

281

IN THE HIGH COURT OF NEW ZEALAND
AUCKLAND REGISTRY
COMMERCIAL LIST

CL.39/02

03/714

BETWEEN CADBURY LIMITED

First Plaintiff

AND CADBURY CONFECTIONERY LIMITED

Second Plaintiff

AND EFFEM FOODS LIMITED

Defendant

Hearing: 9 May 2003

Counsel: JG Miles QC and DA Laurenson for Plaintiffs
 CL Elliott for Defendant

Judgment: 20 May 2003

JUDGMENT OF RODNEY HANSEN J

Solicitors: Baldwin Shelston Waters, P O Box 5999, Auckland for Plaintiffs
Henry Hughes & Co, P O Box 356, Wellington for Defendant

[1] The defendant applies for the removal of this proceeding from the Commercial List. At the hearing I advised counsel of my decision to decline the application. I now set out my reasons.

Background

[2] I set out the background to the plaintiff's claim in a judgment I delivered on 5 May 2003 concerning the defendant's application for further particulars of the plaintiff's claim. For convenience, I will repeat what I said in that judgment.

[3] Both plaintiffs (Cadbury) are wholly owned subsidiaries of Cadbury Schweppes Plc. The first plaintiff is incorporated in England and is the registered proprietor and licensor of various trademarks around the world, including the trademark Cadbury and for the colour purple. The second plaintiff is incorporated in New Zealand and is licensed to use the trademarks in New Zealand, including the colour purple trademark. It is New Zealand's leading manufacturer and marketer of chocolate confectionery, commanding over 60% of the market.

[4] Since 1930 Cadbury have manufactured and sold in New Zealand a range of chocolate products in packaging which has the colour purple as a prominent or the dominant colour. Cadbury contend that their extensive and longstanding use of purple in the packaging and promotion of its chocolate products has resulted in the public associating purple exclusively with their product. As a result, they claim rights in New Zealand to the shades of purple identified in a colour swatch annexed to the statement of claim and to "colour shades substantially similar thereto" in relation to the manufacture and sale of chocolate and chocolate-containing products.

[5] In about October 2001 the defendant (Effem) introduced a range of chocolate products associated with the first "Harry Potter" film. The colour of the packaging of that range of products has been described as a slightly pinkish shade. It was not of concern to Cadbury.

[6] In November 2002, in conjunction with the release of the second “Harry Potter” film, Effem released a new range of Harry Potter chocolate and confectionery. This new range of products uses the colour purple as the dominant colour. The purple is alleged to be the same as the shades of purple which Cadbury claim as their own. They contend that Effem has deliberately selected a shade of purple in the spectrum of the colour purple used by Cadbury in order to lead consumers to believe that “Harry Potter” products are associated with Cadbury and/or are of the same nature and quality as Cadbury products. Cadbury have brought this proceeding to prevent Effem continuing to use purple within that spectrum and for damages or an account of profits.

[7] Cadbury’s statement of claim pleads four causes of action, two for passing off and two under the Fair Trading Act. They rely on the use by Effem of a shade of purple which closely resembles the shade of purple used by Cadbury on their products in New Zealand. In the alternative, the causes of action rely on features of the getup of Cadbury’s chocolate products, including the colour purple but extending to the distinctive use of colours gold and white in association with the name Cadbury.

Course of proceeding

[8] The proceeding was filed and entered in the Commercial List on 6 December 2002. It is eligible for entry on the Commercial List pursuant to s 24B(1)(a)(vi) of the Judicature Act 1908 which includes, among the classes of proceedings eligible for entry, disputes arising out of intellectual property rights between parties engaged in commerce.

[9] On 20 December the defendant applied to remove the proceeding from the Commercial List. It also served a notice requiring further particulars of the statement of claim. That notice culminated in the application for further particulars I have already referred to. The application for removal would have been determined at the same time had time permitted. In the meantime, however, the plaintiff has filed an amended statement of claim and also a list of documents. The defendant did not file a statement of defence pending the outcome of its application for particulars.

[10] The application for removal is brought pursuant to r 446K of the High Court Rules which permits a Commercial List Judge to at any time remove any proceeding including a proceeding included, as this one was, by virtue of s 24B(1) of the Act. The principle is clear. No proceeding has an automatic right to remain on the List. A Judge is given the “overriding and untrammelled” right to remove any proceeding from the List: *Clear Communications Limited v Attorney-General* (1998) 12 PRNZ 287, 290.

Preliminary issue - onus

[11] A preliminary issue arises as to whether there is an onus on the party seeking removal of a proceeding from the List or whether there is an onus on the party resisting the application to satisfy the Court that the case should remain on the List. There are divergent views expressed in two recent cases. In *Esprit International v Lewis Group Limited* (2002) 16 PRNZ 372 at paragraph 9, I accepted a submission that it is necessary for a party seeking removal of a proceeding to show that on balance it is not appropriate that it remain. A contrary view was expressed by Paterson J in *Cellier Le Brun Limited v Le Brun* (2002) 16 PRNZ 376, 379. He noted that the *Practice Note (Commercial List)* [1995] 3 NZLR 198 requires a plaintiff to file an application to continue proceedings on the Commercial List, if filing in Auckland would not be permitted under rr 106 and 107 and the defendant or defendants do not consent to the proceeding remaining on the Commercial List. Paterson J accepted a submission that this placed an onus on the plaintiff and such applications which should apply equally to satisfy the Court that the case is appropriate for the Commercial List when an application is made to remove it.

[12] Having had an opportunity on this occasion to reflect on the opposing views, I now doubt that either accurately formulates the process which is required to be undertaken.

[13] Neither the Rules nor the Practice Note give any explicit guidance as to whether an applicant for entry on the Commercial List is required to discharge an onus. A plaintiff or defendant who may be entitled to an order is simply required to apply: see for example, rr 446D, 446DA(3) and 446L. The power to grant the

application is expressed to be discretionary in rr 446D(4) and 446DA(4). Rule 446L is silent and a fully discretionary jurisdiction must be assumed. Clause 3B of the Practice Note, relied on in the *Cellier Le Brun* case, merely requires the plaintiff to file an application. The Court, on hearing the application, is required to take into account the convenience of the parties and other considerations relevant to applications under r 446B. There is no reference to onus.

[14] Contrary to the view I expressed in the *Esprit* case, I think it is probably misleading to see applications of this nature as importing an onus on either side. Rather, there is, to adopt the terminology of Henry J in *McDonald v Waste Control Systems Limited* (1987) 1 PRNZ 332, an “enquiry” to see whether a proceeding should be admitted to or removed from the Commercial List as the case may be. That requires ultimately a balancing exercise which does not involve a burden on either side.

[15] Mr Miles suggested that the process involved may be not unlike that the Court undertakes in considering an application for a change of venue under r 479. Such an application requires, however, that it appear to the Court that the proceeding can be more conveniently or more fairly tried at another place: r 479(1)(b). That does leave an onus, but not one which should be regarded “as in some way especially difficult to discharge”: *Consumer Council v Test Free Services Limited* [1978] 2 NZLR 15, (CA). See also the observation of Greig J in *Jones v James* (unreported, High Court, Wellington, A.260/85, 7 October 1985), referred to in *McGechan on Procedure* at HR470.05(3) who said:

“... although there is no special onus on the applicant to show the balance in his favour, there is some onus: the applicant must satisfy the Court that the balance of convenience or fairness lies with him.”

[16] The power to remove a case from the Commercial List is different. The discretion is unfettered. An applicant is not required to meet any specified criteria. Although many factors have been identified as bearing on a decision, none are decisive if the proceeding was entitled to be entered on the list in the first place. A Judge may remove a proceeding on his or own motion.

[17] All of this suggests to me that a simple balancing exercise is involved, with no onus either way. An application to remove is simply a request to a Judge to consider afresh, or, if the proceeding has been entered as of right, to consider for the first time, whether it is appropriate in all the circumstances for the proceeding to remain on the list. That is the approach I intend to take to this application.

Counsels' arguments

[18] In support of the application, Mr Miles relied on two main considerations. First, is the lack of urgency in the proceeding. This is not a disqualifying factor in itself: *Ports of Auckland Limited v New Zealand Seafarers' Industrial Union of Workers* (1998) 11 PRNZ 696, 699. On the other hand, lack of urgency is a factor which can make it appropriate to exercise the discretion to remove: *C-C Bottlers Limited v Lion Nathan* (1991) 4 PRNZ 484. Mr Miles submitted that this case required no more urgency than would be permitted under the case management regime. The case did not need to be determined before May 2004 when a new batch of "Harry Potter" products would be released to coincide with the release of another Harry Potter film. Mr Miles referred also to the absence of urgency in similar proceedings brought by Cadbury in England and Australia.

[19] Secondly, I was asked to have regard to the likelihood of a number of interlocutory applications which would inevitably raise novel issues. These would arise from a claim which raised new issues for New Zealand Courts. Mr Miles submitted that because of the novelty of the litigation and its importance, it is highly likely that the parties would want to appeal some of the interlocutory decisions. He submitted that in cases such as this, the parties should have direct access to the Court of Appeal and not be required to seek leave. Both parties would be disadvantaged by being, as he put it, prevented from appealing as of right interlocutory decisions likely to involve novel issues. Further, he saw the Commercial List requirement to seek leave to appeal as likely to impede rather than to expedite the interlocutory process.

[20] On the other hand, he claimed that there were no advantages to the plaintiffs in having the proceeding remain on the list and no disadvantages to them in having it removed.

[21] Mr Elliott took a very different view. He relied in particular on the following factors:

- The proceeding is a significant commercial dispute between two international competitors involving issues of considerable commercial and strategic importance.
- There is a need for expedition. Although further product will not be marketed by the defendant until the next “Harry Potter” film is released in mid-2004, orders for confectionery would be ordered some four to five months before then.
- The proceeding involves an important intellectual property dispute which is likely to be important in defining and clarifying the rights associated with colour trademarks.
- There should not be any need for extensive interlocutory applications. Even if the claim is regarded as novel, it does not follow that interlocutory issues of particular complexity will arise. The right to appeal is not denied, it is just more closely managed.
- It would be premature to remove the proceeding from the list when the defendant has yet to file its statement of defence.
- There is no inconvenience to the parties in the proceeding remaining on the list. The parties are based in Auckland, as are senior counsel.

Decision

[22] In my assessment, there is a clear case for the proceeding remaining on the Commercial List. It meets the essential requirements for inclusion on the list – it comes within s 24B and has the requisite commercial flavour. The arguments advanced for its removal are insubstantial. Factors favouring retention are persuasive.

[23] I accept that the case does not call for great urgency. But if the substantive issues are to be determined before the defendant begins to take new product to the market, it must be progressed expeditiously. I consider the discipline of the Commercial List will best facilitate this.

[24] It has not been shown that the proceeding would generate more interlocutory applications than usual or that interlocutory applications will be of particular difficulty. An application for particulars has been disposed of. It was said that discovery would be time-consuming and contentious but I am not sure why that should be the case. I agree with Mr Elliott that, even if the proceeding raises substantive issues of some novelty, it does not follow that interlocutory applications will be more difficult or complex.

[25] However, there is no reason to think that interlocutory applications which raise difficult or novel issues will not be efficiently dealt with. The progress of this proceeding thus far shows that defended interlocutory applications will be heard and determined in the Commercial List without slowing the momentum of the proceeding.

[26] I do not see the requirement for leave to appeal against interlocutory decisions as adding to the case for removal. Section 24G of the Judicature Amendment Act is designed to promote efficiency and expedition without compromising the interests of justice. If a decision is likely to result in real detriment if not corrected, leave will be available: *Meates v Taylor* (1992) 5 PRNZ 524, *Clear Communications Limited v Attorney-General* (1998) 12 PRNZ 287. There is no reason to think that either party will be materially disadvantaged by the restriction on the right to appeal.

[27] Effem has yet to file a statement of defence. As I said in the *Esprit* case (supra) normally it would be premature to entertain an application for removal from the Commercial List before the defendant has filed a statement of defence. Mr Miles said that in this case the statement of defence would add little to the Court's understanding of the issues, but I cannot exclude the possibility of an unheralded affirmative defence. On the present state of the pleadings I see the proceeding as

eminently suited to the discipline of and procedures of the Commercial List. Its presence will ensure that interlocutory steps are completed promptly and the substantive issues brought to trial with despatch. In my view, this is just the sort of case that the Commercial List was introduced to facilitate. The application must fail.

Result

[28] The defendant's application for removal of the proceeding from the Commercial List is dismissed.

Costs

[29] The plaintiffs are entitled to the costs of the application which I order on a Category 3 Band B basis.

Delivered at 4.10 ~~am~~/p.m. on 20 May 2003.

W. J. J.