

IN THE HIGH COURT OF NEW ZEALAND  
AUCKLAND REGISTRY

15/1

M 1872/92

UNDER THE TRADE MARKS ACT  
1953  
THE FAIR TRADING ACT  
1986



2651

IN THE MATTER of Proceedings to  
restrain infringement of  
trade mark registration, for  
Passing off, and  
contravention of sections 9,  
10 and 13 of the Fair  
Trading Act 1986

BETWEEN ICI AUSTRALIA  
OPERATIONS PROPRIETARY  
LIMITED

First Plaintiff

A N D ICI NEW ZEALAND LIMITED

Second Plaintiff

A N D BJN HOLDINGS (NZ)  
LIMITED

Third Plaintiff

A N D BENJAMIN MOORE & CO

First Defendant

A N D BENJAMIN MOORE AND CO  
(NZ) LIMITED

Second Defendant

Date of hearing: 11 December 1992

Counsel: C L Elliott for Plaintiffs  
G F Arthur for Defendants

Judgment: 17th ~~18~~ December 1992

---

JUDGMENT OF SMELLIE J

---

ICI AUSTRALIA OPERATIONS PROPRIETARY LIMITED v ICI NEW ZEALAND LIMITED

B/f 2262  
24/2

92/2749

## INTRODUCTION

This is an application by three inter-related Plaintiffs against two related Defendants (the Second Defendant having been joined at the commencement of the hearing without opposition) seeking an interim injunction against the Defendants, their agents, servants or employees, restraining them from using the word "Regal" upon or in relation to paints; or a trade mark so nearly resembling Regal as to be likely to cause confusion between the Plaintiff's products and the Defendant's products, and more specifically for an injunction to prevent the use of the word, Regal, or any word confusingly similar thereto by the Defendants upon paint containers, advertising materials, signs, packaging, fascias, stationary, labels or other printed matter.

In essence the Plaintiffs allege that the Defendants are infringing their registered trade mark, passing off their goods as the Plaintiffs' and breaching s 9 of the Fair Trading Act 1986.

In response the Defendants challenge the validity of the registration of the Plaintiffs' trade mark and deny either passing off or breach of the provisions of the Fair Trading Act.

Counsel estimated a day for the hearing which was a significant under estimate. The hearing commenced at 10 am last Friday and completed at 6.30 pm in circumstances where there was simply not enough time for Counsel to develop fully the various points they were advancing. I warned Counsel at the close of the hearing that it might not be possible to produce a judgment before Christmas. Today, however, it has been made available to me by the Exeutive Judge at Auckland allocating the case I was to have heard today to another Judge so that I can provide this judgment.

## THE DISPUTE IN A NUTSHELL

The Third Plaintiff (at a time when it was known as British Paints) used the trade mark, Regal, for house paints, between 1975 and 1985. In April 1990, however, the trade mark, Regal, registration no 89871, surmounted by a half flower, was allowed to lapse. A year later, in April 1991, an application for restoration was made and

granted on 30th April 1991. As from August 1992 Regal has been used for car paint.

Both sides have applied for registration of the trade mark, *Regal*, simpliciter. The Plaintiffs in March of 1991, the Defendants in August of 1991. The Plaintiffs say that they are contemplating using the Regal trade mark for a relaunch of house paints under that name.

The Defendants entered the New Zealand market from a well established base in North America in September/October of 1991. They sell only house paints and their top of the range interior satin finish wall paints are marketed using the word Regal with or without a stylised crown surmounting it.

The Defendants are now selling these paints in some 60 stores throughout New Zealand and have been doing so for the past year and claim that they have built up a worthwhile business. The Defendants, however, are wholesalers only selling direct to owner retailers in the 60 stores.

The Plaintiffs, due to re-organisation within their group leading to inefficiency, failed to appreciate that the Defendants' use of Regal may be infringing their registered trade mark until August of 1992. On 30th September 1992 the Plaintiffs' Solicitors sent a cease and desist letter and when the demands made therein were not met these proceedings were launched on 16th November. Last Friday was the first opportunity for a hearing and either late Thursday or Friday morning all the Defendants' affidavits were filed.

As will appear in greater detail in later sections of this judgment, the Defendants, when researching the New Zealand market, did not check for the registration of trade marks before making their launch and have used advertising material which clearly represents that Regal is a registered trade mark of the First Defendant. Presumably it is in the United States of America but of course it is not here in New Zealand.

## THE PLAINTIFFS' POSITION IN DETAIL

As already recorded the Third Plaintiff (prior to its change of name from British Paints (New Zealand) Ltd), used the trade name Regal for a line of middle to lower priced external house paints from 1975 through to 1985. In 1985 a decision was made to cease to use the name Regal and rename that line of exterior house paints as "Results". It appears that the trade mark, Regal, surmounted by a half flower, was first registered in the name of the Third Plaintiff on 3rd April 1969 under no 89871. It refers to Class 2 in the Fourth Schedule of the Trade mark Regulations 1954 which reads as follows:-

"Class 2 Paint, varnishes, lacquers, preservatives against rust and against deterioration of wood; colorants; mordants; raw natural resins; metals in foil and power form for painters, decorators, painters and artists."

Although the registration of Trade mark 89871 was allowed to lapse on 3rd April 1990 by non-payment of fees, nonetheless, pursuant to the provisions of s 29(4) of the Trade Marks Act 1953, the trade mark is deemed for one year after the date of removal:-

"... to be a trademark that is already on the register"

provided certain preconditions are satisfied. It was under those circumstances that it was not finally removed from the register apparently until 1st March 1991 and subsequently, after an application for restoration was made on 11th April 1991 it was restored on 30th April 1991.

On 7th March 1991 an application was made by the First Plaintiff to have the name Regal simpliciter registered as a trade mark and that application apparently awaits the Commissioner of Trade Mark's decision.

It appears, however, that steps taken to apply on 7th March and obtain restoration on 11th April 1991 were taken by officers within the Plaintiffs' organisation who were interested in marketing car paints. Because of substantial re-organisation and the dismantling of the original legal department within the Plaintiffs' organisation,

inefficiencies had developed, as a consequence of which the officers concerned with the manufacture and marketing of house paints, and who have sworn affidavits in support of the Plaintiffs' application, did not appreciate until mid-August of 1992 that the Defendants use of the trade mark Regal might be an infringement of the Third Defendant's registered trade mark, 89871. It was after that that the car paint was relaunched using the trade mark, Regal, and the cease and desist letter, followed by the filing of these proceedings occurred.

In its application and supporting affidavits and through their Counsel at the hearing the Plaintiffs say that the Defendants are infringing their registered trade mark 89871, passing their goods off as the Plaintiffs' goods and breaching the provisions of s 9 of the Fair Trading Act 1986 by the infringement and the passing off and representations that Regal is a registered trade mark belonging to the Defendants.

The Plaintiffs also say that even though they ceased to use the trade mark, Regal, for their house paints and have not yet resumed the use of it for house paints, nonetheless they have a residual interest in the name and the trade mark. They contend that for those reasons they are entitled to protection from the Court, even though at the present time the Defendants' activities are not competing with the sale of house paints by the Plaintiffs. Indeed on the evidence before me the only area of possible confusion, deception or passing off is between interior, high quality house paints and exterior rapid dry acrylic primer for automotive and industrial use only.

#### **THE DEFENDANTS' POSITION IN DETAIL**

The First Defendant is an American company registered in the State of New Jersey which has been in business for over 100 years. It has a very extensive business throughout the United States and Canada. It claims to be one of the five largest paint manufacturers in North America. It has used the trade name or mark Regal for its top of the range interior dry wall satin finish paints since 1921.

The products that are sold in New Zealand are the same products that are marketed in North America, and the labelling, get up,

advertising and promotional material used in New Zealand to date is the same as that used in the United States. The material claims that the word, Regal, in association with various colours for paints, is the registered trade mark of the Defendant. As already recorded that is not the case in New Zealand, although it may well be in North America. The New Zealand position is that the First Defendant, on 2nd August 1991, applied for the trade mark Regal, in respect of Class 2, and also for the trade mark Regal with the crown device in respect of Class 2. (Class 2 as earlier explained covers a wide range of paints, varnishés, etc). Both of those applications have yet to be processed by the Commission for Trade Marks. In addition the First Defendant on 19th October 1992, applied for the removal of the reinstatement of the Third Plaintiff's trade mark on 30th April 1991.

The Defendants' stance is that it is not infringing the Plaintiffs' trade mark because that trade mark is invalid.

So far as passing off is concerned, the Defendants have adduced evidence from a market survey firm to the effect that at the time they entered the New Zealand market there were no paints of any description being marketed under the trade name Regal, with or without a surmounting device, and that is not disputed by the Plaintiffs. So the Defendants say they have not passed off their goods as those of the Plaintiffs and furthermore that there is no possibility that their high quality interior house paints are being passed off in the marketplace as the Plaintiffs' relaunched car paint.

The Plaintiffs have adduced certain evidence suggesting that potentially there could be confusion in the minds of the purchasing public between the Regal house paints and the Regal car rapid primer but the Defendants in their evidence submit that such confusion is not possible.

The Defendants did not address specifically the fact that their get-up, labelling, promotional material, represents that Regal is a registered trade mark belonging to them, other than to contend, correctly so it seems to me, that there was never any intention to pass off their product as one emanating from the Plaintiffs. In that sense

they contend that they have not engaged in conduct which is misleading or deceptive or likely to mislead or deceive.

In addition the Defendants point out that in a little over a year they have established a strong trading base in New Zealand. They have an exclusive arrangement with an organisation called Major Decorating Group Society Ltd, which describes itself as a franchise operation of 66 privately owned stores, trading under the Major Decorating Group name. It is a buying and marketing organisation for home decorating stores. The Defendants are now selling their products through 60 of the 66 stores in the Major Decorating Group. They contend that any order of the Court now requiring them to cease supplying either the goods or the promotional material, would *prejudice and could irreparably damage the still tender but nonetheless blossoming relationship between them and their chosen retailing group.* Some loose terminology was used in the affidavits and indeed in the argument before me, but any order that the Court might see fit to make could only affect the Defendants. So that whilst the supply of further goods for sale and promotional material might be stopped until the reference to Regal and/or registration of Regal as a trade mark is removed, there could not in my view be any question at this  *juncture of a wholesale withdrawal of all the stock currently available for sale in the 60 individual Major Decorating shops throughout the country.*

I mention here, and it applies also to the preceding section of this judgment, that it was accepted on both sides that the litigants here are substantial multi national traders and both would be well able to pay damages in the event that interim relief was granted and subsequently found to be inappropriate. As mentioned earlier the *Plaintiffs' contention is that its potential trading advantage by virtue of being the registered proprietor of the Regal trade mark would be severely damaged by allowing the Defendants to proceed to trade using Regal and representing that it is a registered trade mark, but the loss would be difficult to quantify in damages.* The Defendants contend that their loss also would be difficult to quantify in damages but Mr Elliott had a point in my view when he submitted that any

goods and promotional material that could not be used in New Zealand be shipped back to North America and used there.

### INFRINGEMENT OF THE TRADE MARK

Mr Arthur, as I understood him, recognised that the Defendants could not expect, on this interlocutory application, that the Court would rule definitively on the validity or otherwise of the Plaintiffs' registered trade mark 89871. Counsel, however, devoted a good deal of his argument to challenging the validity of the trade mark. In particular he submitted that it had lapsed completely because it had not been used and he also challenged directly the propriety of the restoration, pointing out that contrary to what is required by the Regulations, the Third Defendant provided no grounds for restoration when it applied. On the face of it the discretion residing within the Commissioner of Trade Marks, pursuant to Reg 55 of the Trade Marks Regulations 1954, which enable him to restore "... if he is satisfied that it is just to do so ..." appears to have been exercised on either limited or non-existent information which may mean in the fullness of time that the Defendants' application for removal of that restoration will succeed.

Be all that as it may, however, the Third Plaintiff is the registered proprietor of that trade mark subject to assignment of the same from the Third Plaintiff to the First Plaintiff on 13th October 1992. In my view the terms of the assignment are not significant, the fact of the assignment simply means that either the First or the Third Plaintiff have been the owners of the trademark throughout and that would be sufficient to maintain the application at this juncture.

Mr Elliott referred me to the case of *Carter & Parker Ltd v Scotiawools Ltd* [1960] RPC 206, a decision of Cross J in the Chancery Division. In that case also a challenge was made to the validity of the registered trade mark upon which the Plaintiff relied. At page 208 in the report the following passages appear from the judgment:-

"Mr Sparrow, who has argued this case most persuasively, has put forward a number of grounds upon which the Defendants may be able to show that this registration is invalid. He says that it is likely to



deceive; he says that it is not distinctive; and he says that the fact that the Plaintiffs were under a misapprehension and did not realise that the word "Fashion" was in use as a trade name by the Defendants is a curious circumstances. For all I know, he may succeed in that connection in getting the mark expunged. ...

"... but it does seem to me that, as long as there is on the Register a trade mark "Fashionfleck", however wrongly it may be there - I do not know what the rights or wrongs of that are - it is not desirable that other people should use what is substantially exactly the same trade description."

It seems to me with respect that the approach taken by Cross J was the only appropriate one and if the application depended entirely upon the validity or otherwise of the trade mark I would find for the Plaintiffs.

The position is, however, that the Defendants are not using the identical trademark. They do not use the half flower above the word Regal, and whereas the Plaintiffs print Regal in plain capital letters, the Defendants employ a script or exotic style of writing for their use of the word, and sometimes surmount it with a stylised crown device.

In those circumstances in my judgment the provisions of s 8(1A) of the Trade Marks Act 1953 as amended by s 5 of the Trade Marks Amendment Act of 1957 come into play. That subsection reads as follows:-

“(1A) Without limiting subsection (1) of this section, the right conferred by that subsection shall be deemed to be infringed by any person who, not being the proprietor of the trade mark or a registered user of it using by way of the permitted use, uses a mark identical with it or so nearly resembling it as to be likely to deceive or cause confusion in the course of trade, in relation to any goods or services in respect of which it is registered, and in such manner as to render the use of the mark likely to be taken -

- (a) As being use as a trade mark; or
- (b) In a case in which the use is use upon goods or in physical relation to goods or in an advertising circular or other advertisement issued to the public relating to goods, as importing a reference to some person having

the right either as proprietor or as registered user to use the trade mark or to goods with which such a person is connected in the course of trade;" (emphasis added)

The comparable provisions appeared in s 12(1) of the United Kingdom Trade Marks Act 1938. In the 12th edition of *Kerly's Law of Trade Marks and Trade Names* at pp 438 and 439 the learned authors say:-

"The test in relation to the reasonable probability of deception under the predecessor to section 12(1) of the 1938 Act was summed up by Parker J in a case involving the comparison of two words, as follows:

"You must take the two words. You must judge them, both by their look and by their sound. You must consider the goods to which they are to be applied. You must consider the nature and kind of customer who would be likely to buy those goods. In fact you must consider all the surrounding circumstances; and you must further consider what is likely to happen if each of those trade marks is used in a normal way as a trade mark for the goods of the respective owners of the marks." (*Pianotist* (1906) 23 RPC 774)

The text books make it clear also and I did not understand Counsel to be in dispute on this point, that the onus is upon the Plaintiff to show infringement.

Judging the two words by look they are of course different because of the different script used. By sound they are obviously the same. When I consider, however, the goods to which they are to be applied, at present one is applied to high quality interior satin finish house paints and the other to the acrylic rapid drying car paint intended for automotive and industrial use only. On the issue of the kind of customer who would be likely to buy the goods I bear in mind of course the conflicting evidence given by each side as to whether confusion is likely or not. My judgment is, however, that persons engaged in the trades of either house painting or car painting would not be confused and I find it difficult to conceive that the average intelligent amateur purchaser of paints would be misled either. Other surrounding circumstances are that the Defendants' paint is only being

marketed through the Major Decorating Group shops and they in the nature of things are unlikely to attract people seeking to buy the type of car paint that the Plaintiff is presently marketing under the name, Regal. The position, of course, would be very different if the Plaintiffs relaunch a line of house paints under the name, Regal. As presently advised it would appear that they would be entitled to do that, especially if they continue to use the full trade mark with the half flower device above the word. But that has not happened yet so that at this interlocutory stage the point about the different types of retailers' seems to me to be valid. Looking at the matter that way to pick up the final point in Parker J's dicta quoted above, I think it likely that if both sides continue as they are at the moment there will be little or no confusion in the market place, although whatever residual rights the Plaintiff has or may have in the trade mark or the trade name obviously will be eroded by the Defendants' continued use of it. Accordingly, although I do not see the matter as relevant at present, it may be that if in the near future the Plaintiff relaunches in house paints using the Regal trade mark with the half flower device surmounting it, its position will be significantly stronger on this point. My present view is that the Defendants' use to Regal on their paints does not so nearly resemble the Plaintiffs' registered mark as to be likely to deceive or cause confusion.

#### **PASSING OFF**

As I understood him Mr Elliott acknowledged during the course of the argument that the charge of passing off was not sustainable on any basis other than that because the Third Defendant used Regal on house paints for a decade up to 1985 and therefore has some residual interest in the goodwill of the name there is room for the argument that what the Defendants are doing is passing off their goods as the Plaintiffs'. There may be some validity in that argument but at best it is a weak and tenuous point and in my judgment not sufficient to justify the exercise of the Court's discretion to grant interim relief at this juncture.

#### **BREACH OF SECTION 9 OF THE FAIR TRADING ACT 1986**

The section reads as follows:-

"9. Misleading and deceptive conduct generally - No person shall, in trade, engage in conduct that is misleading or deceptive or is likely to mislead or deceive."

Had passing off been established in the orthodox sense the same facts would in all probability have demonstrated conduct in the course of trade that was misleading or deceptive. But there is no evidence to support that approach.

As is demonstrated from the exhibits to the affidavit sworn on 4th December 1992 by Mr James W Weathers, the National Manager of the Defendants' activities in New Zealand, the Defendants are using in New Zealand consistently and prominently a small capital R in a circle (on the coloured brochures sometimes in red) and on the back page of most material statements such as "MOORE'S, REGAL, and AQUA VELVET are registered trade marks of Benjamin Moore and Co."

Because all that printed material comes from North America it may be that at the time of printing there was no intention to represent in New Zealand that Regal is the registered trade mark of the Defendant. The effect of using that material in New Zealand, however, whether it be because of ignorance or indifference, is to mislead and deceive the New Zealand public into accepting that the Defendants do have registered trade marks in New Zealand. Whereas of course the undisputed truth is that they have none and that their two applications, one for Regal simpliciter and the other for Regal surmounted by a stylised crown device, in all probability will have to compete with the Plaintiffs' registration of trade mark 89871 and its earlier application for registration of Regal simpliciter.

Not only does that offend s 9 of the Fair Trading Act 1986, but it also on the face of it amounts to an offence against s 71(1) of the Trade Marks Act 1953 which reads as follows:-

"71. False representation of a trade mark as registered  
- (1) Every person who makes a representation -

(a) With respect to a mark not being a registered trade mark, to the effect that it is a registered trade mark; or

- (b) With respect to a part of a registered trade mark not being a part separately registered as a trade mark, to the effect that it is so registered; or
- (c) To the effect that a registered trade mark is registered in respect of any goods in respect of which it is not registered; or
- (d) To the effect that the registration of a trade mark gives an exclusive right to the use thereof in any circumstances in which, having regard to limitations entered on the register, the registration does not give that right, -

commits an offence and shall be liable to summary conviction to a fine not exceeding \$40."

#### **THE PRINCIPLES UPON WHICH AN APPLICATION FOR AN INTERIM INJUNCTION SHOULD BE DECIDED**

The leading authority is *American Cyanamid & Co v Ethicon Ltd* [1975] AC 30 as explained in the judgment of the Court of Appeal in *Klissers v Harvest Bakeries* [1985] 2 NZLR 129. From those authorities it appears that the correct approach of the Court is as follows:-

1. To consider whether there is a serious question to be resolved.
2. To inquire whether damages would be an adequate remedy if the injunctive relief sought is not granted.
3. To go on if necessary to consider the balance of convenience.
4. Finally to stand back and assess where the overall justice lies.

In addition to those four matters a significant feature of this case is the Plaintiffs' delay of approximately a year after the Defendants first began to trade using the name Regal before any complaint was made. Mr Arthur adopted the comment of the authors of *Meagher Gummow and Lehane, Equity Doctrine and Remedies*, 3rd ed, 1992, at para 2174, who when discussing delay in relation to interlocutory relief said:-

"Why should a court grant urgent relief when the plaintiff's tardiness in applying for it casts doubt on the reality of his alleged injury?"

He also quoted from *Carlton & United Breweries (NSW) Pty Limited v Bond Brewing New South Wales Limited* (1987) 76 ALR 633, a decision of the Full Court, where it was said at page 638:-

"Delay by an applicant in instituting or in prosecuting a claim for an injunction may be a ground for refusing relief, even at a final hearing. Where an interim injunction is sought on the basis that the applicant need show only a "serious" question of fact or of law, delay in seeking that relief is an important discretionary consideration ..."

In my judgment, however, that delay, although serious and significant, is matched in this case by the Defendants' delay in making proper inquiry to see whether they could use the trade mark, Regal, and whether, if using it and representing that it is a registered trade mark belonging to them, they would be infringing the rights of others. On the one hand the Plaintiffs appear to have been surprisingly inept and unbusinesslike in the keeping of their records and the protection of their rights, but on the other the Defendants, coming from the sophisticated trading market of North America, must surely have realised that a check on trade marks was not only prudent but necessary to avoid litigation. I can only describe as naive the Defendants' decision to launch into extensive trading without making such a check.

## CONCLUSION

On balance, given the present factual situation, the Plaintiffs have failed to satisfy me that there is a serious question in relation to infringement of the trade mark. I have already indicated that I approach the case regarding the registration of trade mark 89871 as valid until proved otherwise. But it is the absence of the reasonable probability of deception or confusion that is the significant factor in my judgment at this juncture. The types of paints, prospective customers, the venues in which the paints are sold, are such that they do not in my judgment really compete.

There is, as I have indicated, no basis for granting relief upon the allegation of passing off.

I am, however, satisfied that the Defendants have been and are breaching the provisions of s 9 of the Fair Trading Act 1986 and s 71(1) of the Trade Marks Act 1954. That is just sufficient in a narrow and confined way to raise a serious question.

The next issue is whether damages would be an adequate remedy if injunctive relief is granted. I consider damages would be an adequate remedy because to the extent that the Defendants may have to repackage goods supplied from this point on and provide new advertising material, the cost of that change should be easy enough to document. There would be no question of useless stock being left on their hands, only the issue of the cost of transporting it back to the USA where it could be sold without impediment.

What then of the balance of convenience. I am clearly of the view that in all the circumstances the balance of convenience does not require in this case that at this juncture the Defendants cease to use the word, Regal, to describe their top of the range interior wall paints. But I cannot see that I can condone the representation that the Defendant is the owner of the registered trade mark, Regal, when it is not. That really is not a question of balance of convenience. Rather it is a matter of the Defendants ceasing their unlawful conduct.

Finally standing back to assess the overall justice of the matter it would not be just to grant the injunction sought but justice does require that I order that the Defendants cease to represent in the ways indicated in this judgment and currently being employed by them, that they are the owners of a registered trade mark, Regal. The order of the Court, therefore, is that the Defendants, their servants, agents or employees are restrained from supplying to retailers or members of the public in New Zealand or other entities such as advertisers, architects, interior decorators or the like, goods or advertising material which, contrary to the truth, suggest that the Defendants are the owners of a registered trade mark, Regal.

In my judgment both sides here are open to criticism, the Plaintiffs for their tardiness in seeking to preserve their rights, and then applying on rather thin grounds for interim relief. The Defendants for entering the New Zealand market without exercising the elementary precaution of checking to see what trade marks were registered and whether they could market their goods in New Zealand without modification of labelling, get up and advertising material. Because of those factors there will be no order for costs either way.

*Robert Southey J.*

Solicitors

Baldwins Patent Attorneys and Solicitors, Auckland for  
Plaintiffs

A Park & Son, Wellington for Defendants