

Dairibord (Malawi) Ltd v Suncrest Creameries Ltd

HIGH COURT OF MALAWI

PRINCIPAL REGISTRY

MWAUNGULU J

Date of Ruling: 15 July 2001

Civil Cause Number: 1108/2001

Civil procedure – Interlocutory injunction – General principles governing the granting or refusal of an injunction apply in passing off cases

Civil procedure – Interlocutory injunction – Loss to parties – Incidence of injustice - Where the granting or refusal of an interlocutory injunction is likely to cause loss to parties, the court must weigh the relative losses the course of action chosen will cause to the parties whilst being concerned about where the incidence of injustice will be most severe

Tort – Passing off – Classical definition – No right to represent one's goods as the goods of somebody else

Tort – Passing off – Remedy – Loss difficult to ascertain - Damages not adequate - Usually damages not adequate remedy because loss suffered is intrinsically difficult to ascertain and damages difficult to quantify

Editor's Summary

The plaintiff and the defendant were competitors in the business of manufacturing and distributing dairy products in Malawi. The defendant erected or caused to be erected adjacent to and just outside the plaintiff's factory a bill board advertising its (defendant's) products. The plaintiff commenced an action seeking, among other things, an order of permanent injunction restraining the defendant from erecting the bill board, a declaration that the defendant's action was calculated to deceive and mislead the trade and the public into believing that the defendant's dairy products are the plaintiff's dairy products and in buying the defendant's products as the plaintiff's, or that the plaintiff merged with or acquired the defendant's business, and damages for passing off.

The plaintiff took out an application for an interlocutory injunction seeking an order that the defendant should remove the bill board pending the determination of the action.

Held – Granting the application:

- (1) That the general principles governing the grant of an interlocutory injunction apply to cases of passing off. Where withholding or granting an interlocutory relief is likely to cause loss to the parties justice demands that the court should weigh or balance the relative losses the course of action chosen will cause to the parties concerning itself with where the incidence of injustice will be most severe. The court will grant the injunction where the incidence of injustice is severer on the applicant than the respondent and refuse the injunction where the incidence of injustice is severer on the respondent than the applicant.
- (2) That on the facts and the law the plaintiff's case was stronger than the defendant's.
- (3) That the balance of inconvenience tilted in the plaintiff's favour since the inconvenience to the plaintiff of having the bill board right at its factory was more intense than the inconvenience to the defendant of removing a bill board located several kilometres from its factory.
- (4) That damages would not be an adequate remedy for the loss to be suffered by the plaintiff if an injunction were not granted because in passing off cases it is intrinsically difficult to ascertain the loss suffered and or to quantify the damages.
- (5) That the bill board be removed within seven days.

Cases cited

A G Spalding Brothers v A W Gamage Ltd (1814 – 15) All ER 147 - **applied**

American Cyanamid Co v Ethicon Ltd [1975] AC 396 – **applied**

Bata Shoe Co (Malawi) Ltd v Shore Rubber (Lilongwe) Ltd Civil Cause No. 3816/1999 (unreported) – **applied**

British Legion v British Legion Club (Street) Ltd (1931) 48 RPC 555 - **applied**

Burgess v Burgess 3 De G M & G 904 – **referred to**

Clock Ltd v Clock House Hotel Ltd (1936) 53 RPC 269 - **applied**

Elan Digital v Elan Computers [1984] FSR 373 – **referred to**

Ewing v Buttercup Margarine Co Ltd [1916 – 17] All ER 1012 - **applied**

Mother care v Robson [1979] FSR 466 – **referred to**

Reddaway v Burnham [1896] AC 204 – **referred to**

Rodgers (Joseph) & Sons Ltd v W N Rogers & Co (1924) 41 RPC 277 – applied

For the plaintiff:

Banda

For the defendant:

Singano

IN THE HIGH COURT OF MALAWI

PRINCIPAL REGISTRY

CIVIL CAUSE 1108 OF 2001

BETWEEN:

DAIRYBORD (MALAWI) LIMITED.....PLAINTIFF

AND

SUNCREST CREAMERIES LIMITEDDEFENDANT

CORAM: MWAUNGULU, J

Banda, Legal Practitioner, for the Plaintiff

Singano, Legal Practitioner, for the Defendant

Balakasi, an official court interpreter

Mwaungulu, J

ORDER

This is an application for an interlocutory injunction by Dairybord (Malawi) Limited, the plaintiff in this action. Dairybord (Malawi) Limited apply after suing for a permanent injunction and damages against Suncrest Creameries Limited. The latter, it is agreed, erected a bill board close to Dairybord (Malawi) Limited, a factory producing the same line of products as Suncrest Creameries limited. The action is for passing off. The plaintiff company claims for a permanent injunction and general damages. The interlocutory application is so that, until this Court concludes the action, Suncrest Creameries Limited should remove the bill board from near the Dairybord (Malawi) Limited's factory. The matter for this Court is whether this court should order that in the interim. On the law and the facts Suncrest Creameries Limited, should be restrained.

The plaintiff, Dairybord (Malawi) Limited, and the defendant, Suncrest Creameries Limited, manufacture and distribute dairy products in Malawi. They are competitors in the business. The defendant company erected or caused to be erected adjacent to and just outside the plaintiff company's factory, about five kilometers from the defendant company's factory, a bill board advertising their products. On 26th April 2001 the plaintiff, therefore, sued for a declaration that the defendant company's action was calculated to deceive and mislead and has in fact deceived and misled the trade and the public into believing the defendant company's dairy products are the plaintiff company's dairy products and in buying the defendant company's dairy products as the plaintiff company's dairy products.

The plaintiff company contends the bill board erected just outside their premises is likely to make and in fact makes people to believe that the plaintiff company merged with or acquired the defendant's company. They contend the defendant company intends, unless restrained by this Court, not to remove the bill board and leave the bill board erected adjacent to and just outside the plaintiff company's premises, five kilometers from the defendants premises. The plaintiff company further contends the defendant company and its directors or servants or agents lawfully and maliciously conspired and combined among themselves to injure the plaintiff company in its business. The plaintiff company suggests that in pursuance and in consequence of the said conspiracy the defendant company did the unlawful act namely, that on 13th April 2001 the defendant company erected or caused to be erected the bill board mentioned earlier. The plaintiff company contends that the defendant company's action grossly affects the plaintiff company's business. The plaintiff company lost customers. The plaintiff company is in considerable trouble and inconvenience and has suffered loss and damages. The plaintiff company claims the defendant company's action caused customers to buy the defendant company's products for the plaintiff's company's. Consequently, many plaintiff company's products remain unsold.

The plaintiff company, therefore, asks this Court to order the defendant's company to immediately remove the bill board. Secondly and alternatively, the plaintiff company wants the bill board either delivered to it or removed from the premises. Further the plaintiff company claims for an injunction to restrain the defendant company letting the bill board remain near the plaintiff company's premises. The plaintiff company wants this Court to order an inquiry into damages the plaintiff company has suffered because of this. Generally the plaintiff claims damages for passing off. On 15th May 2001 the defendant's company lodged a notice of intention to defend. The defendant company has yet to serve a defense.

On 20th June 2001 the plaintiff company issued this summons for an interlocutory injunction. In the supporting affidavit the plaintiff company presents the action's basis and substance. The plaintiff company contends erection of the bill board on its premises has misled, deceived and continues to mislead the plaintiff company's customers into buying the defendant company's products wrongly believing them to be the applicants. This leaves some plaintiff company's products unsold. The plaintiff company therefore prays this court for this interlocutory relief. The plaintiff company contends the defendant company wants to continue to injure the plaintiff company unless restrained by the court. The plaintiff company contends that it has and continues to suffer serious loss, damage and prejudice which the defendant company cannot or is unlikely to compensate the plaintiff company for. This, the plaintiff company contends, suffices for this Court to grant the injunction the plaintiff company prays for.

The defendant company in its opposing affidavit denies causing the advertising bill board to be placed near the plaintiff company's premises as the plaintiff company alleges. The defendant company contends the bill board is erected on public land. The defendant company contends further that the bill board does not belong to it. The bill board belongs to a firm called Chimbalanga and Associates. This firm owns several bill boards in town which it lets to various

companies and organisation. The defendant company contends it asked for that bill board where it put its get up.

The defendant company contends that for two reasons the defendant company's placing of its advert on the plaintiff company's premises is not passing off. First, it contends the defendant company's advertisement consists purely of the defendant company's trade mark and products. The defendant company's advertisement and get up cannot be confused with that of the plaintiff company. Secondly, the defendant company contends the defendant company has not made any misrepresentation of its trade mark and get up to confuse in the minds of buyers or consumers to buy or consume the defendant company's products for the plaintiff company's.

The defendant company contends that the plaintiff company dominates the domestic dairy industry. The defendant company thinks the plaintiff company's action for injunction attempts to eliminate competition from the defendant company through the plaintiff company's dominance. This, the defendant company contends, offends the Competition and Fair Trading Practices Act, 1998. The defendant company prays this Court dismiss the plaintiff company's interlocutory injunction summons.

Specifically, the plaintiff company in this summons applies for interlocutory relief. The plaintiff company, claiming that the defendant company's actions prejudice it, wants, until finally determination of the matter, this Court stop the defendant company continuing with what the plaintiff company considers wrongful. On such an application, the court does not delve deeply into substantive issues of law and fact, matters that trial will settle. Consequently, as the House of Lords decided in American Cyanamid v Ethicon Ltd, [1975] A C 396, a case approved in Court's many decisions, the plaintiff has only to raise a triable issue. The court does not, therefore, examine the detailed facts or law the action and the interlocutory relief raise. In this matter, however, there was a bit of depth into the facts and the law not in an attempt to dispose of the matter as if conducting a full

trial. From arguments and essential facts the parties agreed, the case was almost evenly balancing on most aspects to consider in this application. The court had to examine the relative strength of each party's action to tilt the balance to conclude the matter correctly. To the Court and both counsel, this matter would not have been resolved at the earlier processual considerations in American Cynamid v Ethicon Ltd.

The nature of the injunctive relief necessitates the processual requirements in American Cynamid v Ethicon Ltd. That at the time of application the court is unaware where justice will lie always overshadows this kind of relief. An interlocutory injunction can at the end of the trial cause great injustice and anxiety on the parties. For the applicant, if the Court does not restrain the defendant and it turns out that the applicant was right, allowing the defendant to persist in the act in which the applicant complains can be an unnecessary delay in realization of one's right and an unnecessary interference. For the defendant the consequences are similar. Restraining him from doing what he should be lawfully doing may be infringement of his rights and an unnecessary delay in realising those rights.

The situation complicates when it involves destruction of the subject matter of the action. If, for example, one wants to cut a tree the other claims belongs her. If the latter cannot restrain the former and it turns out at the trial that the latter was right the latter would have lost the right completely. Conversely, it is a great denial of the former's right to deal with her property to be delayed to cut a tree if it turns out she is right. The approach of the courts has been not to restrain parties by an interlocutory injunction from pursuing rights if their losses can be compensated in damages and the parties can pay for the damages complained of.

Once the applicant establishes a triable issue, the court must, as this Court pointed out in Bata Shoe Company (Malawi) Ltd v Shore Rubber (Lilongwe) Limited Civ. Cas. No 3816 of 1999, consider whether the court at the end of trial would grant an injunction. The

court may not if damages are an adequate remedy and the parties can pay them. It is clear though from Bata Shoe Company (Malawi) Ltd v Shore Rubber (Lilongwe) Limited that the principles in American Cyanamid v Ethicon Ltd apply to passing off (Mother care v. Robson, [1979] FSR 466, 475; Elan Digital v Elan Computers, [1984] FSR 373, 385).

The whole processual aspect in American Cyanamid v Ethicon Ltd is a balancing activity. First, the court considers whether from the applicant's perspective, were she to succeed, damages are an adequate remedy if the defendant is not restrained. The sequel question at this stage is whether, if damages are an adequate remedy for the plaintiff, the defendant can pay. If damages are an adequate remedy and the defendant can pay the court may refuse the interlocutory injunction. The court will therefore allow the interlocutory injunction even if damages are an adequate remedy if at the end the defendant cannot compensate the successful plaintiff. On the facts and established authorities of this court damages would not be an adequate remedy for the plaintiff company. In Bata Shoe Company (Malawi) Ltd v Shore Rubber (Lilongwe) Limited it was stressed, following many decisions, that in actions like these damages would not be adequate remedy for the plaintiff chiefly because one cannot quantify or measure the damages. It is difficult to know how many customers would be intercepted by the defendant company's act. It is therefore intrinsically difficult to ascertain the loss the plaintiff company would suffer by the defendant company's action if allowed to continue. It is unnecessary to consider the sequel question whether the defendant company can pay the damages because damages cannot be quantified or measured. This, however, is looking at it from the successful plaintiff's perspective.

The court must also consider the matter from a successful defendant's perspective. The considerations are the same. The court has to consider if the defendant succeeds damages would be an adequate remedy to her. Again the sequel question is if they are adequate remedy the plaintiff would pay the defendant. The court may not grant the injunction if damages are an inadequate remedy to

the defendant. Even if damages are an adequate remedy the court may refuse the interlocutory relief if the plaintiff cannot pay the successful defendant. In this matter what was said of the plaintiff company applies *mutatis mutandis* to the defendant company. It is difficult to determine how many customer would be lost if the bill board is, as the plaintiff company suggests, is removed and it turns out at the trial that the defendant company was right after all. Once again it is unnecessary to consider the question whether the plaintiff company can compensate the defendant company if the defendant is successful.

Where damages are an inadequate remedy for the parties, the interlocutory injunction is granted on the balance of convenience or, to use the more apt expression, the balance of justice. If damages are an inadequate remedy for both parties the interlocutory injunction should be granted on balancing the needs and demands of justice. A court would be abdicating its duty to do justice if it abnegated to provide relief, albeit interlocutory, because damages are an inadequate remedy. Where withholding or granting the interlocutory relief is likely to cause loss to the parties justice demands that the court weighs or balances the relative losses the course of action chosen causes to the parties. The court is concerned about where the incidence of injustice would be most severe if one course of action is taken. The court will grant the injunction where the incidence of injustice is severer on the applicant than the defendant. The court will refuse the injunction where the incidence of injustice is severer on the defendant than the plaintiff.

In this matter the incidence of injustice is sharper on plaintiff company than on the defendant company. As Mr Banda, plaintiff company's legal practitioner, demonstrated, the losses the plaintiff company alleges it would suffer if the bill board is allowed to stand would be much greater. The defendant company concedes in its opposing affidavit Dairybord (Malawi) Limited is the dominant supplier of dairy products on the market. No doubt, any misapprehension of a merger or association between Dairybold (Malawi) Limited and Sun

crest Creameries Limited would benefit Sun crest creamers and boost their products to the detriment of the plaintiff company's. On the other hand if Sun crest Creamers Limited products are inferior, it is difficult to imagine what loss that would cause to Dairybord Malawi Limited. The inconvenience to the plaintiff company of having the billboard right at their factory is more intense than removing a billboard several kilometers from the defendant company's factory. The balance of inconvenience therefore in my view tilts in favour of granting the injunction to the plaintiff company.

This is strengthened by that on the facts and the law the plaintiff company's action is slightly stronger than the defendant company's. I did allow a bit of legal argument and factual analysis to resolve a situation which looked fairly balanced. The parties agree on some cardinal aspects the more important of which is that the billboard is erected near or very near the plaintiff company's factory. There is a bit of disagreement on some detail which in my judgement the trial will resolve. There is no disagreement however on this crucial point that the billboard is located very close to the plaintiff company's factory.

The defendant company contends there is no passing off in this factual complexion. The defendant company's contention, if I understand it correctly, is that all it did was to put an advertisement. That advertisement comprises its own product and its own get up. It is not as if it has used the plaintiff company's get up or product. The defendant company contends that no product either of the plaintiff company or the defendant company was used in the advertisement to constitute passing off entitling the plaintiff company the interlocutory injunction sought.

The more I listened to the argument, the clearer it came that the House of Lords decision in A G Spalding Brothers v A W Gamage Limited [1814 - 15] ALL ER 147, cited by the defendant company's legal practitioner, does not support that argument. I am referring particularly to Lord Justice Sumner's judgement. His Lordship's

Reddaway v Burnham [1896] A C 204 in the proposition that nobody has any right to represent his goods as the goods of somebody else. It is also sometimes stated in the proposition that no one has the right to pass off his goods as the goods of somebody else.”

It is clear from Lord Sumner’s subsequent statement that what the defendant company argues is but an instance of several ways a representation necessary for passing off may be made:

“The basis of action being a false representation by the defendant, it must be proved in each case as a fact that the false representation was made. It may of course have been made in express words but cases of false representation of this sort are rare. The more common case is where the representation is implied in use of imitation of a mark, trade name or get up with which the goods of another are associated in the minds of the public or the particular class of a public.”

The Lord Justice is categorical that the use or imitation of a mark, trade name or get up with which that class of goods is associated is but one of the more cases of a misrepresentation. There is room for other ways of misrepresentation. “It would,” Lord Sumner continued, “however be impossible to enumerate or classify the possible ways in which a man may make a false representation relied on.”

Again assuming I understand the plaintiff company correctly, I understand the plaintiff company to say that the bill boards positioning is likely to represent to the public and the plaintiff company’s customers that the plaintiff company’s business is associated in somehow to the defendant company’s. In that scenario,

starts with the classical definition of the tort:

“The action in which the appeal arises is what is known as passing off action, and having regard which have been to your lordships, I think it well to say a few words as to the principle on which such actions are founded. This principle is stated by Turner L J in Burgess v Burgess 3 De G M & G at page 904, 905 and Lord Halsbury in Reddaway v Burnham [1896] A C 204 in the proposition that nobody has any right to represent his goods as the goods of somebody else. It is also sometimes stated in the proposition that no one has the right to pass off his goods as the goods of somebody else.”

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in my judgement, there would still be a false representation of the plaintiff company's business for a passing off action. If authority be necessary, there are many statements, two by Lord Justice Romer in Clock Limited v Clock House Hotel Limited (1936) 53 RPC 2 69 in the Court of Appeal and another as a High Court Judge in Rodgers (Joseph) & Sons Limited v W N Rogers & CO 1924 41 R P C 277 in former case the Lord Justice said:-

“The principle is this, that no man is entitled to carry on his business in such a way or by such a name as to lead that he is carrying on the business of another man or to lead to the believe that the business which is carrying on has any connection with carried by another man.”

In the latter case he said, “It is the law of this land that no man is entitled to carry on his business in such a way as to represent it is a business of another, or as in any way connected with the business of another.” To this I can add the remarks of Cozens- Hardy, M R in Ewing v Buttercup Margarine Co Ltd [1916 - 17] All ER 1012:

“I can see no principle for holding that a trade may not be injured, and seriously injured, in his business as a trader by confusion in which will lead people to conclude that the defendants are really connected with the plaintiffs or a branch of the plaintiffs' business, or in some mixed up with them.”

In British Legion v British Legion Club (Street) Limited (1931) 48 R P 555 there is a long and informative statement by Farwell, J., where he says:

“No one supposes for a moment that a person entering into Street and seeing ‘British Legion Club (Street) Limited’ over the door way of the defendant company's premises is going to suppose that it the headquarters of the British Legion; no one suppose that for one moment; but that is not an answer to the plaintiff association's

claim, which is that in my judgement it is perfectly plain and inevitable that persons coming across 'British Legion Street Club (Street) Limited' either by seeing the name over the door of the club or by seeing it on note paper of the defendants, or hearing it spoken of will inevitably will come to the conclusion unless they are well instructed to the contrary that the defendant company is connected in some way with the British Legion. In my judgement this is the inevitable conclusion to which any ordinary minded person will come. Seeing the name of the defendant there, such a person would think it was either the branch of the plaintiff association or at any rate that it was a club in some way amalgamated with or under the supervision of the plaintiff association for which the plaintiff association had in some made itself responsible."

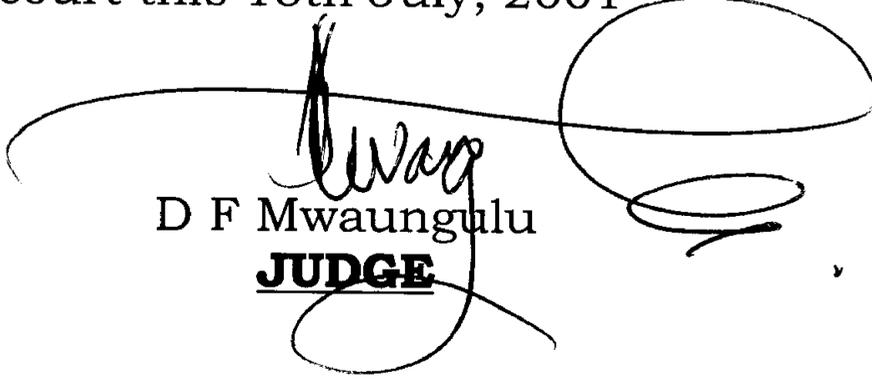
I in no way suggest that on the bare facts I have appreciated in the arguments both legal practitioners proffered exultantly the advertisement's positioning in this matter amounts to passing off. As suggested earlier, that can only be resolved by the trial judge. I am particularly mindful of Lord Sumner's remarks in A G Spalding & Brothers v A W Gamage Ltd that ultimately that is a question for the trial Judge:

"But there can be no doubt that in the passing off action the question whether the matter complained of is calculated to deceive in other words whether it amounts to false presentation is a matter for the judge who looking at the documents and evidence before him comes to his own conclusion and to use the words of Lord McNaughten must not 'surrender his own independent judgement to any witness whatever.'"

On the facts and law, as earlier suggested, the case turns on where the balance of justice lay, the strength of the case and the need to preserve the status quo. It was only in this respect that I went a little bit closely on the facts and the law. On the matter before me the balance of convenience favours granting the injunction. On facts

raised the plaintiff company's case is slightly stronger, but as just said, that is for the judge at the trial. The bill board should be removed within seven days. I hope that the matter can be resolved soon. On the usual undertaking as to damages the interlocutory injunction is granted.

Made in open court this 15th July, 2001



D F Mwaungulu
JUDGE