

NZ FINTECH LTD (t/as MOOLA) v CREDIT CORP FINANCIAL SOLUTIONS PTY LTD (t/as WALLET WIZARD)

HIGH COURT OF NEW ZEALAND

GAULT J

15 March, 2 April 2019 — Auckland

[2019] NZHC 654

Trade marks — Infringement — Google Adword — Whether use “as a trade mark” — No visibility of trade mark bid on for Google Adword — Passing off — (NZ) Fair Trading Act 1986 s 9 — (NZ) Trade Marks Act 2002 s 89.

The plaintiff was a digital consumer finance company that provided short term loans. It had used the trade mark MOOLA since 2013 and provided its lending services through its website. Subsequent to commencing business it registered the trade mark MOOLA.

The defendant was an Australian company which commenced business in New Zealand in September 2015 as WALLET WIZARD, operating through its website. Potential customers could apply online for loans. In September 2015 the defendant commenced purchasing Moola as a Google Adword. The plaintiff alleged that this conduct amounted to misleading or deceptive conduct or passing off. The defendant denied this. The plaintiff claimed that the defendant appeared to stop the practice of bidding on Google Adwords for Moola (something denied by the defendant) but that it again began purchasing Moola in or about August 2018.

The plaintiff issued proceedings in November 2018 seeking an interlocutory injunction and alleging trade mark infringement, passing off and a breach of s 9 of the Fair Trading Act 1986 (NZ).

Held, refusing an interlocutory injunction:

Trade mark infringement

(i) The plaintiff had not established a serious question to be tried as to trade mark infringement: at [52].

(ii) As to trade mark infringement under s 89(1)(a), it was common ground at least in relation to one of the defendants’ purchased Adwords that the defendant had used in the course of trade an Adword identical with the MOOLA registered trade mark. The key issue was whether purchase of Google Adwords constituted *use as a trade mark* as required by s 89(2). Here (as in other cases) there was no evidence that the internet users seeing a Google Adword ever see the use of the key word “Moola”. There was a conflict of evidence as to whether a sufficient number of consumers undertaking a Google search for “Moola” would perceive Wallet Wizard’s purchase of the Adword “Moola” when they saw an Ad search result returning the Wallet Wizard website. A central issue here was whether the use could be “taken” at all for the purpose of s 89(2) given the hidden nature of the Google Adword: at [28], [43], [49], [50].

(ii) The court could not rule out the possibility that evidence at trial could show that a significant number of normally informed or reasonably attentive internet users would understand Adwords sufficiently to know or understand that when they searched “Moola” on Google, and saw an Adword result that the word “Moola” has been purchased by the defendant: at [51].

InterCity Group (NZ) v Nakedbus NZ Ltd [2014] 3 NZLR 177; (2014) 108 IPR 112; [2014] NZHC 124; *Mainland Products Ltd v Bonlac Foods (NZ) Ltd* [1998] 3 NZLR 341 (CA); (1998) 42 IPR 388; *Tasman Insulation New Zealand Ltd v Knauf*

Insulation Ltd [2016] 3 NZLR 145; (2015) 116 IPR 352; [2015] NZCA 602; *Veda Advantage Ltd v Malouf Group Enterprises Pty Ltd* (2016) 241 FCR 161; 334 ALR 84; 118 IPR 291; [2016] FCA 255, referred to.

5 (iii) Considering the matter by reference to the function of a trade mark, while visibility may not always be essential, the fact that the purchaser of a Google Adword is not using the trade mark as a badge of origin for its own goods and services but rather to place its comparative or competitive offering in the search results indicated that there was no use as a trade mark. Taking that approach, evidence as to consumer understanding would make no difference: at [52].

10 *Passing off; breach of Fair Trading Act 1986*

(iv) No serious question had been demonstrated on the passing off or Fair Trading Act causes of action. The plaintiff's own evidence that consumers understood the essential features of Google Adwords indicated that a purchase of a trade-marked Adword (without use of the trade mark in the resulting advertisement) did not involve a representation which would lead or be likely to lead members of the public to believe that the services it offered were those of the plaintiff: at [55].

Balance of convenience and overall justice

15 (v) The relative strength of the parties was a relevant factor in the balance of convenience where it can be appropriately ascertained. Here the relative strength of the parties' case weighed against interim relief: at [70].

20 (vi) The fact that the plaintiff had also bid on the defendant's trade mark WALLET WIZARD during the period when the court accepted that the plaintiff was not aware that the defendant was purchasing its "Moola" Adword showed that the plaintiff was engaging in the very conduct it complained about in a manner that went further than a legitimate reaction. This weighed against interim relief: at [73].

E Grey and J N Simpson for the plaintiff.

C Elliott QC, J Edwards and R Langdana for the defendant.

30 [1] **Gault J.** The plaintiff, NZ Fintech Ltd, trading as Moola (Moola), and the defendant, Credit Corp Financial Solutions Pty Ltd, trading as Wallet Wizard (Wallet Wizard), compete in the New Zealand short term loan market.

35 [2] Moola has commenced proceedings against Wallet Wizard alleging that Wallet Wizard's purchase of Google Adwords that include the word "Moola" infringes Moola's registered trade mark, amounts to passing off and breaches the Fair Trading Act 1986. Moola also alleges that Wallet Wizard has used slogans that mirror those used by Moola in its Adword advertising such as "Need Cash Today", and this also amounts to passing off and breaches the Fair Trading Act 1986.

40 [3] Moola seeks an interim injunction restraining Wallet Wizard from using the word "Moola" or any close variation in its advertising or marketing material, including in Google Adwords or advertisements on Google. Moola says that interim relief should be granted because damages would be an inadequate remedy.

45 [4] Wallet Wizard responds that its use of "Moola" in Google Adwords does not infringe Moola's trade mark or involve any misrepresentation. It says there is no serious question to be tried and in any event the balance of convenience and overall justice weigh against granting an interim injunction.

50 [5] Wallet Wizard has also filed a counterclaim seeking a declaration that the "Moola" trade mark is invalid.

Background facts

[6] Moola is a digital consumer finance company that provides loans of up to \$5,000 over terms of four weeks to six months. It operates and provides its lending services through the website www.moola.co.nz. It has used the name “Moola” since 2013 and on 22 June 2016 applied for the “Moola” trade mark, which was registered on 4 July 2017. Moola has invested heavily in growing its brand.

[7] Wallet Wizard is owned by the Australian based Credit Corp group of companies. In September 2015 Wallet Wizard commenced operations in New Zealand. It operates through its website www.walletwizard.co.nz where potential customers can apply and obtain approval online for loans from \$500 to \$5,000 for terms ranging from 12 to 36 months.

[8] In September 2015 Wallet Wizard commenced purchasing “Moola” as a Google Adword on the google.co.nz search engine. Moola became aware of this and instructed its lawyers to write to Wallet Wizard requesting that it cease use of Moola’s (unregistered) trade mark. Wallet Wizard responded by denying that its use of “Moola” amounted to misleading or deceptive conduct or passing off. Nevertheless, Moola says that it understood from its monitoring that Wallet Wizard appeared to stop using “Moola” as a Google Adword.

[9] Moola says that it became aware that Wallet Wizard was again purchasing “Moola” in Google Adwords on or around 13 August 2018. Moola again instructed its lawyers to write a cease and desist letter to Wallet Wizard seeking undertakings. Correspondence followed. Moola eventually issued this proceeding on 28 November 2018.

[10] Wallet Wizard says that it did not cease purchasing “Moola” as a Google Adword as a result of the correspondence in September 2015. It says that it continued to purchase Google Adwords using the word “Moola” in various formulations until April 2016, then again from February 2017 to January 2018, and from August 2018 onwards.

[11] Wallet Wizard also says that Moola has itself purchased “Wallet Wizard” as a Google Adword from time to time since at least December 2016.

Google Adwords

[12] The purchase of Google Adwords has become a very common and well-known method of advertising on the internet. While details of Google’s algorithms remain confidential to Google, the way Google Adwords work is generally outlined by Google for advertisers (and consumers) and has been discussed in previous trade mark cases concerning their use in New Zealand and elsewhere. Although the parties filed a number of affidavits setting out how Adwords work, there was little dispute. The only real dispute is as to the level of consumer understanding.

[13] Google Adwords is an advertising service run by Google. The service was launched in 2000 but has expanded significantly in recent years. Google’s principal source of revenue is advertising and the main way it provides advertising services is through Adwords. The service has recently been rebranded as Google Ads but, like the witnesses, I refer to Adwords for convenience. Adwords allow advertisers to bid on keywords made up of single words or phrases to influence when and where their advertisement is displayed when the chosen keyword is used as a search term by a person carrying out a search on the Google search engine.

[14] When people search on the internet using the Google search engine, the search results include both organic search results that the relevant Google algorithm considers are most likely to be relevant to what the person is searching for, and also paid search results designated in the results with the icon

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. These paid results are the product of the purchase of Google Adwords.

10 **Application to adduce further evidence**

[15] At the outset of the hearing I heard Wallet Wizard's application for leave to adduce two further affidavits, including one from an expert. This application was strongly opposed by Moola on the grounds that the further evidence was very late, Moola would be prejudiced, and parts of the expert's affidavit were inadmissible. Given this latter ground, and the overriding need for expert evidence to be of substantial assistance to be admissible, I reserved leave and proceeded with the application for interim relief.

[16] In seeking leave to adduce Wallet Wizard's further affidavits, Mr Elliott QC, counsel for Wallet Wizard, acknowledged that the affidavits were late but said that further evidence had been foreshadowed when Wallet Wizard changed solicitors and he was instructed shortly before Wallet Wizard's notice of opposition and affidavits in opposition were served in the last week before Christmas 2018. Mr Elliott submitted that the further affidavits were prepared as soon as possible having regard to the summer vacation and subsequent without prejudice communications. He submitted that the late affidavits had not created sufficient prejudice to make them inadmissible. He emphasised that the Court's discretion is to be exercised in the interests of justice. He submitted that Moola had an opportunity to respond between 8 and 15 March. Although Moola's expert, Mr Shand, was unavailable, Mr Elliott submitted he was not the relevant witness given his area of expertise. He submitted that any remaining prejudice could be dealt with as a matter of weight and costs. He acknowledged that the affidavit of the expert, Dr Starr (a marketing and consumer behaviour specialist), may stray into legal submission but urged against a line by line approach. Mr Elliott submitted that the evidence was directly relevant and Moola was not genuinely embarrassed by its late provision. He relied on two judgments of Toogood J.¹ In *Total Air Supply*, Toogood J said the question of whether leave should be given was to be determined by considering the overall justice of the case, weighing the prejudice which would be suffered by the plaintiff if leave was refused, against such prejudice as might occur to the other party if the plaintiff was permitted to adduce it.²

[17] Mr Gray, counsel for Moola, acknowledged that further evidence was foreshadowed in December but submitted it was not served as soon as possible, especially as the date for Moola's reply evidence was 25 January 2019. He emphasised that the further evidence was "primary" evidence in the sense that it

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1. *Total Air Supply Company Ltd v Total Air Supply Company (2007) Ltd* HC Auckland CIV-2008-404-7626, 25 May 2011 (*Total Air Supply*); and *Commissioner of Police v TRS* [2014] NZHC 1116 at [15] where Toogood J referred to the importance (in proceedings such as recovery of proceeds of crime) for the parties to be permitted, so far as reasonable, to inform the Court fully on the real issues to be decided.

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2. *Total Air Supply* at [60].

could and should have been included in Wallet Wizard's evidence in opposition and not served after Moola's reply. He particularly focused on two aspects of the further evidence: (a) the identification by Dr Starr of a supposed webpage of descriptive use by Moola, which was the subject of a further affidavit in reply (which was not opposed); and (b) legal submission by Dr Starr. Mr Gray submitted that admitting the further evidence would be highly prejudicial to Moola.

[18] It is unsatisfactory that Wallet Wizard adduced further evidence, particularly from an expert, weeks after Moola's reply evidence and just days before the hearing. Wallet Wizard did signal that it may seek to adduce further evidence, but I have some doubt whether it acted with sufficient haste. It is also unfortunate that the timing meant that Moola's expert was overseas and unavailable to respond to the new expert evidence.

[19] On the other hand, Moola elected not to seek an adjournment of its application to enable it to respond to the further evidence. On balance, weighing the prejudice to each party, I consider that leave to adduce the further evidence should be granted. The evidence is directly relevant and expert evidence from both sides will be of substantial assistance. Unlike the authorities referred to me, this is an application for interim relief. I consider that the just course is to admit the further evidence. I can adequately deal with the prejudice to Moola by not attaching weight to any of Dr Starr's opinions that lack a factual foundation or stray into legal submission. Rather than punishing Wallet Wizard by excluding its evidence, a costs sanction would adequately address its delay.

Approach to interim injunctions

[20] It is well settled that on an application for an interim injunction the Court addresses:³

- (a) whether the plaintiff can show there is a serious question to be tried;
- (b) where the balance of convenience lies; and
- (c) where the overall justice lies.

[21] It is no part of the Court's function at this stage of the litigation to try to resolve conflicts of evidence on affidavit as to facts on which the claims of either party may ultimately depend, nor to decide difficult questions of law which call for detailed argument and mature considerations.⁴

Serious question to be tried

Introduction

[22] Moola says Wallet Wizard is trading off Moola's goodwill. Moola says consumers searching for its brand tend to type "Moola" rather than the full website address and are confused when the Google search results direct them to Wallet Wizard. Consumers may then click by mistake and, even if they realise, they have still been diverted. By using "Moola" as an Adword, Wallet Wizard is getting qualified consumers for less cost than if it bought a generic Adword. At

3. *Klissers Farmhouse Bakeries Ltd v Harvest Bakeries Ltd* [1985] 2 NZLR 129 (CA) at 142; and *American Cyanamid Co v Ethicon Ltd* [1975] AC 396 (HL); [1975] 1 All ER 504 (*American Cyanamid*).

4. *American Cyanamid* at AC 407; All ER 510; *Villa Maria Wines Ltd v Montana Wines Ltd* [1984] NZLR 422 (CA) at 425; (1984) 4 IPR 65 at 68 (*Villa Maria Wines*); and *Health Club Brands Ltd v Colven* [2013] NZHC 428 at [9].

significant cost, Moola purchases its own name as an Adword to ensure it appears at the top of consumer Google searches.

5 [23] Wallet Wizard says the purchase of competitor brands as Google Adwords is legitimate and standard practice in the secondary loan market and more broadly. Mr Elliott submitted the use of the competitor brand was to compare services, not to claim a trade connection. He referred by analogy to the clustering of car dealers in particular locations.

Trade mark infringement

10 [24] The key issue of focus at the hearing was whether Wallet Wizard’s conduct in bidding on and purchasing the “Moola” Google Adword constitutes “use as a trade mark” for the purposes of s 89(2) of the Trade Marks Act 2002 (the Act). Wallet Wizard accepts that it purchases the “Moola” Adword as a deliberate strategy to advertise its competing services, but says this is not “use as a trade mark” as required by s 89(2).

15 [25] The relevant legal principles relating to trade mark infringement are well-established, albeit their application to Google Adwords in this case is highly contested.

20 [26] Section 89(1) and (2) provide:

89 *Infringement where identical or similar sign used in course of trade*

- 25 (1) A person infringes a registered trade mark if the person does not have the right to use the registered trade mark and uses in the course of trade a sign—
- 25 (a) identical with the registered trade mark in relation to any goods or services in respect of which the trade mark is registered; or
 - 30 (b) identical with the registered trade mark in relation to any goods or services that are similar to any goods or services in respect of which the trade mark is registered, if that use would be likely to deceive or confuse; or
 - 30 (c) similar to the registered trade mark in relation to any goods or services that are identical with or similar to any goods or services in respect of which the trade mark is registered, if that use would be likely to deceive or confuse; or
 - 35 (d) identical with or similar to the registered trade mark in relation to any goods or services that are not similar to the goods or services in respect of which the trade mark is registered where the trade mark is well known in New Zealand and the use of the sign takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the mark.
- 40 (2) Subsection (1) applies only if the sign is used in such a manner as to render the use of the sign as likely to be taken as being use as a trade mark.

[27] The section refers to “use” in two ways. First, “use in the course of trade” in s 89(1), and second “used” and “likely to be taken as used” in s 89(2).⁵

45 [28] It is common ground, at least in relation to one of Wallet Wizard’s purchased Adwords, that s 89(1)(a) is satisfied; that is that Wallet Wizard has used in the course of trade a Google Adword identical with the Moola registered trade mark in relation to (financial) services in respect of which the trade mark

50 ⁵ *InterCity Group (NZ) Ltd v Nakedbus NZ Ltd* [2014] 3 NZLR 177; 108 IPR 112; [2014] NZHC 124 (*InterCity*) at [62].

is registered. As Mr Gray submitted, in relation to s 89(1)(a), it is unnecessary to show confusion. Also, confusion is not relevant to what constitutes use as a trade mark under s 89(2).⁶

[29] The very issue of whether the purchase of Google Adwords constitutes use as a trade mark as required by s 89(2) was considered in *InterCity*.⁷ Asher J found that such “use” could not be seen by the consumer and so could not be “taken as being used as a trade mark”.⁸ Mr Gray acknowledged that decision but submitted that, properly understood, the plaintiff failed in that case through a lack of evidence that a consumer would know or understand the use of keywords. He submitted that in this case there is such evidence, reflecting further maturity or understanding in the market as to the use of Google Adwords. Mr Elliott acknowledged that Asher J had made a factual finding in *InterCity* but submitted that the answer must be the same in this case. He strongly submitted that there is no serious question to be tried.

[30] Asher J’s judgment in *InterCity* followed a substantive trial.⁹ It contained an analysis of relevant trade mark law. Asher J referred to the authorities indicating that a trade mark is essentially a badge of origin, including the classic statement of Bowen LJ in *Re Powell’s Trade Mark* as to the function of a trade mark:¹⁰

The function of a trade-mark is to give an indication to the purchaser or possible purchaser as to the manufacture or quality of the goods — to give an indication to his eye of the trade source from which the goods come, or the trade hands through which they pass on their way to the market. It tells the person who is about to buy, or considering whether he shall buy, that what is presented to him is either what he has known before under the similar name, as coming from a source with which he is acquainted, or that it is what he has heard of before as coming from that similar source.

[31] Asher J noted that this statement has been referred to with approval in a number of New Zealand cases,¹¹ and observed:¹²

These authorities show that the essential function of a trade mark is to guarantee to the consumer the identity of the origin of the trade marked goods or services by enabling that consumer to distinguish the goods or services from others which have a different origin.

[32] Asher J referred to the European case of *Google France SARL v Louis Vuitton Malletier SA*, which held that purchase of a keyword identical with another’s trade mark was use, but Asher J noted that this decision was not authoritative in New Zealand because of the difference in the legislation.¹³

6. *Tasman Insulation New Zealand Ltd v Knauf Insulation Ltd* [2016] 3 NZLR 145; (2015) 116 IPR 352; [2015] NZCA 602 (*Tasman*) at [172].

7. [2014] 3 NZLR 177; [2014] NZHC 124.

8. At [64].

9. Rodney Hansen J had declined an interim injunction on somewhat different grounds: *InterCity*.

10. [1893] 2 Ch 388 (CA) at 403–4.

11. See *Kiwi Polish Co v Kempthorne, Prosser & Co* [1925] NZLR 26 (CA) at 65, and *Villa Maria Wines* at CLR 427; IPR 71.

12. *InterCity* at [70].

13. At [76]; see Case C-236/08 *Google France SARL v Louis Vuitton Malletier SA* [2010] ECR I-2417 at [51].

[33] Asher J then referred to *Mainland Products Ltd v Bonlac Foods (NZ) Ltd*, the leading New Zealand case on the approach to “use”, where the Court of Appeal stated:¹⁴

5 The essential question then is whether this use of the word ‘Vintage’ by Bonlac is likely to be taken as use as a trade mark. Taken by whom? Plainly it is persons to whom the product is presented in the course of trade. That will include persons engaged in the relevant trade such as wholesalers and retailers as well as retail customers. To establish infringement it is not necessary to show that the use complained of will likely be taken by everyone encountering it in the course of trade as infringing use. Just as when
10 determining whether the resemblance of marks is such as to be likely to deceive or cause confusion, it is sufficient to constitute infringement if it conveys or is likely to convey to a substantial number of prospective purchasers the significance deemed to infringe — in this case trade mark significance.

[34] Asher J considered that liability only extends so far as to include uses of trade marks that consumers are confronted by in the market.¹⁵ After considering the number and type of consumers required to satisfy the test, Asher J said that if a significant number of normally informed and reasonably attentive internet users are likely to take the use of the sign as being used as a trade mark, that will be sufficient for the purposes of s 89(2).¹⁶

20 [35] After considering the facts of *Mainland*, Asher J stated:¹⁷

The position in relation to the use by Nakedbus of the keywords is entirely different to a use on packaging or other communications to the public. The use of the keyword was by Nakedbus when it purchased that keyword prior to the placement of its advertisement, and then by Google when, through its search engine, it provided for the Nakedbus advertisement to appear when a consumer keyed “intercity” into a computer. In such a situation, the use of the keyword by Nakedbus and indeed Google was not
25 seen by the consumer at all. As Mr Harris observed, these actions were invisible to everyone except Google and the advertiser. If the “use” could not be seen by the consumer it could not be “taken as” anything, let alone “taken as being used as a trade mark”.

[36] Mr Elliott submitted this is the key finding in *InterCity*. It was referred to by the Court of Appeal in *Tasman*, which concerned use in HTML code rather than Adwords, as follows:¹⁸

35 The Judge concluded that the use of the keyword “intercity” was not seen by the consumer at all. Rather, in the context of Google Adwords, if the impugned words could not be seen by the consumer then they could not be taken as anything, let alone taken as being used as a trade mark in terms of s 89(2).

[37] On this basis, use of a Google Adword that is not seen by the consumer cannot be use as a trade mark. However, Mr Gray submitted that Asher J was not meaning to usurp the factual enquiry as to what a significant number of normally informed and reasonably attentive internet users are likely to take from the use of the sign. He submitted that Asher J’s subsequent comment clarifies the finding and sets limitations on it, leaving the door ajar:¹⁹

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14. [1998] 3 NZLR 341 (CA) at 345; (1998) 42 IPR 388 at 391 (*Mainland*).

15. *InterCity* at [79].

16. At [82].

17. At [85].

50 18. At [186].

19. *InterCity* at [86].

... it has not been shown in evidence that a consumer would know or understand the use of keywords, and I am not prepared to assume an awareness of how they are used. Insofar as the use of the keyword was an act that was not seen or known or understood by the consumer, there was no use of the sign “likely to be taken as being used as a trade mark”.

[38] I acknowledge that Asher J’s conclusion was based on an absence of evidence. I also note Asher J’s references to not assuming “an awareness” of how keywords are used and to an act that was not “seen or known or understood” by the consumer. Similarly, the Court of Appeal’s subsequent discussion in *Tasman* as to whether using HTML code could be use as a trade mark was also based on a lack of evidence:²⁰

We accept Mr Elliott’s submission that there was insufficient evidence for the Judge to conclude that, for the purposes of s 89(2), the impugned words in the HTML code were likely to be taken as being use as a trade mark. Applying the Mainland test, there was no evidence that the use of the relevant words in the HTML code would convey to a substantial number of normally informed and attentive internet users that the words were used as a trade mark. There was no evidence as to why consumers might endeavour to access the HTML code and how that would be achieved. Just as important, there was no evidence as to what, if anything, the impugned words would mean to them. It is evident that the impugned words appear in a single line of source code along with numerous other lines of code of a highly disjointed nature and are unlikely to have any meaning or significance to a prospective purchaser. Even assuming the notional internet user might for some unexplained reason access the source code, the words would appear to be entirely random and essentially meaningless.

[39] Even so, as the Court of Appeal had said, the question was “what meaning prospective purchasers were likely to take from the words if they had access to them”.²¹

[40] The Court of Appeal also referred to *InterCity* in *National Mini Storage Ltd v National Storage Ltd*.²² However, given the different facts of that case, the Court of Appeal focused on the causes of action involving use of the words “InterCity” and “Nakedbus” in advertisements and the website rather than the Google Adwords cause of action. Asher J had found trade mark infringement where there was also use of the trade mark in the resulting advertisement.²³

[41] The issue with Adwords was also analysed by Katzmann J in the Federal Court of Australia in *Veda Advantage Ltd v Malouf Group Enterprises Pty Ltd*.²⁴ Katzmann J carried out a detailed analysis of the Australian, New Zealand and European authorities and concluded that use of a trade mark in a keyword that is invisible to consumers was not use as a trade mark. Katzmann J stated:²⁵

But the proposition that using words which are invisible and inaudible, indeed imperceptible, to consumers is using them as a trade mark makes no sense. How could the keywords be understood to be used to distinguish the services of one trader from those of another when the keywords are indiscernible? How could it appear to consumers that, by Malouf’s designation of the Veda keywords to Google, the words are used to denote a connection in the course of trade between Malouf’s services and the

20. *Tasman* at [193]

21. At [192].

22. (2018) 131 IPR 538; [2018] NZCA 45 at [76].

23. *InterCity* at [171].

24. (2016) 241 FCR 161; 334 ALR 84; 118 IPR 291; [2016] FCA 255 (*Veda*).

25. At [127].

services provided by another trader, or to distinguish its services from the services of others, when the consumers have not seen or otherwise perceived the keywords?

[42] Mr Gray sought to distinguish *Veda* on the basis that the legislation is somewhat different in Australia, but I doubt that is decisive.

5 [43] The issue in this case is whether evidence could change the outcome from *InterCity*. Here, there is similarly no evidence that internet users see the use of the keyword “Moola”. They have no access to it inside the Google algorithm. However, Mr Gray submitted that invisible use can still be use as a trade mark; it is sufficient if consumers understand a trade mark is being used, even if they cannot actually see it. Mr Elliott submitted that this was too notional and metaphysical a test for whether there was “use” as a trade mark, because the trade mark is only deployed in the background of Google’s search engine. Mr Elliott accepted that visibility is not required in the case of every trade mark, acknowledging for example that a sound could be a sign, but in the context of this case he submitted realism required visibility.

10 [44] I accept Mr Gray’s submission that the assessment under s 89(2) depends on all the circumstances of the use. This was noted by the Court of Appeal in *Tasman* and Asher J in *InterCity*.²⁶ Also, Asher J considered that the approach in New Zealand turns on the concept of a notional third party taking the use as use as a trade mark.²⁷

15 [45] Mr Recordon of Moola gave evidence that, from his technology and consumer experience, most consumers these days are well aware that, when an Ad appears following a search for a brand, the advertiser will have used the search term, in this case the Moola brand, in its Adword bidding, or otherwise used the search term on its website.

20 [46] Moola’s expert, Mr Shand (a digital marketing specialist), said:

25 When consumers search on Google and Google returns a range of results, consumers understand that the words they are searching have been used by the website owners. The Google algorithm does not return search results that do not in some way include the word or phrase used by the consumer in their search.

30 Even though the purchaser’s use of the keyword may not be visible to the consumer in the usual sense in the search results, when most modern consumers see an ad (prefaced by “Ad”), they will understand that this means the words have been purchased by the owner of the webpage that is returned in the search results. Where the words being searched are brands, consumers understand the business that placed an ad has used the brand to trigger the ads being displayed.

35 [47] Wallet Wizard’s expert, Dr Starr, said that knowledge of the market has not really matured in the last five years. He acknowledged that consumers recognise sponsored (paid) links with the



40 signifier and know someone has paid to get a better Google search ranking, but said they do not understand exactly how Adwords work, nor do they care. He said consumers recognise that “Ads” present them with opportunities to compare offerings.

50 26. *Tasman* at [157]; and *InterCity* at [78]; both citing *Mainland* at NZLR 345; IPR 391.

27. At [76] and [87].

[48] In relation to visibility, Dr Starr said that when Wallet Wizard utilises a trade mark as an Adword, it is known directly only to Google and Wallet Wizard, and perhaps indirectly to other competitors who are researching search outcomes or looking for available Adwords. He said that for any stimulus such as an advertisement to have effect, it must first be properly perceived. Dr Starr says there is no perception by consumers using Google that the use of a trade mark as an Adword indicates a badge of origin.

[49] These are issues for trial. It is not for me at this stage to resolve the conflict of evidence as to whether a sufficient number of consumers Google searching “Moola” perceive Wallet Wizard’s purchase of the Adword “Moola” when they see an



search result returning the Wallet Wizard website.

[50] It should be recognised that the issue in many of the cases under s 89(2), such as *Mainland*, was whether the particular use was use of the brand rather than use of a descriptive word when the term had elements of both. That was not the central issue in *InterCity*, nor is it here. The central issue here is whether the use can be “taken” at all given the hidden nature of Google Adwords.

[51] One way of considering this issue is whether it is necessary for the use to be seen by the consumer rather than perceived in some less direct way. Viewing the issue in that way, the conflict of evidence may be significant. I would not rule out the possibility that the evidence at trial could show that a significant number of normally informed or reasonably attentive internet users understand Adwords sufficiently to know or understand, when they search “Moola” on Google and see the search results showing the Wallet Wizard website with the



icon, that the word “Moola” has been purchased by Wallet Wizard, as Mr Shand says.

[52] However, the issue may instead be better framed by reference to the function of a trade mark. Returning to first principles, considering the essential function of a trade mark as a badge of origin (in the sense described) sheds light on this issue. While visibility may not always be essential, the fact that the purchaser of a Google Adword is not using the trade mark as a badge of origin for its own goods or services, but rather using it in Google’s paid service to place its comparative or competitive offering in the search results as well as the trade mark owner’s offering, indicates that there is no use as a trade mark. Taking that approach, evidence as to consumer understanding would make no difference.

[53] It is not for me to decide difficult questions of law at this stage. For the purposes of interim relief, however, I consider that Moola has not established a serious question to be tried that Wallet Wizard has used the word Moola “in such a manner as to render the use of the sign as likely to be taken as being use as a trade mark” as required by s 89(2) and therefore infringed Moola’s trade mark. I reach this conclusion notwithstanding Moola’s evidence that internet users

(searching using the keyword Moola) are likely to understand that the search result showing Wallet Wizard's website is the product of Wallet Wizard's purchase of the "Moola" Adword.

5 [54] Wallet Wizard did not raise its invalidity counterclaim for the purpose of the interim relief application, but it did point to Moola's own use of the term in a descriptive sense on the Moola website. This use appears to have been a play on words on a relatively obscure part of the website and I do not reach any adverse conclusion on it at this stage.

10 ***Passing off and breach of the Fair Trading Act 1986***

[55] Moola's own evidence that consumers understand the essential features of Google Adwords indicates that the purchase of a trade-marked Adword (without use of the trade mark in the resulting advertisement) does not involve a representation which would lead or be likely to lead members of the public to believe that the services it offers are the services of Moola. In relation to use of the word "Moola" in Adwords, I consider that for the purposes of interim relief Moola has not demonstrated a serious question on the passing off or Fair Trading Act 1986 causes of action. Whether Moola can succeed on evidence at trial is another matter.

20 [56] Mr Gray submitted that elements of the Wallet Wizard advertising that mimic Moola's slogans are also confusing but that was not the subject of much attention at the hearing. Given the scope of the interim injunction sought is limited to use of the word "Moola" (and variations of it), it is unnecessary to consider this part of the claim further at this stage.

25 **Balance of convenience and overall justice**

[57] Even though I have not found that Moola has established a serious question to be tried in relation to use of the Adword "Moola", I turn to consider the balance of convenience. Ms Simpson addressed this for Moola. She submitted that the balance of convenience and overall justice favour granting an interim injunction. She submitted that damages would not be an adequate remedy for Moola, whereas damages would be an adequate remedy for Wallet Wizard.

30 [58] Moola particularly points to its immeasurable damage to goodwill, which is often relevant in intellectual property cases. In addition, Moola fears that even with the level of user tracking that is available with Google Adwords, Moola's losses will be underreported.

[59] Moola says that damages will be an adequate remedy for Wallet Wizard given the available records. Furthermore, it says that quantum of any such loss is small given that Wallet Wizard's spending on the "Moola" Adword is less than four per cent of Wallet Wizard's total spending on Adwords. Further, Wallet Wizard's sales revenue is modest and it is currently running a net loss. Wallet Wizard should be able to forecast or estimate any damage caused by an interim restraint.

40 [60] Wallet Wizard submitted that any damage to the plaintiff was nominal as there was no indication of a trade connection nor any basis to show any diversion of sales as a result of misrepresentation. It also points to Moola's descriptive use. Even if wrong, Moola's damage could be quantified given the unique traceability in relation to the use of Google Adwords.

45 [61] Mr Elliott submitted that the only quantification difficulty that might arise was in relation to the use of different devices, where the sale is completed on a different device from the earlier original search. To deal with that scenario, Mr

Elliott said Wallet Wizard offered an undertaking to keep accurate records of all loans made by Wallet Wizard to consumers who Google the search term “Moola” or to consumers where Wallet Wizard is not sure where the contact comes from, and in each case inquire of those customers how they chose Wallet Wizard and whether they have used more than one device.

[62] On the other hand, Wallet Wizard submitted that if interim relief were granted, there would be no record and damages would not be an adequate remedy.

[63] Wallet Wizard also complained of Moola’s delay since the issue first arose in 2015 and alleged that Moola lacked ‘clean hands’ because it engaged in the very same conduct by purchasing the “Wallet Wizard” Adword. Indeed, Wallet Wizard said Moola had engaged in keyword substitution, which was found to constitute trade mark infringement in *InterCity*.

[64] Wallet Wizard also alleges that Moola’s actions to stop other competitors from purchasing the “Moola” Adword involve anti-competitive conduct.

[65] Mr Elliott submitted that the Court should allow the status quo of a competitive marketplace to continue. Other players are still bidding on Adwords, as Wallet Wizard has been for three years. He submitted that Moola’s real motivation was to avoid paying Google for its own Adword.

[66] I first consider whether damages will be an adequate remedy for Moola. High Court Rule 8.3 requires the defendants to preserve their records, which will be available at trial. Wallet Wizard has also offered an undertaking to assist in quantifying damages where different devices are used.

[67] I accept that, in this context of online loans, damages based on Wallet Wizard’s trading may be reasonably easily calculated, as may be the increased Adword cost, but that does not necessarily mean that damages would be an adequate remedy. Damage to goodwill and brand dilution are often difficult to measure. This weighs in favour of interim relief here. Even so, here the evidence indicates that Wallet Wizard is writing only a modest number of consumer loans.

[68] I next consider whether damages would be an adequate remedy for Wallet Wizard if an interim injunction is granted but it succeeds at trial. While an injunction would stop ongoing use of the “Moola” Adword and there would therefore be no ongoing record of resulting sales, the records to date and the ongoing sales without use of the “Moola” Adword ought to make it relatively easy to calculate Wallet Wizard’s damages.

[69] Harm to third parties can also be a relevant factor. Wallet Wizard referred to the effect on consumers, Google and other market participants but I do not consider these alter the balance.

[70] The relative strength of the parties’ cases is a relevant factor in the balance of convenience where it can appropriately be ascertained, bearing in mind the limit of the Court’s function at the interim stage referred to above at [21]. Even if I had considered Moola established a serious question to be tried, the relative strength of the parties’ cases weighs against interim relief.

[71] I turn to the delay argument. Mr Gray submitted that, following the exchange between the parties in late 2015, Moola only became aware that Wallet Wizard was again purchasing “Moola” in Google Adwords on or around 13 August 2018. Mr Recordon said he did not recall personally seeing a Wallet Wizard advertisement in relation to a “Moola” search and did not recall any such use being brought to his attention. He said it is possible that Wallet Wizard’s

advertisements were never identified in Moola's monitoring searches. Although it appeared to be common ground that if a party was bidding for an Adword it would know who else was doing so, I accept Moola's explanation that it was not aware that Wallet Wizard was purchasing the "Moola" Adword during the intervening period. Therefore, I do not consider Moola has delayed.

[72] In relation to clean hands, there are several components. The evidence indicates one instance of keyword substitution by Moola in August 2015. Mr Recordon said that Moola has no records relating to this as its Adwords were outsourced at the time, and that it was not brought to Moola's attention. I do not consider that this one instance should weigh against Moola.

[73] The next question is whether Moola's purchase of the "Wallet Wizard" Adword is of a legitimate reactionary nature or part of a wider strategy to gain an unfair advantage.²⁸ Mr Recordon said that Moola intends to cease this as soon as Wallet Wizard ceases use of "Moola". His reply affidavit states that recent searches did not show that Wallet Wizard was purchasing the "Moola" Adword and therefore Moola had stopped bidding on the "Wallet Wizard" Adword. Insofar as this explains Moola's purchases since August 2018, I accept this may be of a legitimate reactionary nature as a means of damage mitigation. However, Moola also bid on the "Wallet Wizard" Adword in the following months: December 2016 to June 2017, September 2017 to November 2017 and January 2018 to June 2018. This was all during the period when I have accepted Moola was not aware that Wallet Wizard was purchasing the "Moola" Adword. Accordingly, I consider that Moola was engaging in the very conduct it is complaining about in a manner that goes further than a legitimate reaction. This weighs against interim relief.

[74] Wallet Wizard is also critical of Moola's conduct in seeking to reach agreements with other competitors in relation to the purchase of "Moola" as an Adword. I do not consider this raises a clean hands issue at this stage. Insofar as Moola was merely and genuinely seeking to enforce its legitimate intellectual property rights, there is no conduct issue under the Commerce Act 1986. If Moola was mistaken as to the extent of its intellectual property rights, it was not acting improperly in a clean hands sense.

[75] Both parties referred to the status quo. Preserving the status quo may be a relevant factor in favour of interim relief in the balance of convenience, particularly when other factors are evenly balanced. Ordinarily, the status quo means the position prevailing when the defendant embarked upon the activity sought to be restrained. Here, however, that can hardly be described as restoring the status quo. The activity has been occurring, off and on, since 2015, albeit I have accepted that Moola was not aware of it. Mr Elliott referred instead to allowing the status quo of a competitive marketplace to continue. That may be a factor relevant to overall justice, at least in combination with the other factors weighing against interim relief, namely, the relative strength of the parties' claims and Moola's bidding on the Wallet Wizard Adword.

[76] Balancing these various factors, I conclude that the balance of convenience and overall justice weigh against interim relief.

50 28. *InterCity* at [90]–[92]. This was an issue considered at the interim stage: *InterCity Group (NZ) Ltd v Nakedbus NZ Ltd* [2013] NZHC 379 at [41]–[43].

Result

[77] The application for an interim injunction is dismissed.

[78] Wallet Wizard is entitled to costs on a 2B basis and reasonable disbursements, except that Moola is entitled to an offset for its costs on a 2B basis and reasonable disbursements in respect of the application to adduce further evidence.

ANDREW BROWN QC
BARRISTER