

## Apple Computer Inc v Apple Corps SA

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High Court (Commercial List) Auckland  
 18 December 1989; 19 February 1990  
 Henry J

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*Practice and procedure—Stay of proceedings—Foreign jurisdiction clause in contract—Plaintiff issued proceeding for removal of defendant's trade marks from register—Defendant, which had commenced an action in England, sought stay of proceeding on grounds that earlier agreement between parties barred such a proceeding and provided that issues arising out of the agreement should be determined by the English High Court—Plaintiff argued that the agreement was unenforceable in New Zealand—Whether there was a duplication of proceedings—Whether there were strong reasons for not leaving the issues to the English Court—Whether stay should be granted—High Court Rules, R 477.*

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The defendant, Apple Corps SA, had registered certain trade marks in New Zealand under the Trade Marks Act 1953. The plaintiff commenced proceedings on 11 August 1989 to remove the marks from the register. The defendant pleaded inter alia that the claim for removal was in breach of an agreement between the plaintiff and defendant dated 24 November 1981. Clause 3.2 of the agreement provided that the plaintiff would not lodge opposition to or apply to cancel any of the defendant's registrations, and the defendant pleaded cl 3.2 as an absolute bar to the claim to remove the marks from the register. Clause 19 of the agreement provided that the construction, validity and performance of the agreement should be governed in all respects by English law and the parties agreed to submit to the sole jurisdiction of the English High Court. Proceedings had been commenced by the defendant and its parent company in the Chancery Division of the High Court of Justice in England against the plaintiff and associated companies alleging breaches of the 1981 agreement and seeking an injunction restraining the plaintiff world wide from breaking the 1981 agreement, the substantive hearing being scheduled for October 1990. The defendant sought a stay of proceedings pending the hearing of the English action. The plaintiff opposed the stay arguing that cl 3.2 was void and unenforceable in New Zealand as being contrary to public policy and that it contravened s 27 of the Commerce Act 1986.

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**Held:** 1 The Court will enforce an agreement to submit disputes to a foreign Court unless there is a strong reason to the contrary. In respect of the issue of the alleged unenforceability of cl 3.2 under New Zealand law, there were strong reasons to the contrary because: (i) important questions of New Zealand law arose in respect of the pleas of public policy contravention and unenforceability under the Commerce Act 1986; (ii) the public policy and Commerce Act issues required evidence and the determination of the relevant factual background which were available only in New Zealand; (iii) there was no multiplicity of proceedings as such; and (iv) the outcome of the English action would not necessarily be determinative of the New Zealand proceeding. Those matters did not apply to the issue of validity under English law, and there was no good reason why the parties should not be bound by cl 19 of the agreement to submit to the jurisdiction of the High Court in England, but a stay of the New Zealand proceeding was

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not at this stage appropriate (see p 601 line 17, p 602 line 41). The application for stay was dismissed.

*The Eleftheria* [1970] P 94; [1969] 2 All ER 641 applied.

5       2 The just way of ensuring that the matters really in issue between the parties before the High Court of New Zealand were litigated expeditiously to finality was to order that two questions be decided before trial, namely: (i) whether cl 3.2 of the 1981 agreement was void and unenforceable in New Zealand as being contrary to public policy; and (ii) whether cl 3.2 of the 1981 agreement was a provision to which s 27(4) of the Commerce Act applied and was therefore unenforceable  
10 in New Zealand (see p 602 line 48). Order accordingly.

#### Interim application

This was an application by the defendant for a stay of proceeding.

15       *J G Miles and C L Elliott* for the defendant (Apple Corps SA) in support.  
*A H Brown and Sandra Grimshaw* for the plaintiff (Apple Computer Inc) to oppose.

*Cur adv vult*

20       **HENRY J.** This is an application by the defendant for a stay of proceeding under R 477 of the High Court Rules or alternatively under the Court's inherent jurisdiction. The proceeding was commenced on 11 August 1989 and by its amended statement of claim the plaintiff seeks an order under the Trade Marks Act 1953  
25 removing certain registered trade marks of the defendant from the register of trade marks. The broad grounds alleged are that a period exceeding five years has elapsed since the marks were used, and that registration was effected without any bona fide intention for use. The allegations are denied, and in addition the defendant alleges inter alia that the claim by the plaintiff to seek removal is in breach of  
30 an express term of an agreement between the parties bearing date 24 November 1981, which agreement is also expressed as conferring sole jurisdiction on "the English High Court".

The defendant (Apple Corps) is a wholly owned subsidiary of Apple Corps Ltd the shareholders of which are the members (or personal representatives) of the performing group known as the Beatles. Included in the worldwide registration  
35 of trade marks effected by Apple SA and its parent company was the name "Apple" and logos of a whole green apple and a half apple. The trade marks were and are used in recordings of popular music. The plaintiff (Apple Computer) is a Californian company which manufactures and sells computers and related products, and in 1980 it came to the notice of Apple Corps that Apple Computer was using  
40 an apple mark and a logo which included a picture of an apple. Negotiations on trade mark matters ensued between the parties and resulted in an agreement being executed under date 24 November 1981. The agreement contained detailed provisions as to the respective worldwide rights and obligations of the parties concerning what could be described generally as the apple trade mark. In about  
45 February 1987 further disputes appear to have arisen, more negotiations were undertaken without finality being reached, and on 17 February 1989 Apple Corps and its parent company instituted proceedings in the Chancery Division of the High Court of Justice, England, against Apple Computers and associated  
50 companies. In that proceeding Apple Corps (one of the plaintiffs) alleges breaches of the 1981 agreement and seeks inter alia an injunction restraining Apple Computer throughout the world from breaching the terms of the 1981 agreement. Defences have been filed by all defendants alleging inter alia that the 1987 agreement is void and unenforceable under English law and also under the law of overseas territories including New Zealand. An interim injunction, initially sought ex parte but now on notice seeking inter alia to restrain Apple Computer from taking steps to cancel any trade mark registered by Apple Corps is to be heard in the early part of 1990.

In addition to the English action the parties are concerned in a number of proceedings issued by Apple Computer or its associated companies in other jurisdictions in form similar to this action.

One of the key issues in all proceedings is cl 3.2 of the 1981 agreement which is expressed in these terms:

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“3.2 After the date of this agreement Computer shall not lodge opposition to nor apply to cancel any of the Apple registrations in respect of the Apple goods and services.”

“Computer” refers to Apple Corporation, and “Apple” to Apple Corps. That provision is pleaded by Apple Corps in this proceeding as a positive defence and bar to the claims for cancellation. Of critical importance to the application for stay is cl 19 which states:

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“The construction validity and performance of this agreement shall be governed in all respects by English Law and the parties thereto shall submit to the sole jurisdiction of the English High Court.”

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As I understood him, the thrust of Mr Miles’ submissions was that the provisions of cl 19 coupled with the existence of the English action now scheduled for a substantive hearing in October 1990, justify a stay pending determination of the English action and that such a course would be in accord with established principle. It is important I think first to analyse the nature of the action and the primary issues which are relevant for present purposes. The action is for removal of certain specified trade marks of which Apple Corps is the registered proprietor, the basis relied upon being the provisions of the Trade Marks Act 1953. Sections 35 and 41 of that Act are relied upon, both of which invest this Court (and in some circumstances, at the option of the applicant, the Commissioner of Trade Marks) with jurisdiction to remove the trade marks from the register. It is clear that no foreign Court can grant the relief sought by Apple Computer, so to that extent there is no duplication arising from the prior existence of proceedings in England. Apple Computer cannot obtain the relief now sought outside this Court’s jurisdiction, and more particularly it is not available in the English action now awaiting hearing. The positive defence pleaded by Apple SA invoking cl 3.2 of the 1981 agreement would not in itself affect the jurisdiction of the New Zealand Court, but as its invocation is said to be a matter of “construction, validity or performance” of the agreement, the parties’ further agreement to submit to the sole jurisdiction of the English High Court must be considered. The validity and enforceability of cl 3.2 is in issue under both English law (the accepted proper law of the agreement) and New Zealand law, those pleas being raised expressly by Apple Computer in its statement of defence to the counterclaim. Those identical issues are also raised in the English action and, if cl 19 is to be given effect, the English High Court has been vested by the parties with sole jurisdiction to determine them.

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There is however an additional factor which I think is critical in the present case. As I have already stated the New Zealand Court is the only Court vested with jurisdiction to make the orders sought by Apple Computer. Clause 3.2 of the 1981 agreement prima facie is a bar to the Court exercising that jurisdiction. Whether the Court would nevertheless make the orders on the ground that the clause was contrary to New Zealand law and therefore not able to be invoked by Apple Corps must remain an issue for determination by the New Zealand Court. Whatever any foreign Court may decide is New Zealand law (for it is a question of fact) cannot bind this Court which must in the end make that determination for itself. Assuming, for the purposes of argument, that the English Court determined that the provisions of cl 3.2 did not infringe New Zealand law, if it chose to do so Apple Computer could still pursue its present action here and invite the New Zealand Court to refuse to enforce the clause which the Court would in all probability do if it determined enforcement was contrary to New Zealand law.

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(*Dicey and Morris on The Conflict of Laws* (11th ed, 1987) Rule 34, p 402). In principle this Court would not enforce a contractual provision which was void and unenforceable under New Zealand law, neither do I think would it refuse to entertain a plea to that effect on the ground that a foreign Court had previously  
 5 determined in favour of the provision. I doubt whether pleas of *res judicata* or *estoppel* would prevail, it being established law that the validity or invalidity of a contract is to be determined in accordance with the *lex fori*. “The English courts have given effect to this principle . . . by refusing to enforce contracts which are opposed to the general policy of, or to the morality upheld by, English law.” (*Dicey and Morris*, at p 1226). That underlying principle is also seen in Exception 1 to  
 10 Rule 184 in *Dicey and Morris* that the essential validity of a contract is governed by the proper law of the contract. The exception is stated, at p 184, as being:

15 “Exception 1. A contract (whether lawful by its proper law or not) is, in general, invalid in so far as the performance of it is unlawful by the law of the country where the contract is to be performed (*lex loci solutionis*).”

In my judgment those principles can be applied to the present case. The invalidity or unenforceability of cl 3.2 under New Zealand law is alleged as arising from it being contrary to public policy and also as being governed by s 27(4) of  
 20 the Commerce Act 1986 which provides:

“(4) No provision of a contract, whether made before or after the commencement of this Act, that has the purpose, or has or is likely to have the effect, of substantially lessening competition in a market is enforceable.”

25 Both issues I think must ultimately be determined by this Court if cl 3.2 is proffered as a bar to the relief sought in the statement of claim. This conclusion I think is in accord with established principle as relied upon by Mr Miles, which is that where there is a foreign jurisdiction clause the Courts will enforce the agreement unless there is a strong reason to the contrary. The summation of Brandon J in  
 30 *The Eleftheria* [1970] P 94, 99 is pertinent:

“The principles established by the authorities can, I think, be summarised as follows: (1) Where plaintiffs sue in England in breach of an agreement to refer disputes to a foreign court, and the defendants apply for a stay, the  
 35 English court, assuming the claim to be otherwise within its jurisdiction, is not bound to grant a stay but has a discretion whether to do so or not. (2) The discretion should be exercised by granting a stay unless strong cause for not doing so is shown. (3) The burden of proving such strong cause is on the plaintiffs. (4) In exercising its discretion the court should take into account all the circumstances of the particular case. (5) In particular, but without  
 40 prejudice to (4), the following matters, where they arise, may properly be regarded: – (a) In what country the evidence on the issues of fact is situated, or more readily available, and the effect of that on the relative convenience and expense of trial as between the English and foreign courts. (b) Whether the law of the foreign court applies and, if so, whether it differs from English  
 45 law in any material respects. (c) With what country either party is connected, and how closely. (d) Whether the defendants genuinely desire trial in the foreign country, or are only seeking procedural advantages. (e) Whether the plaintiffs would be prejudiced by having to sue in the foreign court because they would: (i) be deprived of security for their claim; (ii) be unable to enforce  
 50 any judgment obtained; (iii) be faced with a time-bar not applicable in England; or (iv) for political, racial, religious or other reasons be unlikely to get a fair trial.”

There is here, in my judgment, “strong reason to the contrary”.

I see the following factors as of importance in the present case:

1. Important questions of New Zealand law arise in respect of the pleas of public policy contravention and unenforceability under the Commerce Act 1986. Brandon J in *The Eleftheria* dealt with this aspect and said, at p 105:

“I recognise that an English court can, and often does, decide questions of foreign law on the basis of expert evidence from foreign lawyers. Nor do I regard such legal concepts as contractual good faith and morality as being so strange as to be beyond the capacity of an English court to grasp and apply. It seems to be clear, however, that in general, and other things being equal, it is more satisfactory for the law of a foreign country to be decided by the courts of that country. . . .”

“Apart from the general advantage which a foreign court has in determining and applying its own law, there is a significant difference in the position with regard to appeal. A question of foreign law decided by a court of the foreign country concerned is appealable as such to the appropriate appellate court of that country. But a question of foreign law decided by an English court on expert evidence is treated as a question of fact for the purposes of appeal, with the limitations in the scope of an appeal inherent in that categorisation. This consideration seems to me to afford an added reason for saying that, in general and other things being equal, it is more satisfactory for the law of a foreign country to be decided by the courts of that country. Moreover, by more satisfactory I mean more satisfactory from the point of view of ensuring that justice is done.”

2. The Commerce Act issue and probably the public policy issue will require evidence and the determination of the relevant factual background all of which is available only in New Zealand. It is not clear how the English Court will embark on the necessary fact-finding exercise if it undertakes determination of those issues, and that Court may perhaps see some advantages in having available a decision of the New Zealand Court on them.

3. There is not a multiplicity of suits as such—the only duplication is in respect of the issue of enforceability within New Zealand law. I can see no undesirable consequence even should the English Court decide to determine that issue itself as a question of fact.

4. The outcome of the English action will not necessarily be determinative of the New Zealand action, and a resolution of the issues of New Zealand law may well require determination here in any event.

Down to this point I have considered only the implications relating to the alleged unenforceability of cl 3.2 of the 1981 agreement under New Zealand law. The matters I have traversed do not apply to the issue of validity under English law, the proper law of the contract. In that regard I can see no good reason why the parties should not be bound by their agreement evidenced by cl 19 to have that issue determined by the English Court, which under all considerations is the appropriate forum.

I have given some thought as to whether there should be a partial stay or a stay on terms of this proceeding, but have concluded that such a course would not be appropriate. In my view the just way of ensuring the matters really in issue as between these parties as concern this Court are expeditiously litigated to finality is to utilise RR 418 and 446J(p) of the High Court Rules and to order, as I now do, that the following questions be decided before the further trial of this proceeding:

- (a) Whether cl 3.2 of the 1981 agreement is void and unenforceable in New Zealand as being contrary to public policy?
- (b) Whether cl 3.2 of the 1981 agreement is a provision to which s 27(4) of the Commerce Act 1986 applies and is therefore unenforceable in New Zealand?

There will be a further directions hearing on a date to be allocated by the Commercial List Registrar, to make such further orders as are necessary to accomplish the determination of those issues. At that hearing counsel can address the question whether any directions should be given in relation to the remaining  
5 issues or whether those steps can more conveniently await further developments.

The application for stay (the alternative for dismissal not being pursued at the hearing) is dismissed. Costs are reserved.

*Application for stay dismissed. Order for determination of questions before  
10 trial.*

Solicitors for the plaintiff: *Russell McVeagh McKenzie Bartleet & Co*  
(Auckland).

Solicitors for the defendant: *Dengate Thrush* (Auckland).

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*Reported by: J C D Corry, Barrister*