, Mr O'Brien fell back for the Defendants on the proposition that they would be prepared to abandon the logo style, the depiction of the bookcases and the "bookcase blues" wording provided they could maintain the use of the word KUDOS.

Mr O'Brien, and I make no criticism of him for his submissions were helpful and candid, was in the circumstances not able to put before me any suggested form

of get up using the word KUDOS that might be thought to be sufficiently far removed from the offending advertisement to pass muster.

I am not at all sure that the Defendant will be able to devise an advertisement using the word KUDOS in the light of what has transpired to date which would be satisfactory for present purposes.

To some extent the Defendant is the author of its own misfortune in that it has insisted in the face of the Plaintiff's protests in reinforcing in the marketplace its association with the word KUDOS which, as I have already indicated, has such a similarity with the word KORUS particularly in the way in which it has been got up as to cause the problem which has led to this litigation.

I propose to issue an injunction as sought by the Plaintiff but I will need to have some discussion with counsel as to the precise wording.

I propose in the wording to reserve leave to the Defendants, a right which I think they have under the Rules anyway, to apply to vary the terms of the injunction if they can present to the Court an advertisement bearing the word KUDOS which is sufficiently far removed from the earlier advertisements so as not to attract the same concern as they have.

I am by no means forecasting that either I or any other Judge of this Court will necessarily approve any such tendered advertisement in the sense of varying the injunction accordingly, but I am not prepared at this stage to

rule that in no circumstances and under no style or get up can the word KUDOS be used.

The injunction will accordingly go, subject to a discussion with counsel as to the precise wording, so as until the further order of the Court to prevent the Defendants from using:-

1. The name KUDOS.
2. The present logo style.
3. The present depiction of the bookcases by which I mean their arrangement.
4. The wording "bookcase blues" or any other wording apt or calculated to cause confusion with the Plaintiff's present wording.

The injunction will, as I have indicated, reserve leave to the Defendants to apply to vary the absolute prohibition on the use of the word KUDOS, if they can devise an advertisement which is thought to be satisfactory in terms of this judgment.

I think I should say for the assistance of particularly the Defendant but the parties generally and perhaps for the assistance of the Judge who may hear any application for variation, if it be not myself, that my present view is that any use of the word KUDOS in the highlighted brand name form which has been adopted by the Defendants to date would be unlikely to be approved by way of variation of the injunction which is to issue.

It now being fairly late in the day I propose to adjourn the matter until tomorrow to enable counsel to confer on the wording, unless it is thought that we may be

able without too much delay to do it now.

Having had a further discussion with counsel I request that the parties submit a draft order for my approval, preferably bearing the endorsed consent of both counsel to the wording. If there is difficulty or disagreement then counsel can arrange to see me again.

If I receive an order approved by both counsel then, subject to being satisfied with it myself, I will approve it. Then a sealed order will issue.

Following the conclusion of the argument, Mr Jones for the Plaintiff has sought costs.

His submissions in short were that the costs should follow the event; that requests had been made to the Defendants to cease their activities and these had not been adopted and further, and I expressly record that no criticism is made of Mr O'Brien in this respect, the Defendants did not take any steps until the last minute. That latter matter I do not think really affects the issue to any great extent.

The Plaintiff was obliged to prepare for the matter in any event.

Mr O'Brien has sought on the Defendant's part to have costs reserved. I have asked him whether there is any particular matter which he wished to advance against the proposition that costs should follow the event. I have also asked him whether there is any particular matter which he is able or wishes to advance in respect of the circumstances of either of the Defendants.

Mr O'Brien, in terms of his instructions,

did not feel able to help me any further with either of those points.

In my view this was a case where the Plaintiff was fully entitled to come to the Court for the interim relief which has now been granted.

The matter has taken a full half day from the point of view of counsel and indeed counsel were obliged to be present earlier in the day when the list was called through. From the Plaintiff's point of view the case has involved a significant amount of preparation.

My only hesitation must, as it always does in cases of interim relief, reflect the fact that it is only interim relief. I have not heard the substance of the matter and it is not possible for the Court to forecast with any certainty what the ultimate outcome will be.

Bearing in mind therefore that the tests for present purposes are serious question to be tried, balance of convenience and overall justice, the Plaintiff has clearly succeeded in those respects.

In all the circumstances I hold the view that the Plaintiff is entitled to an order for costs.

Costs however must relate solely to the question of the application for interim injunction and not to the preparation of the initiating documents. By that I mean the statement of claim. Nor must any disbursements be recovered that relate to the commencement of the proceedings, only those which, if any, relate particularly to the application for interim injunction.

The order of the Court is that the Plaintiff have costs in the sum of \$750.00 plus any qualifying disbursements.

Alvin J.

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CHRISTCHURCH REGISTRY

BETWEEN FREEDOM FURNITURE LIMITED
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Plaintiff

A N D LIFESTYLE FURNITURE
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First Defendant

A N D ANTHONY FRANCIS BOHM of
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Second Defendant

ORAL JUDGMENT OF TIPPING, J.
