

**IN THE HIGH COURT OF NEW ZEALAND
AUCKLAND REGISTRY**

**I TE KŌTI MATUA O AOTEAROA
TĀMAKI MAKAURAU ROHE**

**CIV-2019-404-1254
[2019] NZHC 2682**

UNDER the Trade Marks Act 2002
the Fair Trading Act 1986

IN THE MATTER of trade mark infringement
breach of contract
breach of the Fair Trading Act
passing off

BETWEEN WINC AUSTRALIA PROPRIETARY
LIMITED
Applicant/Plaintiff

AND NXP HOLDINGS LIMITED
First Respondent/First Defendant

.../cont

Hearing: 3 October 2019

Appearances: M D O'Brien QC, J Q Wilson and D A McGivern for the
Applicant
R J Hollyman QC and T D Mahood for the Respondents

Judgment: 21 October 2019

JUDGMENT OF GORDON J

This judgment was delivered by me
on 21 October 2019 at 3 pm, pursuant to
r 11.5 of the High Court Rules

Registrar/Deputy Registrar
Date:

Solicitors: Bell Gully, Auckland
Hudson Gavin Martin, Auckland
Counsel: M O'Brien QC, Auckland
R J Hollyman QC, Auckland

NXP LIMITED
Second Respondent/Second Defendant

TIRI GROUP LIMITED
Third Respondent/Third Defendant

Introduction

[1] The applicant, Winc Australia Pty Ltd (Winc), applies for an on notice interim injunction for orders restraining the respondents from using the NETXPRESS name and trademarks (the NETXPRESS marks) or any other confusingly similar mark. Winc alleges that the respondents are infringing Winc's registered trade marks under the Trade Marks Act 2002 and that the respondents' use of the marks and brand is in breach of the Fair Trading Act 1986 and constitutes passing off. Winc seeks to restrain the respondents' use of the NETXPRESS marks or similar, pending trial on the above matters.

Backgrounds facts

[2] Winc sells office supplies in Australia. Until 2 July 2018, Winc owned the second respondent, NXP Ltd (NXP),¹ which sells office supplies in New Zealand. Both Winc and NXP predominantly sell office supplies through e-commerce platforms, that is, websites displaying stock availability, providing ordering processes, tracking, and managing invoices and receipts. Neither operates stores.

[3] The NETXPRESS marks were used to brand the e-commerce platforms in both Australia and New Zealand for around two decades. Winc is the registered proprietor of the NETXPRESS marks. The domain names for both the Australian (netxpress.biz) and New Zealand (formerly netxpress.co.nz) platforms reflected the branding.

The NETXPRESS marks

[4] Between 1997 and 1999, Winc registered the NETXPRESS marks with the Intellectual Property Office of New Zealand (IPONZ) as follows:

(a) Trade mark no 282877 

(b) Trade mark no 296860 

¹ Formerly Winc NZ Ltd.

(c) Trade mark no 309070 

(d) Trade mark no 309071 

[5] The registered marks cover, among other things, retail and wholesale mail and electronic ordering and distribution.

Sale of NXP

[6] In March 2018, Winc's owner, Platinum Equity LLC, entered into an agreement to acquire the OfficeMax business, a competitor of Winc in Australia and New Zealand. This was investigated by the competition authorities, and the New Zealand Commerce Commission (NZCC) took action.

[7] On 5 April 2018, in order to be able to complete the OfficeMax sale, Platinum Equity gave a divestment undertaking to the NZCC.

[8] On 23 May 2018, Winc entered into a Sale and Purchase Agreement (SPA) with the first respondent, NXP Holdings Ltd, for the sale of the shares of NXP and the rights attaching to those shares. The sale was completed on 2 July 2018. The third respondent, Tiri Group Ltd, was the buyer's guarantor.

[9] For NXP to be viable as a stand-alone business, it was necessary for it to, among other things, separate the Australian and New Zealand e-commerce platforms. To facilitate this, Winc and NXP entered into a Transitional Services Agreement.

The Sale and Purchase Agreement

[10] The operative provision for the sale and purchase of the shares is set out in cl 2 of the SPA as follows:

2.1 Sale and purchase

On Completion, the Seller must sell the Shares to the Buyer, and the Buyer must purchase the Shares from the Seller, for the Purchase Price, free from all Encumbrances and otherwise on the terms and conditions set out in this Agreement.

2.2 Transfer of rights

The Seller must transfer the Shares to the Buyer with all rights including dividend rights which are attached or accruing to them on and from Completion.

2.3 Title and risk

- (a) The Seller's title to the Shares and the rights attaching to them passes from the Seller to the Buyer on Completion.
- (b) The risk of loss or damage to the value of the Shares passes to the Buyer on Completion.

[11] Clause 13.2 controls the use of Winc Retained Names and Marks. Under cl 13.2(a), all rights, title and interests in and to such names and marks are owned exclusively by Winc. Under cl 1.1, "Winc Retained Names and Marks" means:

... the name "Winc", together with all variations and acronyms thereof and all trade marks, company names, business names, domain names and other identifiers of course or goodwill containing, incorporating or associated with the "Winc" brand, or any words, signs, logos or other identifying features resembling the same or which would be reasonably capable of causing confusion therewith, including those listed in Schedule 8.

[12] NXP is required under cl 13.2(b) to change its name so that it does not include any Winc Retained Names or Marks or similar. Clause 13.2(c) then provides that NXP and its subsidiary are allowed to use the Winc Retained Names and Marks (other than "Corporate Express"), for up to 12 months after completion, in relation to signs, websites and existing stocks among other things. Any such use must be consistent with the earlier use and not tarnish Winc's reputation or goodwill in the marks, as stipulated in cl 13.2(d). Subclause (f) provides that breach of any of the undertakings in cl 13.2 may not adequately be compensated by damages and that Winc is entitled to seek an injunction restraining any breach.

[13] Next, as to the domain name, cl 13.2(g) permits NXP to use the netxpress.co.nz domain until 2 July 2019 (12 months from the completion date). The SPA then provides for a "Stand Down Period" of a further six months, during which no one is to use the netxpress.co.nz domain, until 2 January 2020. During this period, any inquiries, traffic or communications to netxpress.co.nz will automatically be redirected to a website and domain name nominated in writing by the first respondent,

NXP Holdings Ltd, to Winc. After this time, the respondents have no further interest in the domain name netxpress.co.nz.

[14] Clause 13.3(a) provides as follows:

13.3 NetXpress

(a) With effect from Completion, [Winc] grants to [NXP] a royalty free, non-exclusive, non-transferable licence to use the Intellectual Property Rights owned by [Winc] in the NetXpress e-commerce platform (NetXpress IPR) ... including adapting modifying, copying and supporting the NetXpress IPR ...

...

(c) All NetXpress IPR licensed to [NXP] is licensed on an “as is” and “as available” basis, and [Winc] expressly excludes any warranties, representations, guarantees or assurances of any nature whatsoever with respect to the NetXpress IPR.

[15] The parties dispute the meaning of the above clauses and what is included in their scope. I will address these issues before considering the claims under the various causes of action. But I first mention the dispute and then set out the approach to interim injunction applications.

The dispute

[16] In March 2019, NXP rebranded its business from Winc NZ to Net Xpress Procurement. It then applied to revoke Winc’s registrations for the NETXPRESS marks. Since then, it has rebranded to NXP and it withdrew its revocation application in an attempt, it says, to avoid proceedings.² The respondents confirmed their intention to continue to use the word “NetXpress” to brand the e-commerce platform — it is this use in relation to the e-commerce platform that is at issue in the present proceeding.

² On commencement of the proceedings, NXP re-applied to have Winc’s registration of the NETXPRESS marks revoked. I am not required to determine the issue of revocation.

Approach to interim injunctions

[17] The approach to interim injunctions is well established.³ There are two broad questions that the Court must consider:⁴

- (a) Whether there is a serious question to be tried; and
- (b) Where does the balance of convenience lie?

[18] The ultimate question for the Court is: where does the overall justice lie? At this final stage, if the balance of convenience is finely balanced, regard to the relative strength of the parties' cases and whether refusing or granting an interim order would create a risk of injustice will usually be appropriate.⁵

[19] Mr Hollyman QC, for the respondents, however, submits that the serious question test is too light and that Winc should be required to show at least a prima facie case.⁶ He submits that the English Courts have demonstrated a willingness, in interim injunction applications alleging passing off, to require the applicant to show a strong prima facie case. Mr Hollyman notes that the learned authors of *McGechan on Procedure* make the point that the same approach might be taken for interim injunction applications alleging trade mark infringement.⁷

[20] This issue has previously been addressed in this Court.⁸ In line with *American Cyanamid Co Ethicon Ltd* and *Klissers Farmhouse Bakeries Ltd v Harvest Bakeries Ltd*, Heath J applied the “serious question to be tried” threshold in relation to intellectual property rights, including trade marks.⁹ I respectfully adopt the same approach and apply the “serious question to be tried” threshold.

³ See *Leisureworld Ltd v Elite Fitness Equipment Ltd* HC Auckland CIV-2006-404-3499, 21 July 2006 at [41]–[57] per Heath J.

⁴ *Klissers Farmhouse Bakeries Ltd v Harvest Bakeries Ltd* [1985] 2 NZLR 129 (CA) at 142.

⁵ At 142; and *Leisureworld Ltd v Elite Fitness Equipment Ltd*, above n 3, at [57].

⁶ Relying on *McGechan on Procedure* (online ed, Thomson Reuters) at [HR7.53.05(2)].

⁷ At [HR7.53.05(2)(b)].

⁸ *Leisureworld Ltd v Elite Fitness Equipment Ltd*, above n 3, at [41]–[57].

⁹ *Leisureworld Ltd v Elite Fitness Equipment Ltd*, above n 3; *American Cyanamid Co v Ethicon Ltd* [1975] AC 396 (HL); and *Klissers Farmhouse Bakeries Ltd v Harvest Bakeries Ltd*, above n 4.

[21] I also note that I will address any likely defences under the “serious question to be tried” rubric.¹⁰ There is authority that defences should be considered under the balance of convenience.¹¹ However, it has also been said that courts must recognise “the importance of not seeking the answer to an interlocutory injunction application in the rigid application of a formula”.¹² There is a need for flexibility in determining whether an interim injunction should be granted.¹³

[51] ... Provided the ultimate check is the touchstone of “the interests of justice” it may not matter how one characterises each step in the process, so long as all relevant factors are brought to account. One size does not fit all. Cooke J’s warning about not using rigid formulae to determine interim applications is, with respect, well founded.

...

[56] ... My own view is that Cooke J, in *Klissers Farmhouse Bakeries Ltd*, captured the real issue by holding that the “serious question to be tried” and “balance of convenience” were useful labels under which to marshal all relevant considerations before standing back and determining whether the interests of justice require an interim injunction to issue.

[22] The ultimate question is whether the interests of justice require an interim injunction to issue.

Preliminary issue: Did Winc license the NETXPRESS marks to the respondents?

[23] It is first necessary to consider whether Winc licensed the NETXPRESS marks and brand to the respondents under the SPA. If Winc did in fact license the marks under the SPA, then the respondents have an answer, in contract, to Winc’s claims.

[24] NXP says its use of the word “NetXpress” is consistent with and authorised by the SPA. It makes two submissions on this issue.

¹⁰ *Leisureworld Ltd v Elite Fitness Equipment Ltd*, above n 3, at [57].

¹¹ *NWL Ltd v Wood* [1979] 1 WLR 1294 (HL) as cited in *Leisureworld Ltd v Elite Fitness Equipment Ltd*, above n 3, at [50].

¹² *Klissers Farmhouse Bakeries Ltd v Harvest Bakeries Ltd*, above n 4, at 142.

¹³ *Leisureworld Ltd v Elite Fitness Equipment Ltd*, above n 3.

Clause 13.2 — Winc Retained Names and Marks

[25] First, NXP submits that “NetXpress” does not fall within the definition of “Winc Retained Marks and Names” under cl 13.2 of the SPA. I repeat that clause here for ease of reference:

Winc Retained Names and Marks means the name “Winc”, together with all variations and acronyms thereof and all trade marks, company names, business names, domain names and other identifiers of course or goodwill containing, incorporating or associated with the “Winc” brand, or any words, signs, logos or other identifying features resembling the same or which would be reasonably capable of causing confusion therewith, including those listed in Schedule 8.

[26] NXP contends that the proper interpretation of the definition of “Winc Retained Marks and Names” only includes:

- (a) the Winc brand;
- (b) variations of the Winc brand, such as the logo;
- (c) Winc’s unabridged name, “Work Incorporated”; and
- (d) Other words, signs, logos or features associated with the Winc brand, such as Winc’s tagline, “We stand for work incorporated”.

[27] Mr Hollyman submits this is also consistent with sch 8 of the SPA, which is expressly referred to in the definition of “Winc Retained Names and Marks”. Schedule 8 provides that:

The intellectual property listed in this section will be retained by the Seller Group and will not form part of the Business Intellectual Property of the Company. A limited license to the Retained Names and Marks listed in this Schedule is granted to each Group Company in accordance with clause 13.2.

[28] The intellectual property listed in sch 8 is the registered trade marks “WINC”, “WORK INCORPORATED” and **winc.** (both in colour and black and white) and the registered domain name winc.co.nz.

[29] In response, Mr O'Brien QC notes that cl 13.2(c) provides that, "[t]he parties agree that each Group Company may continue to use the Winc Retained Names and Marks (other than 'Corporate Express')". The implication, he submits, is that "Corporate Express" would ordinarily be included in the definition of "Winc Retained Names and Marks", but not for the purposes of cl 13.2(c) — that is, that the term includes more than the categories that NXP alleges, lending credit to the inclusion of the word "NetXpress".

[30] Mr O'Brien also notes that the definition of "Winc Retained Names and Marks" uses the words "*including* those listed in Schedule 8" — cl 1.2(d) provides that "includes" means includes *without limitation*. He submits that the schedule is therefore inclusive and not exhaustive of what constitutes the Winc Retained Names and Marks.

[31] Mr Hollyman replies that Winc never owned the "Corporate Express" mark, therefore, it could never fall within the definition of "Winc Retained Names and Marks". He relies on the email exhibited to the affidavit of Paul Dougherty, a partner at Cameron Partners Ltd, an investment banking firm engaged by Winc to advise on the sale of the NXP shares. The exhibit contains email correspondence between Mr Dougherty and Rob Astley, director of all the respondents, whereby Mr Astley asked Mr Dougherty to "please approach Platinum to see if they are able and willing to grant/sell the Corporate Express & netxpress (sic) rights". Mr Dougherty, in his reply, noted that "Platinum/Winc has no ownership of the Corporate Express brand". So, Mr Hollyman submits, the express exclusion of "Corporate Express" in cl 13.2(c) does not necessarily lead to the conclusion that it is ordinarily included in the Winc Retained Names and Marks but expressly excluded for the purposes of cl 13.2(c).

[32] For the purposes of this application I prefer the submission advanced on behalf of Winc. I consider that "NetXpress" is a "trade mark ... associated with the 'Winc' brand". Troy Swan, General Counsel and Company Secretary of Winc, deposes that the NETXPRESS marks have always been associated with Corporate Express (now Winc) and has been a part of the "Corporate Express [now Winc] IP eco-system". And Winc is, of course, the registered proprietor of those marks.

Clause 13.3 — NetXpress e-commerce platform

[33] Secondly, NXP submits that Winc granted it a “royalty free, non-exclusive, non-transferable licence” to use the word “NetXpress” in relation to the e-commerce platform under cl 13.3(a) of the SPA, which I also set out here for ease of reference:

13.3 NetXpress

- (a) With effect from Completion, [Winc] grants to [NXP] a royalty free, non-exclusive, non-transferable licence to use the Intellectual Property Rights owned by [Winc] in the NetXpress e-commerce platform (NetXpress IPR) ... including adapting modifying, copying and supporting the NetXpress IPR ...

...

- (c) All NetXpress IPR licensed to [NXP] is licensed on an “as is” and “as available” basis, and [Winc] expressly excludes any warranties, representations, guarantees or assurances of any nature whatsoever with respect to the NetXpress IPR.

[34] In particular, NXP says that the word “NetXpress” used to brand the e-commerce platform falls within the scope of “Intellectual Property Rights owned by [Winc] in the NetXpress e-commerce platform”.

[35] In response, Winc says the intellectual property granted under that clause is the source code, that is the software, in the e-commerce platform. It says this is evident from the fact that cl 13.3(a) permits modifications, copying and support, and that this is why the licence is expressed on an “as is” and “as available” basis. Winc submits that the reference to “NetXpress” is merely to identify the e-commerce platform. It says that the clause does not provide for a sale or perpetual licence of the name, mark or brand, and that any such interpretation would be inconsistent with the other clauses of the SPA whereby Winc took clear steps to retain its ownership and interest in its marks (for example, under cl 13.2).

[36] On the other hand, NXP says that cl 13.3 certainly includes the source code but is not limited to it — that it also includes the NETXPRESS branding. It says that the words “modify, copy and support” can equally be applied to trade marks, noting that the “NetXpress” mark itself was modified when dropping the “E” from “Net-Express”. It also says that such an interpretation is consistent with Winc’s undertaking to NZCC:

5. Preservation obligations

5.1 During the Divestment Period and if applicable, the Second Divestment Period, Platinum Equity will (either directly or via its affiliates), in relation to the Divestment Business,¹⁴ use all reasonable endeavours to:

- (a) preserve its *reputation and goodwill*;
- (b) preserve its economic viability, marketability and competitiveness; ...

(emphasis added) (footnote added)

[37] Mr Hollyman submits that the “reputation and goodwill” referred in the Divestment Deed (above) includes the goodwill in the NETXPRESS branding.

[38] In my view, there is merit to Winc’s argument. Its narrower interpretation of the scope of cl 13.3 is consistent with its undertaking to the NZCC that NXP will be viable as a competitive business — given that its business is conducted primarily through the use of the e-commerce platform,¹⁵ it makes sense that Winc would give a perpetual licence for the platform. There is no reason, however, to broaden that clause to include the NETXPRESS marks and brand. The “reputation and goodwill” referred to in the Divestment Deed does not specify that it is the reputation and goodwill in the NETXPRESS branding, but rather in the “Divestment Business”, which is defined as:

- (i) the Winc NZ Shares; and
- (ii) all of the shares in Corporate Express Print Management Limited owned or controlled, directly or indirectly, by Platinum Equity or its affiliates at the date of the Divestment unless otherwise agreed with the Approved Purchaser, ...

[39] It is not apparent to me that “the Winc NZ Shares” includes the NETXPRESS marks and brand. Those marks were, at the time of sale, and still are, owned by Winc, not Winc NZ (now NXP). This would have been clear to the respondents as the vendor due diligence report revealed that the NETXPRESS marks are owned by Winc and the trade mark register included in the due diligence materials showed that Winc NZ (as it then was) did not own any trade marks.

¹⁴ See definition at [38] below.

¹⁵ Ms Byers of NXP, in her affidavit, deposes that “Approximately 80–85% of NXP’s revenue is generated through the NetXpress Platform.”

[40] My conclusion is further supported by the email correspondence between Mr Dougherty and Mr Astley, mentioned above at [31], dated 10 June 2018 (after the SPA was signed). Mr Astley for NXP asked Mr Dougherty to “approach Platinum to see if they are able and willing to grant/sell the ... netxpress rights”. If the respondents thought they were acquiring rights to the NETXPRESS marks and brand under cl 13.3 of the SPA, there would have been no need for Mr Astley to ask Mr Dougherty to negotiate those rights after the SPA was signed.

[41] For the purposes of this interim application, I consider that it is seriously arguable that Winc did not license the NETXPRESS marks and brand to NXP under the SPA.

[42] Finally, in relation to both cls 13.2 and 13.3, Mr Hollyman submits that any ambiguity in the interpretation of the clauses of the SPA should be resolved against Winc, relying on the *contra proferentem* rule. However, that submission is answered by cl 1.2(e) of the SPA which precludes any reliance on that rule of interpretation, providing: “no rule of construction will apply to a clause to the disadvantage of a party merely because that party put forward the clause or would otherwise benefit from it”.

[43] I now turn to the various causes of action.

Serious question to be tried — the causes of action

[44] The party seeking interim relief (Winc) must adduce sufficiently precise factual evidence to satisfy the Court that there is a real prospect of succeeding in the claim for a permanent injunction at trial.¹⁶

[45] At this stage, it is *not* the Court’s role to resolve conflicts of affidavit evidence as to facts on which the claims of either party may ultimately depend or to decide difficult questions of law, which call for detailed argument and mature consideration.¹⁷

¹⁶ *Re Lord Cable (deceased)* [1976] 3 All ER 417 (Ch) at 413.

¹⁷ *American Cyanamid Co v Ethicon Ltd*, above n 9, at 407 and 510; *Villa Maria Wines Ltd v Montana Wines Ltd* [1984] NZLR 422 (CA) at 425; and *Health Club Brands Ltd v Colven* [2013] NZHC 428 at [9].

Rather, these are matters to be dealt with at trial. Nevertheless, the applicant must satisfy the Court that its claim is “neither frivolous nor vexatious”.¹⁸

Trade Marks Act 2002 — Trade mark infringement

[46] A trade mark is essentially a badge of origin. I refer to the classic statement of Bowen LJ in *Re Powell’s Trade-Mark* as to the function of a trade mark.¹⁹

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.

[47] Section 89 of the Trade Marks Act 2002 provides:

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

- (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—
- (a) identical with the registered trade mark in relation to any goods or services in respect of which the trade mark is registered; or
 - (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
 - (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
 - (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.

¹⁸ *Rosemeath Holdings v Grieve* [2004] 2 NZLR 168 (CA) at [35].

¹⁹ *Re Powell’s Trade-Mark* [1893] 2 Ch 388 (CA) at 403–404.

- (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.

[48] Primarily, Winc relies on s 89(1)(a) and (b) — that is, that NXP is using a mark *identical* to the Winc-registered NETXPRESS marks. Mr Hollyman submits that the registered NETXPRESS marks are combined marks (stylised words), not simply word marks. He says that NXP’s use of the word “NetXpress” is not identical to the NETXPRESS marks as NXP is not using the stylisation.

[49] In *Intercity Group (NZ) Ltd v Nakedbus NZ Ltd*, Asher J referred to the test for determining whether marks are identical:²⁰

[174] The leading authority on identicalness in Europe is *LTJ Diffusion SA v Sadas Verbaudet SA* where it was stated that “identity ... must be interpreted strictly” and “the very definition of identity implies that the two elements compared should be the same in all respects”.²¹ The Court then went on to say:²²

However, the perception of identity between the sign and the trade mark must be assessed globally with respect to an average consumer who is deemed to be reasonably well informed, reasonably observant and circumspect. The sign produces an overall impression on such a consumer. That consumer only rarely has the chance to make a direct comparison between signs and trade marks and must place his trust in the imperfect picture of them that he has kept in his mind ...

Since the perception of identity between the sign and the trade mark is not the result of a direct comparison of all the characteristics of the elements compared, insignificant differences between the sign and the trade mark may go unnoticed by an average consumer.

In those circumstances, ... a sign is identical with the trade mark where it reproduces, without any modification or addition, all the elements constituting the trade mark or where, viewed as a whole, it contains differences so insignificant that they may go unnoticed by an average consumer.

[175] It has been commented that there is a tension between the propositions that there should be a strict interpretation, but allowance for the imperfect picture of the average consumer.

[176] ... In my view the decision must be based on an assessment of the picture presented to the average consumer as a matter of overall impression. ... In assessing overall impression it should not be assumed that the consumer has both marks side by side and is making an assessment of them. The

²⁰ *InterCity Group (NZ) Ltd v Nakedbus NZ Ltd* [2014] NZHC 124, [2014] 3 NZLR 177.

²¹ Case C-291/00 *LTJ Diffusion SA v Sadas Vertbaudet SA* [2003] ECR I-2799 at [50].

²² At [52]–[54].

significance of impression and the imperfections of memory of the average careful consumer must be born in mind. The degree of aural similarity is also relevant. What must be assessed is the visual, aural or conceptual identity of the marks in question, based on the overall impression created by them, bearing in mind their distinctive and dominant components.

[50] The Court did not have the benefit of detailed argument as it will have at trial, but the view I take for the purposes of this application is that the word “NetXpress” is not identical to trade marks no 309070  and 309071 . It is important to note that the marks at issue in *InterCity Group (NZ) Ltd v Nakedbus NZ Ltd* were both word marks: “InterCity” and “inter city”. However, that is not the case in the present case. Winc’s NETXPRESS marks 309070 and 309071 are registered as combined marks, namely a combination of words and stylisation. However, the mark being used by NXP, namely “NetXpress”, is a word mark. Whilst the marks are aurally identical and conceptually similar, the visual and the overall impression created by the stylisation of the NETXPRESS marks 309070 and 309071 (with the addition of a “swoosh”, the “II” and the tagline “Ordering Made Easy”) is such that they are not identical to the word “NetXpress”.

[51] NETXPRESS marks 282877  and 296860  are also combined marks. They do not have a “swoosh” but the “X” is stylised. Again, without the benefit of detailed submissions and for the purposes of this application, I do not consider the word “NetXpress” is identical to trade marks 282877 and 296860.

[52] Alternatively, Winc relies on s 89(1)(c) — that is, that NXP is using a mark that is *similar* to the Winc-registered NETXPRESS marks in relation to the same or similar goods or services in a manner that would be *likely to deceive or confuse*. For the purposes of this application, NXP acknowledges that the word “NetXpress” being used by NXP is similar to the NETXPRESS marks (trade mark no 282877 and 296860) for the same or similar goods or services. Therefore, the sole issue is whether NXP’s use of “NetXpress” to brand its e-commerce platform is likely to deceive or confuse.

[53] Mr Hollyman submits that confusion or deception is not likely because:

- (a) Winc does not have any reputation or goodwill in the NetXpress brand in New Zealand. Rather, the reputation and goodwill belong to NXP.

- (b) NXP is solely a business-to-business supplier, dealing only with businesses, not the public at large. It has a targeted, educated customer base which is not as prone to being deceived or confused as the general public.

[54] Mr O'Brien submits that Winc is the registered proprietor of the NETXPRESS marks in New Zealand and therefore the reputation and goodwill attaches to it. He submits it is not essential for the owner to be using the mark.²³ He also relies on *Associated Rediffusion Ltd v Scottish Television Ltd*, for that proposition.²⁴

[55] A leading authority in New Zealand on the meaning of “likely to deceive or confuse” is *Pioneer Hi-Bred Corn Co v Hy-Line Chicks Pty Ltd*.²⁵ That case related to s 17(1)(a) of the Trade Marks Act 1953, which dealt with the registration of trade marks. However, it has been applied in the context of infringements under the 2002 Act.²⁶ In that case, the Court of Appeal observed that to *deceive* is to create an incorrect belief or mental impression, and to *confuse* is to perplex or mix up the minds of the purchasing public.²⁷ The Court identified several relevant factors, including:²⁸

- (a) The concern is with the possible future use of the mark in respect of goods coming within the specification applied for: registration gives the holder protection to that extent.
- (b) In considering the likelihood of deception or confusion, all the surrounding circumstances have to be taken into consideration, including the circumstances in which the mark may be used, the market in which the goods or services may be bought and sold and the character of those involved in that market.

²³ Mark Davison and Ian Horak *Shanahan's Australian Law of Trade Marks and Passing Off* (6th ed, Thomson Reuters, Sydney, 2016) at [85.765].

²⁴ *Associated Rediffusion Ltd v Scottish Television Ltd* [1957] 74 RPC 409 (Ch D) at 413.

²⁵ *Pioneer Hi-Bred Corn Co v Hy-Line Chicks Pty Ltd* [1978] 2 NZLR 50 (CA).

²⁶ See *Australasian Conference Association Ltd v A Little Bit of Britain Ltd* [2018] NZHC 2501 at [66]; and *YGP IP Ltd v Yellowbook.com.au Pty Ltd* HC Auckland CIV-2007-404-2839, 13 July 2007 at [104].

²⁷ *Pioneer Hi-Bred Corn Co v Hy-line Chicks Pty Ltd*, above n 25, at 62.

²⁸ At 61–62.

- (c) It is the use of the mark in New Zealand that has to be considered and association of a similar mark with another trader in overseas countries or markets is irrelevant, except in so far as it bears on the likelihood of deception or confusion in the New Zealand market.
- (d) The test of likelihood of deception or confusion does not require that all persons in the market are likely to be deceived or confused. But it is not sufficient that someone in the market is likely to be deceived or confused. A balance has to be struck.
- (e) Where goods or services are sold or provided to the general public, the judge or officer making the decision is entitled to take into account his or her own experience and reactions as a member of the public, as well as evidence from other members of the public, when considering whether buyers would be likely to be deceived or confused by use of the mark. But where the goods or services are not of a kind usually sold to the public at large, but ordinarily sold in a specialist market consisting of persons engaged in a particular trade, evidence of persons accustomed to dealing in that market as to the likelihood of deception or confusion is essential.

[56] I note that Winc has not adduced any evidence of the likelihood of deception or confusion, relying solely on inferences based on the circumstances surrounding the relationship between the parties. Mr Hollyman submits that survey evidence is necessary. Such evidence will be required at trial but I will proceed on the basis it is not essential for interim purposes. This Court has previously granted interim injunctions restraining use of a trade mark (albeit where the goods were provided to members of the public) in the absence of actual evidence as to the likelihood of deception or confusion, instead determining the issue “as a matter of impression”.²⁹

[57] In my view, there is a serious question to be tried as to whether NXP’s use of the word “NetXpress” is likely to deceive or confuse. Winc is the registered proprietor of the NETXPRESS marks in New Zealand — this information is publicly available

²⁹ See *YGP IP Ltd v Yellowbook.com.au Pty Ltd*, above n 26, at [108].

and can be accessed via the IPONZ website. Winc is also the former parent company of NXP. And NXP formerly used the “NetXpress” brand in relation to the e-commerce platform under its parent company. NXP continues to use that word to brand the same e-commerce platform, the use of which is licensed under cl 13.3, as it did as a subsidiary of Winc. Even with an educated business customer base, given the close nexus between the two companies and the continued use of “NetXpress” in relation to the platform, there is a serious question as to the likelihood of deceiving or confusing customers as to the origin of the product or service (for example, being led to believe that Winc has permitted the continued use of the “NetXpress” brand).

[58] The similarity in the marks (the registered NETXPRESS mark being the same word, but for the stylisation), the same or similar goods or services for which the marks are registered by Winc and used by NXP, the fact that Winc also uses the NETXPRESS marks and brand in Australia (a market that is familiar to New Zealand)³⁰ and the pre-existing relationship between Winc and NXP all indicate a likelihood to deceive or confuse.

[59] Ultimately, for interim purposes, Winc need only show a serious question to be tried, and I am satisfied it has done so for trade mark infringement. However, if the balance of convenience is finely balanced, the lack of evidence adduced by Winc may weigh against it.

Trade Marks Act 2002 — Likely defences

[60] Mr Hollyman, for NXP, raises three likely defences to the infringement claim.

[61] First, NXP says Winc’s trade mark registrations should be revoked³¹ as Winc did not genuinely use the NETXPRESS marks for a continuous period of three or more years in New Zealand in relation to the services it is registered for.³²

³⁰ See *Dominion Rent A Car Ltd v Budget Rent A Car Systems (1970) Ltd* [1987] 2 NZLR 395 (CA) at 420; and *Muzz Buzz Franchising Pty Ltd v JB Holdings (2010) Ltd* [2013] NZHC 1599 at [74].

³¹ Technically, this is not a defence to trade mark infringement but a challenge to the validity of a registered trade mark. Nevertheless, I consider the issue under “likely defences”.

³² Trade Marks Act 2002, s 66(1)(a).

[62] “Use” of a trade mark is defined in s 7(1) as including “use in a form differing in elements that do not alter the distinctive character of the trade mark in the form in which it was registered” and use of the trade mark by the owner. Section 7(2) provides that use of a trade mark by the owner includes “use by a person other than the owner if that use is authorised by, and subject to, the control of the owner”.

[63] The Full Court of the Federal Court of Australia’s discussion in *Lodestar Anstalt v Campari America LLC* on the meaning of “control of the owner”, in the context of the Australian Trade Marks Act 1995 (Cth), is helpful:³³

[97] ... Control involves questions of fact and degree as does the notion of a sufficient connection. There must be control as a matter of substance. For example, I do not think that it could be suggested that the mere fact that the registered owner granted a licence or revocable authority to use the trade mark would be sufficient without more established control ...

...

[169] ... regardless of the form control might take — it is the *exercise* of control that matters, not merely the right to do so.

(emphasis in original)

[64] The Full Court continued that the “connection may be slight, such as selection or quality control or *control of the user in the sense in which a parent company controls a subsidiary*”.³⁴ I further note the observations of the learned authors of *Shanahan’s Australian Law of Trade Marks and Passing Off*:³⁵

[80.520] Financial control and related companies

It appears reasonably well established that the controlling member of a group of companies may demonstrate, through that control, a relevant dealing with the products of the subsidiaries.

[65] On the one hand, Bernice Byers, the General Manager (Solution Sales) at NXP, deposes, in her affidavit, that Winc did not control NXP’s marketing operations or exercise any control over NXP’s use of the NETXPRESS marks or brand. On the

³³ *Lodestar Anstalt v Campari America LLC* [2016] FCAFC 92, (2016) 120 IPR 1. That case concerned the meaning of “under the control of the owner” within the definition of “authorised use” in s 8 of the Trade Marks Act 1995 (Cth). See also Davison and Horak, above n 23, at [80.505] and [80.520].

³⁴ At [95] (emphasis added).

³⁵ Davison and Horak, above n 23, at [80.520], n 34.

other hand, Mr Swan, the General Counsel and Company Secretary of Winc, deposes that actual control, both generally and in relation to the marks or brand, was exercised by Winc over NXP:

- (a) Under Winc's ownership, NXP did not have a New Zealand CEO, but rather that level of senior leadership was provided from Australia.
- (b) Winc and NXP shared management personnel across a number of departments including Human Resources, Sales, Supply Chain, CFO, General Counsel, Marketing, and IT and Strategy. Each of those functions was led from Australia.
- (c) Ms Byers reported to the Australian VP of Sales. She frequently discussed matters relating to her work with the VP of Sales, in order to track her business performance and budgeting.
- (d) NXP did not have autonomy to determine its branding, particularly while it was a part of the Staples Group; Staples closely controlled brands overseas. The use of the brand collateral was essentially determined by the Winc marketing team based in Australia.
- (e) Ms Byers was regularly in Australia to discuss the operations of the New Zealand business. The level of oversight is said to be significant.
- (f) Ms Byers' evidence is that, when she joined NXP in 1996, the business operated as a standalone business with a full executive leadership team. However, the fact is that, following the acquisition of Corporate Express by Staples, New Zealand executive management functions were largely removed from the New Zealand business and those roles were based in Australia with executives covering Australia and New Zealand. For example, the CFO and Executive Leadership Team for Australia and New Zealand were based in Australia.

- (g) Particularly in relation to the NETXPRESS marks and the branding of the e-commerce platform, NXP was only able to use the marks under Winc’s authorisation and control, as the owner of the marks.

[66] Ms Byers, in her affidavit, accepts that “[b]usiness planning was generally top down”, with directives being issued from Australia, although “there was rarely (almost never) any follow through”. She also acknowledges that senior managers from Australia would visit NXP periodically to look at the business at a relatively macro level, and NXP would also provide monthly reports to Australia generally regarding financials. She says the “relationship between Winc and NXP has always been one of control of the high level corporate governance issues and oversight” and that “recently Winc has controlled the corporate level marketing and sales strategies, budgets and financial performance measures”. Whilst, according to Ms Byers, NXP changed the “Net-Express” mark (of the US Corporate Express brand) to “NetXpress” (removing the “E” and hyphen, and capitalising the “x”) at its own discretion, in light of the other evidence that Winc maintained high level control and oversight over NXP as well as registering the “NetXpress” mark for itself, it appears to me that Winc could have rejected those changes to the mark — it simply chose not to do so.

[67] I consider that Mr Swan’s evidence of control, particularly in relation to the mark or brand, is sufficient control falling within the definition of “use” of a trade mark under the Trade Marks Act 2002 — this was not a mere right to revoke the licence; there was control in substance. There is evidence that NXP did not have autonomy over the brand to the extent suggested by Ms Byers. It is not for me, at this interim stage, to determine conflicts in the affidavit evidence. For the above reasons, I am satisfied there was genuine use of the registered trade marks by Winc through NXP, contrary to Mr Hollyman’s submission that the registration should be revoked.

[68] Secondly, NXP says that it has continuously used the trade mark prior to Winc’s registration of the mark in New Zealand and therefore its use is not an infringement.

[69] Section 96(1) of the Trade Marks Act 2002 provides:

96 No infringement for certain continuous use of unregistered trade mark

- (1) A registered trade mark (**trade mark A**) is not infringed by the use of an unregistered trade mark (**trade mark B**) if—
 - (a) trade mark B is identical with or similar to trade mark A and is used in relation to any goods or services that are identical with or similar to any goods or services in respect of which trade mark A is registered; and
 - (b) trade mark B was used in relation to those goods or services in the course of trade by the owner or a predecessor in title of the owner before whichever is the earlier of the following dates:
 - (i) the date of application in New Zealand for the registration of trade mark A; or
 - (ii) the date that the owner, or a predecessor in title, first used trade mark A; and
 - (c) trade mark B has been used continuously in relation to those goods and services in the course of trade by the owner's predecessors in title (if any) and the owner since that date.

[70] Ms Byers deposes that:

42. The NetXpress brand also had its roots in the US. Corporate Express in the US used the brand "Net-Express" for the NetXpress Platform as it existed at the time. The Net-Express brand tied in with its Corporate Express branding ... We hadn't received any brand guidance from Corporate Express US, and so we (NXP) tweaked the brand relatively quickly to be NetXpress ... this brand change also happened in early-mid 1997 in the run up to the launch. It was the NetXpress version of the brand NXP created that was adopted by Winc (although it was Corporate Express Australia then), and Winc used the brand to develop various NetXpress logos. ...

43. I am advised that Winc (actually Corporate Express Australia) then first filed a trade mark application for a stylised version of NetXpress in September 1997. ...

44. We had been pushing for the platform released in New Zealand as soon as possible. NXP started using the NetXpress brand publicly relating to the new NetXpress Platform when it launched in early to mid-1997. I can't remember the exact date, but ... We adopted the NetXpress brand, which became synonymous with the NetXpress Platform.

[71] Mr Hollyman therefore submits that NXP used the "NetXpress" mark before Winc registered or used the mark in New Zealand. I make two observations. The first is that it appears that NXP was only able to use the "Net-Express" mark (from which the "NetXpress" mark was later developed) as a subsidiary of the applicant, then

Corporate Express Australia (noting that the “Net-Express” mark belonged to Corporate Express).

[72] The second, related, observation is that NXP’s use of the “NetXpress” mark does not appear to be independent from Winc (or Corporate Express Australia). Winc still had control over NXP. Mr Swan’s evidence is that “the plaintiff [Winc] entered the New Zealand market in 1995 when it acquired the majority of shares in the second defendant”. Whilst the stylistic changes were made by NXP, Winc ultimately had control over the mark and whether or not any changes were to be adopted. This appears to be evident from the fact that Winc then registered the mark in New Zealand. In other words, it is arguable that NXP’s use of the “NetXpress” mark is attributable to Winc, and therefore NXP’s use was, arguably, not earlier than, but rather concurrent with and equivalent to, Winc’s first use of the mark.

[73] Thirdly, NXP says that its use of “NetXpress” was licensed under the SPA. I have already addressed this issue in my preliminary analysis above at [23]–[42].

[74] I therefore conclude that there is a serious case to be tried under the Trade Marks Act 2002.

Fair Trading Act 1986 and passing off

[75] Winc further claims that NXP has breached the Fair Trading Act 1986 and that its use of “NetXpress” constitutes passing off. Given my decision that there is a serious question to be tried in relation to trade mark infringement, I deal with these two issues briefly.

[76] The learned author of *Intellectual Property Law: Principles in Practice* states:³⁶

A key starting point for protection through passing off or under the Fair Trading Act is *reputation*. Consumers can become conditioned into associating a trade mark or “badge” with goods or services from a particular source and/or with a particular quality. The conditioning is the result of significant exposure to the badge over time through sales and promotion. The

³⁶ Paul Sumpter *Intellectual Property Law: Principles in Practice* (3rd ed, CCH New Zealand Ltd, Auckland, 2017) at 221.

badge thus becomes identified with the product or service. The precise name of the manufacturer or provider may not be known. ...

(emphasis added)

[77] Section 9 of the Fair Trading Act provides:

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.

[78] There is unlikely to be a misrepresentation without reputation.³⁷ Ms Byers for NXP and Mr Swan for Winc agree that the NETXPRESS marks have acquired goodwill and reputation in the market. However, Mr Hollyman submits that that reputation belongs to NXP, which used the mark in the New Zealand market, not Winc.

[79] In my view, it is arguable that Winc has a reputation in New Zealand market through NXP, its former subsidiary. In *Minshull v Sepa NZ Ltd*, it was held that:³⁸

27.2 It is not established that any *goodwill* arising from the use of SEPA in New Zealand by the NZ subsidiary was attached to the NZ subsidiary, rather than to Sepa Australia because:

27.2.1 ... the NZ subsidiary was part of the Sepa Australia group structure, which means that the NZ subsidiary was, at all material times, effectively under the control of Sepa Australia. Therefore, any use of the SEPA marks by the NZ subsidiary during the currency of that corporate connection was imputed to the relevant Sepa Australia that was the owner of the SEPA marks. ...

(emphasis added) (footnotes omitted)

[80] There is also authority to the effect “that New Zealand and Australia may, for the purpose of enforcing intellectual property rights, be regarded as one market”³⁹ and that there may be a spill over of international reputation.⁴⁰ Winc continued to use the NETXPRESS marks in Australia in relation to its e-commerce platform. Whilst customers in New Zealand could not order products using the Australian domain/platform (rather being re-directed to the New Zealand domain), arguably, even

³⁷ See Ian Finch (ed) *James & Wells Intellectual Property Law in New Zealand* (3rd ed, Thomson Reuters, Wellington, 2017) at [10.4.6].

³⁸ *Minshull v Sepa NZ Ltd* [2012] NZIPOTM 1.

³⁹ *Muzz Buzz Franchising Pty Ltd v JB Holdings (2010) Ltd*, above n 30, at [74].

⁴⁰ *Dominion Rent A Car Ltd v Budget Rent A Car Systems (1970) Ltd*, above n 30, at 420.

that re-direction demonstrates an interconnectedness between Winc and the use of “NetXpress” by NXP in New Zealand. It is further arguable that the customers of NXP being informed businesses means that the customers might associate the use of “NetXpress” by NXP with Winc (at least, in relation to the platform). Again, without necessarily commenting on the strength of Winc’s claim, I am satisfied that there is a serious question to be tried.

[81] Turning to passing off, the key requirements were summarised by Lord Oliver in *Reckitt & Coleman Products Ltd v Borden Inc*:⁴¹

- (a) Reputation or goodwill attached to its name/brand;
- (b) A misrepresentation by the defendants (whether or not intentional) leading, or likely to lead, the public to believe the goods or services ordered by the defendants are the goods and services of the plaintiff or, if unrestrained, is likely to do so; and
- (c) As a result, damage has been, or is likely to be, suffered to the plaintiff’s business, reputation or goodwill.

[82] Mr Hollyman appears to accept that the essential issue in this case is whether Winc is likely to suffer damage to its business, reputation or goodwill. Mr O’Brien, for Winc, submits that the misleading suggestion of an association between Winc and the respondents is likely to damage Winc by diluting its goodwill in the NETXPRESS marks and brand. Whilst Mr O’Brien has not adduced any evidence to that effect, I note the comments of the Court of Appeal that “it is legitimate to infer [likely] damage from a tendency to impair distinctiveness” in the marks through dilution.⁴²

[83] I accept Mr O’Brien’s submissions. I am therefore satisfied that there is a serious question to be tried.

⁴¹ *Reckitt & Coleman Products Ltd v Borden Inc* (1990) 17 IPR 1, [1990] 1 WLR 491 (HL); and *Frucor Beverages Ltd v Red Bull GMBH* (2010) 88 IPR 198 (HC) at [33]–[34].

⁴² *Taylor Bros Ltd v Taylors Textile Services Auckland Ltd* [1988] 2 NZLR 1 (CA) at 452.

Balance of convenience

[84] I now turn to what has been described as the guiding principle in granting interlocutory injunctions: the balance of convenience.⁴³ The crucial issue is whether granting or refusing an injunction is the course which, after the action itself has been tried and the issues between the parties determined, would fairly allow the adjustment of the rights of the parties in a way that accords with fairness and justice.⁴⁴

[85] Lord Diplock in *American Cyanamid Co v Ethicon Ltd* observed that:⁴⁵

... the court should first consider whether, if the plaintiff were to succeed at the trial in establishing his right to a permanent injunction, he would be adequately compensated by an award of damages for the loss he would have sustained as a result of the defendant's continuing to do what was sought to be enjoined between the time of the application and the time of the trial. *If damages ... would be [an] adequate remedy and the defendant would be in a financial position to pay them, no interlocutory injunction should normally be granted*, however strong the plaintiff's claim appeared to be at that stage.

(emphasis added)

[86] Mr O'Brien submits that damages will rarely be an adequate remedy where there are allegations of likelihood of confusion in trade, including in intellectual property cases.⁴⁶ This is because the loss of goodwill is not readily measurable, therefore, damages will often be difficult to estimate.⁴⁷ This is equally so for cases of infringement of a registered trade mark.⁴⁸ Furthermore, the integrity of the monopoly conferred on the registered proprietor of a trade mark would be undermined if a defendant is permitted to enjoy use of the plaintiff's registered trade marks on the basis that the defendant will pay for any wrongdoing following trial.⁴⁹ Mr O'Brien further relies on cl 13.2(f) of the SPA which provides that:

The [parties] agree that any breach of the undertakings contained in clause 13.2 may not adequately be compensated by an award of damages and any breach will entitle [Winc], in addition to any other remedies available at Law or in equity, to seek an injunction to restrain the committing of any breach (or continuing breach).

⁴³ *Eng Mee Yong v Letchumanan* [1980] AC 331 (HL) at 337.

⁴⁴ *Congoleum Corp Ltd v Poly-Flor Products (NZ) Ltd* [1979] 2 NZLR 560 (CA) at 571.

⁴⁵ *American Cyanamid Co v Ethicon Ltd*, above n 9, at 408.

⁴⁶ *Klissers Farmhouse Bakeries Ltd v Harvest Bakeries Ltd*, above n 4, at 139; and *YPG IP Ltd v Yellowbook.com.au Pty Ltd*, above n 26, at [30].

⁴⁷ See *Sutton v The House of Running Ltd* [1979] 2 NZLR 750 (SC) at 755.

⁴⁸ *Philip Morris (NZ) Ltd v Liggett & Myers Tobacco Co (NZ) Ltd* [1977] 2 NZLR 35 (CA) at 38.

⁴⁹ *Leisureworld Ltd v Elite Fitness Equipment Ltd*, above n 3, at [109](a).

[87] Mr O'Brien continues that, by contrast, the alleged prejudice to NXP's interests is limited, can be adequately compensated by damages and that Winc has provided an undertaking to pay such damages.

[88] In reply, Mr Hollyman submits that damages would be an adequate remedy for Winc and that NXP is profitable, has significant turnover and is clearly able to pay any award of damages potentially awarded to Winc. He also submits that Winc has not particularised or quantified any damage it may suffer but, given that Winc has not used the NETXPRESS marks or brand in New Zealand, it is unlikely that any damage will be significant. He says that it is prudent to preserve the status quo.

[89] Mr Hollyman further submits that damages are not an adequate remedy for the respondents. Ms Byers deposes that NXP will suffer significant damage:

- (a) "NetXpress" is synonymous with the NetXpress Platform, which is very well recognised in New Zealand;
- (b) "NetXpress" is used extensively in NXP's sales approaches to new customers, tenders and its promotion and point of sale materials, including an alleged \$500,000 (estimated) being incurred in relation to the printing of catalogues alone;
- (c) If NXP could not use "NetXpress" it is likely to result in confusion for customers;
- (d) NXP's customers value stability and, if NXP was unable to use the "NetXpress" brand, a number of those customers would test the market and NXP would either lose customers or need to reduce its margins;
- (e) If an injunction were granted, NXP would suffer significant loss, the quantum of which would be difficult to quantify.

[90] In my view, the balance of convenience favours Winc, for the following reasons. As a starting point, I recognise that damages may be inadequate as a remedy for intellectual property cases where the damage is often difficult to quantify as the

damage is loss of control over the use of the mark and potential loss to the goodwill and reputation associated with that mark and brand. Winc is the registered proprietor of the NETXPRESS marks and is thereby entitled to the exclusive use of those marks and brand. Permitting NXP to continue to use the NETXPRESS marks pending trial would dilute the mark and Winc's control over the use of the mark, the avoidance of which is the whole point of registering a trade mark.

[91] I note Mr Hollyman's submission that the above starting point does not apply in the present case; he says that the starting point is applicable only where the applicant and respondents are competitors in the same market. And he says that Winc is not a competitor of NXP as it is not using the NETXPRESS marks in the New Zealand market. However, Mr O'Brien submits, and I accept, that Winc is competing with NXP in New Zealand through its subsidiary, OfficeMax.

[92] Furthermore, I note that NXP's customers will continue to be able to use the e-commerce platform via its current website. Ms Byers deposes that a rebranding would require NXP's suppliers to keep updating their systems to reflect the rebranding, leading to higher costs. However, that concern is addressed by the fact that the rebranding of the NXP brand is no longer at issue — the use now complained of is the use of "NetXpress" to describe the e-commerce platform, which is a more limited use than use of the NETXPRESS marks in NXP's company name. Likewise, the cost of rebranding the e-commerce platform will be lower than rebranding the company name. In any event, Winc has given an undertaking as to damages for any such losses to NXP, should NXP succeed at trial. Moreover, at the hearing, Winc applied to amend the orders sought to allow NXP to continue to use and distribute any catalogues containing the "NetXpress" branding that had already been printed.⁵⁰

[93] Finally, there is the further issue of whether Winc's undertaking as to damages in respect of the interim injunction is supported by its financial position. Mr Hollyman submits that it is not — he says that the Annual Report and Financial Statements provided by Winc shows that Project Quill Ltd, the ultimate holding company of Winc, lost over \$65,000,000 in the 2018 financial year, had an operational loss (before

⁵⁰ Mr Hollyman, for NXP, submits that the cost of these hard copy catalogues amounted to around \$500,000.

exceptional items) of over \$39,000,000 and Winc's total equity as at 29 December 2019 was a deficit of over \$42,000,000.

[94] In response, Mr O'Brien submits that the reported loss reflects ongoing spend related to the acquisition of the OfficeMax business and transaction and transformation costs. He also points out that the Report notes that the Group has no significant concentration of credit risk, with exposure spread over a large number of customers and counterparties. The Report was prepared on a going concern basis, which contemplated continuity of normal business activities and realisation of assets and settlement of liabilities in the normal course of business. The Report further notes that the Group and its subsidiaries should be able to operate within the level of its current facilities and recourses and also meet forecast covenant measures. The auditor confirms the Director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Furthermore, Project Quill Holding Ltd has significant credit facilities with the Bank of America Merrill Lynch. Accordingly, Mr O'Brien submits, and I accept, that Winc's undertaking as to damages is sufficiently supported by its financial position.

[95] For the above reasons, the balance of convenience lies with the applicant. The balance of convenience is not finely balanced. It clearly favours Winc. Therefore, any issue regarding evidence of likelihood of deception and confusion (that is, the strength of the applicant's case) falls away.⁵¹

Overall justice

[96] The ultimate question for the Court is: where does the overall justice lie? In my view, for reasons already discussed, the overall justice lies in granting the interim injunction restraining the respondents' use of the NETXPRESS marks pending trial.

[97] As a final matter, I briefly address Mr Hollyman's submission that Winc does not have clean hands and therefore the Court should not exercise its discretion in granting interim relief. He makes four submissions in relation to the clean hands doctrine:

⁵¹ See above at [18] and [59].

- (a) First, Winc’s interim application appears to be an attempt to circumvent the undertakings it gave, and the representations it made, to the NZCC. I have already discussed and dismissed this point at [38] to [39] above.
- (b) Secondly, in assisting NXP to rebrand, Winc has acquiesced to any alleged infringement or breach and is now estopped from raising the actions. This submission appears to relate to the rebranding (that is, the previous use of the NETXPRESS marks in NXP’s name) — this is no longer the case. The use complained of is only in relation to the word “NetXpress” to brand the e-commerce platform.
- (c) Thirdly, the allegedly infringing conduct occurred during the transitional period during which NXP was entitled to undertake those actions, and thus Winc’s application is an abuse of process. Again, this appears to relate to the rebranding rather than the use of “NetXpress” to brand the e-commerce platform. In any event, the respondents have expressed an intention to continue to use “NetXpress” in relation to the e-commerce platform, which provides an answer to this submission.
- (d) Finally, Winc had every opportunity to obtain the rights in, and associated with, the NETXPRESS brand in New Zealand. It could have established a licence agreement between it and NXP while it owned NXP or it could have transferred the rights to the goodwill in the brand to itself in the SPA. But it failed to do so. This submission appears to be advanced on the assumption that the NETXPRESS brand belongs to NXP. I have already held that this is not the case.

[98] For the above reasons, I reject Mr Hollyman’s clean hands arguments and find that the overall justice lies with the applicant, Winc.

Result

[99] I grant an interim injunction in the following terms:

- (a) Restraining the respondents (whether acting by themselves, or through their servants or agents, or otherwise howsoever) from using, in the course of trade, the trade marks “Net Xpress Procurement”, “NETXPRESS”, “NETEXPRESS”, “NET EXPRESS” or any other confusingly similar mark (including on websites, company names, promotional materials, catalogues, inventory, products, letterheads, signs, advertisements or customer communications)—
- (i) Provided that this order shall not apply to the distribution of any hard copy catalogue that has already been printed as at 3 October 2019 (including any of the 5,000 hard copy catalogues referred to in [73](a) of the affidavit of Bernice Carroll Byers, sworn 7 August 2019, which have been printed as at 3 October 2019).

Costs

[100] My preliminary view is that Winc, as the successful party, is entitled to costs and that costs should be on a 2B basis. However, I did not hear submissions on costs and they are therefore reserved. I encourage the parties to agree costs and file a joint memorandum. Such memorandum should be filed within 15 working days of the date of this judgment. If agreement cannot be reached, Winc is to file and serve its memorandum within five working days of the date for the joint memorandum. The respondents are to file and serve their memorandum within a further five working days. Memoranda should not exceed five pages (excluding any attachments).

Gordon J