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IN THE HIGH COURT OF NEW ZEALAND
WELLINGTON REGISTRY

CP 73/94

342

- UNDER
1. The Customs Act 1966
 2. The Trade Marks Act 1953
 3. The Fair Trading Act 1986

- IN THE MATTER
1. Of application for review and
 2. Of proceedings for trade mark infringement and
 3. Of proceedings for passing off and
 4. Of proceedings for breach of the Fair Trading Act

BETWEEN CHARLES CHEVIGNON

Plaintiff

A N D THE ATTORNEY-GENERAL

First Defendant

A N D EROLIA NOMINEES LIMITED

Second Defendant

A N D JONATHON JAMES REX SMILLIE

Third Defendant

A N D JEREMY JOHN WILLIAM SMILLIE

Fourth Defendant

NOT
RECOMMENDED

Hearing: 25 March 1994

Counsel: G.F. Arthur with N.J. Robb for plaintiff
A. Duffy for first defendant
P.C. Dengate-Thrush for second to fourth defendants

Judgment: 25 March 1994

JUDGMENT OF DOOGUE J

The second, third and fourth defendants apply for the rescission of two ex parte orders made by the Court. The first such order in effect prevented the first defendant from releasing certain goods in the form of clothing to the second defendant. The second such order was to restrain the second, third and fourth defendants

in respect of the distribution of any such goods already received by them.

The first defendant abides by the order of the Court and has taken no part in the argument.

The plaintiff claims rights in respect of goods with the name "Charles Chevignon" or "Chevignon" under various causes of action. The second defendant has been selling clothing within New Zealand using the name "Chevignon" since 1988. The volume of goods sold under that label since 1988 has not been great, being of the order of 4,000 to 6,000 items between 1988 and 1991, and slightly greater than that in the following two years.

What is at present at issue are certain jackets with the volume in issue being of the order of 2,000 jackets. It is not known whether all these jackets are contained within one or more shipments at this time.

It was apparent from the papers which came before me at the time that I granted the ex parte orders that there was a clear dispute between the plaintiff and the first defendant as to the first defendant's entitlement to use the mark or name "Chevignon". It was also apparent that damage could be done to the plaintiff if the goods at present held by the Customs Department were immediately released to the first defendant. I made an ex parte order on strict terms to ensure that the true dispute between the parties came before the Court as quickly as possible. The ex parte order was made solely to protect the position of the plaintiff in the short term until an

interlocutory application on notice could be dealt with by the Court.

The application of the second, third and fourth defendants for the rescission of that ex parte order is made upon the basis that the second defendant, of which the third and fourth defendants are directors, will suffer exceedingly substantial damage, perhaps fatal to the second defendant's actual existence, if the order is not rescinded.

The position of the plaintiff is that it has a strong case in respect of the mark of "Chevignon" or "Charles Chevignon". There can be no question that there is a serious question to be tried between the parties.

The plaintiff further says that on the balance of convenience it should be preferred. It says that damages cannot adequately compensate it in circumstances such as the present where its claim is directed to goodwill. It refers to the decision of McGechan J in Taylor Bros v Taylor Textiles (1981) 2 TCLR 397, 411. The plaintiff says that the defendants' evidence before the Court substantiates that point when it is apparent from that evidence that some traders within New Zealand associate the name "Chevignon" only with the second defendant.

The plaintiff further says that on the evidence before the Court the second defendant simply is not in the position to meet any claim for damages, that its financial position is perilous, as is indicated by the material before the Court, and that it is a company with a capital of \$100. On the other hand, the plaintiff,

referring to the information before the Court, says that it is a substantial organisation with a clear ability to meet any claim for damages.

The second, third and fourth defendants do not dispute that the second defendant is in a perilous financial position if it does not receive the goods which it has ordered and paid for. If it does not receive them, it will not be able to on-sell them, with substantial losses resulting. It points out that, whilst the plaintiff asserts it is in a position to pay damages, there is no actual evidence before the Court as to that and that the plaintiff is a foreign entity.

It is submitted for the defendants that any damage resulting to the plaintiff from a continuation for a short period of time of the type of trading that has continued since 1988 without comment by the plaintiff cannot be substantial. It is accordingly submitted for the second, third and fourth defendants that at this time the status quo should be preserved and that the ex parte orders should be rescinded.

I should note that the plaintiff has commenced its application on notice for relief against the defendants. The defendants are happy to co-operate in appropriate timetables to have that application dealt with expeditiously.

In those overall circumstances, and having regard to the interests of justice overall, I think it appropriate that the ex parte orders made by me be rescinded subject to one qualification, which I will turn to in a moment.

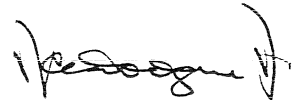
There is no doubt upon the evidence before the Court that the second defendant has been trading under the "Chevignon" name or label since 1988. There is also no doubt that the plaintiff has not challenged that prior to this year. Any damage flowing to the plaintiff from the second defendant continuing to sell goods under the same name until the plaintiff's application on notice can be dealt with will be minimal. On the other hand, the damage to the second, third and fourth defendants, if it cannot on-sell the goods imported by it, will be exceedingly detrimental, if not fatal, to the second defendant. There is no reason why in these circumstances the status quo should not be preserved until the plaintiff's application on notice can be dealt with.

It is appropriate, however, that, if the orders are rescinded, the Court ensure, to avoid further dispute, that a record be kept of the goods imported by the second defendant under the "Chevignon" label and on-sold by it to wholesalers or retailers or by direct sale. I therefore intend to rescind the ex parte orders made in respect of the defendants but to make a more limited order in relation to the second defendant which I understand is not opposed in principle by it, namely that pending the further order of the Court the second defendant should keep a record of any goods imported by it carrying the name "Chevignon" or any variation thereof and a record of all sales of goods so named, including all documents relating to consignment, invoices and statements.

Costs on this application are reserved. Counsel have been in court approximately an hour and a half.

It is appropriate that I make by consent a timetable order in respect of the plaintiff's application on notice:

1. Plaintiff to file and serve its affidavits in support on or by 8 April 1994;
2. Defendants to file and serve any affidavits in reply within 14 days of the receipt by them of the principal affidavits on behalf of the plaintiff as advised to them by the plaintiff's solicitors;
3. Any affidavits by plaintiff in reply to be filed and served within seven days of receipt of the defendants' principal affidavits as advised by the defendants' solicitors;
4. The parties to co-operate in filing a praecipe to set down at or near to the time of the filing of the last of the affidavits.



Solicitors for plaintiff
A.J. Park & Son, Wellington

Solicitors for second to fourth defendants
Baldwins, Wellington

IN THE HIGH COURT OF NEW ZEALAND
WELLINGTON REGISTRY

CP 73/94

- UNDER
1. The Customs Act 1966
 2. The Trade Marks Act
1953
 3. The Fair Trading Act
1986

IN THE MATTER

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2. Of proceedings for trade mark
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off and
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the Fair Trading Act

BETWEEN CHARLES CHEVIGNON

Plaintiff

A N D THE ATTORNEY-GENERAL

First Defendant

A N D EROLIA NOMINEES LIMITED

Second Defendant

A N D JONATHON JAMES REX
SMILLIE

Third Defendant

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SMILLIE

Fourth Defendant

JUDGMENT OF DOOGUE J

IN THE HIGH COURT OF NEW ZEALAND
WELLINGTON REGISTRY

6/1

CP.73/94

1981

UNDER The Customs Act 1966
The Trade Marks Act 1953
The Fair Trading Act 1986

IN THE MATTER OF An application for review of proceedings for trade mark
infringement, passing-off and breach of the Fair Trading Act

BETWEEN CHARLES CHEVIGNON
a French societe anonyme, of 20 rue Sambre et Meuse,
Paris 75010, France, manufacturers and merchants

Plaintiff

A N D THE ATTORNEY-GENERAL
at Wellington for and on behalf of the Minister of Customs and the
Comptroller of Customs, exercising powers under and by virtue of
the Customs Act 1966 and the Customs Department established
under that Act

First Defendant

AND EROLIA NOMINEES LIMITED
duly incorporated company having its registered office at 82 Tarawera
Terrace, St. Heliers, Auckland, New Zealand, Marketer

Second Defendant

AND JONATHON JAMES REX SMILLIE
of 70 Garden Road, Christchurch, New Zealand, Company Director

Third Defendant

AND JEREMY JOHN WILLIAM SMILLIE
of 70 Garden Road, Christchurch, New Zealand Company Director

Fourth Defendant

Counsel: G.F. Arthur for Plaintiff Applicants
P.C. Dengate Thrush and F.K. Sturrock for
Defendant Respondents

Hearing and
Judgment: 30 November 1994

ORAL JUDGMENT OF GALLEN J.

The plaintiff in these proceedings, seeks an injunction restraining the various defendants other than the first, from:-

".....promoting, selling, distributing, advertising or offering for sale clothing under or by reference to or in association with the trade mark CHEVIGNON and from otherwise passing off or attempting to pass off or causing or enabling others to pass off such clothing not marketed by or under license from the plaintiff as being clothing with which the plaintiff is connected in the course of trade."

Leaving aside the question of judicial review which related to a matter not now before the Court, the plaintiff based its proceedings on alleged infringement of a registered trade mark, passing off and breach of the Fair Trading Act.

The history of the matter is significant in determining the present application. The plaintiff is a substantial company based in France. It developed from a marketing enterprise whereby jackets of a particular type were manufactured and sold. These according to the evidence, were designed to replicate airforce jackets from the Second World War and they have been identified from the beginning under the name of Chevignon or Charles Chevignon. The jackets were directed at a particular market, that is young people and were phenomenally successful according to the evidence. The company has developed its products from that to cover a considerable range of clothing, footwear, head gear and other personal items. It has also extended its range of operation throughout a good part of the world. In New Zealand its activities have been until now, comparatively limited. The evidence is not wholly clear on the point but there is evidence to suggest that toiletries and some clothing have been available in New Zealand on a comparatively restricted basis. I think for the purposes of this application, I should approach the matter on the basis that the activities of the plaintiff are largely in contemplation in this country rather than actually established.

The second defendant operated by the third and fourth defendants, has according to the evidence, marketed in this country since 1988, jackets under the name Chevignon and it is apparent from

the material before me that the name and the representation of the name where it appears on the clothing concerned, bear a marked resemblance to that which identifies the products of the plaintiff. The plaintiff became aware of the fact that the second and other defendants were operating in this way and either because it became aware of that or at about that time, it obtained registration in New Zealand under the Trade Marks Act 1953 of its name as a registered trade mark. That occurred in 1991, that is some years after the defendants had commenced operating in the way already described. After the dispute between the parties had arisen, the defendants other than the first defendant, also made application to register the name as a trade mark under the Act and a considerable dispute in fact and in law now exists between the parties as to the right to register the validity of the registrations which have been obtained and the effect of those registrations.

The plaintiff became aware that the defendants and in each case when I use this term it excludes the first defendant for a reason which I shall come to in a moment, was about to import a substantial quantity of jackets and that these had in fact been landed in New Zealand. It accordingly approached the Customs Office and managed to persuade the Customs authorities to impound the jackets concerned under the provisions of the Customs Act on the basis that their importation involved an infringement of the plaintiff's registered trade mark. There was a considerable amount of correspondence and activity with regard to this aspect of the matter and it was because the Customs Department was involved that the Attorney-General was brought in as a party. Subsequently it became clear that the Customs Department as a result of becoming acquainted of the disputes between the parties, decided to release the goods concerned and the first cause of action contained in these proceedings related to a review of the decision of the Minister, designed to release the articles concerned.

The Attorney-General has been represented in these proceedings but indicated that the Department and the Minister abided the decision of the Court and apart from reserving a right of appearance if this should become necessary, has taken no further part in the proceedings.

When the plaintiff became aware that the jackets were to be released, an application was made *ex parte* for an injunction to prevent the defendants from selling the jackets or dealing with them in any manner. On the basis of the information placed before him and bearing in mind the urgency which the documents indicated, Doogue J. granted an injunction *ex parte* but did so on the basis that there was an obligation for the matter to be brought forward for argument at the first available opportunity. The defendants have in their statement of defence, denied the allegations upon which the plaintiff's claims are based and have in their turn, initiated a counter-claim against the plaintiff alleging various infringements in a mirror way, of the allegations made by the plaintiff.

The defendants also sought to have the *ex parte* injunction set aside. That matter was argued before Doogue J. who gave a judgment on 25 March 1994, rescinding the injunction which had previously been granted *ex parte* and giving his reasons for so doing. The Judge imposed certain conditions and it is apparent from his decision and in context, that he contemplated the substantive disputes between the parties would be resolved at a relatively early stage. Unfortunately for reasons which counsel has explained and which do not reflect on the parties, it proved impossible to obtain an early hearing and the matter has now come before me again on an interlocutory basis, the plaintiff seeking an injunction effectively restoring that which was originally granted by Doogue J.. It is against that background that it is necessary to consider whether or not it is appropriate to grant the injunction as the plaintiff seeks.

I should say at this point that I have been greatly assisted by counsel whose arguments were clear, concise and helpful. Counsel agreed that there was a serious question to be tried and it was clearly right that they should so agree because in the circumstances of this case, until the factual aspects have been resolved, it is I think beyond doubt that questions exist of a significant nature between the parties. For that reason although it had originally been intended to argue that aspect, counsel confined their submissions to the balance of convenience. That was an appropriate way of dealing with the matter and has enabled it to be dealt with much more expeditiously.

The plaintiff bases its claim on a number of separate contentions. First it says that the whole matter must be looked at in the light of the fact that the plaintiff is well able to pay damages. This is not contested by the defendants and it is apparent from the material before the Court that the plaintiff is a substantial company with a large income and possessed of a very considerable quantity of assets. The plaintiff contends that it is the wish of the plaintiff to extend the business which it has already commenced in New Zealand, that it intends to establish a full manufacturing business in Australia and that it intends to licence the sale of its products in Australia and New Zealand in a substantial way.

It is against those two contentions that the formal arguments fall to be considered. The plaintiff contends that the continued use by the defendants of what is an identifiable trade mark of the plaintiff, identified throughout a good part of the world and the subject of a substantial amount of advertising, seriously undermines the existing and intended business of the plaintiff. In making that submission, the plaintiff contends that there are three aspects of the defendants' activities which have a bearing on its operation and its intention. It says first that to the extent that the defendants establish a market in the same or similar products under the same name, the defendants are diverting the trade which the plaintiff can reasonably expect to achieve. The defendants' answer to that is to point to the fact that it has been operating since 1988, that this can only be determined when the factual aspects of the dispute are resolved and that it is equally open to the defendants to contend that the plaintiff will be diverting trade which is at present the property of the defendants. This is probably not an aspect which can be regarded as decisive either way.

The plaintiff contends too that it is likely that there will be damage to its reputation and the reputation of its product. It makes this comment in the light of an allegation that if the defendants sell products which are seen as being inferior either in terms of their construction or quality, or perhaps more significantly, in terms of their style in what is a particularly fashion conscious business, then the plaintiff may be irreparably damaged by the time it ultimately obtains a judgment in its favour if it does so. The problem with that submission is that there is no

evidence before me to suggest that the product which the defendants market is inferior, either in terms of its quality or its design or indeed in terms of the fashion market which it is designed to meet. It may be that when the proceedings are ultimately heard, it will be possible for the plaintiff to produce evidence which leads to any or all of those conclusions, but at the moment that is not something which I can resolve on the material which is before me. There is also (and I mention this in passing) no evidence to suggest that the method of operation of the defendants either in terms of service or its relationship to its purchasers is such as to reflect upon the plaintiff.

Mr Arthur put more emphasis on a third aspect which he says went to undermining the position of the plaintiff. That was the allegation that there would be inundation of the market in the way in which that term was used in the *Taylor Bros Limited v. Taylor Group Limited* [1988] 2 NZLR 1, 33 at 39. He indicated that if the defendants succeeded in being identified with the particular kind of product and did so to a sufficient extent, then it would be difficult for the plaintiff moving into the market to achieve what it ought to be able to achieve bearing in mind the rights which it claims to have obtained as a result of registration and the allegations which relate particularly to passing-off.

The evidence indicates that the defendants operate in only a comparatively small way. In the absence of material to suggest that there is anything unsatisfactory about the mode of operation or the product, I do not think that the point made by Mr Arthur is sufficiently strong to justify the issue of an injunction on its own, although of course it needs to be considered in relation to the other matters to which it is necessary to refer.

Mr Arthur submits that it would be exceedingly difficult to quantify damage in this case and points to the fact that it has been recognised in a number of the authorities, that misuse of a trade mark gives rise to problems in determining damages because of the difficulty in establishing loss and causation of that loss. It is true that this has in a number of the authorities, been a significant reason why injunctive relief was granted in order to preserve the status quo, but it is not of itself enough either. In this case, quantifying damage in terms of actual sales

will not be difficult because not only is it known what items are sold, but one of the conditions imposed by Doogue J. was that records should be kept by the defendants of all sales which were made and I am informed that those records are kept and are available. Mr Arthur's point of course is that the loss goes into fields other than the direct sums lost in respect of the sale of individual articles and I acknowledge that that is true, but at this stage it seems to me that the plaintiff is not really in a position to have the Court assume on the material before it, that there will necessarily be losses of the kind referred to, particularly bearing in mind the absence of evidence as I have already said in connection with the earlier ground of claim; to show that there is likely to be any effect of the undermining kind upon which Mr Arthur relied.

Of much more significance, is the contention that the defendants would be unable to pay damages even if these could be assessed. I note the material contained on the file which suggests strongly that the financial position of the defendants is not good. A company previously associated with the sale of these products in New Zealand has gone into receivership. One of the named defendants is said to have been adjudicated bankrupt and the whole thrust of the submissions before Doogue J. to have the *ex parte* injunction rescinded, was based on an allegation that the financial situation of the defendants would be irretrievably affected if the defendants were not able to proceed with the sale of the particular consignment then under consideration.

I am concerned over this aspect of the matter because I agree with Mr Arthur that the financial positions of the two parties are not comparable and that there are risks on the information before the court which has not been updated by the defendants, to suggest that any ultimate victory on the part of the plaintiff may be a pyrrhic one. Nevertheless that too is only one of the factors to be taken into account.

Mr Arthur submits that the defendants could carry on precisely the same business using some other mark and that under those circumstances there is no real reason why the defendants should not continue trading without any real loss at this stage. That is a matter which must have been before Doogue J. since precisely the same

argument could have been and I have little doubt, was raised when the Judge was asked to rescind the earlier injunction.

The defendants place an emphasis on the fact that they have been dealing in products identified in this way for some 6 years since November 1988 and that they have therefore established a prior right to consideration within this country. Mr Dengate Thrush drew attention to those authorities which indicate that in the case of trade marks, even although it may be proved that a person has taken advantage of someone else's established market and deliberately done so, if that person did not have the advantage of registered protection within New Zealand, then there is no protection, otherwise of course there would be little point in registration. Accordingly although it seems clear that on the material before me and this is not denied, the defendants have taken advantage of the reputation built up overseas by the plaintiff, this is not of itself grounds for interfering with the extent to which the defendants have established a market in this country, leaving aside any questions of passing-off. It is on the evidence, impossible for me to determine the matter on a basis of passing-off and counsel did not seek to rely upon this ground although I am conscious it is in the background of the submissions which have been made and in the end of course it may be decisive. At the moment it is only something which can be noted in passing.

The defendants maintain that there is not likely to be any real loss to the plaintiff and place an emphasis upon the fact that records are being kept of sales. The defendants also maintain that the extent of operation is not so large that it need necessarily have any bearing on the plaintiff's ultimate recovery and suggests that only perhaps one shipment could be under consideration, bearing in mind the fact that this particular fashion garment has a sale during only a very limited period of the year. I do not find this a particularly strong argument and in any event there is no evidence to support it directly before me.

The defendants rely upon an alleged delay on the part of the plaintiff and say that the proceedings were not issued until a comparatively late stage, the plaintiff having sought to achieve its purpose through the manipulation of the Customs Department. The

defendants say too that there has been a lack of urgency since the injunction was discharged by Doogue J. and that it is appropriate to bear in mind the amount of time which has been taken here, no substantive fixture having yet been sought and the delay between the original recission and the application for a reinstatement effectively of the injunction. I think delay does play some part in this case, but hasten to add that I accept the explanation given by Mr Arthur as to why the matter has not proceeded to a substantive hearing as contemplated by Doogue J..

There are three matters which in the end I think have to be regarded as decisive in determining the present questions at issue. The first is that the defendants with whatever motivation, were first in the field and first in the field by a period of years. Until the factual questions which are in dispute with regard to the trade mark aspects of the case and those questions which relate to passing-off have been determined, I think that the defendants are entitled to the benefit of the fact that they have been so established.

The second reason which I think is important is that this matter has already to some extent been determined by Doogue J.. I appreciate that there are two reasons for distinguishing the situation with which he had to deal. There was a considerable emphasis when the matter was dealt with by him on the fact that the defendants had paid for a substantial number of jackets which had been landed in New Zealand which it could not dispose of. There was evidence before the Judge from the defendants to the effect that this placed the defendants in a very serious financial difficulty and it is clear that the Judge took that into account in coming to the conclusion which he did. Mr Arthur submits therefore that the situation now being different in that that particular consignment has been disposed of and there is no evidence to indicate that a new one has resulted in financial commitment, or indeed any updating financial evidence, that the decision of Doogue J. can be regarded as confined to the specific factual situation before him, coloured as it was by the financial consideration.

I think that is an argument of some strength, but to some extent it loses its force because the judgment of Doogue J. is worded in

such a way as to make it clear that the Judge contemplated that there would be future sales, as distinct from those relating to the consignment which was discussed in front of him. The Judge specifically refers to the defendants keeping a record of any goods imported, which could only in the circumstances apply to future importation and I think it follows that the Judge had in mind that it was inappropriate that there should be an injunction in force which prevented future activities of the defendants with regard to the particular designated equipment and name.

Mr Arthur says that there is a second reason and that is that there is now additional material before the Court which was not before Doogue J.. That is true because in fact there are two substantial affidavits which have now been filed and which I have of course read and which were not before the Judge when he arrived at the conclusion which he did, but on consideration those affidavits do not seriously change the position from a legal point of view as it was presented to the Judge. They strengthen the case of the plaintiff and to the extent that they have not been answered, they make the factual position of the plaintiff of greater significance, but they are still not decisive. The factual situation remains much as it was before Doogue J.. In the result, it seems to me that the decision of Doogue J. was such that if I were now to re-impose the injunction which he discharged, I should be coming to a different conclusion on material which did not differ sufficiently from that before him, to justify for those reasons alone, coming to such a different conclusion. I accept that it would be open to me to disagree with the decision of Doogue J., but it would clearly be undesirable to do so unless I felt strongly that on the argument before me, I ought to come to such a conclusion and since on the whole I find the material comparatively finely balanced, I should be reluctant to do that.

In the end because there is already a decision which is to some extent significant in deciding this application, but perhaps most importantly because of the priority in time which the defendants enjoy, it seems to me that the plaintiff ought not to achieve the injunctive relief which it seeks.

In coming to that conclusion, I have given anxious consideration to what I see as the strongest argument in favour of the

plaintiff and that is the financial weakness of the defendants and the possibility that ultimately if the plaintiff succeeds, its success may be illusory. That is to some extent offset by the fact that these matters could and should be dealt with reasonably quickly and I think any losses could be minimised by the matter being resolved at a comparatively early date. Because of the nature of the transactions under consideration, that is a one-off sale once a year of a particular consignment, I should have thought that the actual losses however they are considered in terms either of a loss in respect of sales or of an undermining of the plaintiff's ultimate position, need not necessarily be so significant as to outweigh the undesirability of using what ought to be a comparatively exceptional remedy at this stage.

I do not overlook in terms of time, the submissions made properly by Mr Arthur that getting these proceedings to a substantive hearing will be comparatively time consuming. Mr Arthur refers to the difficulties which will arise on discovery and that this matter, taking into account as it must activities of a worldwide nature, will involve inevitably further delays. That clearly is so. Nevertheless I should have thought that those delays need not be excessive and I do not think it is proper to leave out of consideration the fact that the argument between the parties has now been in place for something over a year in any event. I also repeat the comment I have already made, that the actual transaction is something of a one-off one in each year and not one which develops on a continuing day by day basis.

For all those reasons therefore, I propose to decline the application, but in the ultimate, the outcome of the factual disputes between the parties ought to determine questions of costs and accordingly all questions of costs will be reserved.

Solicitors for Applicant

Plaintiffs:

Messrs A.J. Park and Son, Wellington

Solicitors for Defendant

Respondents:

Messrs Baldwins, Wellington
