

IN THE COURT OF APPEAL, FIJI ISLANDS
ON APPEAL FROM THE HIGH COURT OF FIJI

CIVIL APPEAL NO. ABU0011 OF 2004S
CIVIL APPEAL NO. ABU0011A OF 2004S
(High Court Civil Action No. 321 of 2003L)

BETWEEN:

NATURAL WATERS OF VITI LIMITED

Appellant

AND:

CRYSTAL CLEAR MINERAL WATER (FIJI) LIMITED

Respondent

Coram:

Barker, JA
Tompkins, JA
Scott, JA

Hearing:

Friday, 19 November 2004, Suva

Counsel:

Mr. J. Apted with Ms. M. Moody for the Appellant
Mr. J. Sharma with Mr. S. Nandan for the Respondent

Date of Judgment: Friday, 26 November 2004

JUDGMENT OF THE COURT

Introduction

In 1995 the Appellant began bottling locally sourced water in Fiji. Since 1997 its water has been packaged in a square clear plastic bottle with a blue cap. The front of the bottle has a transparent label. The label depicts tropical flowers in its bottom left hand corner and is dominated by the single word "FIJI" beneath which are written the words "NATURAL ARTESIAN WATER". By looking through the transparent label one is able to see to the inside back of the bottle which depicts a waterfall in full flow.

According to Carol Watkins, the Appellant's director of finance (affidavit sworn on 28 October 2003) the Appellant has invested approximately F\$100,000,000.00 in making FIJI WATER a world market leader in the bottled water industry. Currently the Appellant produces 71 million bottles per year and is the second highest selling imported brand of bottled water in the United States of America. It also has substantial goodwill in other countries, including Fiji.

In 1999 a second producer of bottled water came on to the market. The Respondent called its new product "AQUA FIJI" and it was sold in a round waisted bottle. A photograph of the bottle is at page 41 of the record in appeal ABU0011A. This packaging is referred to as the "first get-up."

The Respondent's managing director is Mohammed Altaaf Jamal. According to Mr. Jamal's affidavit sworn on 16 October 2003 he decided in November 2002 to venture into international sales. It was also decided to redesign the bottle. The redesigned bottle (known as the "second get-up") is depicted as Exhibit 3A to Mr. Jamal's affidavit.

In March and April 2003 the Appellant's solicitors wrote to the Respondent. They complained that the Respondent's internet web site consisted of material plagiarized from the Appellant's web site to which it was almost identical. They sought the Respondent's immediate agreement to the removal of all the copied material. The Respondent agreed.

In their letters the Appellant's solicitors also and "more importantly" complained that the labelling of the Respondents product was a "patent imitation" of the well known FIJI water logo used by the Appellant. They demanded that the Respondent immediately cease labelling its product in this way and that it remove and destroy all product already so labelled. Failure to comply with these requests would result in legal action.

In June 2003 the Appellant's solicitors again wrote to the Respondent. They told the Respondent that they had been advised that the Respondent was contemplating a second redesign of its water bottle ("the third get-up"). They suggested that the proposed new

label was so similar to that of FIJI WATER that it represented part of a concerted effort by the Respondent to pass off its product as that of the Appellant. It also suggested that there were grounds for doubting the quality of the Respondent's water with possible consequent loss of sales and damage to the Appellant arising from confusion between the two products. The Appellant's solicitors pointed out that under the Fair Trading Decree it was open to the Appellant to seek its remedy not only against the Respondent but also against all those associated with the Respondent's alleged misleading and deceptive conduct. This could include the distributors of the product and the printers of the offending material. The Appellant's solicitors sought an undertaking from the Respondent that it would not use product packaging involving:

- (a) a square bottle
- (b) labelling depicting waterfalls and/or tropical flowers
- (c) labelling depicting the word FIJI in lettering similar to that of FIJI waters.

On 14 August 2003 the Appellant's solicitors wrote to P. Meghi & Co. Ltd who were the distributors and wholesalers of the Respondent's water. They sought an undertaking from Meghi that it would immediately cease purchasing, distributing, selling or promoting "any bottled water bearing the brand name "Aqua Fiji" or any bottled water product bearing the word "Fiji"". Failing to offer the undertaking would result in legal action being taken.

On 19 August 2003 Meghi agreed to cease distributing Aqua Fiji under the disputed label (the second get-up) and advised that it had removed all bottles of Aqua Fiji from its shop.

On 19 September 2003 the Respondent commenced proceedings in the High Court at Lautoka. It sought declarations that it was entitled to use the third get-up to package its product and also that it was entitled to use the word "FIJI" on the label of its bottled water.

In paragraph 7 of its Statement of Claim the Respondent stated that the Appellant:

“... has by threatening the [“Respondents”] distributor with legal action and by wrongfully advising them not to distribute the [Respondents] products with the word FIJI on its label has unlawfully interfered with the [Respondents] contract with its distributor and has caused the [Respondent] damages.”

On 17 October 2003 the Respondent applied for:

“An injunction to restrain the [Appellant] whether by itself or by any officer, servant or agent of the said [Appellant] or otherwise howsoever from interfering with the [Respondents] distributor and/or retailers of the [Appellants] Natural Mineral Water Product under the label “Aqua Fiji”.”

The Appellant answered with a Defence and Counterclaim and its own application for injunctive relief. It denied the Respondent’s claim and pleaded passing off by the Respondent. It sought injunctions to restrain the Respondent from infringing upon its goodwill, from using any of the three get-ups or anything substantially similar to package and sell its bottled water and in particular sought an order preventing the use of “the word “Fiji” in the branding of [the Respondents] bottled water products.”

On 17 February 2004 the cross applications came on for hearing before the High Court (Connors J). The Court also had before it a third application which is not before this Court but which resulted in one of three Judgments published by the High Court on 26 February 2004. The first judgment is the subject of appeal ABU 0011. The second judgment is the subject of appeal ABU 0011A. Although the third judgment is not as yet on appeal Mr. Apted and Mr. Sharma agreed that this Court should take all three judgments together as being in effect separate and relevant parts of the whole.

Preliminary Application

Before addressing us on the appeals, Mr. Apted made a preliminary application to adduce fresh evidence. The application in respect of appeal ABU 0011 was supported by an affidavit by Marie Kid while that in ABU 0011A was supported by an affidavit by Richard Krishnan Naidu. Both deponents averred that in October 2004, several months after the judgments now on appeal had been delivered, it came to the Appellant's attention that the Respondent had adopted a fourth get-up for its product. This get-up, a sample of which was produced to the Court, was said to be widely available in Fiji and, it was submitted, was even closer in appearance to the Appellant's bottle than its predecessors.

Mr. Apted asked us to take the existence of the fourth get-up into consideration. He told us that he was not seeking to adduce the further evidence in order to obtain injunctive relief in respect of the fourth get-up, rather his aim was to establish a course of conduct which was strongly suggestive of a deliberate intention on the part of the Respondent to deceive. Mr. Apted told us that the fourth get-up was itself the subject of separate proceedings which had been initiated in the High Court at Lautoka by the Respondent.

Mr. Sharma opposed the application. He suggested that since the fourth get-up had not been before the High Court at Lautoka it could have no bearing on the appeal. In any event, he suggested that the fourth get-up was "nothing new".

While the timing of the introduction of the fourth get up was undoubtedly unfavourable to the Appellant it is a fact that the existence of the fourth get-up is neither part of the Appellant's case as presently pleaded in the counterclaim nor was it before Connors J. We do not think that the appropriate venue in which to set out to establish a persistent course of deceptive conduct is either interlocutory proceedings in the High Court or on appeal with the aid of fresh evidence. We examined the sample of the fourth get-up but concluded that it would not help us to determine the status of the third get-up (the only other of the Respondent's get-ups still in existence, following the withdrawal of the first

two) nor to decide whether the injunction granted against the Appellant could stand. We therefore refused the preliminary application.

Appeal ABU0011

The High Court granted the injunction in the terms sought by the Respondent.

After citing *American Cyanamid v. Ethicon Limited* [1975] AC 396 and quoting various passages from the judgment, the Judge in the High Court summarized the three principal question which fell to be answered as follows:

- (i) Is there a serious question to be tried?
- (ii) Are damages an adequate remedy?; and
- (iii) If the answer to (ii) is in the negative then where does the balance of convenience lie?

As has been seen, the Respondent's complaint was that the Appellant was threatening the Respondent and its distributors with legal action if they continued to produce and market water in get-ups 1, 2 or 3 or any similar get-up prominently displaying the word FIJI. The Respondent's case was that this conduct amounted to unlawful interference in its contractual relations with its distributor.

The Judge found that the Plaintiff had satisfied the first test. However, beyond referring to the affidavit evidence before him, he gave no reasons for his finding. He did not address the well known criteria for the tort of interference with contractual relations.

The Judge was also satisfied that damages would not adequately compensate the Respondent, if the Appellant was allowed to persist in the conduct complained of. After describing the Respondent as "a minnow" in the bottled water industry by comparison with the Appellant, he concluded that to allow the Appellant to continue to interfere with the distribution of Aqua Fiji would surely see the demise of the Respondent.

Having found in favour of the Respondent of the first two questions the Judge then considered the third. His answer was that his:

“... detailed analysis supports the determination that the balance of convenience lies in favour of the [Respondent] in that the strength of the [Respondents] case would appear to be strong.”

The analysis to which the Judge was referring seems to be contained in the third judgment. In that judgment the Court made a number of findings of fact. These included:

- (i) that the get-ups used by the Appellant and Respondent were “completely different”;
- (ii) that the Respondent had not marketed its product “in such a way that was calculated to deceive the public”;
- (iii) that he was not “satisfied that the public was in fact deceived”; and
- (iv) that the Appellant had not in fact acted bona fide and “in accordance with an honest and reasonable belief” when it accused the Respondent and its distributor of passing off its product.

The first conclusion drawn from these findings of fact was that the Appellant had committed the tort of unlawful interference with the Respondents contractual relations with its distributors. The second conclusion was that the third get-up was unobjectionable.

In its grounds of appeal, the Appellant complains that the High Court erred in deciding contested questions of fact in interlocutory proceedings, that it misconstrued the law relating to the tort of interference with contractual relations, that, as a consequence it erred in concluding that the Respondent had shown that there was a serious issue to be tried, and that it erred in its evaluation of the adequacy of damages as a remedy.

Mr. Sharma, who also filed a helpful written submission, suggested that the Appellants intention was obvious : it had no honest or reasonable belief that the Respondent was passing off its product, rather its simple objective was to rid itself of an unwelcome competitor.

Before turning to consider the grounds of appeal, we raise the form of the injunction as sought and granted. In our view it is unacceptably imprecise. It is well understood that a mandatory injunction must be expressed in such a form that the person against whom it is granted knows exactly in fact what he has to do (*Redland Bricks Ltd v. Morris* [1970] AC 652; [1969] 2 All ER 576). Certitude is no less important when the injunction sought is prohibitory. In *O'Sullivan v. Mt. Albert Borough* [1968] NZLR 1099, 1109 the New Zealand Court of Appeal approved the following dictum from an earlier case:

“Now the first duty of the Court in granting an injunction is to lay down a clear and definite rule. If the language of the order in which the injunction is contained be itself ambiguous uncertain, indefinite, giving no clear rule of conduct, that injunction becomes a snare to the defendant, who violates it, if at all, at the peril of imprisonment. The Court therefore should, in granting an injunction, see that the language of its order is such as to render quite plain what it permits and what it prohibits.”

In this case, the prohibited conduct is expressed to be “interfering with” the Respondent’s distributors or retailers. The term “interfering with” could include such perfectly proper conduct as solicitors’ letters before action, the offer of an exclusive distributorship, even an aggressive “knocking copy” advertising campaign. It will also be remembered that the matter which the Respondent particularly complained of, namely the threat to issue legal proceedings, has actually been carried out. Furthermore, the injunction would appear to give the Respondent a licence to market its water product in whatever get-up it likes, even one virtually identical to that of the Appellant, without fear of repercussions. In its present form the injunction cannot stand.

That in itself sufficient to dispose of this appeal. However, the other matters raised by the Appellant are also relevant to the second appeal and they can most conveniently be considered in that context.

Appeal ABU 0011 'A'

This appeal arises from the High Court's refusal to grant the injunctions sought by the Appellant. As already noted, the Appellant sought orders restraining the Respondent from interfering upon its goodwill, from using any of the first three get-ups or anything similar, and from prominent use of the word "FIJI".

In order precisely to establish the Judge's reasons for declining to grant the injunctions sought it is again necessary to examine the other two associated judgments.

On page 6 of the Judgment in this appeal, the Judge explained:

"As I have expressed in other judgments in this action I am of the opinion that the get-up No. 3 does not satisfy the test required for passing off, false and misleading conduct or breach of trademark."

He went on to say:

"Following the considerations undertaken in other judgments of even date in this matter and the conclusions reached in those judgments there is nothing to satisfy the tests as required by *American Cynamid v. Ethicon* with respect to the injunctions sought in paragraphs (a) and (b) of the summons."

Taken together with the other judgments, these two passages mean that the judge compared get up No. 3 with the Appellant's FIJI WATER get up; that he decided that they were "completely different" and therefore reached the conclusion that there could be no

question of passing off. If there was no passing off, then there could be no infringement of the Appellant's goodwill and no ground for preventing the Respondent from prominently incorporating the word FIJI in its product package. The Judge did however also look at get-ups 1 and 2. He concluded that:

"It may be that get-ups 1 and 2 (have) some similarity in part with the [Appellants] get up."

He ordered the Respondents to cease the use of these two get-ups.

The grounds of appeal are similar but not identical to those in the previous appeal. It is said that the High Court wrongly decided contested issues of fact, in particular that get-up No. 3 did not satisfy the passing off test, that the Respondent had not engaged in conduct calculated to deceive and that the public had not in fact been deceived. The Appellant also argued that the court had erred in deciding that damages were an adequate remedy and where the balance of convenience lay.

Mr. Sharma's answer was to suggest that the Appellants claim was without merit. Citing *Fisons v. Godwin (E.J.) (Peat Industries) Ltd* [1976] RPC 653, 657, he argued that the High Court, in considering the central question namely the similarity of the rival get ups had perfectly properly "trusted its own eyes". He pointed out that the word "FIJI" is a geographical description and suggested that it could be used by anybody; it could not be monopolized by the Appellant. There was nothing to suggest that the word "FIJI" had acquired a secondary meaning and the evidence presented was insufficient to ground such findings of fact as were necessary in order to establish the elements of passing off.

While there is force in Mr. Sharma's submissions, we find significant weaknesses in the Judge's approach.

The only reason clearly offered for finding that there was no serious issue to be tried was that the Respondent's get up No.3 was "completely different" from that of the

Appellant. While a primary judge usually has the special advantage of actually seeing and evaluating the evidence presented, this Court is also in a position to compare the various get-ups. In our view get up No. 3 is neither “completely different” from the Appellant’s bottle nor is it at all dissimilar to get up No.2, the distribution of which the Court was satisfied should be prohibited.

In considering whether the Appellants had a good arguable case we think that the Judge should have borne in mind the evidence that the Appellant had been established in its very successful business of selling its water, prominently labeled “FIJI” for 5 years before the Respondent entered the market. The Appellant placed evidence before the court describing the way in which FIJI WATER had successfully captured a substantial share of the luxury market and had earned substantial goodwill as a pure and environmentally friendly product capable of satisfying the most stringent tests. The risk to this goodwill posed by a possibly confusing product of uncertain origin and quality should in our view at least have been considered.

We are not at all sure how the Judge arrived at the finding of fact that the public (whether in Fiji or overseas) had not been deceived by the Respondents product. We suggested to Mr. Sharma that since the Respondent was denying that its prominent use of the word “Fiji” was of material value to it, its product could as well be marketed under some alternative label such as “Aqua Pacific” with the advantage that the risk of confusion would be virtually eliminated.

Mr. Sharma told us that the Respondent was keen to continue using its present name. This response called to mind the question posed by Harman L.J. in Hoffman-La Roche (F) and Company AG v. DDSA Pharmaceuticals Ltd [1972] RPC 1 cited in Tot Toys v. Mitchell [1993] 1 NZLR 325, 340:

“Now I myself never received from the defendants a satisfactory answer to the plain question why do they wish to market their goods in green and black? I can only answer that they wish to do so in order to attract to

themselves some part of the Plaintiffs goodwill and trade on their reputation and in fact to represent to the public that their goods are the goods of the Plaintiffs. That, in my judgment, is exactly the classic case of passing off."

We are inclined to doubt whether the mere comparison of the two bottles was a sufficient basis from which to infer that the Appellant had not acted bona fide and with "an honest and reasonable belief". We think that the Respondent's admitted plagiarizing of the Appellant's web site (even if "accidental") should explicitly have been taken into account.

In our view there was plainly a serious issue to be tried. The potential for damage to the Appellants operation was palpable. While both parties offered undertakings in damages, neither placed sufficient material before the court to fortify those undertakings. At the same time, we see no reason to disagree with the Judge's finding that the Respondent was "a minnow" by comparison with the Appellant. In those circumstances, we are satisfied that there was a real danger to the Appellant of irrecoverable damage being incurred as a result of the Respondent's use of get up No. 3 and its prominent use of the word "Fiji". Applicants for interim injunctions who offer an undertaking as to damages should always proffer sufficient evidence of their financial position. The Court needs this information in order to assess the balance of convenience and whether damages would be an adequate remedy.

So far as the Respondent is concerned, the cost of relabelling and the value of reduced sales which might flow therefrom would be relatively simple to establish in the event that the Appellant's counterclaim were to fail. From the size of the Appellant's operation, we think it is reasonable to assume that it would be well able to meet the resulting claim for damages.

After weighing all the relevant factors in this case, we have reached the clear conclusion that overall justice would be met by requiring the removal of the Respondent's product in get up No. 3 from the market. As previously mentioned the Appellant is not seeking to restrain the use of get up No. 4 in these proceedings. Although, as recognized

in *Clissers Farmhouse Bakery Ltd. v. Harvest Bakeries* [1985] 2 NZLR 129, 142, an interim injunction may have the effect of putting an end to the litigation, we do not find this to be such a case.

The final question concerns the precise form of the relief which should be granted to the Appellant.

We have already pointed out that injunctions must be carefully and precisely worded. The use of the term "get-ups 1 and 2" (if still relevant) as well as "get-up No. 3" present no difficulty. The Appellant however also seeks to restrain the Respondent from "interfering upon the Defendants goodwill" as distinct from "using the word Fiji in the branding of its bottled water products." In our view the first of these wordings is too vague. As to the second, Mr. Apted conceded that there could be no objection to the use of the word "Fiji" to describe the source of the product.

Result

Appeal No. ABU0011 is allowed. The injunction granted against the Appellant is discharged forthwith.

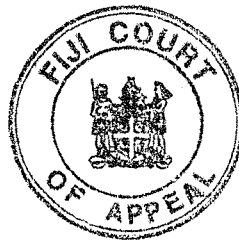
Appeal No. ABU0011A is allowed. The judgment in the High Court refusing an interim injunction is set aside. The Court orders:

1. As interim injunction until further order of the Court restraining the Respondent whether by its directors, officers, servants or agents or otherwise from marketing its bottled water products in Fiji with the word "Fiji" in the brand label of such products.
2. This interim injunction is to take effect 28 days from the delivery of this judgment.

3. This interim injunction is not to prevent the Respondent from using the word "Fiji" on the labelling of such products to denote the place where such product is produced.
4. Leave is reserved to either party to apply to the Court for orders varying or rescinding these orders.
5. The appellant is entitled to costs on the appeal which we fix at \$2,000.00.

R. J. Barker

Barker, JA



[Signature]
Tompkins, JA

[Signature]
Scott, JA

Solicitors:

Munro Leys, Suva for the Appellant
Hari Ram Lawyers, Nadi for the Respondent