

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

**CIV-2011-404-7338
[2013] NZHC 1599**

BETWEEN	MUZZ BUZZ FRANCHISING PTY LIMITED Plaintiff
AND	JB HOLDINGS (2010) LIMITED Defendant
AND	CHRISSANDRA LEE CHRISTIE Second Defendant
AND	SCOTT ANDREW CHRISTIE Third Defendant

Hearing: 25 March 2013

Appearances: BP Henry and P Knapp for Plaintiff
M Utting for Defendants

Judgment: 28 June 2013

JUDGMENT OF TOOGOOD J

*This judgment was delivered by me on 28 June 2013 at 2:30 pm
Pursuant to Rule 11.5 High Court Rules*

Registrar/Deputy Registrar

Introduction

[1] The plaintiff, Muzz Buzz Franchising Pty Limited (“Muzz Buzz”), is an Australian company which, since 2002, has franchised drive-through coffee outlets in Western Australia and, more recently, elsewhere in Australia. Its name, logo and kiosks are distinctive and easily recognisable.

[2] The plaintiff has adapted the sales and marketing activities of the business to take advantage of the internet and the growth in social media such as Facebook. An Australian website for the business was created in 2005. In that year also the distinctive shape of the kiosks for the sale of coffee to drive-through customers was commissioned.

[3] Anticipating the expansion of its business to New Zealand, the plaintiff registered a trade mark in the word “Muzz Buzz” and in its combined image/text logo on 9 December 2004 and registered the word again on 20 September 2007, but it did not issue a master licence for a New Zealand franchise until August 2011.

[4] The second and third defendants, Mr and Mrs Christie, are the proprietors of the first defendant, JB Holdings (2010) Limited, a company which was incorporated in June 2010 for the purpose of establishing a drive-through coffee business in New Zealand under the label “Jitta Buzz”. In November 2010 the defendants opened a drive-through coffee outlet in Sunnybrae Road in the Auckland suburb of Hillcrest; a second outlet in Ti Rakau Drive, Botany Downs, Auckland, was opened in mid-2012.

[5] The plaintiff argues that the defendants have set out deliberately to copy and compete with the plaintiff’s business. It says that the defendants’ choice of brand name, building shape, colours, design, website, uniforms, Facebook page and other brand identifiers are deliberate attempts “to see how close they can go” to the Muzz Buzz get-up without actually being an identical copy.

[6] The following four causes of action are pleaded:

- (a) breach of copyright;
- (b) breach of the plaintiff’s trade marks;

- (c) passing off of the plaintiff's intellectual property in the design features of the business as the defendants' own; and
- (d) misleading and deceptive conduct in breach of the Fair Trading Act 1986.

[7] The plaintiff seeks permanent injunctions in relation to these causes of action, as well as damages for losses arising from the alleged breaches.

[8] The defendants dispute the plaintiff's claims as to the extent of its current goodwill and brand awareness throughout Australia and New Zealand, alleging that the vast majority of the plaintiff's Australian stores are in Western Australia. They particularly emphasise that Muzz Buzz had not opened any outlet in New Zealand before the defendants opened their Sunnybrae Road and Ti Rakau Drive businesses. The defendants deny the alleged similarity between the Muzz Buzz and Jitta Buzz trade marks respectively and say that s 96 of the Trade Marks Act 2002, which provides that in certain circumstances the use of an unregistered trade mark does not infringe a registered trade mark, gives them a complete defence to the trade mark claim.

[9] The defendants deny any copyright breach but say that, if a breach is proved, the plaintiff has suffered minimal damage. In respect of the passing-off claim, the defendants submit that the evidence falls short of establishing that Muzz Buzz has sufficient goodwill or brand awareness in the New Zealand market to justify that claim. They raise a similar defence to the plaintiff's claim that the way in which Jitta Buzz has marketed its business amounts to a breach of the misleading and deceptive conduct prohibition in s 9 of the Fair Trading Act.

Result

[10] For the reasons given below, I conclude that the plaintiff is entitled to succeed on all four pleaded grounds. The plaintiff is therefore entitled to permanent injunctions in respect of each of the pleaded grounds, as well as costs. I decline to make an award to the plaintiff for damages.

Background facts

[11] In 2002 a drive-through coffee business was established in Belmont, Western Australia by Mr Craig Muzeroll. In 2004 a consortium including Mr Steven Pynt purchased 50 percent of the business which went on to establish Muzz Buzz drive-through coffee franchises throughout Australia and, more recently, other parts of the world. Mr Pynt's evidence was that the plaintiff has entered into franchise agreements for 51 stores operating throughout Australasia including 36 in Western Australia, nine in Victoria, two in South Australia, two in Queensland and two in Auckland. At the time of hearing, Mr Pynt said that the company was anticipating opening another six stores in New Zealand and Australia over the ensuing four months and said that they were assessing over 100 further sites. The franchise arrangements extend also to Asia and Eastern Europe.

[12] From about the time Mr Pynt and his associates bought into the business in 2004, much has been done to develop the recognition of the Muzz Buzz brand. The plaintiff now warehouses and distributes most of its products including coffee, packaging, water, syrups, powders and biscuits. In July 2012, the company opened its own roastery as a joint venture with another Victorian company and the business is currently working to establish its own bakery and manufacturing operation for syrups and powder. The evidence establishes that the Muzz Buzz brand is well known in Western Australia and in other parts of that country.

[13] As part of its brand establishment, Muzz Buzz designed distinctive features of its overall image including a horizontally-curved shape for the buildings in which its outlets are located, and a distinctive appearance using green and purple text, distinct fonts, and text placement. Some of these features have been adopted for the Muzz Buzz websites and Facebook pages. The company has sought to promote its image throughout Australia and in New Zealand. The name "Muzz Buzz" and the combined word and image "Muzz Buzz Drive-thru Coffee", incorporating a distinctive coffee cup sketch, were registered as trade marks in New Zealand in December 2004, and the name "Muzz Buzz" was registered in alternative classes in September 2007. The Australian Muzz Buzz website was created in 2005 and a Facebook page in Australia established in August 2009.

[14] The plaintiff is the sponsor of the Perth Wildcats basketball team which competes in the Australian National Basketball League (“ANBL”) competition and which is a principal rival to the New Zealand Breakers team, having lost the semi-final play offs to the New Zealand team in 2011 and the grand final in each of 2012 and 2013. It is probable that New Zealand television viewers of ANBL games between the two teams would have seen the Muzz Buzz logo associated with the Western Australian team.

[15] The establishment of two Muzz Buzz outlets in New Zealand in 2012 followed the acquisition in August 2011 of the master franchise for Muzz Buzz New Zealand by Mr David Abetz and his wife, who were former owners of Muzz Buzz stores in Western Australia. A New Zealand website for Muzz Buzz was established in May 2012 and a Facebook page for Muzz Buzz New Zealand was set up in November 2012.

[16] As is discussed more fully below, the defendants deny having appropriated the Muzz Buzz branding for themselves and deny that there is such similarity between the Muzz Buzz and Jitta Buzz brands as to cause confusion. The defendants emphasise that the granting of the New Zealand master franchise to Mr Abetz in August 2011 post-dated the establishment of the first Jitta Buzz outlet in Sunnybrae Road in November 2010.

Comparison of appearances of kiosks

[17] The similarities and differences between the appearance of the Muzz Buzz and Jitta Buzz kiosks respectively are evident from the photographs below:

“A”



“B”



[18] The Muzz Buzz photograph (A) depicts the New Zealand outlet in Mt Wellington. The design of the kiosk and the graphics is based upon designs prepared in Australia in October 2008, and it matches the appearance of Muzz Buzz kiosks in Western Australia and elsewhere. The distinctive features of the building are:

- (a) the horizontally-curved facade (not evident in the photograph), curved roof-line, and sloping ends;
- (b) the green and purple text used on a solid white background;
- (c) the placement of the words “Muzz” in green and “Buzz” in purple to the left of the service window;
- (d) the coffee cup sketch around the service window;
- (e) the placement of the words “DRIVE-THRU” in green and “COFFEE” in purple to the right of the service window;
- (f) the menu to the right of the service window and below the text “DRIVE-THRU COFFEE”; and
- (g) the appearance of the menu board with a solid green band behind the words “Muzz Buzz Menu”; “Muzz Buzz” using the green and purple combination and the word “Menu” in white; and the sign having a solid green border.

[19] The Jitta Buzz photograph (B) depicts one of the Auckland sites. The similarities between the Muzz Buzz design and appearance and the design and appearance of the Jitta Buzz kiosks are as follows:

- (a) the horizontally-curved facade and truncated ends;
- (b) the white background on the facade;
- (c) the green of the words “Jitta” and “Drive-thru” contrasting with the dark brown “Buzz” and “coffee”;
- (d) the placement of the text;
- (e) the placement of the menu (although that may be expected given that the customer would approach the service window from the right); and
- (f) the similar menu appearance with a solid green band behind the heading “Jitta Buzz Menu” and a green border.

[20] Differences between the Muzz Buzz kiosk and the Jitta Buzz kiosk are:

- (a) the Jitta Buzz kiosks do not have the curved roof-line and sloping ends used in the Muzz Buzz design;
- (b) the font used in the text (in contrast to the Muzz Buzz design, the text on the Jitta Buzz kiosk is in lower case except for the use of initial capitals on the words “Jitta Buzz” and “drive”);
- (c) the absence of the coffee cup sketch in the Jitta Buzz design;
- (d) the addition of the words “NZ’s own” above the words “Jitta Buzz” and the addition of the words “Drive-thru coffee” below the same text to the left of the facade; and
- (e) on the Jitta Buzz kiosk, the addition of further signage on either side of, and below, the service window.

Comparison of website appearance

[21] The Australian website for Muzz Buzz was created in 2005. The plaintiff claims that the defendants have also appropriated the design and content of its website to promote their business.

[22] The plaintiff points particularly to the similarity in the overall appearance and the text of the home pages of the two websites. Both home pages have a solid green background. The Muzz Buzz page has a lighter shade of green in the centre with white text, whereas the Jitta Buzz page has a white centre-block with green text.

[23] The Muzz Buzz text begins with the question, “What is Muzz Buzz?” Under the heading “Jitta Buzz Drive-thru espresso coffee... Welcome!”, the Jitta Buzz text begins: “What is Jitta Buzz about?”

[24] There then follow, on each of the pages, several paragraphs of text with the page concluding with a tag line.

[25] The text of the two home pages adduced in evidence is as follows (with emphasis added to mark out arguable similarities), with the paragraphs on each website following the sequence shown:

WHAT IS MUZZ BUZZ?	Jitta Buzz Drive-thru Espresso-Coffee... Welcome!
In a nutshell... Muzz Buzz is all about FUN!	What is Jitta Buzz about? Well... drive-thru services have been around for donkey's years because of its convenience, throw in real barista made coffee and you have a relatively new concept.
But what do we do? At Muzz Buzz we serve sensational coffee that's quick, convenient and satisfying. So quick and convenient that you simply drive thru. And so satisfying because you receive the unique premium coffee blend exclusive to Muzz Buzz.	And it is for the love of great coffee that we decided to create a place of our own to serve Delicious coffee and friendly service, that's quick, convenient And satisfying! So quick in fact that you simply pull up to the drive-thru window and choose from our menu, a bevy of premium coffee beverages to suit your daily fix.
Ever felt that each morning comes too soon? You crawl out of bed and race to work, the highlight of which is the coffee machine. You suffer instant coffee because you don't have the time to enjoy the real stuff at your favourite cafe. Or you are out running errands with the kids buckled up in the back and you just don't want to haul them into a cafe for a cuppa.	Of course... our Team grinds only the freshest of premium coffee beans! So whether your heading to work, the school run, or on an errand, there is no need to park your car or drag your kids out.
Enter Muzz Buzz... but you don't enter, you just drive-thru! We serve everything you need to get you Buzzing. Premium coffee beans and unique Muzz Buzz flavours in a variety of sizes and strengths will be sure to kick that morning grump or get you over your afternoon hump!	

<p>Hungry? We've got muffins, cookies, pies & sausage rolls, there's donuts, bagels & much more to enjoy and they are all convenient and easy to eat. Muzz Buzz also has ice creams, milkshakes and icy cold drinks to sooth your summer cravings.</p>	<p>Hungry? we have sweet & savoury foods that complement our coffee. We have muffins, croissants, pies & sausage rolls, yummy caramel slice's & banana bread plus much more to sooth your cravings... Cold drinks? we also serve Frappes & Fruit Smoothies!</p>
<p>Muzz Buzz is an Australian owned company that is proud to support locally owned businesses and suppliers. With a new Muzz Buzz opening near you, it makes sense to leave home without your morning coffee and buy it on the run.</p>	<p>Jitta Buzz is a privately owned NZ company proud to support locally owned business's & the community – see what's happening on our Community Support page for updates.</p>
<p>Life's a buzz... Drive-thru it!</p>	<p>Taste the wonder that is... Jitta BUZZ!</p>

Defendants' denial of copying or exploitation

[26] The third defendant, Mr Christie, was the sole witness for the defendants. He denied that there was any unique element to the use of the word “Buzz” in association with coffee and pointed to examples of coffee outlets in Christchurch (Buzz Coffee – a mobile vendor); Lower Hutt (Buzz Cafe and Restaurant); Scottsdale Arizona (Buzzberry Cafe); and Ithaca, New York (Buzz Coffee Drive-thru) as evidence. He also denied throughout that the defendants had exploited or appropriated the Muzz Buzz brand to themselves in the establishment of the Jitta Buzz brand and business.

[27] Mr Christie said that his wife and he knew the people who owned DTC, a drive-through coffee facility in Auckland, and identified that there was potentially a niche market in drive-through coffee that he and his wife could get into. He said that they wanted to establish their own business, be self-employed and work together and that, as they both love coffee, a drive-through coffee facility seemed a perfect choice of business.

[28] Mr Christie claimed that the name “Jitta Buzz” came from a combination of two conceptions: the first, “getting the jitters”, coming from needing caffeine and the word “Buzz” coming from “the high resulting from drinking coffee”. Mr Christie said that the choice of the colours green and brown used in the Jitta Buzz

imagery was made on the basis of unroasted coffee beans being green and roasted coffee beans being brown. He said that the font for the Jitta Buzz text was hand-drawn by him and then sent off to a design writer to do the signage of their product using a combination of upper and lower case letters. He noted that the plaintiff uses only capital letters in its logo.

[29] Mr Christie said that when they came to look at a building design for their outlets, they wanted something similar to the DTC building which is curved at the ends and has a sloping roof. He said they did not have as much space available on their proposed site as on the DTC site. Consequently, he designed a smaller building with curved walls to fit the limited space due to boundary restrictions and also to make it easier for vehicles to pull up alongside the service window. Mr Christie also said that he thought it would be fun to make something that looked like a rugby ball, given the build-up to the 2011 Rugby World Cup when they were establishing their business in 2010.

[30] Mr Christie's evidence was that his initial intention was for the building designed for the Sunnybrae Road site to come to a point at both ends but he had to cut off the ends of the building due to land restriction. He also said that the curve he had wanted was not achievable with the material he was using so that the building was quite squat in shape without smooth, rounded sides.

[31] Mr Christie said that while his wife and he were aware of the Muzz Buzz business in Western Australia, they did not look into the colours or design or anything that had to do with Muzz Buzz when creating the Jitta Buzz name and brand. Mr Christie denied having been influenced by the shape of the Muzz Buzz kiosks in Western Australia. He pointed to differences in the ends and roof shape of the Muzz Buzz outlets and noted that a number of the Muzz Buzz outlets, including the New Zealand store in Mt Albert, do not use the curved design.

[32] Mr Christie also pointed to differences in the placement and shape of the text on the respective buildings and suggested that the phrase "drive-thru coffee" was not something exclusively used by Muzz Buzz. He emphasised the point that Jitta Buzz "was up and running well prior to any Muzz Buzz stores opening in New Zealand",

and said that when the defendants established the Jitta Buzz business they did not believe that Muzz Buzz had a wide presence in New Zealand or that they were taking advantage of Muzz Buzz's reputation.

[33] Mr Christie also insisted there had been no intention to copy or exploit the Muzz Buzz website design or content. When I took Mr Christie through the text content of the two website homepages, as set out at [25] above, he said in respect of each point of comparison that any similarity was merely a coincidence. His denials extended to the similarities in the topics covered in the text, the sequence in which they appeared, and the instances of identical or near-identical wording.

Conclusions on allegations of copying

[34] Since the evidence established that the Muzz Buzz website had been created some years earlier than the Jitta Buzz website, Mr Christie's denials offend commonsense and I reject them. I have no doubt that the defendants adapted the plaintiff's web homepage for their own purposes, copying significant pieces of text verbatim and adopting the themes of the plaintiff's message to readers and the pages' overall appearance.

[35] My conclusion that Mr Christie was untruthful in denying that his wife and he had copied the Muzz Buzz website in setting up their own influenced my view of the credibility of his explanations as to how the name and brand of Jitta Buzz had been established. Mr Christie confirmed that he has a brother living in Western Australia who had lent him the money to establish the first Jitta Buzz outlet. He also confirmed that his friends who owned the DTC outlet had told him about the Muzz Buzz business in Western Australia, but said that, even though he had been in Western Australia himself, he did not see any Muzz Buzz stores.

[36] Mr Christie's assertion that he knew nothing about the style of the Muzz Buzz kiosks is as implausible, in my view, as the assertion that his wife and he did not exploit the appearance and content of the Muzz Buzz website.

[37] As Ms Leigh Williams, the plaintiff's expert witness on brand issues, identified, the cumulative effect of the similarity in name, colour, text content, and overall appearance, including the placement of the various components of the overall design, produces a high degree of similarity between the Muzz Buzz kiosks and those established by the defendants. One only needs to look at the shape of the Jitta Buzz kiosk in photograph B to reject the claim that it was influenced by the shape of a rugby ball.

[38] Mr and Mrs Christie would not have needed to travel to Western Australia to examine and appreciate the elements of the plaintiff's Muzz Buzz brand. Extensive information about all aspects of the Muzz Buzz business is available on the website in an effort to attract potential franchisees. Photographs of Muzz Buzz outlets showing the design, colour scheme and overall appearance of the kiosks are and would have been available to the defendants on the Australian website, together with details of menus and a significant amount of other information about the business including the colour and style of the uniforms worn by employees, and its sponsorship and marketing strategies.

[39] There can be no doubt that the intention of the defendants in designing and branding their kiosks was to attract the attention of passing motorists. The success of the plaintiff's business in Western Australia must have led the defendants to the conclusion that the plaintiff's branding and marketing strategy worked in that regard and would be successful if adopted in New Zealand. It was notable, in my view, that Mr Christie pointed out more than once in giving his evidence that the internet searching which he said his wife and he had undertaken prior to establishing the brand of their business was limited to New Zealand. He was also at pains when under cross-examination to emphasise that the Jitta Buzz outlets were established in New Zealand before any Muzz Buzz outlets were opened.

[40] I was led to the firm conclusion that, when they were establishing their business, the defendants saw what they believed was an opportunity to capitalise on the success of the Muzz Buzz brand in Western Australia. I am satisfied that they decided to appropriate it to themselves for use in New Zealand by copying the essential elements of the brand, while stopping short of creating complete

identity, in the belief that being the first to brand drive-through coffee outlets in New Zealand in that manner entitled them to do so.

Possibility of confusion between Muzz Buzz and Jitta Buzz

[41] Before concluding this discussion of the facts, I refer to the evidence of two witnesses for the plaintiff whose experiences satisfy me that the defendants succeeded in their aim of exploiting the plaintiff's brand to their advantage.

[42] Mr Shawn Redhage, captain of the Perth Wildcats basketball team, said that he had seen the Jitta Buzz kiosk on Sunnybrae Road on at least two visits to Auckland in 2012 and 2013 and had thought that his team's sponsor, Muzz Buzz, was associated with a drive-through coffee outlet in New Zealand. There was similar evidence from the general manager of Gull New Zealand Limited, Mr David Bodger, who is familiar with the Muzz Buzz brand, having been a frequent visitor to Perth.

[43] Mr Bodger said that there had been speculation among Gull staff in Perth that Gull might combine Muzz Buzz services with Gull outlets, and that he had inspected a new Muzz Buzz kiosk in High Wycombe, Western Australia adjacent to a new Gull service station. In September 2011, Mr Bodger met Mr Pynt and Mr Abetz to discuss future collaboration between Gull and Muzz Buzz. Mr Bodger said he mentioned to the Muzz Buzz representatives that he had seen the first New Zealand Muzz Buzz outlet on Sunnybrae Road, and was immediately corrected. He later visited the Jitta Buzz kiosk and was surprised to see that the colours used in the text on the side of the building were green and brown and not green and purple as he had previously thought.

[44] I turn to the causes of action.

Alleged breach of copyright

Appearance of the kiosks

[45] It is convenient to consider, first, the claim that in creating the appearance of their kiosks the defendants have breached the plaintiff's copyright in the building shape and colouring, text placement, text colouring and menu placement.

[46] Copyright is a property right that exists, among other things, in original literary or artistic works.¹ It is not disputed by the defendants in this case that the plaintiff owns the copyright in the design elements of its buildings, particularly the text and graphics comprising the elements of its facade as shown in photograph A at [17].

[47] Copyright in a work is infringed by a person who, other than pursuant to a copyright licence, copies the work as a whole, or any substantial part of it, either directly or indirectly.²

[48] To establish a breach of its copyright by the defendants, the plaintiff is required to prove:³

- (a) reproduction of either the entire work or a substantial part of it;
- (b) a sufficient objective similarity between the allegedly infringing item and the copyright work, or a substantial part of it; and
- (c) some causal connection between the copyright work and the infringing item in that the infringing work must have been derived from the copyright work.

[49] In adopting the recommended interpretative approach to the above criteria recommended by the Court of Appeal,⁴ I am satisfied for the reasons discussed at

¹ Copyright Act 1994, s 14(1)(a).

² Ibid, ss 29 and 30.

³ *Wham-O MFG Co. v Lincoln Industries* [1984] 1 NZLR 641 (CA) at 666. See also *Henkel KGAA v Holdfast New Zealand Ltd* [2006] NZSC 102, [2007] 1 NZLR 577.

[17] – [19] above that there are significant objective similarities between the appearance of the Jitta Buzz kiosks and the wording, layout, colour scheme and placement of the elements of the Muzz Buzz “look and feel” displayed on the facades to its kiosks. For the reasons given at [34] – [40] above, I am also satisfied there is a causal connection between the two designs in that the similarity between the Muzz Buzz design and the Jitta Buzz design results from deliberate copying. The evidence establishes that there is a sufficiently substantial reproduction. In respect of the appearance of the kiosks, therefore, the ingredients of breach are made out.

[50] I am not persuaded that a breach of copyright has been established to the requisite standard in respect of the size and shape of the Muzz Buzz kiosks. I reach this conclusion notwithstanding my view that the appearance of the Jitta Buzz buildings owes far more to the appearance of the Muzz Buzz kiosks than to the DTC kiosk, a photograph of which was exhibited in evidence, or a rugby ball. The comparable size and shape of the buildings is a product of their function.

[51] But the plaintiff’s inability to establish a breach of copyright in the size and shape of the buildings does not disqualify it from relief. The striking similarity I have found to exist in the appearance of the kiosks comes from the colour scheme of the buildings and graphics; the text content; and the placement of the various elements. It will be obvious that the plaintiff has no copyright in the content of any menu or list of products and the orders made will make it clear any restraint does not extend that far.

Copyright breaches on the Jitta Buzz website

[52] Despite the principal difference of the green text on a white background used by Jitta Buzz in comparison to the white text on a green background used by Muzz Buzz, the home pages on the respective websites are also markedly similar in appearance. Even more striking is the similarity, and in some cases the identity, of the text. Such differences as exist are immaterial in considering the ingredients for breach of copyright and the criteria are established in respect of the website also.

⁴ *Oraka Technologies Ltd v Geostel Vision Ltd* [2013] NZCA 111 at [85] – [87].

[53] I am satisfied, therefore, that the plaintiff is entitled to injunctive relief in respect of those elements for the defendants' breaches of copyright. I deal below with the question of damages.

Breach of registered trade marks

[54] The plaintiff owns the trade marks "Muzz Buzz" (word mark, classes 30, 35, and 43), "Muzz Buzz Drive-thru coffee" (device, classes 30, 35 and 43), "Muzz Buzz" (word mark, classes 29 and 32) and "Buzz" (word mark, class 43), in relation to the goods and services elements of drive-thru coffee businesses. The classes concern the goods and services to which the mark relates: coffee; the retailing and wholesaling of food and beverages; services for providing food and drink; milk and milk products; non-alcoholic beverages; and take-away food associated with such beverages.

[55] This is the registered image of the "Muzz Buzz DRIVE-THRU COFFEE" device:



[56] Although the registered marks cover the text and imagery of the plaintiff's sign, it is not established on the evidence that the plaintiff's green and purple colour scheme also forms part of the trade mark.

[57] 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 ... 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*" (emphasis added).⁵ By s 5 of the Trade Marks Act 2002, a "sign" includes "a brand, colour, device, heading,

⁵ Trade Marks Act 2002, s 89(1)(c).

label, letter, name, numeral, shape, signature, smell, sound, taste, ticket, or word” and any combination of such signs.

[58] There is no doubt that the use by the defendants of the word “Buzz”, the name “Jitta Buzz”, and the expression “Jitta Buzz drive-thru coffee” amount to the use of a sign in the course of trade. Since the goods and services sold and provided by the plaintiff and the defendants are identical, the questions in this case are:

- (a) whether the Jitta Buzz signs are similar to any of the plaintiff’s registered trade marks; and
- (b) whether the use of the Jitta Buzz signs are likely to deceive or confuse.

[59] It is necessary to consider s 19 of the Trade Marks Act, which provides:

19 Relevance of colour to distinctive character of trade mark

- (1) In determining the distinctive character of a trade mark, the Commissioner or the Court, as the case may be, must consider whether or not the trade mark is, or is to be, limited in whole or in part to 1 or more specified colours.
- (2) A trade mark that is, or is to be, registered without limitation of colour is, or will be, registered for all colours.

[60] In relation to the Muzz Buzz trade mark, the effect of s 19(2) is to register the trade mark for all colours, but the registrations do not appear to attach to the particular combination of colours (“Muzz” in green and “Buzz” in purple) used by the plaintiff. That means, in my view, that the colour combination should be disregarded for the purpose of determining the distinctive character of the Muzz Buzz trade mark.

[61] Putting the colours aside, the distinctiveness in the combination of the words “Muzz Buzz” and “Muzz Buzz Drive-thru coffee” comes from the use of a short word preceding the word “Buzz” in association with drive-through coffee and the retailing activities involved in the provision of such goods and services. I consider

the expressions “Jitta Buzz” and “Jitta Buzz drive-thru coffee” to be similar to the plaintiff’s terms when taken in context.

[62] I do not doubt that, in mistakenly associating the appearance of the Jitta Buzz kiosk in Sunnybrae Road with the Muzz Buzz brand they knew, Mr Redhage and Mr Bodger were influenced by the overall appearance of the kiosk. It is notable, however, that neither of them considered the difference between “Jitta” and “Muzz” to be significant.

[63] I am satisfied that the use of the words “Jitta Buzz” in relation to the drive-through retailing of coffee and related products is likely to deceive or confuse customers or potential customers about whether the service and products are identical or, at least, whether there is a link or association between the two businesses and their goods and services.

[64] The plaintiff is entitled to injunctive relief in respect of that breach, both in respect of the facades of its kiosks and in other media such as the website.

[65] Having reached that conclusion, it is not necessary for me to consider the alleged breach of the plaintiff’s word mark in the single word “Buzz” in relation to coffee drive-thru services. However, were it necessary to do so, I would conclude that the defendants’ use of the word “Buzz” in relation to coffee, prior to the registration of the plaintiff’s mark for that word alone in February 2012, entitles them to a defence under s 96 of the Trade Marks Act in respect of the single word.

[66] There is no evidence that the defendants have used an image or sign similar to the image depicted at [55] above; it is the use of a sign represented by a particular combination of words in relation to the particular goods and services which constitutes the trade mark breach. I consider also that the words “drive-thru coffee” or “drive-through coffee” are a generic description of the nature of the business and the use of them by themselves could not constitute any breach of the plaintiff’s registered marks.

Passing-off

[67] The elements required to be proved for passing-off are:⁶

- (a) a misrepresentation;
- (b) made by a trader in the course of trade;
- (c) to prospective customers or the ultimate consumers of goods or services supplied by the trader;
- (d) calculated (that is, likely) to injure the business or goodwill of another trader (in the sense that this is a reasonably foreseeable consequence);
and
- (e) which causes actual damage to the business or goodwill of the trader by whom the action is brought.

[68] The misrepresentation alleged here is an implied representation that the Jitta Buzz business is identical to or associated with the Muzz Buzz business, the implication arising from the similarity between the appearance of the Jitta Buzz kiosks, as identified above at [17] – [19]. For the reasons given above, including my reference to the evidence of Mr Redhage and Mr Bodger, I am satisfied that the first three elements of a misrepresentation made by Jitta Buzz in the course of trade to prospective customers are made out.

[69] In respect of the fourth and fifth elements, the tort of passing-off requires injury or likely injury to a business or its goodwill, and there must be damage in addition to misrepresentation.⁷ It is legitimate to infer damage from a tendency to impair distinctiveness.⁸

⁶ *Erven Warnink BV v J Townend & Sons (Hull) Ltd* [1979] AC 731 (HL), adopted in New Zealand in *Dominion Rent A Car Ltd v Budget Rent A Car Systems (1970) Ltd* [1987] 2 NZLR 395 (CA) at 419 and *Taylor Bros Ltd v Taylors Group Ltd* [1988] 2 NZLR 1 (HC) at 16.

⁷ *Dominion Rent A Car Ltd v Budget Rent A Car Systems (1970) Ltd*, *ibid*; *Taylor Bros Ltd v Taylors Group Ltd* (CA), *ibid* at 37.

⁸ *Dominion Rent A Car Ltd v Budget Rent A Car Systems (1970) Ltd*, *ibid*; *Taylor Bros Ltd v Taylors Group Ltd*, *ibid*.

[70] In order to establish the likelihood of damage through an erroneous association with the defendants' business, the plaintiff is required to establish that it already has goodwill or a business reputation in the relevant market. For the immediate purposes of this case the market concerned is the greater Auckland area. I would be inclined to accept, however, that given its established intentions to expand its franchises throughout New Zealand, the plaintiff may be entitled to argue that the whole of New Zealand comprises the relevant market.

[71] In *Dominion Rent A Car v Budget Rent A Car*, Somers J observed that the question of the existence and extent of reputation and of goodwill must be a matter of fact.⁹ He said that in the case of a business having an international reputation which extends to New Zealand not much in the way of activity in New Zealand would be required to establish goodwill. The reputation itself may be almost tantamount to goodwill activity having importance in localising that reputation in New Zealand.¹⁰

[72] In discussing the applicable principles of passing-off in the *Dominion Rent A Car* case, Cooke P observed, reflecting what he said appeared to be the general trend of judicial opinion in 1987, that an Australian company's reputation and goodwill can extend to New Zealand and, at least if there is a sufficient business connection with this country, will be entitled to protection here. Cooke P said that it was artificial to analyse such a state of affairs by saying that the company has one goodwill in Australia and another in New Zealand; rather, the goodwill transcends territorial boundaries.¹¹

[73] Cooke P sounded a note of caution, however, in recognising that in the internationalisation of trade there was possible confusion of names as more situations arose in which traders who had adopted business names bona fide in the territories where their business began may encounter similarities of names legitimately used elsewhere.¹² But the Judge said that there were two exceptions to this proposition. First, in the dishonest or other wrongful conduct of a person in

⁹ *Dominion Rent A Car v Budget Rent A Car Systems (1970) Ltd*, *ibid* at 420.

¹⁰ *Ibid*.

¹¹ *Ibid* at 406.

¹² *Ibid*.

making a name or mark deceptive, and second where someone was setting up a business for the first time with a mark deceptively similar to one already in use and having a truly distinctive reputation in the same market.¹³

[74] This discussion of the globalisation of the marketplace, particularly in relation to New Zealand and Australia, preceded the creation of the internet and global access to the Web. In 2013, it can hardly be doubted that New Zealand and Australia may, for the purposes of enforcing intellectual property rights, be regarded as one market. This view adopts the indication given by Cooke P in *Dominion Rent A Car Ltd* over 25 years ago that the courts of New Zealand and Australia should be prepared as far as reasonably possible to recognise the progress that has been made towards a common market, referring in that regard to the substantial increase in two-way trade under the NAFTA agreement in 1966, the CER Heads of Agreement 1982, and the Australia-New Zealand Closer Economic Regulations Trade Agreement 1983.¹⁴ Nearly three decades on, there can be no doubt that the two markets are even more integrated now.

[75] In those circumstances, not much in the way of business activity would be required to establish the goodwill and reputation of Muzz Buzz in New Zealand. Given that the plaintiff first registered a trade mark in “Muzz Buzz” in 2007 and had a well-established reputation in Western Australia and elsewhere, including in New Zealand, through internet access, I do not think it assists the defendants to argue that they were first into the New Zealand marketplace with their branded kiosks. As Cooke P said in the *Dominion Rent A Car Ltd* case, in cases of natural expansion of established businesses into new territories it may not be right to regard exclusive rights as acquired by the first entrant in point of time; an international reputation already earned by the second entrant and extending to the new market militates against an automatic first-past-the-post approach to the establishment of goodwill.¹⁵

[76] Given my finding that the defendants proactively exploited the Muzz Buzz brand for the purpose of establishing the Jitta Buzz business in New Zealand, and

¹³ Ibid.

¹⁴ Ibid at 407.

¹⁵ Ibid.

plainly did so by means of access to the plaintiff's website,¹⁶ it does not assist the defendants to rely on the fact that they established their kiosks before the first Muzz Buzz outlet was set up.

[77] As to the proof of damage, I infer as McGechan J did in the High Court in *Taylor Bros v Taylors Group Ltd*,¹⁷ with the later approval of the Court of Appeal,¹⁸ that although damage in monetary terms is not likely to be great, there is likely to be a serious dilution of the plaintiff's goodwill through an erroneous association with Jitta Buzz.

[78] There was no evidence of the quality of the products supplied by the defendants in comparison to the quality of the plaintiff's products. As Ms Williams observed, however, the plaintiff appears to have established a high quality service, reflected in the quality of its buildings and general get-up, whereas the much smaller business of the defendants has all the appearance of being a lower quality enterprise. Having regard to the similarity of the two names of the businesses and the striking similarity of the appearance of the kiosks there is, in my view, likely to be harm to the business of the plaintiff through the erroneous association with the defendants' business in the diversion of custom, if not in damage to reputation. Customers having turned off a roadway to pull up to a Jitta Buzz kiosk in the mistaken belief they would be buying coffee from a Muzz Buzz outlet are unlikely to drive away without making a purchase. The likelihood of harm extends also to the probability that potential franchisees will find the acquisition of a Muzz Buzz franchise less attractive by reason of established competition from a rival business having a strikingly similar get-up.

[79] The plaintiff is entitled to injunctive relief from passing-off.

¹⁶ As evidenced by the near-identical appearance of the Jitta Buzz home page to that on the Australian Muzz Buzz website, and the striking similarities of the content demonstrated at [25].

¹⁷ *Taylor Bros Ltd v Taylors Group Ltd*, above n 6 at 25.

¹⁸ *Ibid* at 37.

Misleading or deceptive conduct under the Fair Trading Act 1986

[80] The plaintiff also alleges that the defendants are engaging in misleading or deceptive conduct in breach of s 9 of the Fair Trading Act, which 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.

[81] The language of s 9 is plain and clear and is to be given its natural and ordinary meaning.¹⁹ It is implicit in what I have concluded above in relation to the similarity between the defendants' brand and that of the plaintiff, and the likelihood for confusion as exemplified by the evidence of Mr Redhage and Mr Bodger, that I am satisfied also that the establishment of the defendants' business in the manner described amounts to conduct in trade which is likely to mislead or deceive.

[82] Injunctive relief should be provided to the plaintiff under this cause of action also.

Relief

Claims for damages

[83] It was clear from the manner in which the plaintiff's case was presented that the plaintiff's principal objective was to obtain injunctive relief which, in effect, required the defendants to cease promoting their business of supplying drive-through coffee and other products in ways which breach the plaintiff's intellectual property rights. No evidence was put before the Court as to the plaintiff having suffered any financial loss, except to the extent that the establishment of the defendants' business and the need for the plaintiff to commence these proceedings to bring an end to the breaches has delayed the expansion of Muzz Buzz franchises throughout New Zealand.

¹⁹ Ibid at 27; *Paper Plus NZ Ltd v Robert Mitchell Ltd* HC Auckland CL53/92, 10 March 1993.

[84] In the absence of any financial information, however, I am unable to quantify any financial loss which might be inferred. The claim for damages is accordingly dismissed.

Claims for injunctive relief

[85] The defendants are entitled to continue to operate their drive-through coffee businesses in competition with the plaintiff and any Muzz Buzz franchisees, but having found for the plaintiff under all four causes of action I consider that the plaintiff is entitled to orders which prevent the defendants from doing so in breach of the plaintiff's intellectual property rights. Ceasing to act in breach will require the defendants to replace or cover the facades to their kiosks, alter their website, and destroy any other offending form of marketing, advertising or promotion. They should be given some time to comply before being in breach of the Court's orders. Permanent injunctive relief should be provided to the plaintiff, but the defendants shall have seven days from the date of this judgment to comply.

[86] The forms of injunctive relief sought by the plaintiff vary according to the cause of action under which it is sought, and counsel did not address their submissions to the formulation of the orders in the amended statement of claim. I recognise, however, that without the benefit of my judgment as to the extent, if any, of the defendants' breaches, counsel were not in a position to argue the extent to which the defendants should be restrained by any consequential orders of the Court.

[87] Leave will be reserved to any party to apply for variation of the orders made to the extent that, as a matter of practical effect, the relief ordered in this judgment fails to impose, or exceeds, appropriate limitations on the defendants' business.

[88] I make the following orders:

- (a) With effect from midnight on **Friday, 5 July 2013**, there will be a permanent injunction restraining the defendants by themselves or by their servants or agents, in connection with the marketing, advertising

or promotion of retail sales of coffee and related beverages and food products:

- (i) from using the words “Muzz Buzz”, “Jitta Buzz”, or any similar words; and
- (ii) subject to the order in (b), from displaying or using, on any building or object, or in any print or electronic medium, any text or images which are similar in appearance (including but not limited to the text or image colouring and the text or image placement) to the text or images used by the plaintiff as at the date of this judgment for the marketing, advertising or promotion of retail sales of coffee and related beverages and food products,

without a licence from the plaintiff.

- (b) The order in (a) shall not apply to the content of any menu or list of products.
- (c) Leave is reserved to any party to apply, on not less than seven days’ notice to every other party, for an order varying the orders made in (a) and (b).

[89] The plaintiff is entitled to costs. Any application for costs shall be made by way of memorandum filed and served no later than **26 July 2013**. Any memorandum in reply to the plaintiff’s costs memorandum shall be filed and served by the defendants no later than **23 August 2013**. Unless otherwise directed, costs shall then be determined on the papers.

.....
Toogood J