

## 5 New Zealand Post Ltd v Leng

10 High Court Auckland  
 27 November; 17 December 1998  
 Williams J

15 *Conflict of laws – Jurisdiction – Enforceability – Internet – Injunction sought by New Zealand company in relation to domain name attached to host computer outside New Zealand – Whether Court had jurisdiction to issue injunction and whether injunction could be enforced.*

20 New Zealand Post Ltd (NZ Post) registered the Internet domain names “nzpost.co.nz” and “nzpost.co” in 1995, and reserved or registered further domain names in 1996. The defendant registered the domain name “nzpost.com” and attached it to a host computer in California. The site contained a number of sub-directories relating to phone sex and pornography.

25 NZ Post asserted that the services being offered under the defendant’s domain name were likely to cause serious harm to NZ Post’s reputation and goodwill, as consumers would assume a connection with the plaintiff’s business. NZ Post also argued that it would be losing business from both domestic and overseas customers keying in the nzpost.com domain name and expecting information about NZ Post.

30 **Held:** The Court had jurisdiction to issue an injunction against the defendant, who was resident in New Zealand; had registered a website containing NZ Post’s trade mark which had done business in New Zealand; and which was allegedly causing damage to NZ Post’s business (see p 231 line 16, p 231 line 45).

*British Telecommunications plc v One In A Million Ltd* [1998] 4 All ER 476 (CA) considered.

35 *Interim injunction granted.*

**Other cases mentioned in judgment**

- American Cyanamid Co v Ethicon Ltd* [1975] AC 396; [1975] 1 All ER 504.  
*Erven Warnink BV v J Townend & Sons (Hull) Ltd* [1979] AC 731; [1979] 2 All ER 927.
- 40 *Fletcher Challenge Ltd v Fletcher Challenge Pty Ltd* [1982] FSR 1.  
*Glaxo plc v Glaxowellcome Ltd* [1996] FSR 388.  
*Klissers Farmhouse Bakeries Ltd v Harvest Bakeries Ltd* [1985] 2 NZLR 129.  
*Marks & Spencer plc v One In A Million Ltd* [1998] FSR 265.  
*Oggi Advertising Ltd v McKenzie* [1999] 1 NZLR 631.
- 45 *Panavision International LP v Toeppen* 1988 US App Lexis 7557 (DC), 141 F 3d 1316 (1998) (Court of Appeals, 9th Circuit).

### Application

This was an application by New Zealand Post Ltd for an interim injunction preventing the defendant from using the words “nzpost” as part of an Internet domain name.

*Clive Elliott* for the plaintiff.  
Defendant in person.

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### *Cur adv vult*

**WILLIAMS J.** On 16 November 1996, Mr Leng registered on the Internet an international domain name “nzpost.com”.

This judgment deals with an application by the plaintiff, New Zealand Post Ltd (NZ Post), for an injunction which would, if granted, effectively prevent Mr Leng from having a .edu Internet site using “nzpost” as a domain name or part of such a name.

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Counsel for Mr Leng appeared at the commencement of the hearing but sought and was granted leave to withdraw. Mr Leng then appeared for himself after the Court had given him an opportunity to seek an adjournment to put before the Court any evidential matters which he wished to raise, there being a notice of opposition on the Court’s file but no supporting affidavit. Mr Leng declined to avail himself of that opportunity even when it was repeated later in the hearing. He was given reasonable leeway in the presentation of his submissions and some of the evidential comments which appear in this judgment come from factual matters to which Mr Leng referred in his submissions.

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Prior to 1986 NZ Post was part of the New Zealand Post Office but after the State-Owned Enterprises Act 1986 was passed the Post Office became an SOE and was split into three separate businesses. NZ Post is one. It became responsible for the provision of postal and related services to New Zealand. Ms Affleck, its company secretary and legal counsel said that NZ Post has expanded considerably over the last decade in terms of letters, courier services, financial transactions, philatelic and telegram services, data processing, mail production and consultant services both locally and offshore. Of importance to this application, NZ Post sells phonecards and a wide range of products through its Post Shops. She said it has a very real interest in the Internet and claims to be at the leading edge of world technology in the conversion of mail to electronic media. It intends to expand to offer increased website hosting services. She said that it values its role as a provider of services to the wider community and is naturally concerned by any conduct that may bring its common law trade mark or its trade name into disrepute or diminishes its reputation or goodwill as a leading provider of mail and communication services to the New Zealand public.

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Ms Affleck said that NZ Post treats the Internet as any other area of business activity and is concerned to protect its name and goodwill in the field of electronic commerce. To that end, it has registered a large number of domain names through a company trading as Domainz, a wholly-owned subsidiary of the Internet Society of NZ Inc. Most of those were registered during 1996 and a number of others have been reserved but NZ Post registered the domain names with which this application is principally concerned, “nzpost.co.nz” and “nzpost.co” in September 1995. Those sites receive over 5000 visits per

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month, both within New Zealand and internationally and NZ Post expects this number to increase considerably. Ms Affleck said that:

“All of these people are likely to associate the base domain name nzpost.com with the Plaintiff company.

5 NZ Post is increasingly using the Internet to conduct its own business, and is using electronic communication as a tool to facilitate the delivery of messages, goods and payment. Our traditional brand values such as credibility and trust and the neutrality of NZ Post provide consumers with confidence to make the transition from physical forms of delivery to the  
10 more ‘invisible’ forms of electronic communication. This is of massive current and future importance to us.”

NZ Post discovered nzpost.com in 1997 but was advised that at that stage it could take no legal action against Mr Leng. Indeed, Mr Elliott, counsel for NZ Post, conceded at this hearing that this application could not have been  
15 brought as little as six months ago. But he submitted that the law had changed markedly over that period to accommodate the rapid increase in the Internet and in technology and NZ Post was, as a result, now able to bring this application.

The first part of this case, accordingly, revolves around the similarity  
20 between the parties’ respective registered domain names, nzpost.com for Mr Leng and nzpost.co and nzpost.co.nz for the plaintiff. NZ Post’s concerns are heightened by the material which it has discovered is available to the public on nzpost.com.

The Internet was described by a Mr Mott, a director of 2Day Internet Ltd  
25 which is a specialist provider of Internet domain name registration and website hosting services and acts as an agent for both Domainz and InterNIC. The latter is the trade name of the US-based Network Solutions Inc, the administrator for the international “.com” name space.

Mr Mott said that the Internet is a worldwide network of thousands of  
30 computer networks containing millions of host computers each identified by a unique number. To make those addresses more memorable, each is usually matched with a host name followed by a domain name, the latter being an address on the Internet that allows a business to be easily located. The domain name consists of a word followed by the name space with which it is registered,  
35 a two-letter country address, and a www (Worldwide Web) prefix. The name space “.com” is the most popular international commercial name space because businesses are the most common users of the Internet through their websites, and online shops. The latter is for customers to obtain information about products and services and, in some cases, complete business transactions.  
40 There is also an electronic post office for the despatch and receipt of messages.

There being no complete directory of business addresses on the Internet, Mr Mott said that customers find a business address by guessing a domain name – often brand names and trade marks owned by the business – or using a search engine. But, although all domain names are unique, if the customer  
45 guesses a domain name not allocated to the business sought, however similar it might be, the customer may inadvertently contact another business or visit its website. He said:

“This problem is compounded by the existence of both international and country name spaces. In general, if the business being sought is located

within the same country as its customer, then a domain name with a country suffix will be attempted first.

The exception to this is the USA, where use of the .us country name space is limited. For example, New Zealand residents would probably guess nzpost.co.nz as the domain for a business branded as NZPOST, where as non-residents would almost always guess nzpost.com for the same business.

Generic words that describe a product or service and are not usually suitable for trademarks are often registered as Internet domain names. Significant numbers of consumers use these words as keywords when searching for information on the World Wide Web. High volumes of visitors can sometimes be attracted to a business web site with such a domain name in its address.

A known brand or trademark may be registered as an Internet domain name by somebody without intellectual property rights to the use of the name.”

Mr Mott said that the domain name nzpost.com is currently attached to a host computer in California likely to be owned and controlled by a website hosting business in that state and that it was reasonable to assume that Mr Leng’s domain name was “attached to the host computer . . . under instructions provided by the defendant or a New Zealand agent”.

The nzpost.com site contains a number of sub-directories including www.nzpost.com/models which promotes an Auckland-based model agency and www.nzpost.com/phonecards. The latter is a directory with further sub-directories including: /phonecards/eroticard which contains information on Eroticard services for use with adult phone sex; /phonecards/eroticardse similar to the Eroticard site but containing an X-rated adult site featuring pornographic images and other material; /phonecards/worldcall which relates to a business opportunity concerning worldcall phone cards; www.nzpost.com/sex, an X-rated site featuring links to sites offering gay, bondage and live sex videos; www.nzpost.com/singles which features links for single New Zealanders to reach online matchmaking sites; and www.nzpost.com/ucs which is a website for UCS Global, a special services telecommunications provider and which also has a sub-directory www.nzpost.com/ucs/adult.htm which promotes adult services including pornographic images. The/ucs/adult.htm site contains a number of erotic or pornographic images and appears to be under development in that a search carried out on 20 October 1998 said that the “erotic whispers” section was “opening soon”, “is currently under development in association with our US service provider”, and that the “site launch target is for the start of December”. It invites viewers to “check out the New Zealand sex scene here”. Access to the sites searched was obtained by utilising the information printed on one of the cards.

Mr Mott comments:

“It would seem unlikely that the Defendant intended to publish any of the above sites at the address of www.nzpost.com, but rather had the domain name nzpost.com attached to a computer under his control pending some other future use.

Major search engines like Yahoo and Altavista have indexed some of the pages located on the host computer. Customers searching using keywords nzpost or nzpost.com will almost certainly be presented with a list of addresses that include the web sites described above.

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I believe the fact that the International domain name nzpost.com is not available for use by NZ Post Limited is a serious issue. Almost without exception, every customer and supplier of NZ Post located outside New Zealand will expect the company to have an address of nzpost.com.

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Regardless of the Defendant's intent, as he has full and exclusive control over the use of the domain name nzpost.com it is my professional view that he is carrying out at least two acts which are damaging to the plaintiff.

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(a) The first is that he is preventing NZ Post Limited from exercising its lawful business right to communicate effectively with its overseas customers and suppliers using the global Internet.

(b) The second is that he is potentially damaging the reputation of NZ Post Limited by allowing the publication of pornographic material at an address within the nzpost.com domain."

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Ms Affleck telephoned Mr Leng on 29 October 1998. She put her version of the conversation in evidence, though Mr Leng took issue in his submissions with certain aspects of Ms Affleck's notes. She said that he had remarked that the nzpost.com domain name was not one that he had wanted in the first place, that the Eroticcards had not sold though they had cost \$50,000 to manufacture and that the site was getting about 4000 hits per month. He was recorded by Ms Affleck as saying that he had authority to assign the domain name. He said when he dreamed up the name he had "thought it was quite clever, then I realised the association (with NZ Post)". He said that if the plaintiff were interested "we could look at the cost to hand over – I am not being opportunistic but it would have to make business sense – it cost \$50k to produce the cards".

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Mr Leng disputed some of Ms Affleck's recollection of their conversation and in particular said that there was a contractual dispute concerning the cards including, as the Court understood it, claims on him by distributors. He said his website was a "New Zealand outpost".

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Ms Affleck pointed to the commercial overlap between NZ Post's sale of phonecards including phonecards supplied by Telecom, Telstra and Smartel through its retail network and Mr Leng's sale of phonecards through his website. She went on to say:

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"We consider that the services now being offered under the nzpost.com domain name site are likely to do serious harm to our reputation and good will . . . I believe that if a consumer came across a business operating under the NZ Post name and providing a phone card related service that they would assume that there was some association or connection with NZ Post. . . . I believe it would be reasonable for a person accessing the nzpost.com site to assume that NZ Post was either hosting the site or was providing its technical expertise in some way or alternatively was gaining some financial benefit from the business. . . . I believe that the defendant's activities will have a negative impact on NZ Post especially given the pornographic nature of some of the material being displayed upon the

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nzpost.com site . . . displaying sexual explicit images or selling phone sex cards does not present the image that the community expects of NZ Post and is likely to be extremely damaging to our commercial reputation. . . . I am also most concerned about the fact that we simply cannot measure the number of ‘misses’ in relation to domestic and overseas customers who key in the name nzpost.com and are unable to access an official home page, instead obtaining the variety of pages that the defendant displays.” 5

Mr Leng in his submissions asserted that NZ Post’s fears were groundless and that any Internet user looking for NZ Post would use a search engine or a browser which would be more likely to lead the inquirer to nzpost.co than to nzpost.com. He said that he had undertaken this exercise and was not led to the material to which NZ Post objects. He therefore asserted that the chances of confusion or misdirection were slight. He also submitted that since his domain site had been registered for over two years, NZ Post had delayed in issuing these proceedings. He claimed that NZ Post had not proved that it owned a registered trade mark. NZ Post accepted this but claimed that it had a common law trade mark and was entitled to protection of the good will which it built up and which it owned in the name “NZ Post”. 10 15

Mr Leng also said that he had no computer currently available to him, nor any software and had lost access to the passwords and that nobody could access his site to alter it because it was hosted in the United States and was sitting on a webserver in that country. Although he acknowledged that he could get access to a computer without difficulty and could download the necessary software without charge, because he had lost access to the passwords, he claimed alteration was impossible. 20 25

In the Court’s view, there is nothing to gainsay NZ Post’s assertion that it has goodwill in its name which it is entitled to exploit both within New Zealand and overseas and both within its existing business and in those into which it intends to expand. There is therefore force in the submissions by Mr Elliott for NZ Post that Mr Leng is unable to use the domain name nzpost.com lawfully in New Zealand either himself or by transferring it to a third party. 30

NZ Post’s claims are in passing off and for misleading or deceptive conduct under s 9 of the Fair Trading Act 1986. The elements of the former are that there has been a misrepresentation, made by a trader in the course of trade, to prospective customers or ultimate consumers of goods and services supplied by him, calculated to injure the business or goodwill of another trader; which causes actual damage to the business or goodwill or will probably do so (*Klissers Farmhouse Bakeries Ltd v Harvest Bakeries Ltd* [1985] 2 NZLR 129 at p 135; *Erven Warnink BV v J Townend & Sons (Hull) Ltd* [1979] AC 731). The elements of the latter are that the defendant has engaged in conduct that is misleading or deceptive in trade, objectively judged. 35 40

Applying the well-known tests for injunctions appearing in *American Cyanamid Co v Ethicon Ltd* [1975] AC 396 and *Klissers Farmhouse Bakeries* in the Court’s view, there can be no doubt that there is a serious question to be tried in this matter, notwithstanding Mr Leng’s submissions to the contrary. The evidence shows that NZ Post has accumulated a large measure of goodwill within New Zealand in its name and an appreciable measure of goodwill overseas with other projects in the pipeline. Even though Mr Leng may not, as yet, be in a major way of business, there is enough to suggest that his domain site is under development and his own conversation with Ms Affleck suggests that it receives a large number of “hits”. 45 50

The Court has little difficulty in concluding that the domain site nzpost.com is likely to be confused with nzpost.co by all but experienced users of the Internet and that, notwithstanding the need for precise identity, information sought by inquirers using search engines and browsers may also lead them to nzpost.com and thus result in confusion. Though the Court does not disbelieve Mr Leng's comments to Ms Affleck as to his choice of "nzpost" for his domain name it nonetheless seems a remarkable coincidence. Inquirers are more likely to consider Mr Leng's domain name as being associated with NZ Post than as a New Zealand outpost of an overseas domain name. The Court accordingly concludes that the first three of the requirements for passing off have been made out and there is, at least, an arguable claim for the fourth. There is also a likelihood of damage such as that described by Ms Affleck, thus satisfying the fifth.

As far as the cause of action under the Fair Trading Act 1986 is concerned, again, in the Court's view, there is sufficient to show at least a prima facie case for breach even though Mr Leng may only have been trading in a modest way to the present time.

As to the balance of convenience, the Court did not understand Mr Leng to contend that there would be much inconvenience to him in an injunction being issued requiring him to make every endeavour to change the name of his domain site although his ability so to do may be in contention. But the inconvenience to NZ Post of allowing Mr Leng's domain name and the services it offers to remain as they are, is shown by the evidence to be of considerable proportions, both presently and potentially. There is also likely to be an erosion of NZ Post's goodwill the longer Mr Leng's domain name remains as it is.

Since Mr Leng provided no details of his financial position other than the fact that he does not own a computer, it could not be contended that damages would be an adequate remedy for NZ Post. Plainly, NZ Post could meet any damages award which Mr Leng might ultimately obtain on any counterclaim.

There may be consequences for third parties arising out of the making of an injunction but, if so, Mr Leng did not give the Court more than sketchy details and thus the Court is unable to give great weight to that aspect.

As far as preservation of the status quo is concerned, the Court's view is that, given the lengthy history of NZ Post and its predecessors and the considerable goodwill associated with its name by comparison with the relevant gravity of Mr Leng's holding of the domain name and the lack of substantial trade with it, the status quo to be preserved is balanced in favour of NZ Post.

Given the changes in the law over recent months and the fact that NZ Post has only recently discovered the objectionable material on Mr Leng's domain site, the Court does not consider NZ Post's delay in commencement of these proceedings of major consequence.

The real difficulties in this case are jurisdiction and enforceability. These matters have been addressed by such authorities as there are on the topic to date and it is to those that the Court now turns.

The earliest case on which NZ Post relied which related solely to the Internet was *Panavision International LP v Toeppen* 141 F 3d 1316 (1998) (Court of Appeals, 9th Circuit) an appeal from the US District Court for the Central District of California (1998 US App LEXIS 7557) where the Court began its opinion by saying at p 1318 that:

"Panavision accuses Dennis Toeppen of being a 'cyber pirate' who steals valuable trademarks and establishes domain names on the Internet

using these trademarks to sell the domain names to the rightful trademark owners.”

Mr Toeppen had registered a website with the domain name panavision.com but refused to change it when the plaintiff, the owner of the registered trade mark Panavision requested him so to do. He sought \$13,000 in exchange for the domain name. The Court commenced by describing the Internet in the following way at p 1318:

“The Internet is a worldwide network of computers that enables various individuals and organizations to share information. The Internet allows computer users to access millions of web sites and web pages. A web page is a computer data file that can include names, words, messages, pictures, sounds, and links to other information.

Every web page has its own web site, which is its address, similar to a telephone number or street address. Every web site on the Internet has an identifier called a ‘domain name’. The domain name often consists of a person’s name or a company’s name or trademark.”

The Court then conducted a careful review of the question of jurisdiction including noting Mr Toeppen’s argument that if his registration of Panavision’s trade marks on the Internet and websites injured Panavision, the injury occurred in cyberspace, not in California. The Court rejected that submission saying that “Panavision’s claims arise out of Toeppen’s California-related activities.” Although the case is replete, naturally, with US citation, it is of interest to note that the Court in affirming the judgment against Mr Toeppen, commented at pp 1322 – 1327:

“[8] We agree that simply registering someone else’s trademark as a domain name and posting a web site on the Internet is not sufficient to subject a party domiciled in one state to jurisdiction in another. *Cybersell*, 130 F 3d at 418. As we said in *Cybersell*, there must be ‘something more’ to demonstrate that the defendant directed his activity toward the forum state.”

“We reject Toeppen’s premise that a domain name is nothing more than an address. A significant purpose of a domain name is to identify the entity that owns the web site<sup>8</sup>. [The domain name serves a dual purpose. It marks the location of the site within cyberspace, much like a postal address in the real world, but it may also indicate to users some information as to the content of the site, and in instances of well-known trade names or trademarks, may provide information as to the origin of the contents of the site.] ‘A customer who is unsure about a company’s domain name will often guess that the domain name is also the company’s name.’ ”

More directly relevant is the recent judgment of the English Court of Appeal in *British Telecommunications plc v One In A Million Ltd* [1998] 4 All ER 476 where five well-known companies with registered trade marks incorporating their company names to which substantial goodwill was attached were successful in obtaining an injunction against dealers in Internet domain names. The defendants had registered domain names comprising the names or trade marks of the plaintiffs and then sought to sell them to the trade mark owners for sizeable sums.



Before considering the decision on appeal, it is convenient to note that in the Court below the use to which such domain names may be put was described by the learned Judge (*Marks & Spencer plc v One In A Million Ltd* [1998] FSR 265 at p 269) in the following way:

5       “. . . For a dealer in Internet domain names there are in principle only four  
uses to which the names can be put. The first and most obvious is that it  
may be sold to the enterprise whose name or trademark has been used,  
which may be prepared to pay a high price to avoid the inconvenience of  
10       there being a domain name comprising its own name or trade mark which  
is not under its control. Secondly, it may be sold to a third party  
unconnected with the name, so that he may try to sell it to the company  
whose name is being used, or else use it for purposes of deception. Thirdly,  
it may be sold to someone with a distinct interest of his own in the name,  
15       for example a solicitor by the name of John Sainsbury or the government  
of the British Virgin Islands, with a view to its use by him. Fourthly, it may  
be retained by the dealer unused and unsold, in which case it serves only  
to block the use of that name as a registered domain name by others,  
including those whose name or trade mark it comprises.”

20       Whilst of assistance, that comment is not directly relevant to this case as NZ  
Post does not wish to purchase Mr Leng’s domain site and there is no evidence  
he currently intends to sell it to any third party. What NZ Post seeks is an  
injunction effectively requiring him to change the domain name to avoid  
confusion. However, there is evidence that NZ Post may be hampered in its  
25       development of its business overseas by Mr Leng’s retention of his domain  
name and because of that, the newness of this branch of the law and the paucity  
of authority, it is convenient to consider the Court of Appeal’s judgment in the  
*One In A Million* case in some detail.

The leading judgment of Aldous LJ first cited a number of passages from the judgment in the Court below as follows at pp 480 – 481:

30       “At its simplest the Internet is a collection of computers which are  
connected through the telephone network to communicate with each other.  
As explained by the judge ([1998] FSR 265 at 267):

35       “The Internet is increasingly used by commercial organisations to  
promote themselves and their products and in some cases to buy and  
sell. For these purposes they need a domain name identifying the  
computer which they are using. A domain name comprises groups of  
alphanumeric characters separated by dots. A first group commonly  
40       comprises the name of the enterprise or a brand name or trading name  
associated with it, followed by a “top level” name identifying the  
nature and sometimes the location of the organisation. . . . The top  
level suffix co.uk indicates a United Kingdom company. Other top  
level names bear conventional meanings as follows:

.com International commercial organisations  
.edu Educational organisation  
45       .gov Government organisation  
.org Miscellaneous organisations

. . . There is no central authority regulating the Internet, which is  
almost entirely governed by convention. But registration services in

respect of domain names are provided by a number of organisations. Network Solutions Inc of Virginia in the United States is the organisation generally recognised as responsible for allocating domain names with the top level suffixes “com” and “edu”. In the United Kingdom a company called Nominet UK provides a registration service in respect of domain names ending with the geographical suffix uk preceded by functional suffixes such as co, org, gov or edu.’ ”

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After referring to a number of the leading cases on passing off, the learned Judge then held at p 486:

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“ . . . it was the respondents’ case that there was passing off or at least a threat to pass off. Further, despite the conclusion of the judge that the creation of an instrument of deception was not actionable without a threat to actually cause deception, the respondents submitted that the law enables a plaintiff to prevent another trader equipping himself or others with a name, the use of which would be likely to give rise to a false representation that such trader is the plaintiff or is associated or connected with him. In short, the court will not stand by and allow, what can be graphically called, ‘an instrument of fraud’ to remain in the hands of a trader, if it is likely the name could result in passing off.”

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The learned Judge then went on to consider cases which showed that:

“ . . . for many years the courts have granted injunctions to prevent the creation and disposal of instruments of fraud” (p 487).

Those cases included *Fletcher Challenge Ltd v Fletcher Challenge Pty Ltd* [1982] FSR 1 where it was held that passing off was not restricted to competing traders in the same line of business but included false suggestions by a defendant that his business was connected with the plaintiff. The Court also held that it was entitled to consider the goodwill of a company’s predecessors and to take steps to stop a company from commencing trading.

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A further case discussed by Aldous LJ was *Glaxo plc v Glaxowellcome Ltd* [1996] FSR 388, which held that an injunction could be issued requiring the registered name of a company to be changed whether that company had traded or not. The company and its members could be ordered to take all such steps as lay within their power to challenge or facilitate the change of name. Following that discussion, the learned Judge concluded at p 493:

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“In my view there can be discerned from the cases a jurisdiction to grant injunctive relief where a defendant is equipped with or is intending to equip another with an instrument of fraud. Whether any name is an instrument of fraud will depend upon all the circumstances. A name which will, by reason of its similarity to the name of another, inherently lead to passing off is such an instrument. If it would not inherently lead to passing off, it does not follow that it is not an instrument of fraud. The court should consider the similarity of the names, the intention of the defendant, the type of trade and all the surrounding circumstances. If it be the intention of the defendant to appropriate the goodwill of another or enable others to do so, I can see no reason why the court should not infer that it will happen, even if there is a possibility that such an appropriation would not take place. If, taking all the circumstances into account the court should

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conclude that the name was produced to enable passing off, is adapted to be used for passing off and, if used, is likely to be fraudulently used, an injunction will be appropriate.

5 It follows that a court will intervene by way of injunction in passing off cases in three types of case. First, where there is passing off established or it is threatened. Second, where the defendant is a joint tortfeasor with another in passing off either actual or threatened. Third, where the defendant has equipped himself with or intends to equip another with an instrument of fraud. This third type is probably mere quia timet action."

10 Aldous LJ then proceeded to consider the individual cases. It is of interest to note the learned Judge's findings in respect of Marks & Spencer which are as follows at p 497:

15 "It is accepted that the name Marks & Spencer denotes Marks & Spencer plc and nobody else. Thus anybody seeing or hearing the name realises that what is being referred to is the business of Marks & Spencer plc. It follows that registration by the appellants of a domain name including the name Marks & Spencer makes a false representation that they are associated or connected with Marks & Spencer plc. This can be demonstrated by considering the reaction of a person who taps into his computer the domain name marksandspencer.co.uk and presses a button to execute a 'whois' search. He will be told that the registrant is One In A Million Ltd. A substantial number of persons will conclude that One In A Million Ltd must be connected or associated with Marks & Spencer plc. That amounts to a false representation which constitutes passing off.

20 . . . The placing on a register of a distinctive name such as marksandspencer makes a representation to persons who consult the register that the registrant is connected or associated with the name registered and thus the owner of the goodwill in the domain name. Such persons would not know of One In A Million Ltd and would believe that they were connected or associated with the owner of the goodwill in the domain name they had registered. Further, registration of the domain name including the words Marks & Spencer is an erosion of the exclusive goodwill in the name which damages or is likely to damage Marks & Spencer plc."

35 Counsel also referred to the decision of Baragwanath J in *Oggi Advertising Ltd v McKenzie* [1999] 1 NZLR 631 where the learned Judge issued an injunction against the defendants restraining them from directly or indirectly using the word "Oggi" in their domain name and directing the first defendant to take affirmative steps to assign the domain name to the plaintiff. In that case, the first defendant, Mr McKenzie, claimed that he had registered the domain name oggi.co.nz in this country for a person in Ontario and he was unable to ensure that the domain name was transferred to the plaintiff because he was not the registered holder. The plaintiff claimed that to be a fiction. Although the learned Judge was unable to resolve that matter on an application for an interim injunction he felt able to take it into account in considering the question of arguable case against Mr McKenzie, particularly because "New Zealand users of the web are prospective customers" and "By diverting business intended to go to the plaintiff, the conduct is calculated to injure its goodwill" (p 638).

50 In preparing this judgment, the Court has also considered the interesting discussion by Dr Bill Maughan and Ms Ruth Soetendorp, "Registration on the

Internet: Whose Domain?" [1998] NZLJ 401 at pp 402 – 403 where the learned authors, commenting on *One In A Million* observe:

“From the point of view of the owners of trade names, it pays to choose names that are thought by the Courts to be inherently distinctive. Such names are generally arbitrary, fanciful, fabricated, or non-descriptive (Lava shoes, Diageo alcohol, Virgin trains). Names which inherently lack distinctiveness (weak names) are difficult to defend in Court. Typically, such names are those which are already in use by other firms, which are generic (PC), or which are descriptive without secondary meaning (Vision Center). However, some inherently descriptive or weak names can become distinctive with registration, long use, and advertising (eg McDonald’s) while some inherently distinctive names can become weakened over time through over-use. (Kiwifruit, aspirin, and cellophane all started as distinctive names which were protected by the law, but which became weak through genericisation and so lost that protection.) . . .

From the point of view of those who wish to use the same name as another firm, or a similar name to another firm – for whatever reason, fraudulent or not – certain basic rules have to be followed to prevent the Courts finding them liable for passing off. The most important of these are that: strong names should generally not be copied; that choosing an identical name (identical in every way including sound, appearance of lettering, colour type of font, and so on) is more likely to be condemned by the Court as passing off than choosing a similar name (different spelling, different lettering etc); and that using a same or similar name in the same markets and for identical products as an existing user, is more likely to be viewed as infringement than choosing a similar or same name for different markets and for different products.”

In his “Postscript and Response” [1998] NZLJ 404, Mr Nicholas Russell comments both on *One In A Million* and *Oggi Advertising* and observes:

“. . . the point should be made that simply because one transfers conduct from a physical environment to an electronic environment does not magically alter the nature of that conduct. Passing off is passing off, regardless of whether it occurs in cyberspace or elsewhere, and a representation of a trade mark may appear in any visual medium. Further, it would be impracticable to establish a rule which would render a trade mark enforceable in the physical world, but unenforceable when used as a domain name in cyberspace. . . .

The end result of these decisions is to arrive at the unsurprising conclusion that the Internet is not a legal blank slate. Rights cannot, and should not, be undermined simply by changing the medium; this would have the inevitable effect of curtailing the right of an owner to exploit his or her intellectual property to an extent which would reduce its value. The real challenge for intellectual property law in cyberspace is the irrelevance of physical geography.”

Having regard to all those matters, the Court has little difficulty in holding that it has jurisdiction to issue an injunction against Mr Leng and that it should do so. In addition to the factual matters earlier discussed, even if Mr Leng does not come within the colourful description “cyber pirate” he has registered a website containing NZ Post’s trade mark and showed no inclination to change

it unless NZ Post bought it from him. There is, in the Court's view, a very real chance of confusion between nzpost.com and nzpost.co and the likelihood that inquirers will be led to the former when seeking the latter. The Court accepts that NZ Post does not wish its name and trade mark to be associated with the services offered in New Zealand by nzpost.com. Mr Leng did not suggest that he had a legitimate personal interest in the NZ Post name. It is of importance that NZ Post's business and prospective businesses both here and overseas using the Internet should not be blocked by Mr Leng's domain name. The Court has little difficulty in concluding that it is an instrument of deception if not an instrument of fraud. Either deliberately or by happenstance, Mr Leng's domain name is appropriating NZ Post's goodwill, at least in New Zealand and there is, of course, always the possibility that Mr Leng may sell his domain name to a third party.

The Court accordingly concludes that it has jurisdiction to issue the injunction sought against Mr Leng.

Turning to the question of enforceability, although Mr Leng's domain name is attached to a host computer outside this country, he acknowledged to Ms Affleck that it was under his control and, plainly, his domain name has been used to conduct business in this country.

The Court has been assisted by the interesting article by Mr Elliott, counsel for NZ Post in this application, "The Internet – A New World Without Frontiers" [1998] NZLJ 405 where the learned author discusses concepts of jurisdiction in Internet disputes and concludes at pp 406 – 407:

“. . . if it could be established that a New Zealand resident accessed the web site in New Zealand and was misled or deceived, a relevant part of the cause of action arose in New Zealand. If, on the other hand, the only connection to New Zealand was the possible access to the web site in New Zealand, without any harm arising, no jurisdiction would appear to arise.

“. . . it is suggested that the essential components for a successful attempt to establish jurisdiction will be:

- A web site;
- Conduct purposefully directed at the forum state;
- Knowledge that the plaintiff will be harmed in the forum state itself.

In summary, the likely position is that (D'Amico & Haydoutova, 'Downloading the Foreign Internet Defendant into US Courts' (1997) *Cyberspace Lawyer* 2(4), 1, at p 8:

The mere maintenance of a website, or even an electronic contract invoking the forum Court will likely not be sufficient to warrant an exercise of specific jurisdiction, but either such activity, when coupled with other efforts such as business solicitation and injury to plaintiff within the forum, will likely be sufficient to bring the nonresident Internet defendant before the Court."

The Court adopts those comments in this case and concludes that its order is enforceable against Mr Leng who resides in New Zealand and whose domain name has, on his own admission, conducted business in this country. This is reinforced by the orders issued in *Oggi Advertising*.

When all those matters are considered, the Court takes the view that NZ Post is entitled to an interim injunction against Mr Leng to prevent him and those over whom he has control from continuing to use “nzpost” in any domain name and requiring him to change it in so far as it relates to New Zealand. Until further order of the Court, there will be orders:

1. Restraining the defendant and his agents, servants, employees, business associates and persons in cooperation or participation with him and over whom he has control from directly or indirectly:
  - (a) providing, using, identifying, exposing, hosting or facilitating in New Zealand an Internet service or site incorporating or using the words “nzpost” as a domain name or part thereof or any similar domain name likely to damage or dilute the value of NZ Post Ltd’s trade name or trade mark.
  - (b) promoting or offering any goods or services for sale within New Zealand by means of any Internet service or site incorporating or using the words “nzpost” as a domain name or part thereof.
2. Requiring the defendant forthwith to delete from any Internet service or site and any domain name over which he has the power of amendment the words “nzpost” or any similar name.

There will be leave reserved to the parties to apply on seven days’ notice in the event of there being any difficulties in the implementation of this order and, given that this is an interim injunction, the matter will be called for mention in the Duty Judge’s list on 1 March 1999.

If the parties intend to pursue the question of costs, they may do so by memoranda signifying they consider it appropriate so to do, then the Court may determine all questions of costs without a further hearing. In that case the memorandum from the plaintiff has to be filed and served within 35 days of the date of delivery of this judgment and that from the defendant within 49 days.

*Interim injunction granted.*

Solicitors for the plaintiff: *Baldwin Shelston Waters* (Auckland).

*Reported by: Catriona MacLennan, Barrister*