

**IN THE HIGH COURT OF MALAWI
PRINCIPAL REGISTRY
CIVIL CAUSE NO. 3816 OF 1999**

**BATA SHOE COMPANY (MALAWI) LIMITED.....PLAINTIFF
VERSUS
SHORE RUBBER (LILONGWE) LIMITED.....DEFENDANT**

CORAM: D F MWAUNGULU(JUDGE)

Nkhono, Legal Practitioner, for the plaintiff

Phoya, Legal Practitioner, for the defendant

Matekenya, Court Interpreter

Mwaungulu, J

ORDER

The defendant, Shore rubber (LL) Ltd., applies to set aside an ex parte interim injunction. The defendant, as we will see shortly, would not have applied had the ex parte order been right. The motion judge restrained the defendant and the defendant's servants or agents passing-off or attempting to pass-off and enabling others to pass-off shoes not of the manufacture of the plaintiff as and for goods of the plaintiff including and applying to such shoes the plaintiff's get-up design formerly subject matter of design registration No. D1/88. The order also restrained the defendant and the defendant's servants or agents from selling or offering for sale or otherwise from parting with the custody of any shoes in respect of which the passing-off complained of has been committed by the defendant. The ex parte injunction was not in correctly made. I should, therefore, treat this application as an inter partes summons to determine whether to order an interlocutory injunction in the matter.

The ex parte injunction was ordered following the plaintiff's action of December 18, 1999. The plaintiff sued on December, 18. The court made the ex parte injunction on December 17. The plaintiff sued for an injunction and damages.

The plaintiff company manufactures shoes in Malawi. Until November, 1993 the plaintiff company owned a registered design number D1/88. The plaintiff company registered the design on 15th November, 1988. The design was used and meant for a shoe, "Dorine", with a registered trademark number 242/79. The trademark is applied to shoes of the plaintiff's manufacture popularly known as 'sofia'. The trade mark for "Dorine" was renewed for a further 14 years from 29th September, 1986. The registered design has not been renewed since its expiry.

The plaintiff deposes that during the currency of design D1/88 and since its expiry the plaintiff exclusively and most extensively used the design on these ladies' shoes throughout the Republic of Malawi . The plaintiff further deposes he established a very strong goodwill in respect of the shoe design. Consequently, in the course of business the public associates the design with the plaintiff and no other shoe manufacturer. The company produced 4,692,600 pairs of ladies' shoes to which the design has been applied of which 3,133,634 are sold in Malawi. The plaintiff also deposes that, since 1988 when the design was first registered and used, she continuously advertised these shoes to the public. Therefore, because of the popularity of the shoes, the plaintiff does not always label them as manufacturer.

The defendant is a limited company in Lilongwe. It manufactures and sells plastic products, including shoes. The defendant admits manufacturing and selling shoes reasonably similar to the plaintiff's get-up design registration No. D1/88. The defendant deposes that the plaintiff never had any existing patent or other rights over the get-up. She deposes that the plaintiff's registration expired, the plaintiff having failed or neglected to renew when the design became liable for renewal under section 15 of the Registered Designs Act. The defendant deposes the design registration No.D1/88 lapsed on 8th September, 1987. It never appeared on the register up to the 4th of January, 2,000. The defendant also deposes that on 4th of January 2,000 he applied for the registration of 'Sovita' footwear trademark in the defendant's name. The registrar of the designs issued a certificate to the defendant on the 22nd of February, 2000. The defendant therefore contends he is valid holder of the footwear trademark. The injunction should not therefore be granted.

The plaintiff seeks a permanent injunction to restrain the defendant from passing-off the shoes the plaintiff manufactures and sells. The defendant can only get a permanent injunction at the trial. He therefore seeks an interim injunction till trial. To that end he sought an ex parte injunction. Somehow he got more than he asked for. The order he got was an interim injunction. He should have obtained an ex parte injunction. That injunction would have been only up to the hearing of the summons inter partes. The inter partes hearing should in practice occur, at the earliest, in the next two days or, at the latest, the earliest motion day. It is at the hearing of the inter partes summons that an interim injunction would be granted. The interim injunction holds up to the order of the court granting a permanent injunction at the end of the trial. In practice a permanent injunction hearing should be heard within two months. The nature of the relief justifies this. This reduces the damage the interim injunction may cause to the parties' rights. The plaintiff here sought an ex parte injunction. The Court granted the plaintiff an interim injunction. Consequently the defendant is put in the insidious position of applying to set aside the interim order.

An interim injunction should not normally be given on an ex parte application. Courts grant ex parte injunctions for emergency and urgency where grave injury is likely. This is not so in this matter. The plaintiff could have waited for an interim injunction. An ex parte injunction can be discharged on appeal and I would think on application if not clear or urgent enough (*Eothen films v Industrial and Commercial*, [1966] FSR 356). In *Candlex Limited v Phiri*, Civ Cas No. 713 of 2000, this court said:

"I have not read the judgment in *Re First Express Ltd.*, (1991) *The Times*, 10 October.

The case is cited by the authors of *Civil Litigation*, J O'Hare and R N Hill, Sweet & Maxwell, 8th ed. 1997, 290. That judgment is not binding on this Court. It is persuasive. It is however good law. Generally the court should grant an ex parte injunction where giving notice to the opponent would cause injustice to the applicant because of the urgency of the matter or because a provisional order is necessary for surprise. Further it should not be given unless it is clear to the Court that the risk in damage to the defendant can be compensated in money or is outweighed by the risk of injustice to the applicant."

At the inter partes hearing more comes out justifying granting an injunction catering the parties' anxieties before the Court finally determines their rights.

In *Agriculture Development and Marketing Corporation v Kakusa*, Civ Cas No 1478 of 2000, this court reiterated that principles on which courts grant interlocutory injunctions are the same and apply across all claims where the relief is sought. The principles the House of Lords laid down in *American Cyanamid Ltd v. Ethicon Ltd*, [1975] AC 396 apply where the injunctive relief relates to patents, trademarks and passing off (*Mothercare v. Robson*, [1979] FSR 466, 475; *Elan Digital v Elan Computers*, [1984] FSR 373, 385). On these general principles, as have been adumbrated in this Court in *Candlex Limited v Phiri*, should an interlocutory injunction be granted in this case?

A court grants an interlocutory injunction only if it can grant a permanent injunction. That is to say, only if on the facts the court can grant an injunction at the end of the trial, should it grant an interim injunction. The Court does not therefore grant an interim injunction where at the end of the trial damages are adequate remedy for the claim. The interim relief averts injustice before rights are determined finally. As long as the rights of the parties are not determined the court's jurisdiction is only invoked when a certain threshold is reached. For a long time it was thought that the watershed is reached if the applicant shows a prima facie case. *American Cyanamid Ltd v. Ethicon Ltd* lay ghost of such a rule. The applicant seeking an interlocutory injunction has to show a triable issue.

In every way the applicant here raises a triable issue. The facts are not greatly disputed. There is a modicum of concession on the defendant that he is actually passing-off the applicant's shoes. The court is therefore only left to grapple with the legal questions that the defendant raises. In *American Cyanamid Ltd v Ethicon Ltd* Lord Diplock said that at this stage it is not for the court to decide difficult questions of law which call for detailed argument and mature considerations. Lord Jauncy in *R v Secretary of State for Transport, ex parte Factortame Ltd (No 2)*, [1991] AC 603 observed that if questions of law do arise in a case most judges cannot resist answering them. In this particular case the legal matters that the defendant raises are adequately covered by judicial decisions that are very persuasive in this court. As Mr. Nkhono, appearing for the applicant, stated several times, the plaintiff sues for passing off. The defendant has raised two lines of defense.

First, the defendant contends that the injunction is improper because the plaintiff's registered design expired and the plaintiff never renewed it. This presupposes that registration of a design affects a passing-off action. The Act and judicial pronouncements are contrary. Passing-off is a distinct tort. Although applying to trademarks, registered or otherwise, passing-off protects rights of "property in the business or goodwill in connection with which the mark was being used," per Lord Diplock in *Star Industrial Co Ltd v Yap Kwee Kor*, [1976] FSR 256, 271. Passing-off hinges on a wider principle found

in Lord Kingsdown rationalisation in *Leather Cloth Co v American Leather CO* (1865) 11HL Cas 523, 538:

“The fundamental rule is that one man has no right to put off his goods for sale as the goods of a rival trader, and he cannot therefore ... be allowed to use names, marks letters or other indicia, by which he may induce purchasers to believe that the goods which he is selling are the manufacture of another person.”

This rule is preserved by the statute. Section 7 of the Trade Marks Act provides:

“No person shall be entitled to institute any proceedings to prevent or recover damages for the infringement of an unregistered trade mark, but nothing in this Act shall be deemed to affect rights of action against any person for passing off goods as the goods of another person or the remedies in respect thereof.”

Passing-off does not therefore protect the mark of trade or design or the goodwill in them (*Payton & Co v Snelling, Lampard & Co* (1889) 17 RPC 48(CA) affirmed [1901] AC 308). It protects the goodwill in the business of the plaintiff. In *Burberrys v J C Cording & Co Ltd* (1909) 26 RPC 693 Parker J., said:

“On the one hand, apart from the law as to trade marks, no one can claim monopoly rights in the use of a word or name. On the other hand, no one is entitled by the use of any word or name, or indeed in any other way, to represent his goods as being the goods of another to that other’s injury. If an injunction be granted restraining the use of a word or name, it is no doubt granted to protect property, but the property, to protect which it is granted, is not property in the word or name, but property in the trade or goodwill which will be injured by its use.”

Registration under the Trade Marks Act never affects a trader’s right for a passing-off action against another. It is no bar to a passing-off action, therefore, that the design is or is not registered.

The second point the defendant raises is he has now registered the design. Again, it is no defense to an action for passing-off that, this time round, the defendant has registered his design. The right arising from registering a mark under the Trade Marks Act are no defense to proceedings for passing-off by using the mark (*Van Zeller v Mason, Cattley* (1907) 27 RPC 37; *Eli Lilly v Chelsea Drug* [1966] RPC 14, 18).

The legal matters the defendant raised are simple. Though only persuasive in this court, the decisions discussed are of superior courts in England. They are very persuasive in this Court. The decisions comport with the statutory scheme of our Act. The matters raised can be resolved very easily. Given that the defendant concedes manufacturing the goods similar to the applicant’s, the legal defense can easily be resolved in the manner I have done. On the face of it therefore, on the pleadings and the affidavits, the defendant has no defense to the plaintiff’s action. Where the defendant has no arguable defense to the plaintiff’s action, the principles in *American Cyanamid v Ethicon* do not apply, per Scott J , in *Official Custodian for Charities v Mackey*, [1985] Ch 168. The injunction will be granted as a matter of course. In *Patel v WH Smith (Eziot) Ltd*, [1987] 1 WLR 853 Balcombe, L J, said:

“If there is no arguable case, as I believe there is not, then questions of balance of convenience, status quo and damages being an adequate remedy do not arise.”

On this pretext, therefore, the interim injunction should be granted.

On the other hand, parties should not at this initial stage be confined by how they frame their proceedings. There are wider powers of amendment in the course of the trial subject to corollary powers on the other party to strike out actions or pleadings if aspects of the action or defense are improperly stated. Moreover, what appears on the affidavits an intact case may collapse because of further evidence or cross-examination at the trial. It is still possible and useful therefore to consider whether, on the principles in *American Cyanamid Ltd v Ethicon Ltd*, an interim injunction should be granted.

Since here the court could grant a permanent injunction and the applicant raises a triable issue, this court must first consider whether damages are sufficient for the plaintiff's injury between now and the time the permanent injunction is granted. Here the court also considers, if they be adequate, whether the defendant can pay the damages. One major consideration when granting an interim injunction in a passing-off action is quantifiability and measurability of damage. A Court of Appeal decision and one at first instance in England illustrate the approach.

Combe International Ltd v Scholl (UK) Ltd, [1980] RPC 1, was a decision of Fox J., at first instance. The plaintiff claimed the defendant passed-off a novel odour-absorbing insole they introduced. The judge found a triable issue. He thought damages were an inadequate remedy for the plaintiff because the goodwill lost by the plaintiff might be lost forever. Customers once they stuck to the defendant would be unable to change to the plaintiff. Moreover the judge thought it would be extremely difficult to distinguish between legitimate sales and those resulting from passing-off. Further there was evidence that the defendant's goods were defective. The Court of Appeal reached the same conclusion in *Reckitt & Coleman Ltd v Borden Inc*, [1987] FSR 228. Reversing the judgment of Whitford J, the Court held it would be difficult to determine how much of the defendant's sales resulted from passing-off and one could not predict how prices would change. It is difficult to determine the plaintiff's damage. It is difficult to assign sales resulting from passing-off. Here damages are an inadequate remedy. It matters less then that the defendant can pay them.

Secondly, I have to determine whether on the plaintiff's undertaking to compensate the defendant's losses damages would be an adequate remedy for the defendant should he succeed. What is said about the plaintiff applies *mutatis mutandis* to the defendant. Damages in these cases are, just like for the plaintiff and for similar reasons, inadequate to compensate the defendants' losses between now and trial. In *C P C (U K) Ltd v Keenan*, [1986] FSR 572, Gibson, J., held the plaintiff could honor the cross-undertaking but damage to the defendant, if the court granted the injunction, was unquantifiable. In this matter, if the defendant succeeds, he will have lost out in sales. Equally, it would be difficult to compute his losses. One cannot predict how the interposition can affect the goodwill

(*Rolls-Royce Motors Ltd v Zanelli*, [1979] RPC 148).

The matter is balanced at this juncture. The Court then has to consider maintaining the status quo. The court normally maintains the state as was before the change provided, of course, the plaintiff applies promptly (per Lord Diplock in *Garden Cottage Foods Limited v Milk Marketing Board*, [1984] AC 130). The plaintiff does not mention the

exact period when she knew about the defendant's products in the market. The defendant is silent about when she put the shoes on the market. Immediately the plaintiff knew of the passing-off, however, she applied for the injunction. Obviously the time when the plaintiff was ignorant of the defendant's actions cannot be taken into account when considering delay. It would have been different, when aware, the plaintiff allowed the defendant to establish himself in the market. The status quo favours the applicant.

The plaintiff, not guilty of delay prejudicial to the defendant, the court has to maintain the status quo. I adopt the reasoning of Megarry, L J , as to status quo. In *Alfred Dunhill Ltd v Sunoptics SA* [1979] FSR 337, his Lordship said:

“‘Status quo,’ or more fully, ‘status quo ante’ means simply ‘the existing state of things’-existing before a particular point of time. For that to be of any help, it is necessary to answer the question: existing when? Before what point of time? For the answer may be different, according as you look at the existing state of things at the day when the defendant did the act, or the force act, which is alleged to have been wrongful; or at the date when the plaintiff first learned of the act; or the date at which the plaintiff ought first to have been aware of that act; or the date when the plaintiff first complained to the defendant; or the date when he issued his writ. I think the relevant point of time may well vary in different cases.”

Where the plaintiff acts promptly after knowing of the defendant's action, the state of affairs to maintain is the one before the defendant commenced the actions complained of. In *Metric Resources Corp v Leasematrix Ltd*. [1979] FSR 337, Megarry, V -C , said:

“I would think, regard the act of the defendant in commencing business under a name closely resembling that used by the plaintiff company as constituting the *causus belli*, and the status quo to be preserved (since the plaintiff company moved so promptly) as being the state that existed immediately before the defendants began business in this way.”

Here the plaintiff acted sooner. There are cases, illustrated by *Lyngstad v Annabas Products Ltd*, [1977] FSR 62, where, though the plaintiff acts promptly, the status quo favors the defendant. In that case Oliver J., decided for the defendant notwithstanding that the plaintiff acted promptly because the plaintiffs had no licence at all. This is rare. In this matter the plaintiff company has licence. It has been manufacturing the shoes for many years. The status quo to conserve is the one before the defendant, notwithstanding that the defendant company has been on the market, started manufacturing the contested shoes.

That the defendant has already been on the market is important to the question of balance of justice or, to use the usual phrase, “the balance of convenience.” In deciding where the balance of justice lies courts consider the losses the parties may suffer and decide on who has more to lose if the injunction is granted or refused. On this aspect the balance is for the applicant. It is true the defendant company has gone into the market. The plaintiff, however has been in the business for a long time. The plaintiff company has sold large volumes of the disputed shoe. The plaintiff alleges that the goods the defendant sells are inferior. The damages the plaintiff would suffer compare greatly for the plaintiff than the defendant.

I would therefore grant the interim injunction on the usual undertaking as to damages. I

trust that the parties will act promptly so that the permanent injunction application is heard within the usual two months. I trust that the Registrar will take note of this and ensure promptitude in these matters.

Made in Chambers this 5th June, 2000

D F M Mwaungulu

JUDGE