

**BRAND DEVELOPERS LTD and Another v EZIBUY LTD and Others**

5 HIGH COURT OF NEW ZEALAND

ASHER J

25 January, 4 February 2011 — Auckland

10 **Registered designs — Statement of novelty — Construction — Scope of design —  
Prior art — Interim injunction refused — (NZ) Designs Act 1953 ss 2, 5, 11.**

The second plaintiff held a registered design relating to aspects of a personal exercise machine. The statement of novelty was:

15 “The design is to be applied to an Exercise Machine and the novelty resides in the features of shape and configuration of the Exercise Machine having a tubular ring and pair of pivotally mounted knee rests movably supported on the tubular ring, as shown in the accompanying representations.”

20 The first plaintiff had extensively advertised and promoted via infomercials its AB CIRCLE PRO, being the product protected by the registered design. The plaintiffs sought an interim injunction to restrain breach of the second plaintiff’s registered design by the defendants through importing, selling or offering for sale exercise machines which were substantial copies of the registered design.

25 The defendants relied on prior art comprising a predecessor to the plaintiffs’ AB CIRCLE PRO machine which featured an identical knee pivot mechanism to that depicted in the registered design.

**Held**, refusing the interim injunction:

30 (i) The aspect of the design protected by registration is that described in the statement of novelty. The claim to novelty of a particular feature has the effect of excluding from protection of the Designs Act any other feature not set out in the statement of novelty. As a matter of construction of the statement of novelty, both a tubular ring and a pair of pivotally mounted knee rests movably supported on the tubular ring must exist together: at [25], [26], [39].

35 (ii) The assessment of whether the alleged copied design is not substantially different from the registered design is influenced by the degree of novelty or originality of the registered design: at [27].

*UPL Group Ltd v Dux Engineers Ltd* [1989] 3 NZLR 135 (CA); (1988) 13 IPR 15; *Interlego AG v Tyco Industries Inc* [1989] AC 217; [1988] 3 All ER 949; (1989) 12 IPR 97, referred to.

40 (iii) The defendants’ product did not have the same type of tubular ring as in the registered design. The design comprised a single completely circular tubular ring. The defendants’ product had double tubular rings that formed part of the circle but did not complete it and led into a plastic collar: at [32], [33].

45 (iv) The reference in the statement of novelty to a pivotally mounted knee rest was that both the knee rests pivoted from a central point. To the eye there were real differences between the knee rests in the registered design and the defendants’ product: at [41], [42].

(v) The knee pivot mechanism was not novel at the time of registration. The argument could only be made for novelty in respect of the tubular ring and its supporting of the knee rests but the same or similar tubular ring was not present in the defendants’ product: at [47], [50].

50 (vi) The plaintiffs did not have an arguable case but, in any event, the balance of convenience favoured the defendants: at [52], [62].

(vii) There was a greater risk of injustice arising if an interim injunction was granted than if it was refused: at [64].

*B Henry and P Knapp* for the plaintiffs.

*R Smedley* for the first defendant.

*O J Dickie and C Elliott* for the second to fourth defendants.

**Asher J.**

### **Introduction**

[1] The second plaintiff, Fitness Brands Inc, is a company incorporated in the state of Nevada, USA. It owns all the intellectual property worldwide in relation to an item of sporting exercise equipment known as the AB CIRCLE PRO. The first plaintiff Brand Developers Ltd is an electronic marketing company specialising in advertising products through infomercials and direct sales. It markets the AB CIRCLE PRO in New Zealand. The two plaintiffs seek an injunction restraining the defendants from breaching registered design No 412655 and in particular from importing or selling or offering for sale equipment known as the AB EXCEED and/or AB TWIST EXERCISER.

[2] The first defendant Ezibuy Ltd is a company that markets products in New Zealand via the internet, by retail sales, and by publishing catalogues that are distributed to the public. The second defendant is described as Actions Sports and Fitness but its full legal name is Action Sports Equipment Pty Ltd. The third and fourth defendants, Ms K M Mossman and Mr A F Rashid respectively, are directors of Action Sports Equipment Pty Ltd. It is accepted by the defendants that Action Sports Equipment Pty Ltd imports sporting equipment and in particular the AB TWIST that is the subject of these proceedings, and that Ezibuy Ltd markets it.

[3] The first cause of action in the statement of claim alleges that the defendants have imported exercise machines being marketed under the name “AB TWIST” into New Zealand, that are substantial copies of design registration No 412655. The second cause of action alleged breach of copyright in respect of the same machine.

### **General background**

[4] On 3 September 2009 Fitness Brands Inc (Fitness Brands) registered design No 412655. The design related to aspects of the exercise machine, the AB CIRCLE PRO. The AB CIRCLE PRO is an exercise machine which provides exercise for a user aimed at strengthening the abdominal muscles. The user kneels on two knee rests which are supported by a frame and which can move in a semicircular direction around the frame. The user whose knees are placed in the knee rests holds onto bars at the other end of the machine while in a kneeling position and then, while using abdominal muscles, pushes the knees to left and right. The machine is primarily designed to exercise abdominal muscles, although the defendants claim that the AB TWIST can also exercise other muscles.

[5] The registered design contains a statement of novelty which reads as follows:

The design is to be applied to an Exercise Machine and the novelty resides in the features of shape and configuration of the Exercise Machine having a tubular ring and a pair of pivotally mounted knee rests movably supported on the tubular ring, as shown in the accompanying representations.

[6] The representations are photographs of the AB CIRCLE PRO from a perspective view, a top plan view, a rear elevation view, a bottom plan view, a front elevation view and a left side elevation view. There are no diagrams attached to the registration.

5 [7] The AB CIRCLE PRO was in fact a development of an earlier machine of similar design and function which had been sold in New Zealand by Brand Developers Ltd (Brand Developers). It does not appear to be in contention that Brand Developers had developed a degree of public awareness in the earlier and  
10 present machines and their capabilities through its advertising efforts. The AB CIRCLE PRO was advertised by way of infomercials featuring action shots of persons using the machine and demonstrating its benefits. There was a healthy market for the machine as marketed by the plaintiffs, although no details of sales have been provided.

15 [8] In October 2010 Ezibuy Ltd (Ezibuy) began marketing the AB TWIST. It is not in dispute that it is a direct competitor of the AB CIRCLE PRO. Ezibuy did not use infomercials. Rather, it sold through websites and catalogue marketing to a customer list.

20 [9] There is a significant price difference between the AB CIRCLE PRO and the AB TWIST. The AB CIRCLE PRO is sold at \$399 per unit. The AB TWIST costs \$179.95.

25 [10] The first sale of the AB TWIST occurred on or about 1 October 2010. Since then approximately 725 units, being the entire first batch sent to New Zealand, have been sold, save for five units which remain in stock. A second order of 600 AB TWIST units has been placed and they have arrived or are about to arrive.

30 [11] Mr Paul Meier, the owner and governing director of Brand Developers, called Ezibuy on 26 October 2010 when he became aware of the proposed import and sale of the AB TWIST. He was directed to the in-house counsel of Action Sports Equipment Pty Ltd (action). The in-house counsel was aware of the AB CIRCLE PRO and made it clear that it was his understanding that action was within its legal rights to manufacture and export the AB TWIST. The statement of  
35 claim also alleges that the second defendant and third parties import under the name "AB EXCEED".

40 [12] The plaintiffs issued proceedings on 18 November 2010. Although the first cause of action was breach of registered design and the second cause of action was breach of copyright, it has been agreed that the only ground relied on by the plaintiffs for the purposes of this interim injunction application is breach of registered design. The plaintiffs have not sought to argue a serious question to be tried of breach of copyright, asserting that in the time available they had not been able to get the necessary material together. However, that claim, it is said, will be pursued at trial when the necessary evidence can be collated. In response to a  
45 question from me, Mr Henry also advised that a further claim for passing off may be included.

50 [13] The second, third and fourth defendants have not only filed a statement of defence but have also counterclaimed asserting that NZ design No 412655 was invalid. They seek rectification of the register by deletion of the design. They have also alleged that the allegation of design infringement amounts to a groundless threat.

### **Approach to an interim injunction application**

[14] There is no need to set out the approach to interim injunction applications. The principles are well understood in New Zealand and set out in *American Cyanamid Co v Ethicon*<sup>1</sup> and *Klissers Farmhouse Bakeries Ltd v Harvest Bakeries Ltd (No 2)*.<sup>2</sup> The parties have, however, disagreed in their submissions on one point of preliminary approach. Mr Elliott for the defendants argued that this interim injunction could have the effect of making the defendants give up and abandon the New Zealand market altogether; or at least in respect of the product in question. Thus the determination of the interim injunction application could determine the entire proceeding. He argued that the relative strength of the case of the parties is relevant in such a circumstance. While arguing that the plaintiffs have no serious case to be tried at all, he submits that if there is a serious question that the plaintiffs' case can be assessed as weak, and this is relevant to the exercise of the court's discretion.

[15] Mr Henry submits that the case will go to trial whatever the outcome of this interim injunction hearing. He says that his clients will pursue it, whether they win or lose this round. He submits that the plaintiffs have a strong case.

[16] There seems to be some consensus between the parties that there is only a limited window of opportunity for marketing this type of exercise machine. Indeed, the plaintiffs' witnesses say that it has a commercial life of approximately 2 years, and it has already been marketed for in excess of 1 year. Thus, an interim injunction restraining any competition could well last for the rest of the commercial life of the product. The granting of an injunction could have the effect of closing the defendants' window of opportunity of marketing the AB TWIST in New Zealand. I consider therefore that it is a distinct possibility that the issue of an interim injunction could be the commercial end of the AB TWIST in New Zealand.

[17] The serious question to be tried threshold is a simple one and should not be complicated by gradations of seriousness. However, it is unrealistic to suggest that the strengths of the respective cases, if the court can have some confidence in their assessment, can be ignored in assessing the overall justice of issuing an interim injunction. If the consequences of granting an injunction may be to end a course of commercial conduct that may be shown at trial to have been perfectly legitimate, an apparently strong case will weigh more strongly for the grant of interim relief than a weaker one.

[18] Of course the court must be cautious of trying the substantive issue on the usually incomplete material available in untested affidavit form on an urgent application.<sup>3</sup> But in a case of alleged breach of a registered design, where there are no obvious credibility issues or central disputes of fact, a court will inevitably be influenced by any clear perspective of the merits that it develops, in the final exercise of its discretion.

### **The Designs Act 1953**

[19] Section 5(1) of the Designs Act 1953 (the Designs Act) provides that a design may upon application be registered in respect of any article or set of articles specified in the application. Section 5(2) sets out the conditions necessary for registration:

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1. [1975] AC 396 (HC); [1975] 1 All ER 504.

2. [1985] 2 NZLR 143 (CA); (1985) 5 IPR 533.

3. *Shotover Gorge Jet Boats v Marine Enterprises Ltd* [1984] 2 NZLR 154 (HC) at 157; (1983) 4 IPR 516 at 519–20.

5 *Designs registrable under Act*

...

5 (2) Subject to the provisions of this Act, a design shall not be registered thereunder unless it is new or original and in particular shall not be so registered in respect of any article if it is the same as a design which before the date of the application for registration has been registered or published in New Zealand in respect of the same or any other article or differs from such a design only in immaterial details or in features which are variants commonly used in the trade.

10 [20] A design can be registered for up to 15 years, with a renewal every 5 years.<sup>4</sup> The definition of design in s 2(1) is as follows:

15 *Design* means features of shape, configuration, pattern, or ornament applied to an article by any industrial process or means, being features which in the finished article appeal to and are judged solely by the eye; but does not include a method or principle of construction or features of shape or configuration which are dictated solely by the function which the article to be made in that shape or configuration has to perform:

[21] The rights given by registration are set out in s 11(1):

11 *Right given by registration*

20 (1) The registration of a design under this Act shall give to the registered proprietor the copyright in the design, that is to say, *the exclusive right in New Zealand* to make or import for sale or for use for the purposes of any trade or business, or to sell, hire, or offer for sale or hire, any article in respect of which the design is registered, *being an article to which the registered design or a design not substantially different from the registered design has been applied* and to make anything for enabling any such article to be made as aforesaid, whether in New Zealand or elsewhere. [Emphasis added.]

25 [22] In *Interlego AG v Tyco Industries Inc*<sup>5</sup> Lord Oliver of Aylmerton delivering the judgment of the Privy Council in relation to the materially identical English legislation, described its purpose as follows:

30 [T]he purpose of the [Registered Designs Act 1949], as appears both from its terms and its legislative history, is to protect novel designs devised to be “applied to” (or, in other words, to govern the shape and construction of) particular articles to be manufactured and marketed commercially. .... Indeed the whole purpose of a design is that it shall not stand on its own as an artistic work but shall be copied by embodiment in a commercially produced artefact. Thus the primary concern is what the finished article is to look like and not what it does and the monopoly provided for the proprietor is effected by according not, as in the case of ordinary copyright, a right to prevent direct reproduction of the image registered as the design but the right, over a much more limited period to prevent the manufacture and sale of articles of a design not substantially different from the registered design. *The emphasis therefore is upon the visual image conveyed by the manufactured article.* [Emphasis added.]

40 [23] This statement was quoted by Somers J in *UPL Group Ltd v Dux Engineers Ltd*.<sup>6</sup> It was stated in that case by Somers J:

45 Whether there is an infringement of copyright in a registered design is a question of fact of which the eye is the Judge. See eg *Hecla Foundry Co v Walker, Hunter & Co* (1889) 1B IPR 767 at 770; 14 App Cas 550 at 555. It is not necessary for a plaintiff to establish a causal connection between the design and the infringing article as it is in the case of infringement of copyright under the Copyright Act. ...

50 4. Section 12 of the Designs Act; regs 41–42 of the Designs Regulations 1954.

5. [1989] AC 217 (PC) at 214; [1988] 3 All ER 949 at 955; (1989) 12 IPR 97 at 102.

6. [1989] 3 NZLR 135 (CA) at 139; (1988) 13 IPR 15 at 19 (*UPL*).

The test is whether the article alleged to be an infringement has substantially the same appearance as the registered design.

[24] Any application to register a design must be accompanied save in certain defined circumstances, by a statement of the features of the design for which novelty is claimed. Thus, reg 23 of the Designs Regulations provides:

(1) Every application shall state the article to which the design is to be applied, and that the applicant claims to be the proprietor thereof.

(2) Except in the case of an application to register a design to be applied to a textile article, to wallpaper, or to lace, the application shall further be accompanied by a statement of the features of the design for which novelty is claimed.

(3) The applicant shall, if required by the Commissioner in any case so to do, endorse on each of the representations or specimens a statement satisfactory to the Commissioner of the novelty claimed for the design.

[25] The aspect of the design protected by the registration is that described in a statement of novelty. It was said in *Russell-Clarke on Copyright in Industrial Designs* of the statement of novelty;<sup>7</sup>

It defines, if it is present, the ambit or scope of the monopoly, and is therefore, to a certain extent analogous to a claim in the specification of the patent.

[26] The claim to novelty of a particular feature in a statement of novelty has the effect of excluding from the protection of the Designs Act any other features not set out in the statement of novelty. Thus, in approaching this exercise a judge must consider the features singled out in the statement of novelty, and judge only those features against the alleged infringement. The concepts involved in the working of the article and its functions are not protected. The issue of actual copying is irrelevant.

[27] The assessment of whether the allegedly copied design is not substantially different is influenced by the degree of novelty or originality of the registered design. It was stated in *UPL* at NZLR 139; IPR 20:

There is also a relationship between the degree of novelty or originality of a registered design and the issue of infringement. If there is substantial novelty or originality small variations in the article alleged to infringe will be unlikely to save the defendant. On the other hand if the features of novelty or originality are but little removed from prior art small differences may avoid an infringement.

[28] The visual comparison of the features in question of the two items is critical. Somers J observed that a comparison must be made “in the light of the existing state of the art and the trends of fashion”.<sup>8</sup> It was put this way in *Russell-Clarke* at 87:<sup>9</sup>

... A registered design which is possessed of substantial novelty and originality will have a broader reading given to the monopoly which it affords than a design which is barely novel or original. In the latter case, where the novelty is small, the Court may refuse to hold anything to be an infringement unless it is almost exactly like the registered design.

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7. *Russell-Clarke on Copyright in Industrial Designs* (5th ed, Sweet & Maxwell, London, 1974) at 62 (this earlier edition is cited because later editions take into account the harmonised EU law of registered designs).

8. At NZLR 145; IPR 26.

9. See also *Negretti & Zambra v WF Stanley & Co Ltd* (1925) 42 RPC 358 at 365.

[29] This aspect is relevant as Mr Elliot submits that the novelty element in the AB CIRCLE PRO design is very limited and specific.

#### **The alleged infringement**

5 [30] The statement of novelty draws attention to the “tubular ring” and “a pair of pivotally mounted knee rests moveably supported on the tubular ring”.

[31] Turning first to the tubular ring, the AB CIRCLE PRO undoubtedly has such a circle ring. The statement of novelty says “ as shown in the accompanying  
10 representations”. These are a set of labelled photos. All these photos show an aspect of a metal circular tubular ring. The perspective view is set out in App A. The ring, part of which can be seen in all the photos, is an exact circle. It is a single tubular ring.

[32] The AB TWIST does not have the same type of tubular ring. A photographic  
15 perspective view is set out in App B. In the AB TWIST there are two tubes and not one. The two tubes do not join to form a complete ring or circle. They terminate having completed part but not all of a circle. Where they finish, there is then a distinctive continuation of the central plate which has a distinctive angled collar appearance.

20 [33] There are therefore, to the eye, material differences in the tubes. One is a single completely circular tubular ring. The other is double tubular rings that form part of a circle but do not complete it, and lead into a plastic collar.

[34] The other feature referred to in the statement of novelty is the pair of  
25 pivotally mounted knee rests moveably supported on the tubular ring. The tubular ring has a supporting role and not guiding role. The guide is the central pivots and link arms connecting the knee rests. To the eye there is an immediate obvious difference between the knee rests. On the AB CIRCLE PRO they are attached by link arms to pivots at the centre of the machine. On the AB TWIST they rest on  
30 the twin tubes with no central pivot. On the AB TWIST they not only rest on the twin tubes but partially enclose them like some roller coaster wheels, and are guided by them. Thus without the rollers the knee pads would fall off the AB TWIST while on the AB CIRCLE PRO they are attached by the arms and would remain in the same position.

35 [35] There was some discussion in the course of submissions about the meaning of the phrase “pivotally mounted knee rests”. While both counsel initially took the view that the pivot referred to was the central pivot in the middle of the AB CIRCLE PRO, in response to some questions from me, Mr Henry adopted the position that the reference to a pivot was the pivot for each knee rest.  
40 Given that the knee rests in both the AB CIRCLE PRO and the AB TWIST pivot to accommodate the movement of the knees, he submitted they were the pivots in the statement of novelty.

[36] The presence of the word “mounted” before knee rests is perhaps some  
45 support for the idea that it is what the knee rests are mounted on that must pivot. That pivot is certainly a common feature of the knee rests on both machines. However, there is a certain ambiguity as to whether the reference to “pivotally mounted knee rests” is to either the central pivot or the pivot in each individual knee rest on the AB CIRCLE PRO. The words give no finite indication. The accompanying representations for the registration of the AB CIRCLE PRO  
50 show very clearly the central pivot. It is the end point of each of the two arms. The pivot mechanism is clearly displayed.

[37] By contrast the photographic representations attached to the registered design do not show the actual pivot mechanism in relation to each knee rest (although it can be worked out that there is a pivot mechanism under each knee rest on which they turn with the knee's movement). The representations focus the eye on the AB CIRCLE PRO's central pivot for each leg, on which both arms and knee rests swing.

[38] Having considered the various arguments I consider that the more likely meaning is that the reference to pivotally mounted knee rests is that both knee rests on the AB CIRCLE PRO pivot from a central point.

[39] An actual reading of the statement of novelty requires the two aspects of design referred to, namely the tubular ring and the pair of pivotally mounted knee rests moveably supported on it, to be read together. The statement reads "having a tubular ring *and a pair of*" and refers to the pivotally mounted knee rests being moveably supported on that same tubular ring. This means that the existence of one of the two features alone would not be enough to constitute an infringement. The two must exist together. The tubular ring must moveably support the pivotally mounted knee rests.

[40] The fact that it is an essential part of the design of the AB CIRCLE PRO that it has an entirely circular ring is indicated by the name itself, which incorporates the name "circle". The application of such a name to the AB TWIST would seem wrong as visually the AB TWIST does not feature a circle. Rather, it features only a part of a circle.

[41] There are similarities in the overall dimensions of the products. However, the general footprint of both must be dictated by the function of the human body. It is not surprising that there are similarities. The actual dimensions differ considerably and there are no correlations that give any evidence of copying. Although copying is irrelevant, these differences in dimension confirm the impression of the eye, which is that there are real differences between the two machines. Further; although a registered design does not protect a method of operation, it is apparent to the eye that there is a different method of operation in the two products.

[42] I conclude that to my eye the design elements in the AB TWIST which the plaintiffs' claim have been infringed, are not of substantially the same appearance as the registered design. I do this comparing the representations in the AB CIRCLE PRO registered design against the three dimensional object being the AB TWIST exercise machine. A comparison of the two three dimensional objects confirms this view.

### **The prior art**

[43] As mentioned,<sup>10</sup> it is necessary to consider the similarities and differences against the history of any prior art, and the level of novelty and originality in those aspects of the design of the AB CIRCLE PRO protected by the statement of novelty. I accept Mr Elliott's way of putting it, that the registered design has to be assessed looking both backward at the prior art and forward to the alleged infringement.

[44] The AB TWIST is the culmination of a design process that began before May 2007. There is evidence that the precursor to the AB TWIST was another exercise machine known as "the Lovehandler" which although visually different

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10. At [26]–[27] above.



allowed the user to perform the same exercise that call be performed on the AB CIRCLE PRO and the AB TWIST. The Lovehandler featured double tube rails and a partial circle rather than a full circle. There seems to be a basis for the expert evidence for the defendants that the AB TWIST was a development of the Lovehandler.

[45] The prior art of the Lovehandler featured the AB TWIST double tubes. This indicates that a considerable degree of similarity to the AB CIRCLE PRO's single tube is required for the plaintiffs' claim to be made out.

[46] The defendants provided evidence which is accepted by the plaintiff that the AB CIRCLE PRO is the development of an earlier design also owned by Fitness Brands. That earlier design has the same handles, the same legs, leg adjustment mechanism and handle adjustment mechanism. It features the essential concept of knee rests pivoting by arms from a centre point and resting and rolling around a circular base.

[47] The knee pivot mechanism in both the earlier and later machines appears to be identical. The central pivot, the pivot arms, the knee rests and the link between the two knee rests all look the same. The only difference immediately apparent to the eye is the tubular ring on the AB CIRCLE PRO, which is not on the earlier model. Rather than the knee rests resting on a single tubular ring, the knee rests in the earlier model are supported by and move on the flat circular saucer base.

[48] It would seem, therefore, that the novelty and originality of the AB CIRCLE PRO rests in the tubular ring. As already observed, there are very significant differences between the circular single ring in the AB CIRCLE PRO and the only partially circular ring of the AB TWIST.

[49] I note the statement in *Russell-Clarke* at 88:

Where the defendant has taken only that part of the registered design which was old and has not taken that which is new there will be no infringement. Thus, where the registered design differs from what has gone before only by some one particular feature, then unless the alleged infringement embodies that feature, it cannot possibly be an infringement.

[50] Here Fitness Brands's registered design differed from what had gone before by only one particular feature, the single tubular ring. The fact that it was Fitness Brand's own earlier design is irrelevant. All non-registered prior art, even if the copyright is owned by a plaintiff, is to be taken into account, and can be relied on by a defendant in assessing novelty. This means that the pivotally mounted knee rests were not novel at the time of registration. That argument can only be made for the tubular ring, and its supporting of the knee rests. For reasons that I have already set out, to my eye the AB TWIST does not contain the same or similar tubular ring that features in the AB CIRCLE PRO. In the AB TWIST the twin tubular guides are significantly different. This factor alone would indicate that there is no serious question to be tried in relation to the alleged infringement.

[51] I am cautious about too readily rejecting the plaintiffs' case. However, there have been some months in which to prepare the evidence, and I must make an assessment on what is before the court. To my eye, tutored by the prior art of both the Fitness Brands predecessor machine and the Lovehandler; the differences between the features of the AB CIRCLE PRO referred to in the statement of novelty and those features in the AB TWIST appear to me to be so different as to be fatal to any claim for infringement.

**Conclusion on serious question to be tried**

[52] I am conscious that I can only form a provisional view at this interim injunction stage, but that is the nature of an interim injunction decision. When I consider the prior art, along with the plaintiffs' earlier almost identical design (save for the circular single tube), and earlier art of the defendants and the Lovehandler machine featuring the AB TWIST tubular rings, I am constrained to conclude that the plaintiff does not have an arguable case. In case I am wrong in this conclusion I go on to consider the balance of convenience.

**Balance of convenience**

[53] There is no evidence that the public has been adversely affected by the introduction into the marketplace of the AB TWIST. It was argued by the plaintiffs' experts that the AB TWIST was inferior in design and construction to the AB CIRCLE PRO. I did not find the arguments on this point convincing. Certainly visually there does not appear to be any marked distinction in the quality of design. The AB CIRCLE PRO is more conservative in its styling in contrast to the somewhat more colourful and jazzy looking AB TWIST. But the AB TWIST does not look shoddy in its design and there is no satisfactory evidence of any actual failures in the machine. Both sides argued that their design was better than the other. In this interim injunction hearing it is not possible to reach a conclusion on that point, but I am not persuaded that any alleged inferiority militates in favour of an injunction.

[54] There is no evidence of actual confusion by consumers, and I am not surprised at this given the difference in the names and the differences in the visual appearance.

[55] There is nothing to support the plaintiffs' suggestion that the defendants' machine does not contain instructions, save for a statement in one affidavit. The defendants assert that there are instructions for their machine, and there is no evidence sufficient to show that this is incorrect.

[56] It is accepted that both plaintiffs and defendants will be good for any damages award. Action has undertaken to keep accurate records of its sales. It can be expected that Ezibuy will keep reliable records of all its sales.

[57] If the plaintiffs succeed at trial they will be entitled to damages or an account of profits. At best they will be able to persuade a court that all sales of the AB TWIST were sales that could have been achieved by the AB CIRCLE PRO, and damages. There would be a calculation of the plaintiffs' loss of profit on the lost sales, or an account of the defendants' profits, in either case a relatively easy assessment.

[58] I accept that there may be complications. The AB TWIST is less than half the price of the AB CIRCLE PRO and it might have attracted some buyers that would not be attracted to the AB CIRCLE PRO. However, marketing evidence can be adduced to provide some cogent evidence of the likely lost sales of the AB CIRCLE PRO, by evaluating its sales levels following the introduction of the AB TWIST. Thus if the plaintiffs succeed in a substantive hearing damages are likely to be quantifiable, although there is the possibility of a difficult assessment. The judge will have considerable flexibility to make a robust assessment and it is likely that the plaintiffs will be adequately compensated in damages for lost sales.

[59] In contrast, if an interim injunction was granted and the plaintiffs ultimately failed in their substantive case, the damages payable to the defendants could be very difficult to calculate and quantify. The defendants' fledgling business in New Zealand would have been cut off and the assessment of likely  
5 lost sales would be speculation. It would be very difficult to say how many AB TWIST machines would have been imported and sold as time progressed, given its different price, function and appearance.

[60] There is no doubt that from a public perspective the more competition that exists in relation to machines of this type the better. On the face of it a consumer  
10 is now able to purchase a machine that costs less than half the amount of the AB CIRCLE PRO, but which can purportedly exercise more muscles (although the evidence on this last point is rather stark).

[61] I also accept the argument of Mr Smedley for Ezibuy that the granting of an interim injunction is likely to reflect unfavourably on the defendants, and could have serious repercussions for the general business of Ezibuy in New Zealand. There is a stigma attached to the grant of an injunction, which can be damaging if in a commercial situation the existence of the injunction becomes widely known. There is no likely equivalent stigma to the plaintiffs if they fail to  
20 get an injunction.

[62] I therefore conclude that the balance of convenience favours the defendants.

#### Overall justice

[63] If I am wrong that there is no serious question to be tried, I consider that nevertheless the plaintiffs' case is weak. To grant the interim injunction and cut the AB TWIST from the market at this point would be probably to ruin the product in New Zealand for good. It would be unjust for such a weak case to give rise to  
30 such a severe result. For the plaintiffs to be able to stop all sales of the AB TWIST for a crucial period in the sales life of the machine seems to me to be unfair, particularly given that the balance of convenience favours the defendants. On the other hand, a refusal of an injunction which permits ongoing competition does not preclude the plaintiffs from a fair remedy.

[64] I conclude, therefore, that there is a greater risk of injustice arising if an interim injunction is granted, than if it is refused.

#### Result

[65] The application for interim injunction is refused.

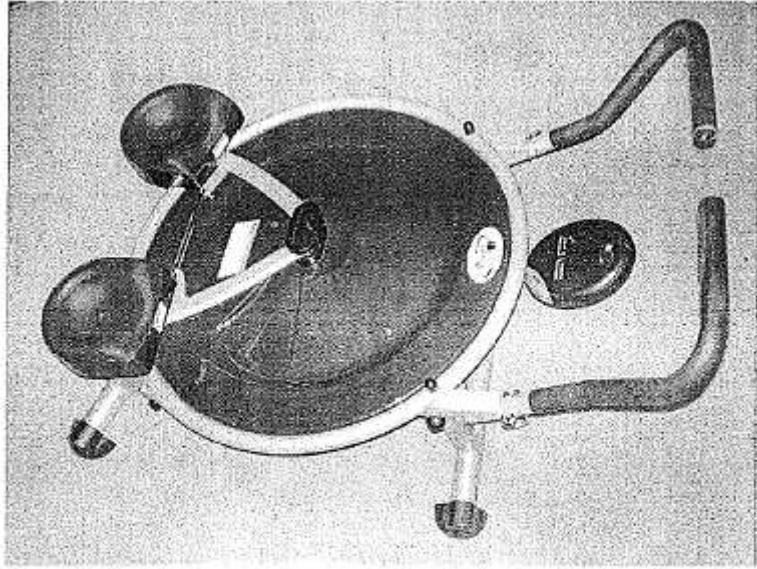
[66] Should the parties wish to take the proceedings further, I would recommend that it be given some priority as each party legitimately perceives the issue to be urgent. The case is estimated to take 5 days and that seems to be realistic.

#### Costs

[67] Both parties agree that costs should be at a 2B level and follow the event. I award costs at a 2B scale in favour of the defendants.

[68] As a precaution, I reserve leave of the parties to make further submissions on the issue of costs in case this judgment gives rise to any cost issues not  
50 traversed in submissions.

**Appendix A**



**Perspective view**

**Appendix B**



ANDREW BROWN  
BARRISTER

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