

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

**CIV-2014-404-001757
[2014] NZHC 2686**

BETWEEN THE CO-OPERATIVE BANK LIMITED
Plaintiff

AND ROBERT ANDERSON, MALCOLM
BLAIR and GRAHAM CLOUSTON as
trustees of THE NEW ZEALAND
ASSOCIATION OF CREDIT UNIONS
Defendants

Hearing: 8 October 2014

Counsel: Z Kennedy and P Johns for Plaintiff
A Brown QC and AL Ringwood for Defendants

Judgment: 30 October 2014

JUDGMENT OF ASHER J

*This judgment was delivered by me on Thursday, 30 October 2014 at 4.45pm
pursuant to r 11.5 of the High Court Rules.*

Registrar/Deputy Registrar

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Introduction

[1] The plaintiff, The Co-operative Bank Ltd (TCB), seeks an interim injunction restraining the defendants, who are the trustees of the New Zealand Association of Credit Unions (NZACU), from using or asserting a right to use certain names that include the words “co-op”. It claims that if those names are used this will constitute a breach of the Fair Trading Act 1986, amount to passing off, and be an infringement of the TCB’s trade mark. The defendants assert that while they do intend to use those names, they are entitled to do so. In order to evaluate the arguments presented it is necessary to set out the background to the parties and what they do.

TCB

[2] TCB was previously the Public Service Investment Society (PSIS Ltd). Until 1995 its membership was limited to members of the New Zealand Public Service Association, but since then its membership has been open to the New Zealand public. It is a co-operative. Its members have shares and profits are retained or distributed to members, and it is registered under the Co-operative Companies Act 1996.

[3] In October 2011 PSIS Ltd changed its name to TCB and formally registered as a bank, and in January 2012 it joined the New Zealand Bankers Association. It has 34 branches in New Zealand and approximately 132,000 customers. It offers a full range of banking services including savings, loans and insurance. It is the only bank that is registered as a co-operative.

[4] TCB has registered the words THE CO-OPERATIVE BANK in logo form as a trade mark.¹ Its applications to register the words as a trade mark were not accepted.

The NZACU

[5] The NZACU is not a bank, but is an entity which is co-operatively owned by 17 member Credit Unions and Building Societies. It is an industry body formed to represent those Unions and Societies, and provide advisory and support services for them. The 17 members are not banks and are described as financial co-operatives, offering a range of savings, loans, and insurance products to their members. So the NZACU is a co-operative owned by its members, and its members are also co-operatives, owned by their customer members. There are also five associate members. Collectively through its 17 members the NZACU claims to represent 200,000 customers.

[6] Credit Unions are governed by the Friendly Societies and Credit Unions Act 1982. The laws relating to Credit Unions and Building Societies have changed, and they can now offer a range of financial services including savings, loans and insurance products.

[7] Therefore, both parties, TCB and the NZACU, are co-operatives; the TCB being a co-operative bank, and the NZACU being a co-operative of 17 entities each of which is also a co-operative and offers a range of banking type services.

¹ Trade Marks 845292, 845293, 845294, 845295, 845296.

The NZACU's new brands

[8] The NZACU now intends to introduce new branding reflecting the co-operative nature of the operation of it and its members. For its advocacy role for its members in the financial services industry it will change its name from the NZACU to Co-op Money NZ. For its business to business trading with other operations it will change its name from FACTS Ltd to Co-op Services NZ. For its insurance service it will change its name from Credit Union Insurance Ltd to Co-op Insurance NZ.

[9] While the NZACU is essentially a representative body, its members actively compete in the financial services sector with TCB. The recent changes to the rules relating to financial advisors and pending changes to the laws relating to credit unions will make that competition all the more keen.

[10] The NZACU has applied to register in logo form the trade marks CO-OP SERVICES NZ, CO-OP INSURANCE NZ, and CO-OP MONEY NZ for the three newly named entities. The applications have been accepted for registration but are now being opposed by TCB in opposition proceedings.

The dispute

[11] TCB seeks in this proceeding to prevent the NZACU rebranding to names that use the word “co-op”. It claims that the new names proposed by the NZACU will be deceptively similar to its name, “The Co-operative Bank”, and will cause confusion with customers and prospective customers. TCB accepts that the NZACU is entitled to use the word “co-operative” in its marketing, and indeed as a by-line or banner in its marketing, but not as part of its new names.

[12] The NZACU responds that there is no serious question to be tried in relation to each of the three causes of action, and that “co-operative” and “co-op” are descriptive terms describing a generic type of organisation which it is entitled to use. It claims that TCB is now wrongly seeking a monopoly over the word as part of a name in the financial services sector. It also claims that the balance of convenience is against the grant of such an injunction.

[13] The principles to be applied to such an application were settled in *Klissers Farmhouse Bakeries Ltd v Harvest Bakeries Ltd*, itself a passing off case.² The applicant must show a serious question to be tried, that the balance of convenience favours the grant of the interim injunction, and that the overall justice of the case also favours the grant. The merits of the case are not just relevant to the serious question issue, but can be taken into account in assessing the balance of convenience and the overall justice of the case.³

[14] NZACU has postponed its launch of its Co-op re-branding pending the outcome of this interim injunction application. There is therefore no actual evidence of the effect of the rebranding on customers and on the market. I have had the benefit of extensive written and oral submissions, which have fully traversed the lengthy affidavits and numerous exhibits, and analysed in detail the relevant case law. It is unlikely that at a final hearing there will be much more material before the Court. I will consider first the question of whether there is a seriously arguable passing off claim.

The allegation of passing off

[15] TCB alleges that the NZACU's use of the proposed names will be a misrepresentation by the defendants that will lead or will be likely to lead the public to believe that there is an association between TCB's and the NZACU's businesses.

[16] The principles to be applied in assessing passing off are the same in England and New Zealand, and were summarised in the statement of Lord Diplock in *Erven Warnink BV v J Townend & Sons (Hull) Ltd*⁴ which has been applied in New Zealand.⁵ Those principles were restated by the House of Lords as three core elements in *Reckitt & Coleman Products Ltd v Borden Inc* which summarised the position of a plaintiff in this way:⁶

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

³ *Brooks Homes Ltd v NZ Tax Refunds Ltd* [2013] NZSC 60 at [6].

⁴ *Erven Warnink BV v J Townend & Sons (Hull) Ltd* [1979] AC 731 (HL) at 742.

⁵ *Dominion Rent A Car Ltd v Budget Rent A Car System (1970) Ltd* [1987] 2 NZLR 395 (CA) at 421 and 424; *Wineworths Group Ltd v Comité Interprofessionnel du Vin de Champagne* [1992] 2 NZLR 327 (CA) at 336 and 334.

⁶ *Reckitt & Colman Products Ltd v Borden Inc* [1990] RPC 341 (HL) at 406.

First, [the plaintiff] must establish a goodwill or reputation attached to the goods or services which he supplies in the mind of the purchasing public by association with the identifying ‘get-up’ (whether it consists simply of a brand name or a trade description, or the individual features of labelling or packaging) under which his particular goods or services are offered to the public, such that the get-up is recognised by the public as distinctive specifically of the plaintiff’s goods or services. Second, he must demonstrate a misrepresentation by the defendant to the public (whether or not intentional) leading or likely to lead the public to believe that goods or services offered by him are the goods or services of the plaintiff. Whether the public is aware of the plaintiff’s identity as the manufacturer or supplier of the goods or services is immaterial, as long as they are identified with a particular source which is in fact the plaintiff. For example, if the public is accustomed to rely on a particular brand name in purchasing goods of a particular description, it matters not at all that there is little or no public awareness of the identity of the proprietor of the brand name. Third, he must demonstrate that he suffers or, in a quia timet action, that he is likely to suffer damage by reason of the erroneous belief engendered by the defendant’s misrepresentation that the source of the defendant’s goods or services is the same as the source of those offered by the plaintiff.

[17] These three elements of establishing goodwill, proving misrepresentation, and demonstrating damage to that goodwill, are closely linked. In passing off the reputation of the plaintiff’s service or goods provides the foundation for the misrepresentation by the defendant that its services are those of the applicant, and the misrepresentation must be one which causes or is likely to cause damage to the applicant’s goodwill created by that reputation.⁷

TCB goodwill

[18] TCB has shown it to be seriously arguable that its new name has developed a reputation with some consumers. It changed its name to TCB in October 2011. It spent \$1,200,000 developing, rebranding, and launching, and \$7,500,000 in brand development between November 2011 and July 2013. It has attracted 10,000 new customers in the period, and brand awareness has grown from 4 per cent to 7.5 per cent from June 2013 to September 2013, and to 9.2 per cent in March 2014. Survey evidence indicates that 55 per cent of respondents have heard of TCB. This is consistent with its increasing business. TCB has shown an arguable case that it has some goodwill in the name “The Co-operative Bank”. This does not mean, however,

⁷ James Mellor and others *Kerly’s Law of Trade Marks and Trade Names* (15th ed, Sweet & Maxwell, London, 2011) at [18-015].

that the use of the word “co-op” is associated by a significant group of customers with TCB.

[19] I found survey evidence prepared by a survey expert Mr C Vaughan for TCB designed to show that customers confused the name “Co-op Money” with “The Co-operative Bank” of little value given that NZACU is not yet using its brands. Unsurprisingly, only 50 out of 1,000 respondents had heard of “Co-op Money”. The survey did not ask respondents whether “Co-op Money” was associated with TCB. There was evidence from another expert Mr A Robb as to the large number of businesses in New Zealand that use the words “co-operative” and “co-op” in their promotion, including a bank that is larger than TCB, Rabobank. Nine of the top 40 co-operatives in New Zealand include “co-operative” or “co-op” in their name. I consider that there was real force in another survey expert Dr P Gendall’s opinion that the survey questions offered no context, and the results provided no evidence of potential misrepresentation.

[20] There have been other businesses in the financial services area that have used the word “co-operative” before TCB. The individual members of the NZACU have promoted themselves as co-operatives as well as Rabobank. The NZACU has for some time used logos and marks emphasizing its role as a co-operative and representative of co-operatives. An insurance arm of the NZACU, Credit Union Insurance Limited, has had a registered trade mark for COVERING YOU CO-OPERATIVELY since July 2011,⁸ four months before TCB’s change of name. Until 2009 there was a member of the NZACU called Hutt Valley Co-operative Credit Union.

[21] Therefore, TCB’s incorporation of the word “co-operative” in its name began well after the NZACU’s use of the word in its promotional statements and that of its members. TCB chose to use the word co-operative in its name against the background of competitors that were co-operatives promoting themselves using that word.

⁸ Trade Mark 844682.

[22] It is also relevant that the words “co-op” and “co-operative” are used in New Zealand trade names, without the suggestion of exclusivity. There is indeed a New Zealand Association of Co-operatives called “Cooperative Business NZ” or “nz.coop” to which both TCB and the NZACU belong.

Misrepresentation – cases relied on by TCB

[23] There have been a number of cases where passing off claims relating to descriptive or generic names have succeeded. These are relied on by Mr Kennedy as he submits that they involve similar acts of passing off, and it is necessary to consider them.

[24] The first is *New Zealand Insurance Ltd v New Zealand Insurance Brokers Ltd*.⁹ New Zealand Insurance Ltd was an insurer that had been operating since 1860 and had promoted “NZI” as its symbol in marketing. New Zealand Insurance Brokers had been incorporated in 1971 as Robin Baxter Ltd but in 1973 changed its name to New Zealand Insurance Brokers Ltd and acted as an insurance broker.¹⁰ New Zealand Insurance Brokers Ltd had adopted as its symbol “NZIB”. New Zealand Insurance Ltd sought an injunction restraining New Zealand Insurance Brokers from carrying on under the name “New Zealand Insurance Brokers Ltd” and from using the device “NZIB”. New Zealand Insurance Ltd provided several affidavits from leading businesspersons who stated that they would have thought New Zealand Insurance Brokers Ltd was associated with New Zealand Insurance Ltd.

[25] Moller J held that if the words “New Zealand” and “insurance” were looked at separately there were real grounds to consider that “insurance” was descriptive of the service offered and New Zealand denoted the country which is of common usage.¹¹ However, he concluded that the correct approach was to consider the words in combination. He considered that due to the global recognition of the brand and the established business record over 100 years, New Zealand Insurance Ltd had

⁹ *New Zealand Insurance Ltd v New Zealand Insurance Brokers Ltd* [1976] 2 NZLR 40 (SC).

¹⁰ At 42, Moller J explains that an insurer is different from an insurance broker but both companies carried on their businesses in competition.

¹¹ At 46.

established an exclusive right to the combination of the words “New Zealand Insurance” and “NZI” as the words had acquired a secondary meaning.¹² As a result, the use of the name “New Zealand Insurance Brokers Ltd” could deceive potential customers in thinking the companies were connected in some way.¹³ On this basis Moller J granted an injunction restraining New Zealand Insurance Brokers Ltd from continuing to use that name or the symbol NZIB.

[26] The second case relied on by TCB is *Hills Flooring Ltd v Carpet Corner Ltd*.¹⁴ The plaintiff, Hills Flooring Ltd, had occupied a corner site in Otahuhu between 1964 and 1979 operating its business under the name “The Carpet Corner”. Due to the extensive use in marketing, this name had acquired a reputation in Auckland.¹⁵ The defendants, Carpet Corner Ltd, operated a business selling carpet in Pakuranga. Wallace J was of the view that the use of “The Carpet Corner” by the defendants in the same area as the plaintiffs would cause some confusion and in the future may result in customers of the defendant thinking that they were dealing with the plaintiff.¹⁶ On this basis, the Court granted an injunction restraining the defendants from using the words “Carpet Corner” in their business.

[27] The third case relied upon, *Airport Rentals Ltd v Airport Car Rentals (Southern) Ltd*, involved the use of similar trade names in airport rental car businesses.¹⁷ The plaintiff, Airport Rentals Ltd, had established a business in 1988 renting vehicles at Christchurch airport under the name Airport Rentals (SI) Ltd but later changed that to Airport Rentals Ltd. In 1992, Airport Car Rentals Ltd was incorporated and operated out of Auckland. In 1995, a new company was formed called Airport Car Rentals (Southern) Ltd that operated under a franchise agreement under the name Airport Car Rentals Ltd renting cars at Christchurch airport.¹⁸ Airport Rentals Ltd sought an injunction. Tipping J accepted that “airport” and “car rentals” was descriptive terms and stated:¹⁹

¹² At 47.

¹³ At [47].

¹⁴ *Hills Flooring Ltd v Carpet Corner Ltd* HC Auckland A289/83, 3 May 1983.

¹⁵ At 7.

¹⁶ At 8.

¹⁷ *Airport Rentals Ltd v Airport Car Rentals (Southern) Ltd* (1993) 6 TCLR 664 (HC).

¹⁸ At 666

¹⁹ At 665.

As a general rule, the more distinctive a trading name is, both in itself and as identifying the plaintiff's business, the further away competitors must keep in the names they adopt. On the other hand, if the plaintiff's trading name is generic or descriptive (ie made up of words which describe common things and are in common use) the nearer the competitors may approach. In the second type of case only small distinctions may be enough to avoid passing-off or conduct which can be impugned under the Fair Trading Act 1986.

[28] While these terms were descriptive, Tipping J formed the view the addition of two descriptive words together was a step towards greater distinctiveness.²⁰ In the Christchurch area, while there was no direct evidence provided, His Honour inferred that the name "Airport Rentals" had become known as descriptive of the plaintiff's business.²¹ The use of the name "Airport Rentals" had acquired a sufficient distinctiveness in the Christchurch area that it ought to be protected.²² His Honour found that the similar names created a strong likelihood of confusion and granted an injunction based on geographical area.²³

[29] The final case relied on is *Shotover Gorge Jet Boats Ltd v Marine Enterprises Ltd*.²⁴ The plaintiff in that case, Shotover Gorge Jet Boats Ltd, had operated a jet boat service called the "Shotover Jet" on the Shotover River since 1970. The defendant had begun to use jet boats to carry passengers and on the Kawarau and Shotover Rivers (originally on the lower stretches but later on, once resource consent was granted on the whole of the river). The defendant painted the boats a different colour from the Shotover Jet boats but labelled their own boats, "Lower Shotover Jet". In graphical terms, the "lower" portion of the label was smaller than the "Shotover Jet" portion.²⁵ Shotover Gorge Jet Boats Ltd applied for an injunction restraining Marine Enterprises Ltd from using "Shotover Jet" on its boats.

[30] Hardie Boys J considered that there was some difficulty in establishing goodwill in the "Shotover Jet" as this name appeared to be descriptive of the service provided.²⁶ He considered that the previous use of the name by the plaintiff may not have been enough to have established a secondary meaning to the words "Shotover

²⁰ At 667.

²¹ At 667.

²² At 668.

²³ At 669. Evidence was provided at 666 of the confusion.

²⁴ *Shotover Gorge Jet Boats Ltd v Marine Enterprises Ltd* [1984] 2 NZLR 154 (HC).

²⁵ At 156.

²⁶ At 158.

Jet”.²⁷ However, he accepted that there could be some confusion as a result of the names and so there was a serious question to be tried.²⁸ He concluded, that while “Shotover” and “Jet” were purely descriptive, when taken together they could possibly have provided a secondary meaning identifying them solely with the plaintiff’s business.²⁹ At the same time, Hardie Boys J was prepared to allow the defendant to use “Jet the Shotover”.³⁰

[31] These four cases all have the following features:

- (a) A name containing descriptive words in combination.
- (b) The development of a particular established reputation in the name. Thus in the *New Zealand Insurance* case the name had been used for over 100 years in New Zealand, and that name had a secondary reputation that was exclusively distinctive of the plaintiff. In the *Hill Flooring* case the business had established an exclusive reputation in a geographical area. This was also the case in *Airport Rentals*. In the *Shotover Jet* case Hardie Boys J was more equivocal, but observed that the name “...might have acquired some secondary meaning identifying the solely with the plaintiff’s business”.³¹
- (c) The defendant using the same descriptive words as the plaintiff. Indeed, in all four cases, there were two identical words in each name.
- (d) A high degree of similarity overall in the names at issue.
- (e) The parties trading in the same market.
- (f) Evidence of confusion or the Judge considered that confusion or deception was likely.

²⁷ At 159.

²⁸ At 159.

²⁹ At 161.

³⁰ At 161.

³¹ At 161.

Discussion of misrepresentation

[32] Unlike the above cases, there is no common word in the TCB name and the proposed the NZACU names. NZACU does not use “co-operative”.

[33] TCB focuses, however, on the word “co-op”. “Co-op” is a recognised and widely used abbreviation of co-operative, and I accept for the purposes of serious question to be tried that the words are used interchangeably in New Zealand with “co-op” being a convenient shortform of “co-operative”. However, it is a different shorter word and this diminishes the similarities between the TCB and the NZACU names.

[34] Similarities in the names need to be assessed in relation to the context within which the names are employed. TCB is a bank. The NZACU is not a bank, and its function is in essence that of a representative body that is owned and controlled by its members and is described as the voice of those members. However, its members are in direct competition with TCB in the financial services market. It is reasonably arguable that the newly branded the NZACU will be directly competing in one aspect of financial services activity: in selling insurance services to customers. The newly branded the NZACU entities will have a public advocacy role for its members. The proposed name “Co-op Money NZ Ltd” would appear to be designed to convey the impression of a co-operative financial services company. Therefore, although I accept that the NZACU companies, will not be directly competing with TCB for customers, except in the area of insurance, the name will be used more widely in the same financial services market. I have found that TCB has developed some goodwill in the name “The Co-operative Bank”.

[35] The words “co-operative” and “co-op” are descriptive. They have the meaning of a union of members for the production or use of services where the profits are shared by the members.³² The description of TCB as a “co-operative” was accurate from the point of view of TCB. However, TCB made a considered decision in October 2011 to adopt a name containing that descriptive word. In a TCB paper prepared when TCB was looking to rebrand, there were references to

³² Lesley Brown (ed) *The New Shorter Oxford Dictionary* (Clarendon Press, Oxford, 1993) at 506.

“risk”. This appears in the context of there being a risk in using a name with a descriptive element. The word generically describes a certain type of commercial operation. Not only is the word descriptive, but it was a word that competitors of TCB like the Friendly Societies can also accurately use about themselves.

[36] The co-operative Friendly Societies that make up the NZACU have existed for many years. The first of the NZACU’s members was created in 1862. There is evidence showing that for many years members of the NZACU, and the NZACU in its own right, have emphasised their co-operative nature in promotional material. This would be a feature that could attract a certain sort of customer to both the NZACU, as it would to TCB.

[37] A word which is both generic and descriptive such as “co-operative” or “co-op” does not indicate the source of the service to be provided. Rather, it identifies a key feature of the service, and the nature of the operator.³³ The use of such a generic and descriptive name cannot give rise to a claim in passing off unless the use of the word in that context has acquired a secondary meaning so that its use by others will constitute a misrepresentation.

[38] In my view, no such secondary meaning has been established. Comparing the history of TCB’s use of the name “co-operative” with the uses of the plaintiffs in the four cases relied on by Mr Kennedy, the use by TCB of “co-operative” in its name has been of considerably shorter duration than in any of them. TCB has used it for less than three years, while in the other cases the uses were for periods of 100,³⁴ 19,³⁵ five,³⁶ and 14 years.³⁷ Moreover, TCB is operating over the whole of New Zealand where there are a large number of competing companies, many of which are much bigger and much better known.

[39] In this case TCB has not shown a seriously arguable case that it has developed a sufficient reputation in its name and the use of the word “Co-operative,”

³³ In *Shotover Gorge Jet Boats Ltd v Marine Enterprises Ltd*, above n 24, at 158 Hardie Boys J found “Shotover Jet” simply described the service provided. .

³⁴ *New Zealand Insurance Ltd v New Zealand Insurance Brokers Ltd*, above n 9.

³⁵ *Hills Flooring Ltd v Carpet Corner Ltd*, above n 14.

³⁶ *Airport Rentals Ltd v Airport Car Rentals (Southern) Ltd*, above n 17.

³⁷ *Shotover Gorge Jet Boats Ltd v Marine Enterprises Ltd*, above n 24.

so that in the area of financial services that word is exclusively associated with TCB. While it can prove some developing brand recognition, that falls far short of showing a secondary meaning for its name.

[40] Even if there was a secondary meaning in the TCB name, there are no two words used in the NZACU name that are the same as the TCB name. There is one word, “co-op”, which has the same meaning but is still a different word. This is a significant difference from the four cases relied on by TCB in support of its application.

[41] When highly descriptive terms are used, small differences are sufficient to distinguish brands, unless the facts show a serious risk of passing off.³⁸ The names “Co-op Money NZ”, “Co-op Services NZ”, and “Co-op Insurance NZ” have a different ring from “The Co-operative Bank”. In the NZACU names, no word has more than three syllables, and they have an informality about them which the TCB name does not. The word “co-op” co-exists with two other words that are entirely different from the TCB name.

Confusion

[42] The test for misrepresentation in the passing off context is whether the mark would be reasonably likely to deceive or cause confusion amongst a substantial number of persons.³⁹ TCB’s case on this test alone is weak, as the lack of identical words, the differences in the words used, the descriptive nature of the word “co-operative”, the number of persons using it, and the shallow rooted use by TCB of its new name, make it unlikely that a substantial number of persons would be seriously confused by the names.

[43] I do not consider that any substantial risk confusion would arise if the NZACU is allowed to use “co-op” in its branding. The NZACU and TCB will not be competing directly except perhaps in the insurance sector. I think it unlikely that consumers will be deceived into signing up with one believing it to be the other. The

³⁸ *Airport Rentals Ltd v Airport Car Rentals (Southern) Ltd*, above n 17, at 665; Mellor and others *Kerly’s Law of Trade Marks and Trade Names*, above n 7, at [18-145].

³⁹ *Gallaher v International Brands Limited* (1977) 1 NZIPR 43 (SC) at 142–143.

possibility of some initial confusion does not give TCB a winning hand. Importantly, the risk of some confusion does not prove a misrepresentation that will mislead customers. The decision to acquire a financial service, such as taking out a savings account or a loan, is not a decision taken lightly, and parties who do so can be expected to have spent some time reflecting on such a decision, and may well soon discover what entities they are in fact dealing with before they sign up. In my view, given the obviously descriptive nature of the word and the lack of similarity in the names, there is very little risk of a customer being misled.

Monopolies of descriptive words

[44] TCB can use “co-operative” in its name because that describes an important and accurate attribute of its business. But it also describes an important and accurate attribute of NZACU. It is perfectly understandable that the NZACU, given its history and nature, wishes to use the word “co-op” in its name. It should not be stopped just because it comes to put the word in its brand less than three years after TCB. While TCB eschews any intention to monopolise or prevent and use of the word “co-op” or “co-operative” by any party in the business of financial services, that is in effect what it seeks to do in this application.

[45] A company cannot appropriate a descriptive word used in trade for itself by inserting it as part of its brand name. This was stated strongly in 1899 by Lord Shand in *The Cellular Clothing Co Ltd v Maxton & Murray*:⁴⁰

If a person employing a word or term of well-known signification and in ordinary use – though he is not able to obtain a patent for his manufacture, and although he has not got the protection of a registered trade-mark for the goods he is proposing to sell – is yet able to acquire the right to appropriate a word or term in ordinary use in the English language to describe his goods, and to shut others out from the use of this descriptive term, he would really acquire a right much more valuable than either a patent or a trade-mark; for he and his successors in business would gain the exclusive right, not for a limited time as in the case of a patent, but for all time coming, to use the word as applicable to goods which others may be desirous of manufacturing and are entitled to manufacture and sell as much as he is. That being so, it appears to me that the utmost difficulty should be put in the way of any one who seeks to adopt and use exclusively as his own a merely descriptive term.

⁴⁰ *The Cellular Clothing Company Ltd v Maxton & Murray* [1899] AC 326 (HL) at 339–340.

[46] TCB says that the use of “co-op” by the NZACU could result in some confusion with TCB. Even if there is going to be some confusion in the market place when NZACU rebrands, it is the sort of confusion that parties who choose to use descriptive names have to tolerate. In *Hornsby Building Information Centre Pty Limited v Sydney Building Information Centre* Stephen J delivering the principal judgment in the High Court of Australia in relation to two traders using the same descriptive words in their trading names, observed:⁴¹

The risk of confusion must be accepted, to do otherwise is to give to one who appropriates to himself descriptive words an unfair monopoly in those words and might even deter others from pursuing the occupation which the words describe.

[47] Even if, contrary to my expectation, the odd consumer might sign with one thinking it the other, some risk of confusion is the price that they both must pay for choosing to use a highly descriptive word in their brand. The NZACU will have to tolerate the same possibility of confusion as TCB.

[48] Courts are unsympathetic to plaintiffs who seek to gain monopolies of descriptive words that are relevant in particular competitive sectors of commercial activity. In my view, such a monopoly will follow the granting to TCB of the injunction it seeks. While this is only an interim injunction application, I have sympathy for Mr Brown QC’s assertion that granting an interim injunction is likely to bring the proceedings to an end, because of the NZACU’s need to progress a new marketing strategy, which has already been put on hold for some time because of these proceedings.

Conclusion on passing off

[49] In relation to passing off TCB has shown some limited goodwill in the name “The Co-operative Bank”. However, it has failed to establish the second element of passing off, namely that there will be a misrepresentation by the NZACU to the public if it carries out its new marketing strategy. The possibility of a customer being seriously misled are slight. It is not necessary to consider the third element of

⁴¹ *Hornsby Building Information Centre Pty Ltd v Sydney Building Information Centre Ltd* (1978) 18 ALR 639 (HCA) at 648. See also *DB Breweries Ltd v Lion Nathan Ltd* (2007) 12 TCLR 25 (HC) at [36] and [37].

damage to TCB's goodwill, although for the reasons set out it seems unlikely that any initial confusion will lead to consumers signing with the NZACU members believing them to be TCB. Significant damage to TCB's goodwill is highly unlikely, or to put it another way, not seriously arguable.

[50] TCB has not shown a seriously arguable cause of action in passing off.

Fair Trading Act

[51] In this cause of action TCB relies on ss 9, 11 and 13 of the Fair Trading Act. At the heart of any such allegation must be a misrepresentation. These can be by words or conduct or both.⁴² Silence can also amount to a misrepresentation, as can literal truth when what is ultimately conveyed to the representee is false. There is no need for a plaintiff to show damage.

[52] When an allegation of misrepresentation in a name is based on similarities, it must be shown that the plaintiff has a reputation in the name strong enough that consumers are likely to infer that the services or goods offered are those connected to the plaintiff. In *Neumegen v Neumegen & Co* it was stated:⁴³

However, there will be no misrepresentation by means of the adoption of a trading name unless the name has already acquired a reputation amongst a class of consumers as denoting the goods or services of another trader, so that members of that class will be likely mistakenly to infer that the goods or services are connected with the business of that other trader ...

[53] There is not a seriously arguable question under this head, the reasons being the same as those set out in relation to passing off. The evidence does not show that the word "co-operative" by TCB in the context of the financial industry has acquired a secondary meaning in the relatively short time it has been used. The proposed use of "co-op" in branding by the NZACU is not sufficiently similar to the TCB name for the new NZACU entities to be confused with TCB. There is no proposed misleading conduct.

⁴² *Unilever New Zealand Ltd v Cerebos Greggs Ltd* (1994) 6 TCLR 187 (CA) at 193.

⁴³ *Neumegen v Neumegen & Co* [1998] 3 NZLR 310 (CA) at 317.

[54] Further, in relation to descriptive words, some confusion may have to be tolerated when traders choose to use them in names. This consideration is relevant to FTC claims as well as passing off claims. As Stephen J stated in *Hornsby Building Information Centre Pty Ltd v Sydney Building Information Centre Ltd*:⁴⁴

To allow this section of the Trade Practices Act to be used as an instrument for the creation of any monopoly in descriptive names would be to mock the manifest intent of the legislation. Given that a name is no more than merely descriptive of a particular type of business, its use by others who carry on that same type of business does not deceive or mislead as to the nature of the business described.

[55] TCB has not established any seriously arguable cause of action under the Fair Trading Act.

Trade mark

[56] TCB alleges that the NZACU's proposed use in the course of trade of the various "co-op" signs will amount to use of signs similar to the plaintiff's trade mark in relation to goods and services identical or similar to goods and services in respect of which the plaintiff's trade marks were registered, and that such use was likely to deceive or confuse.

[57] The relevant provision is s 89(1)(c) of the Trade Marks Act 2002 which 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—




...

(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

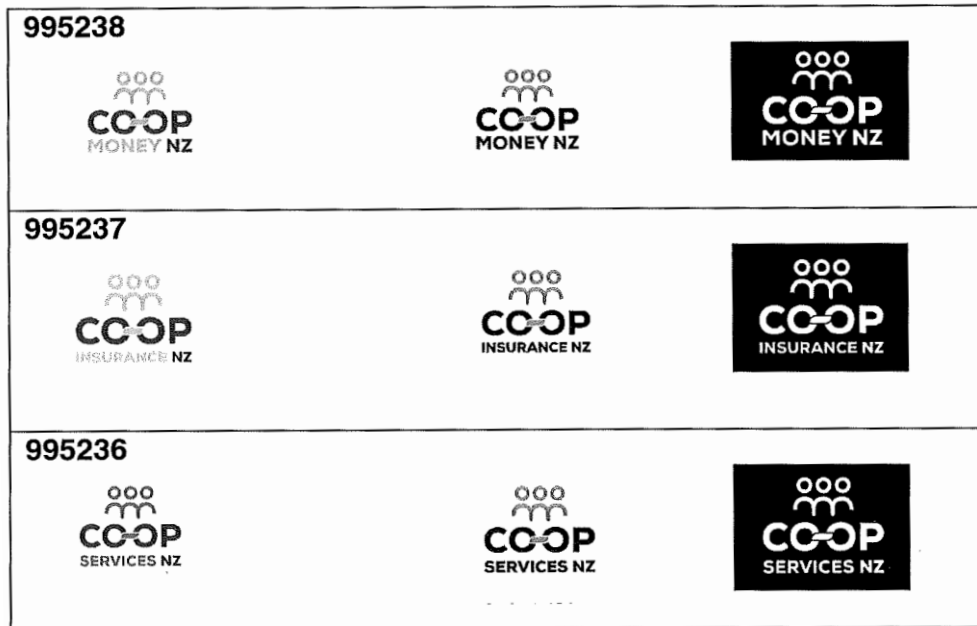
⁴⁴ *Hornsby Building Information Centre Pty Ltd v Sydney Building Information Centre Ltd*, above n 41, at 648.

[58] In July 2011, three months before it changed its name, TCB applied to register the word mark THE CO-OPERATIVE BANK. This application was refused by the Intellectual Property Office of New Zealand (IPONZ) and those trade mark applications lapsed. In its compliance report IPONZ raised objections under s 18(1)(c) on the basis of descriptiveness and lack of distinctiveness.

[59] However, TCB achieved registration of logo marks as follows:

<p>844057, 844059, 844060, 844063, 844064</p> 	<p>845304, 845306, 845307, 845309, 845310</p> 
<p>845292, 845293, 845294, 845295, 845296</p> 	<p>980394, 982286</p> <p>The Co-operative Bank</p> <p>The Co-operative Bank</p>

[60] The NZACU’s application for trade marks was for the following marks in logo form:



[61] These applications have been accepted for registration but are now being opposed by TCB in trade mark opposition proceedings.

[62] TCB contends that the NZACU intends to use its marks in the course of trade, and that NZACU’s use of the sign is likely to be taken as being used as a trade mark in terms of s 89(2). This has not been contested by NZACU.

[63] The first question is whether TCB’s signs are similar to the proposed signs of the NZACU. It is convenient to consider the issues of similarity and confusion together because the extent of a similarity is likely to inform the decision whether there is a likelihood of deception and confusion.⁴⁵ In considering the similarity marks, I must compare the marks as a whole.⁴⁶

[64] There is no exact similarity of words between the two signs. The only overlap is the use of the word “the” and the use of part of “co-operative” being “co-

⁴⁵ *Coca-Cola Company v Frucor Soft Drinks Ltd* (2013) 104 IPR 432 (HC) at [146]–[153].

⁴⁶ *Specsavers International Healthcare Ltd v Asda Stores Ltd* [2012] EWCA Civ 24, [2012] FSR 19 at [52(c)] and [52(d)].

op”. The get-up of the mark and its visual appearance is very different with the NZACU’s mark involving shorter words and being more box-like, and having a very different logo from that used by TCB. I see little danger of deception or confusion.

[65] It can be assumed that because of the descriptive nature of the words (and IPONZ’s refusal to date to register a word trade mark) that TCB obtained trade mark registration because of the distinctive way in which it set out the various words in the context of the logo. These include the type face, the way the words are joined, and, when used, the logo. None of those distinctive features are present in the NZACU’s marks.

[66] The marks must be regarded as a whole with particular emphasis on various visual features. There is no exclusive right to the descriptive words used in a logo mark. In my view the words used in both the TCB’s and the NZACU’s marks featuring as they do plain descriptive words have a very low level of distinctive character. The NZACU’s marks have different words and a different look and shape. Comparing the marks as a whole, I do not consider there to be a serious question to be tried that these marks are similar and likely to cause deception or confusion.

[67] It is significant that s 164 of the Trade Marks Act provides:

164 Trade usage must be considered

In an action or proceeding relating to a trade mark or trade name, the Court or the Commissioner, as the case may be, must admit evidence of—

- (a) the usages of the trade concerned; and
- (b) any relevant trade mark or trade name or get-up legitimately used by other persons.

[68] When there is common use of words or marks in the trade, that use of those words or mark must to some extent be discounted in determining whether the marks are deceptively similar.⁴⁷ I have already set out how the use of the word “co-operative” is common across all sections of the New Zealand commercial world, including the provision of financial services.

⁴⁷ *Wingate Marketing Pty Ltd v Levi Strauss & Co* (1984) 28 IPR 193 (FCA) at 229–230.

[69] Given the overall differences between the marks, their usage in trade and legitimate use by other persons in trade further confirms the weakness of this aspect of the TCB case. In particular, similarities involving the word “co-operative” must be discounted given that the word is often used in the financial services trade.

[70] I record also that on the evidence before me at present it seems to me likely that the statutory defence in s 95(c)(i) of the Trade Marks Act would apply in any event. This section provides:

95 No infringement for honest practices

A person does not infringe a registered trade mark if, in accordance with honest practices in industrial or commercial matters, the person uses—

...

(c) a sign to indicate—

(i) the kind, quality, quantity, ... other characteristic of goods or services;

[71] The test is an objective test and is whether reasonable members of the trade, upon knowing all the relevant facts the defendant knew, would say that the use complained of is honest.⁴⁸

[72] Given that NZACU has had a member called a co-operative, is a co-operative itself, and has used the word “co-operative” in its promotion over the years, its adoption and the use of the three trade marks at issue using the word “co-op” can be seen as in accordance with honest commercial practice. The inclusion of the word “co-op” in the three trade marks identifies an important characteristic of the service that NZACU provides. The credit unions that make up the NZACU are co-operative, and the NZACU itself is owned by its members. It could be seen as a development of previous promotions, and it is based on fair presentation of the nature of the entities involved and the services offered.

[73] Therefore, I do not consider that a serious question to be tried is made out under the trade mark cause of action.

⁴⁸ *Aktiebolaget Volvo v Heritage (Leicester) Ltd* [2000] FSR 253 (Ch) at 259; followed in *Tasman Insulation New Zealand Ltd v Knauf Insulation Ltd* [2014] NZHC 960 at [245] and [259].

Balance of convenience

[74] Given my findings that there are no serious questions to be tried, it is not necessary to consider this issue in detail. However, Courts are hesitant to grant injunctions where they appear to have an anti-competitive motivation. It was observed by David Williams J in the *Telecom Directories Ltd v Ad Viser (NZ) Ltd*:⁴⁹

[T]he Court should, in exercising jurisdiction under the Fair Trading Act, be astute to avoid misuse of its injunctive powers under s 41 where the risk of deception to consumers is minimal or non-existent and the heavy-handed use of such powers may wrongfully hinder or lessen competition.

[75] I accept Mr Brown's submission that the grant of an interim injunction may well have the practical effect of forcing a change of promotion, and thereby giving an unjustified early marketing victory to TCB. If the NZACU is allowed to proceed and ultimately at trial is found to have acted unlawfully, then it should be possible to calculate damages. Changes in turnover by each party following the use of the new names should be able to be identified from sales information. There are occasions when in the intellectual property context interim injunctions are refused but a plaintiff succeeds at trial.⁵⁰ If that did happen the NZACU would have to bear the costs and inconvenience of changing its names, and would have to pay damages.

[76] Moreover, if an interim injunction was granted but the NZACU succeeded at trial, its losses would be very difficult to calculate, given that it will not have been using the proposed brands up to that point, and there would be no trading history of such use. If it then proceeded to use "co-op" in its brand, it would take a long time to establish any history of trading change and prove any losses.

[77] I consider that TCB will have an adequate remedy in damages if it succeeds whereas the NZACU will not, and the balance of convenience favours declining the application for an interim injunction.

[78] Having found there to be no serious questions to be tried, and in any event that the balance of convenience favours the declining of the application, it must follow therefore that the overall justice of the case leads to a conclusion that the

⁴⁹ *Telecom Directories Ltd v Ad Viser (NZ) Ltd* (1992) 5 TCLR 60 (HC) at 62.

⁵⁰ *InterCity Group (NZ) Ltd v Nakedbus* [2014] NZHC 124, [2014] 3 NZLR 177.

application for an interim injunction should be declined. In particular, the use of the word “co-operative” by the NZACU and its members for many years, the fact that “co-op” does accurately describe the nature of the NZACU and its members, and the relatively recent adoption by TCB of its new name incorporating the word “co-operative”, all indicate that it would be unfair to stop the NZACU proceeding in the interim pending trial.

Conclusion

[79] The NZACU will not be passing itself off as TCB if it uses the various proposed names incorporating the word “co-op”. This is because TCB has not shown that a secondary meaning has attached to the words “The Co-operative Bank”, so that any use of the word “co-op” in a name is, in the financial services sector, exclusively or indeed extensively associated with TCB.

[80] It has not been shown that the use of the proposed words by the NZACU involves a misrepresentation or would lead to serious confusion. There are no identical words used in the names, and the words used are very different, save for the word “co-op”. Given the care that people take when they enter into financial services arrangements, confusion leading to loss is unlikely.

[81] In any event, the Court is unsympathetic to parties seeking monopolies on descriptive words, particularly descriptive words widely used in the industry such as “co-operative”. Any small risk of confusion will have to be tolerated by parties who choose to use such a word.

[82] There is no breach of the Fair Trading Act as for the reasons set out there will be no misleading or deceptive conduct by the NZACU.

[83] TCB’s and the NZACU’s trade marks have different words and a different get-up and look. They are not similar and there is no material likelihood of deception and confusion in terms of s 89(2) of the Trade Marks Act. Further, the NZACU’s use of the word “co-op” would appear to be an honest practice in terms of s 95 of that Act.

[84] If the NZACU rebrands, but is ultimately shown to have rebranded unlawfully, damages will be an adequate remedy. On the other hand, to grant an injunction now could force the NZACU to choose other brands. The NZACU's losses would be hard to calculate given that it would never have actually used the new brands and there would be no sales information.

[85] Overall justice favours declining the injunction.

Result

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

[87] Should the the NZACU seek costs, it should file submissions within 21 days, the plaintiff to file submissions in reply within a further 21 days.

.....
Asher J