

BETWEEN CYCLONE HARDWARE PTY LTD
First Appellant

AND

FOX & GUNN LIMITED
Second Appellant

AND

PATIENCE & NICHOLSON (NZ) LIMITED
Respondent

Hearing: 27 and 28 November 2000

Coram: Keith J
Blanchard J
Tipping J

Appearances: D J Chisholm and S Wheeldon for the Appellants
C L Elliott and A E McDonald for the Respondent

Judgment: 20 February 2001

JUDGMENT OF THE COURT DELIVERED BY KEITH J

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The issue and the proceedings to date

[1] This appeal is about the right to use the initials P&N as a name, brand or badge in the New Zealand cutting tool industry. Rodney Hansen J, in the High Court, granted an injunction in favour of Patience & Nicholson (NZ) Ltd (the new New Zealand company or the respondent) against Cyclone Hardware Pty Ltd (the Australian company) and Fox and Gunn Ltd, the Australian company's New Zealand distributors, in these terms:

An order restraining the first and second defendants, their servants, contractors, agents or distributors from offering for sale, selling, promoting or otherwise dealing or offering to deal in any twist drills, masonry drills, hacksaw blades, saw blades, band saw blades and hand cutting tools or any similar products in relation to which the mark or name P&N is used.

[2] The High Court did not, as the plaintiff had requested, include the trade mark P&N itself in that injunction. It also declined to make a declaration that the plaintiff was the proprietor in New Zealand of the trade mark P&N in relation to the manufacture and sale of cutting tools.

[3] The Australian company and its New Zealand distributor appeal against the grant of the injunction. The New Zealand company appeals against the refusal to make the additional declaration, but it does not challenge the exclusion of the trade mark itself from the injunction.

The background

[4] The Australian company and its predecessors had been manufacturing cutting tools since the 1920s, becoming the largest manufacturer of them in the southern hemisphere. It marketed them in New Zealand through a distributor, Ajax Agencies Ltd. In 1961 it established a manufacturing plant at Kaiapoi. In the same year Patience & Nicholson (NZ) Ltd (the old company) was incorporated as a wholly owned subsidiary of Patience & Nicholson Ltd of Australia and the Australian company registered the trade mark P&N in New Zealand.

[5] The old company was registered as a user of the P&N trade mark in New Zealand from 1963 to 1972. A new user agreement of 1 January 1975 was not registered. In 1982 Patience & Nicholson Australia and the old company became subsidiaries of McPhersons Ltd, a publicly listed Australian company, and they became part of the “tool group” of McPhersons which also included subsidiaries with the Patience & Nicholson name in Singapore and Canada. A new agreement allowing the old company to use the P&N trade mark in New Zealand was entered into at the same time and was registered in March 1983.

[6] In 1987 McPhersons sold the business of Patience & Nicholson Australia to Boral Cyclone Ltd and in 1993 it was transferred within the Cyclone Group to the first appellant. The New Zealand business was not included in the 1987 sale. The New Zealand P&N trade mark was not included in the assets transferred to Cyclone but there is an issue whether the goodwill associated with the New Zealand P&N trade mark was. The Australian business began to operate as a division of Cyclone, using the P&N mark in Australia and overseas markets other than New Zealand. The old New Zealand company remained a subsidiary of McPhersons becoming, in 1988, a wholly owned subsidiary of McPhersons (NZ) Ltd. After 1987 it began to market most of its products under a new brand name, “Evacut”. It made little use of its right to use the P&N trade mark in New Zealand, marketing some goods under the P&N brand which it imported from Patience & Nicholson Australia. The main thrust of its marketing was under the Evacut brand.

[7] Patience & Nicholson Australia continued marketing outside New Zealand under the P&N brand and from 1990 also began marketing a range of cutting tools under the Frost and Osborne brands. Fox & Gunn, the second appellant, had begun distributing these brands in New Zealand under an arrangement with the former owner, Aurora Tools Ltd. The Judge explained this marketing practice in this way:

Until 1996 Cyclone’s official company policy was not to sell product in New Zealand under the P&N mark. Cyclone’s national marketing manager, a Mr Lindley, was of the view that Patience & Nicholson Australia either could not or should not market under the trade mark P&N in New Zealand. Cyclone’s export manager, Mr Sheridan, did not agree and on occasions ignored Mr Lindley. Until 1996, Mr Lindley’s view generally prevailed. Except for sales through Patience & Nicholson New Zealand, only small quantities of P&N branded

product reached the market. When, in 1990, the P&N mark was inadvertently used in promotional material in New Zealand by Cyclone's New Zealand distributor and Patience & Nicholson New Zealand objected, Cyclone responded as follows:

Thank you for your communication 4/10/90 regarding the unauthorised use of the P&N brand by Tetral Industries Ltd.

As mentioned in your letter we are well aware of our inability to use the brand in New Zealand and trust that we have not infringed in any way. If this is not so would you please advise.

I am sure that the use of the brand by our agents is not deliberate. However, should you not be satisfied with their response please advise and we can become involved.

Tetral Industries Limited, the distributors, wrote as follows on 9 October 1990:

Thank you for the copies of the advertisements. As you have said, the advertisements use the P and N trade mark which we do not own. I would like to stress that this company did not place the advertisements nor did it have anything to do with the preparation of the advertisements. We have told our customers concerned NOT to use the trade mark, in any advertising whatsoever. As you will notice, Boral Cyclone have gone to great trouble with the manufacture of the product as well as the labelling/merchandising to ensure that the trade mark is not used.

Please apologize to Patience & Nicholson (NZ) Limited on our customers behalf, but again I would stress it was outside our control.

[8] In 1994 McPherson sold Patience and Nicholson New Zealand to Sutton Tools (NZ) Ltd, a nominee of an Australian company, Sutton Tools Proprietary Ltd, the major Australian competitor of Cyclone in the cutting tool market. Sutton Tools (NZ) Ltd changed its name to Patience & Nicholson (NZ) Ltd, the successor company which is the respondent in these proceedings (the new company). McPhersons sold all the business assets, including the goodwill of the old company to Sutton. The goodwill included business names and trade names which were subsequently assigned – Evacut, Duracut and Black Jet. The P&N mark was not referred to and in any event, since the old New Zealand company was not the owner

but only the registered user, the proprietor would have had to consent to any assignment. The registration of the trade mark in New Zealand lapsed on 7 April 1996 as a result of the renewal fees not being paid.

[9] By 1996 Cyclone had decided to market under the P&N name in New Zealand and had appointed the second appellant, Fox & Gunn, as its distributor. It also applied for registration of the P&N “stylised and device” trade mark in classes 7 and 8 in New Zealand, the applications being advertised in February 1998. The respondent filed both a notice of opposition and its own trade mark application in June and August 1998. These applications are still pending.

[10] When the respondent learnt that the appellants were marketing goods under the P&N brand in New Zealand in August 1998, it objected on the grounds of passing off and breach of the Fair Trading Act 1986. The appellants denied the complaint saying that any right the respondent had to the use of the P&N mark ended when the registration of the trade mark lapsed in 1996. The respondent’s proceedings were issued in December 1998.

The High Court Judgment

[11] The Judge, in the course of a ten day trial, heard extensive evidence – 28 witnesses appeared and there were several volumes of documents – about the course of the various businesses before and after 1987 when the New Zealand business effectively became distinct from the Australian one. In his judgment he first summarised the facts (a summary on which we have already drawn extensively) and, following an introductory discussion of the law of passing off, he considered the various components of the claims of the two sides.

[12] The principles underlying an action for passing off, said the Judge, were well established and not in dispute. A plaintiff had to show that the defendant had misrepresented its goods in such a way that it was a reasonably foreseeable consequence of the misrepresentation that the plaintiff’s business or goodwill would be damaged. The plaintiff’s case was that, by virtue of the historic and widespread use of the initials as an abbreviation of its company name and by virtue of the use of

the trade mark P&N, the letters had become so closely associated with its business in New Zealand that the marketing of goods by the defendants, branded P&N, misrepresented them as the goods of the plaintiff and caused damage as a result.

[13] The Judge first considered the goodwill position in 1987, as derived from the trade mark. He concluded that neither party could rely on the goodwill derived from the use of the trade mark P&N in New Zealand. He then turned to the goodwill in 1987 associated with the name P&N as distinct from the goodwill deriving from its use as a trade mark. The commercially realistic view, he concluded, was that, apart from its rights as a registered proprietor of the mark, the Australian company had goodwill in New Zealand deriving from its long association with the market, but that by 1987, having regard to the changed nature of the relationship between the two companies during the preceding four to five years, a greater part of the goodwill associated with the Patience & Nicholson business in New Zealand was owned by the New Zealand company. He then went on to say however, referring to relevant authorities, that that issue was “academic as it is the position in 1998 that has ultimate relevance”. A determination of that issue, he said, requires a consideration of the activities of both companies in New Zealand after 1987. As we read his judgment, we see his findings in respect of the later period as critical.

[14] In his consideration of that period, the Judge examined the use by the two New Zealand companies of the P&N name after 1987, market survey evidence, and Cyclone’s business in New Zealand after 1987, before making findings about goodwill. In summarising his findings, he recalled the view that he had expressed that the goodwill of the Patience & Nicholson business in New Zealand, excluding goodwill associated with the trade mark, substantially resided in the New Zealand company. While the Australian company was possessed of some goodwill, that would have been secondary to that of the New Zealand company.

[15] The Judge continued that the terms of the sale of the Australian business were designed to protect both the Australian and the New Zealand businesses against attack from their former associates. Each retained the right to the use of the P&N name in their respective markets. The amicable and mutually beneficial trading relationship between the two businesses was brought to an end by the confluence of

three developments – the acquisition of the New Zealand business by Sutton, a major competitor of Cyclone in Australia; the retirement of Mr Lindley who had been largely successful in ensuring from the Australian end that Cyclone did not market under the P&N name in New Zealand; and the plaintiff's failure to ensure that the registration of the P&N mark in New Zealand was renewed.

[16] In the Judge's view, by their trading activities the two New Zealand companies had since 1987 consolidated their rights in relation to the P&N name in New Zealand. "The use of the initials as an abbreviation for the company name was widespread and entrenched. The results of the market survey simply confirmed the picture which has emerged from witnesses called by both sides." While the P&N name ceased to be uniquely descriptive of the New Zealand business' product, it continued as an alternative and distinctive means of identifying both the product and the name of the business. "The evidence of witnesses from the trade, as well as the responses to the survey, established that the P&N name was closely associated with both the company's products and its name." By contrast, Cyclone had made no meaningful attempt to use the P&N name in New Zealand until 1998; volumes were relatively low and there was no systematic marketing; and sales under the P&N brand occurred only as a result of error or temporary evasion of company policy. "In my view, there was insufficient activity to revive any residue of goodwill in relation to the P&N name which Cyclone had acquired in 1987." While he accepted that closer economic relations between Australia and New Zealand and the trend to globalisation will lessen the cases in which goodwill is confined by territorial boundaries, the courts must continue to determine each case on its own facts.

[17] The Judge's survey of the evidence led to this conclusion:

In my opinion, the facts do not support a finding of concurrent goodwill in New Zealand in the name P&N [in favour of the Australian company]. The deliberate steps taken in 1987 and since to reserve rights in respect of the P&N name in New Zealand to the New Zealand company are fatal to any claim to shared or concurrent goodwill. Whatever the position may have been in 1987, the evidence is clear that the relevant section of the public now associates the name with the New Zealand company. The plaintiff has established its right to protection.

[18] The Judge then turned to the question whether the use by the defendants was a misrepresentation in the sense that they had described their goods in a way calculated to injure the business or goodwill of the plaintiff and whether the plaintiff had established the likelihood of deception and damage. Again, following a detailed review of the evidence, he concluded that

The plaintiff has shown to my satisfaction that the use of the initials P&N does misrepresent the defendants' goods as those of the plaintiff. I would accept that in time customers will come to have an increased awareness of the distinction between P&N the product and P&N the company. But, as Gault J said in *Allied Liquor Merchants Limited v Independent Liquor (NZ) Limited* (1989) 3 TCLR 328 at 336:

... it is no answer to assert ... that misunderstandings occurring on introduction of a product will disappear as the product becomes known. No one is entitled to practise deception until the public get used to it.

I doubt that the public will ever get used to it. I see the problems created by the introduction of the mark as doomed to recur for as long as the plaintiff continues to trade under the Patience & Nicholson name.

[19] As a related matter he found that the defendants' use of the P&N mark was likely, both in the short and the long term, to result in diversion of sales. That would be an inevitable consequence of the deception in the circumstances. He considered also that there had been, and would continue to be, erosion of the distinctiveness of the name P&N and of the reputation on which the plaintiff's goodwill was built.

[20] The Judge's findings in relation to the passing off cause of action led him to the conclusion that the marketing by the defendants under the P&N brand was misleading and deceptive in terms of the cause of action based on the Fair Trading Act. The Judge's findings on the plaintiff's claim also led to the rejection of the first defendant's counter claim that it was the owner of the common law rights to the trade mark P&N in New Zealand in relation to cutting/hand tools and that any use by the plaintiff of that mark would constitute passing off and a breach of the Fair Trading Act. The plaintiff was entitled to judgment under those headings.

[21] In a second judgment, the Court issued the injunction set out in para [1] above. Against that background, we consider the various grounds of appeal.

An appeal on fact and assessment

[22] Subject to a point considered under the next heading, the main arguments presented by the appellants in their detailed written and oral submissions challenged the findings of fact and the assessments made by the Judge about the goodwill in the P&N name, especially over the period from 1987 to 1998. The appellants do not argue that there was no evidence to support the conclusions the Judge reached nor that those conclusions were demonstrably wrong. Rather, they argue that this Court should make a different assessment of the extensive evidence. As this Court, like many other appeal courts, has long made clear in comparable situations the appellants face a major hurdle. They cannot merely seek to rerun the trial on appeal: *Rae v International Insurance Brokers (Nelson Marlborough) Ltd* [1998] 3 NZLR 190, 197-198; *Hamilton v Papakura District Council* [2000] 1 NZLR 265, 268.

The distinction between goodwill arising from a trade mark and from a trade name

[23] The parties are in general agreed on the law, subject to one possible qualification. The inquiry, they agree, is essentially a factual one:

In the end the question of the existence and extent of reputation and of goodwill must be a matter of fact. (Somers J in *Dominion Rent-a-Car Ltd v Budget Rent-a-Car Systems (1970) Ltd* [1987] 2 NZLR 395, 420)

[24] The possible qualification appears from the appellants' contention that the distinction which the Judge made between goodwill deriving from the use of the trade mark P&N and goodwill associated with the name P&N is not a distinction which exists in the law. The benefit, the appellants argue, of any use of P&N by the old New Zealand company flowed back to the registered proprietor of the P&N trade mark. Any use of P&N was a trade mark use. They also contend that the distinction made by the Judge was not advanced by any of the parties at trial.

[25] On the last point we note that the statement of claim sought relief by reference to the trade mark, the name, or both in respect of the passing off and the Fair Trading Act causes of action; the respondent in its opening contended that it was the owner at common law of the P&N mark and that the market strongly associated

the P&N name with the respondent and no other manufacturer; and the appellants' closing submissions in the High Court proceeded on the basis of the distinction.

[26] So far as the law is concerned, we can see no difficulty at all with the proposition on which the Judge proceeded. To begin with, the old company's and respondents' use of that name and its abbreviation proceeded concurrently with their registered use of the trade mark. Indeed it was inevitable that such concurrent use should occur, as the mark and the abbreviated name were the same. We note that *Kerly's Law of Trademarks and Trade Names* (12th edition, 1986) at para 16-49 (page 389) states that the name under which a business trades will almost always be a trade mark; and that it is very difficult to avoid using the name of a trading business as a trade mark. Reference is made to *Reuter v Muchlens* (1953) 70 RPC 235 and *Wright, Layman and Umney v Wright* (1949) 66 RPC 149.

[27] Kerly then observes that independently of any trade mark the name of a business will normally have a goodwill attached to it that the Courts will protect. If the goodwill in the mark and the goodwill in the name do not reside in the same person difficulties may well arise (for example under s37 of the Trade Marks Act 1953). No such difficulties need to be explored in the present case because, at the material time, the registration of the mark had expired. It is, therefore, by no means decisive who, prior to such expiry, was the proprietor of the registered mark and thus entitled to its goodwill. Nor is it decisive that the respondent had, during the currency of the registration, been only a permitted user.

[28] As will appear, we have no doubt that the Judge was correct in finding that at the material time the respondent was entitled to the goodwill in its business name and the customary abbreviation P&N. There was at that time no conflicting ownership of goodwill in the abbreviation P&N as a trade mark. The respondent's goodwill which had attached to its name and the abbreviation had been running in parallel with the registered mark. Whether that goodwill could have been independently asserted during the currency of the registration of the mark does not have to be determined.

[29] In the present case we have not only the expiry of the registration of the

mark, but also evidence, reviewed both earlier and later in this judgment, suggesting that the first appellant or its predecessor acted on the basis that the respondent had the right to use the P&N abbreviation as descriptive of its goods and its business in New Zealand. Had there been no expiry of the mark, questions of estoppel, acquiescence or abandonment may have been relevant in the respondent's favour. The argument that the Judge was wrong in law to draw a distinction between goodwill deriving from the use of the trade mark and good will associated with the name accordingly fails.

[30] A related argument is that neither of the New Zealand companies could claim the historical benefit of the use of the P&N mark for the purposes of their causes of action for passing off or under the Fair Trading Act. The old New Zealand company was using P&N trade marks as a licensee of the Australian company only. It could not take any benefit from this usage because of the prohibition in s37(2) of the Trade Marks Act. That argument does not however deal with the fact that the Judge was clearly distinguishing between rights arising from the permitted use of the trade mark and the use of the name itself and, more importantly, with the fact that the Judge gave his primary, if not exclusive, emphasis to the post 1987 actions of the parties.

Goodwill before 1987

[31] So far as the findings about the goodwill of the New Zealand operation are concerned, the appellants begin with the period before 1987. As we have already recorded, the Judge while finding that by 1987 the greater part of the goodwill associated with the business in New Zealand was owned by the New Zealand company said that “in a sense the issue is academic as it is the position in 1998 that has ultimate relevance”. It is also the case, the appellants would stress, that in reaching his critical conclusion on goodwill, he first mentioned the position in 1987. Accordingly, the 1987 position is not completely irrelevant, although to repeat, we do see the essence of the Judge’s assessment as resting on the later period. In any event, there is support in the evidence, recorded by the Judge, for the view that the New Zealand company built up goodwill in its own right before 1987. The Judge concluded his discussion of that evidence with the following paragraph:

The independent character of the two business operations was recognised by the sale of the Australian business in 1987 and underlined by the terms of the sale. The shares of the two companies were in separate ownership. There was a conscious decision to sever the remaining legal tie between the two companies, the trade mark and technical assistance agreements not being assigned. There was a demonstrated intention to leave the New Zealand company with the benefit of the Patience & Nicholson reputation and goodwill in New Zealand.

[32] The appellants challenge that conclusion in part by reference to the possible lack of realism in treating Australia and New Zealand as separate markets for purposes determining business reputation and goodwill. Undoubtedly the forces of closer economic relations between Australia and New Zealand and of globalisation generally mean that there will be increasing opportunities to see that spilling over of reputation. But that is not inevitable. The facts must be considered, as they were by the Judge. Given those facts, we can see no basis for disagreeing with the conclusion he reached about the position in 1987.

Goodwill from 1987

[33] The major challenge is of course to the finding based on the activities of the old and new New Zealand companies and of Cyclone in New Zealand in the later period, from 1987 to 1998.

[34] It is true, as the appellants say, that the old New Zealand company in 1987 had no independent goodwill in the trade mark. But the respondent's case, given its acceptance of the Judge's adverse finding about the trade mark, is not based on the trade mark, but rather on its and its predecessor's actions over that later period. The appellants emphasise that the old company continued to stress to the New Zealand market that the "Australian owned P&N trade mark" had been replaced and that its brands were Evacut and Sutton; the submissions give examples of that. On the other side, there is extensive evidence, on which the Judge relied, showing that the name P&N survived and continued to be associated with the business in various ways. The current chief executive officer of the respondent's parent company, Mr Grogan, who has had a long association with the New Zealand business said that at an early stage he decided that the P&N name should be preserved and he deliberately

set out to develop a dual branding strategy. He believed in the intrinsic worth of the P&N name to the business. The appellants say that may well have been his intention, but the intention was not carried into reality. But, as against that, as the Judge points out, there was a large volume of P&N branded product in stock and some slow moving categories took five to six years to clear; the New Zealand company continued to import some P&N branded product from Cyclone in Australia; the P&N initials continued to be used as part of promotional devices in the New Zealand market, in display cabinets provided by the old company to many of its stockists - at least fifty, according to one witness, remained in the marketplace; two of the three courier trucks which operated out of Kaiapoi were still emblazoned with the P&N logo and showed a package of hacksaw blades in their traditional P&N getup; and P&N initials appeared from time to time in promotional material, and, in one case, as stylised initials in a 1995 situations vacant advertisement. It is not enough for the appellants to claim that these facts are de minimis. They can properly be seen as together supporting the conclusion that the Judge reached.

[35] As well, there was evidence from people in the trade. The managing director of New Zealand's largest cutting tool supplier said simply that the initials P&N and Patience & Nicholson New Zealand "to my mind, mean the same". Similarly the marketing manager of Mitre 10, one of New Zealand's largest hardware retailers, said that in his company the abbreviation P&N was used to refer to Patience & Nicholson New Zealand. As well there was a strong association between the name and product, despite the discontinuation of the registration of the trade mark. And witnesses called by the appellants also acknowledged that P&N was widely used in the trade as an abbreviation for Patience & Nicholson New Zealand.

[36] Again, we can see no basis for upsetting the conclusion which the Judge has reached about the goodwill arising from the New Zealand company's activities in respect of the P&N brand or name.

[37] The appellants next challenge the conclusions reached by the Judge in respect of the use by Boral Cyclone and Cyclone of the trade mark P&N in New Zealand from 1987 to 1998. In essence the Judge's finding was that until 1998, as the P&N brand took over from Frost and Osborn, sales of P&N branded product were

minimal. We have already recalled (para [7]) the complaint from the old New Zealand company, accepted by the Australian business, about the Australian marketing under the brand P&N. Again, there is evidence to support the Judge's conclusion that

no meaningful attempt was made by Cyclone to utilise the P&N name in New Zealand until 1998. Although intermittently P&N product reached the market, by way of sales on behalf of the New Zealand company, volumes were relatively low and there was no systematic marketing. For practical purposes, sales under the P&N brand occurred only as a result of error or temporary erosion of company policy. Until 1997 it was recognised that the use of the P&N mark would have constituted an infringement of the rights of the registered proprietor and user. Accordingly, the main thrust of Cyclone's marketing in New Zealand was through the Frost and Osborn brand. In my view, there was insufficient activity to revive any residue of goodwill in relation to the P&N name with Cyclone had acquired in 1987.

[38] We mention again the Judge's conclusion, also well based on the evidence, that the facts do not support a finding of concurrent goodwill in New Zealand in the name P&N so far as the Australian company is concerned.

[39] The appellants challenged in this Court, as they had at trial, the market survey carried out by A C Nielsen for the purpose of determining the extent to which the letters P&N were associated with Patience & Nicholson New Zealand and its products in the market for cutting tools. As indicated earlier, the results of the survey generally supported the respondent's case. The Judge held that the evidence was admissible and that it confirmed the conclusions he reached on the other evidence. We see no reason to disagree with his assessment on admissibility and relevance. The survey was designed by those expert and qualified in the area. The expert witnesses accepted that the process of choosing those to be questioned in such surveys, a matter in dispute in this case, was an art and not a science. Substantially for the reasons given by the respondent's expert witness, the Judge concluded that, provided the results were accurately represented and appropriately qualified, they were relevant and admissible. The Judge found that expert to be a careful and thoughtful witness and on the few issues on which he and the appellants' expert witness were critically at odds, the Judge preferred his view. That view was that the survey as a whole showed a very strong association between the company Patience

& Nicholson New Zealand and the letters P&N. Again we consider that that conclusion was open to the Judge on the evidence.

[40] It follows that we see no basis for the appellants' attack on the principal finding of the Judge, that is that the respondent had established its right to protection of the P&N name in New Zealand.

[41] The appellants also attacked the findings of misrepresentation (or likelihood of loss) and of proof of damage. Again, there is evidence supporting the Judge's conclusions on those two matters and again that ground of appeal must fail.

[42] The finding that the marketing by the appellants of goods under the P&N brand is or is likely to be misleading and deceptive under the Fair Trading Act follows directly from the finding on the passing off claim. Indeed the position under that Act seems to us to be entirely straightforward. On the evidence, the abbreviation P&N and the full name, Patience and Nicholson, are clearly shown to be associated in the relevant market place with the respondent. The use by the appellants of the same or a similar abbreviation or name would undoubtedly be apt to mislead the relevant section or sections of the public. They would be misled into thinking that the appellants' goods were those of the respondent. In New Zealand the abbreviation P&N and the words Patience and Nicholson have become associated with and are descriptive of the business of the respondent. Competing use has the capacity, indeed is likely, to mislead. That seems to us to be self-evident. On the facts found by the Judge, he was entirely correct to restrain the appellants from using the abbreviation P&N in relation to the goods in question. It also follows that the claim by the first appellant to ownership of the common law rights to the trade mark P&N in New Zealand must fail.

The terms of the injunction

[43] The terms of the injunction are set out at the beginning of this judgment. The appellants contend that if, contrary to their main submissions, an injunction is to be granted it should be in these more limited terms:

An order restraining the first and second defendants, and their servants or agents, from manufacturing, importing, promoting, selling, distributing, or advertising cutting tools by reference to the trade mark P&N without clearly distinguishing the cutting tools from the plaintiff and the plaintiff's business.

[44] Under those terms, the first appellant's cutting tools could still carry the P&N trade mark so long as both appellants clearly distinguished those tools from the respondent and the respondent's business. Rodney Hansen J rejected essentially the same proposal and argument. An injunction in those terms would, he said, run counter to his finding that "the use by the defendants of the P&N mark is or is likely to be deceptive ... [and] that attempts by the defendants to distinguish the P&N branded product from the plaintiff had been and were likely to continue to be unsuccessful". We agree. The injunction is worded so as to match the substantive findings, and does not go beyond them.

[45] A related submission is that the injunction should not require the removal of P&N stamping on individual tools:

- 15.11 There was no evidence at trial to suggest that the trade mark P&N or P&N Australia as stamped on each individual cutting tool could be misleading or deceptive. The tools are sold in packages.
- 15.12 The stamping of the individual product is visible only on close examination of the tools and it does not form part of the impression given by the packaged product to purchasers.
- 15.13 To alter or remove the "P&N" or "P&N Australia" stamping from individual cutting tools (such as drills) would require the first defendant to change its manufacturing process so as to produce two different versions of all cutting tools (one for New Zealand and one for the rest of the world)

[46] The Judge rejected this argument:

I am not persuaded that there are sufficient reasons to exclude from the injunction the stamping of the letters P&N on the tools themselves. I acknowledge the cost and inconvenience of having to use a separate manufacturing process if other tools produced by the first defendant continue to be stamped in this way. However, as with the change to packaging which the terms of the injunction will necessitate, it is an

inevitable consequence of my findings. It requires that the first defendant revert to the manufacturing and marketing processes it was using before it made the decision to market only under the P&N brand.

[47] Again that reasoning is persuasive. The trade mark identifies the product and in the present circumstances its use is likely to cause confusion and loss to the respondent for the reasons given by the High Court and earlier in this judgment. Accordingly this argument fails.

Respondent's cross appeal : declaration

[48] The respondent has renewed its application, which failed at trial, for a declaration that it is the proprietor in New Zealand of the trade mark/business name P&N when used in defined circumstances. So far as the trade or business name is concerned, as the Judge said, he was required to determine whether the elements of passing off and deceptive trading had been made out. He determined that they had been – as we have on appeal - with the consequent issuing of the injunction which we have affirmed. We agree with the Judge that that determination required deciding who has goodwill in the name P&N, and not any other issues in relation to the name. Rights in respect of the trade mark are the subject of a pending applications before the Commissioner of Trade Marks. We should not interfere with that process. The cross appeal accordingly fails.

Result

[49] Both the appeal and the cross appeal are dismissed. The respondent has succeeded on the major matters and is entitled to costs of \$7,500 and reasonable disbursements including the travel and accommodation expenses of two counsel, to be fixed by the Registrar in the absence of agreement.

Solicitors:

KPMG Legal, Auckland for the Appellants

Baldwin Shelston Waters, Auckland for the Respondent