

JAMAICA

IN THE COURT OF APPEAL

SUPREME COURT CIVIL APPEAL NO. 69/96

**BEFORE: THE HON. MR. JUSTICE RATTRAY, PRESIDENT
 THE HON. MR. JUSTICE DOWNER, J.A.
 THE HON. MR. JUSTICE GORDON, J.A.**

BETWEEN	McDONALD'S CORPORATION	PLAINTIFF/ APPELLANT
A N D	McDONALD'S CORPORATION LIMITED	1ST DEFENDANT/ RESPONDENT
A N D	VINCENT CHANG	2ND DEFENDANT/ RESPONDENT

R.N.A. Henriques QC, and Allan S. Wood, instructed by Mrs. AnnMarie Feanny of Livingston, Alexander and Levy for the Appellant.

Michael Hylton QC, Peter Goldson and Mrs. Debbie Fraser, instructed by Myers, Fletcher and Gordon for the Respondents.

September 30; October 1, 2, 3, 4, 7, 8 and December 20, 1996

RATTRAY P:

On the 7th July 1996, Chester Orr J. refused an application by the appellant McDonald's Corporation for an interlocutory injunction restraining the defendants McDonald's Corporation Limited and Vincent Chang from "using upon any sign, banner, advertisement or other article the name "McDonald's" or

"McDonald's Corporation" or "McD" or any imitation thereof whether at the defendant's store at 1 Cargill Avenue, Kingston 10, in the Parish of St. Andrew or in connection with any other business, or from passing off or attempting to pass off any business carried on by the defendants or any of them as the business of the plaintiff or doing any act to infringe the plaintiff's trade mark", pending the hearing of the action filed by the appellant in this matter. In the same judgment the Learned Trial Judge ordered on an application for an interlocutory injunction by the respondent that the appellant be restrained from opening a restaurant in the Corporate Area (as defined in the Kingston and St. Andrew Corporation Act) trading under the name "McDonald's" pending the hearing of the action filed.

The application for the interlocutory injunction arose out of a suit filed by the appellant against the respondent in which the appellant claimed that the respondent had since January 1995 passed off or attempted to pass off the respondent's business and restaurant at 1 Cargill Avenue, Kingston 10 as being the business of the appellant. Furthermore it was claimed the respondent had infringed the Registered Trade Marks of the appellant by using a colourable imitation of the plaintiff's Arched "M" Corporate Logo on the respondent's sign displayed at 1 Cargill Avenue, Kingston 10. Consequently, the appellant asked the Court for an injunction to restrain the defendant from:

1. the doing of acts infringing the appellant's Trade Mark registered in Jamaica;
2. passing off the business as that of the appellant;

3. using the names McDonald's Corporation, McDonald's or McD in a false or misleading respect contrary to the provisions of the Fair Competition Act;
4. carrying on business at 1 Cargill Avenue or in any other restaurant under the names of McDonald's, McD or McDonald's Corporation.

The respondent counterclaimed for an injunction restraining the appellant from opening any restaurant in the Corporate Area trading under the name McDonald's.

The interlocutory injunctions sought by both parties are designed to impose the restraints sought by either party until the trial of the action.

This appeal seeks to overturn the order of Chester Orr J. refusing the appellant's application for the interlocutory injunction sought, as well as, his order granting the respondents interlocutory injunction.

The judgment of Chester Orr J. sufficiently states the facts so as not to require me to restate them. He found that there were serious issues to be tried in respect of both claim and counterclaim. He identified these issues inter alia to include:

- (a) the reconciliation or determination of two opposing lines of authority as to whether a place of business is necessary in the jurisdiction before the appellant can maintain a passing off action;
- (b) whether:
 - (i) the appellant has goodwill and customers in Jamaica;
 - (ii) the appellant is precluded from relief because of delay and acquiescence;

- (iii) the respondent had "pirated" the name McDonald's and therefore cannot acquire the right to use that name;
- (iv) on the evidence the respondent had abandoned whatever goodwill it had acquired when the restaurant at Cargill Avenue was closed in the 1980's.

All these required a determination on facts to be established on evidence given at the trial. In the words of Chester Orr J.:

"In my opinion a decision on this aspect of the case will depend on a resolution of the competing claims to the use of the name "McDonald's" at the time of the opening of the respective restaurants in 1995. The previous history and relationship between the parties are relevant to this exercise. Such a resolution cannot be undertaken in these proceedings."

With respect to the claim under the rubric of infringement of Trade Marks the trial judge noted the need to determine whether there is any similarity between the "M" in McDonald's of the appellant and those used by the respondent in its name. "From the foregoing" he maintained:

"It is clear that there are serious issues to be tried."

Since damages are not regarded as an adequate remedy in this type of action the Learned Trial Judge identified the question arising at this interlocutory stage as one of the balance of convenience. He found that the balance lay in preserving the status quo until the trial. "This", he said:

"will be achieved by the refusal of the application for an Injunction by the plaintiff and the grant of the

defendants' application for an Injunction in terms of their Summons."

It is this decision of the Learned Trial Judge that I have to examine closely to determine the correctness of the exercise of his discretion. He placed on one side of the scale the appellant's position as follows:

"The plaintiff urged the loss of employment and investment in the Corporate area which would not be compensatable as a factor in its favour. Further, the second defendant, the proprietor of the first defendant has two other successful chains of restaurants, namely Tastees and Twisters. It would be possible for the defendants to alter the signs at No. 1 Cargill Avenue."

On the other side of the scale:

"The defendants contended that the plaintiff had been warned of intended action by the first defendant's attorneys if it proceeded to open the restaurant. Further the plaintiff if not restrained, had the resources to destroy the first defendant's goodwill and business".

There are in my view certain other elements to be considered in respect of the appellant to determine the proper balance which do not appear to have been taken into account:

1. The fact that in Montego Bay the appellant had opened and carried on a restaurant business without any objection from the respondents.
2. The construction of the building in the Corporate Area at Molyne's Road to be used as a restaurant by the appellant and the training and employment of staff which had already taken place.

3. The status of the appellant as a holder of registered Trade Marks which confer rights to carry on a business using the trade name.

With respect to (3) there was a disclaimer on the Trade Marks the effect of which can be determined as a matter of law in these proceedings. The respondent had embarked upon an application to expunge the appellant's Trade Marks.

In ***American Cyanamid Co v Ethicon Ltd*** [1975] 1 All ER 504 which was a patent case and therefore of the same nature as a ***Trade Mark*** case, a feature of the instant appeal, Lord Diplock stated as follows at p. 508:

"Historically there was undoubtedly a time when in an action for infringement of a patent that was not already 'well established', whatever that may have meant, an interlocutory injunction to restrain infringement would not be granted if counsel for the defendant stated that it was intended to attack the validity of the patent.

Relics of this reluctance to enforce a monopoly that was challenged, even though the alleged grounds of invalidity were weak, are to be found in the judgment of Scrutton LJ as late as 1924 in ***Smith v Grigg Ltd***, but the elaborate procedure for the examination of patent specifications by expert examiners before a patent is granted, the opportunity for opposition at that stage and the provisions for appeal to the Patent Appeal Tribunal in the person of a patent judge of the High Court, make the grant of a patent nowadays a good prima facie reason, in the true sense of that terms, for supposing the patent to be valid, and have rendered obsolete the former rule of the practice as respects interlocutory injunctions in infringement actions. In my view the grant of interlocutory injunctions in actions for infringement of patents is governed by the same principles as in other actions."

The reference to patents can with justification be equally applied to the appellant's Trade Marks.

The Learned Law Lord then went on to state the object of the interlocutory injunction at p. 509 as being:

"... to protect the plaintiff against injury by violation of his right for which he could not be adequately compensated in damages recoverable in the action if the uncertainty were resolved in his favour at the trial; but the plaintiff's need for such protection must be weighed against the corresponding need of the defendant to be protected against injury resulting from his having been prevented from exercising his own legal rights for which he could not be adequately compensated under the plaintiff's undertaking in damages if the uncertainty were resolved in the defendant's favour at the trial. The court must weigh one need against another and determine where 'the balance of convenience' lies".

At p. 510 the Learned Lord Law continues:

"It is no part of the court's function at this stage of the litigation to try to resolve conflicts of evidence on affidavit as to facts on which the claims of either party may ultimately depend nor to decide difficult questions of law which call for detailed argument and mature considerations. These are matters to be dealt with at the trial."

The issues indicated by the Learned Trial Judge are both issues of fact and of law. There are in my view two issues of law which can be conveniently determined in these proceedings, and indeed it would be a negation of our appellate function if we did not determine them now. These issues are:

- (a) must the appellant have maintained a place of business in the jurisdiction before it can sustain a passing off action?

- (b) what is the status of the Trade Marks registered by the appellant in Jamaica since 1969?

In respect of (a) in my view the law has moved in more recent times from a concept of goodwill and reputation being annexed to the carrying on of the business in a specific location to an appreciation of the fact that in an age of satellite communication, television imagery, and easy communication and movement of persons between countries, goodwill and reputation can attach to a business, not only in its locality, but likewise in other countries if the relevant factors are established. Particularly, is this so in the Jamaican locality and specifically in relation to the United States of America a few hundred miles to our north where large numbers of Jamaicans reside who travel home to Jamaica from time to time. Furthermore we are a country which is the beneficiary of a continuously expanding tourism industry fuelled with increasing frequency by large numbers of United States residents. In practical terms the many airline flights daily between Kingston and Miami, the constant traffic of Jamaicans on holiday and business to that United States city and vice-versa can almost be said to make each an extension of the other. I prefer in our jurisdiction to move away from the decision of Pennycuik J in ***Alain Bernardin v Pavilion Properties Ltd.*** [1967] RPC 581, (the ***Crazy Horse*** case) which wedded goodwill and reputation to the location of the business to subsequent cases like ***Baskin Robbins Ice-Cream v. Gutman*** [1976] FSR 545; ***Maxim's Ltd v. Dye*** [1978] 2 All ER 55 and ***Pete Waterman Ltd v CBS***

UK Ltd [1993] EMLR 107, which switched the focus away from location and concentrated on the question of the existence of goodwill and reputation which in every case is a question of fact. With respect to (b) the appellant registered Trade Marks in Jamaica in 1969 these being an Arched "M" with the name McDonald's across it. Each certificate of the Registrar carried a disclaimer in these terms:

"Registration of this Trade Mark shall give no right to the exclusive use of the letter "M" or to the word "McDonald's"."

The respondents maintain that this disclaimer debars the appellant from the exclusive use of the word "M" and the name McDonald's since this is what indeed the disclaimer says. What the disclaimer really means is that the Trade Mark is as displayed - the Arched "M" together with the name McDonald's written across it. That is the distinctive mark which is protected by the Trade Mark not the letter "M" ipso facto or the name McDonald's separately used. [See *In Re Diamond T Motor Car Company* (1921) 2 Ch 583]: The legal entitlement therefore of the appellant to use this Trade Mark is recognised in Jamaica and a relevant consideration in determining the balance of convenience and the status quo. This is not affected by the fact that there are applications to expunge these Trade Marks.

The law with respect to passing off essentially relates to the right possessed by a business which has established reputation and goodwill in a jurisdiction not to be exposed to the risk of injury by another business which

adopts features so closely resembling that of the first business as to create the misrepresentation made by passing off one person's goods as the goods of another.

The balance of convenience and the status quo

The determination of where the balance of convenience lay and how it is to be arrived at was dealt with by Lord Diplock in the *American Cyanamid* case at page 509 of the Report in the passage I have already cited:

It must be borne in mind that the appellant had opened a restaurant in Montego Bay under the name McDonald's and as such was trading in the Jamaican jurisdiction without objection by the respondents. The respondents' objections relate only to trading in the Corporate Area which to a large extent is the City of Kingston. The evidence so far is that the appellants have expended large sums of money to advertise the opening of its restaurant in Kingston. They then recruited and trained staff. Furthermore, the appellants wished to use a name or sign which is and has been registered in Jamaica as a Trade Mark of the appellant's since the year 1967. I have already dealt separately with the status of the Trade Marks.

In my view there are two balances of convenience to be determined, that is, the balance of convenience with respect to the appellant's claim for an interlocutory injunction and the balance of convenience with respect to the respondents' claim for an interlocutory injunction. The Learned Trial Judge seemed to have merged them into one. He is, in my view, clearly right that

there are serious issues of fact to be determined. These issues relate to both the appellant's and the respondents' claim for an injunction. He is also clearly correct that the balance of convenience with respect to the appellant's application lay in maintaining the status quo of the respondents. This meant that the respondents could continue the operation of their business at No. 1 Cargill Avenue, until the relevant issues of fact were finally determined. The Learned Trial Judge is however required also to apply the same approach quite separately to the respondents' application for interlocutory relief. The factors to which I have already referred do not seem to have formed part of the Learned Trial Judge's considerations in respect of the appellant's need for such protection in the terms referred to by Lord Diplock in the ***American Cyanamid*** case. Lord Diplock stated the governing principle with regard to the determination of the balance of convenience at p. 510 of the Report as follows:

"As to that, the governing principle is that the court should first consider whether if the plaintiff were to succeed at the trial in establishing his right to a permanent injunction he would be adequately compensated by an award of damages for the loss he would have sustained as a result of the defendant's continuing to do what was sought to be enjoined between the time of the application and the time of the trial. If damages in the measure recoverable at common law would be adequate remedy and the defendant would be in a financial position to pay them, no interlocutory injunction should normally be granted, however strong the plaintiff's claim appeared to be at that stage. If, on the other hand, damages would not provide an adequate remedy for the plaintiff in the event of his succeeding at the trial, the court should then consider whether, on the contrary hypothesis that the defendant were to succeed at the trial in establishing his right to do that which was sought to be

enjoined, he would be adequately compensated under the plaintiff's undertaking as to damages for the loss he would have sustained by being prevented from doing so between the time of the application and the time of the trial. If damages in the measure recoverable under such an undertaking would be an adequate remedy and the plaintiff would be in a financial position to pay them, there would be no reason on this ground to refuse an interlocutory injunction."

In my view the Learned Trial Judge does not appear to have applied his mind to the carrying out of this exercise.

This case too, raises issues as to what is indeed the status quo in relation to the appellant's claim, which the Learned Trial Judge sought to preserve as a counsel of prudence. In ***Garden Cottage Foods Ltd v Milk Marketing Board*** [1983] 2 All ER 770 at p. 774 Lord Diplock stated:

"The status quo is the existing state of affairs; but since states of affairs do not remain static this raises the query: existing when? In my opinion, the relevant status quo to which reference was made in the ***American Cyanamid*** case is the state of affairs existing during the period immediately preceding the issue of the writ including a permanent injunction or, if there be unreasonably delay between the issue of the writ and the motion for an interlocutory injunction, the period immediately preceding the motion. The duration of that period since the state of the affairs last changed must be more than minimal, having regard to the total length of the relationship between the parties in respect of which the injunction is granted; otherwise the state of affairs before the last change would be the relevant status quo."

Can it be simply concluded that the status quo in respect of the Kingston restaurant was that it had not yet opened? I doubt that. It may however not be

necessary to answer this because of my view that the balance of convenience is to be found in permitting the Kingston restaurant to be opened and proceed upon business until the final determination of the issues and the respondents' business at 1 Cargill Avenue, likewise to continue to operate.

Bearing in mind my view of the Trade Marks of the appellant and the other factors in relation to the Montego Bay business which I have already enunciated, as well as, in relation to the Kingston business, the restaurant which was on the brink of opening when these proceedings came before the Court, the Learned Trial Judge was in error in granting the interlocutory injunction against the appellant's opening of the Kingston restaurant on the basis of a balance of convenience and a status quo which relied on the fact the business had not already opened but which failed to take into account the other relevant factors.

In the circumstances, I would dismiss the appeal as it relates to the refusal by the Learned Trial Judge of the appellant's application for an interlocutory injunction to restrain the respondents from continuing its business at 1 Cargill Avenue. I would however allow the appeal in respect of the grant by the Learned Trial Judge of an injunction to the respondents to restrain the appellant from opening and carrying on its restaurant business in the Corporate Area.

The final matter for determination is the order of the Learned Trial Judge awarding costs to the respondents. In my view there must be some special

reason stated by a Trial Judge to justify the award of costs to one party or another at the stage of the hearing of an interlocutory injunction. I can find no justification for the making of an award of costs to the respondents in the circumstances. I would allow the appeal against the order for costs made by the Learned Trial Judge, set aside that order and substitute therefor the usual award that costs of the hearing of the interlocutory injunction should be costs in the cause.

The plaintiff/appellant will have the costs of the hearing of this appeal.

DOWNER JA

This judgment is divided into two Parts. Part I reflects how the case was argued. It makes declarations of law on the interlocutory application. Part II demonstrates how the case could have been disposed of shortly on preliminary points of law. The results would be the same, in either instance there would be no interlocutory injunctive relief. I have a preference for the approach in Part II as regards the action for passing off. It was the path followed by the Privy Council in **Durayappah v Fernando** [1967] 2 AC 237 or [1967] 3 WLR 289 or [1967] 2 All ER 152 when a vital party was not before the court. So on this basis the order in Part II ought to be the order of the court. As regards the action for breach of Trade Marks the issue of concurrent user must be explored on a full scale trial. The evidence at this stage is incomplete and no injunctive relief ought to be granted on this score either. I wish to emphasise that throughout this judgment I am dealing with the interim position. A trial will be different.

PART I - THE MERITS AT THE INTERIM STAGE

Introduction

How the conjoint hearing for interlocutory injunctions arose

The multinational McDonald's Corporation through its surrogate Three Rivers Management Ltd (Three Rivers) has established a restaurant at Ironshore in Montego Bay since 28th September 1995. Prior to that the multinational had registered trade marks in Jamaica since 1967. Three Rivers planned to open a restaurant in the Corporate Area but the multinational has been bebarred from trading under the McDonald's trade marks by virtue of an interlocutory injunction granted by Orr J, senior puisne judge.

The issue of the proper plaintiff was raised on the evidence of the appellant multinational. Here is the relevant evidence of Kenneth Hadland:

"16. In implementing its decision to open restaurants in Jamaica, the Plaintiff also entered into a joint venture agreement with Patricia Isaacs-Green, pursuant to which a joint venture company has been incorporated in Jamaica with licence to operate the first restaurant in Jamaica using the Plaintiff's name, trademarks and logos. Further, a ground breaking ceremony was held on 31st March, 1995 at the location for the first restaurant at Ironshore, Montego Bay, prior to the commencement of construction which

ceremony was again attended by a wide cross-section of the Jamaican community, members of the press and a Minister of Government. Since that time, the opening of the Plaintiff's restaurant in the month of September 1995, has been extensively advertised in Jamaica. Such advertising included the erection and maintenance of four billboards, as well as, the periodic placement of written advertisements in Jamaican newspapers."

This is an issue that will be a theme in Part I and will be developed in Part

II. It is sufficient to say neither the franchise nor the joint venture agreement was ever exhibited but it seems Three Rivers is the franchisee.

Then there is an affidavit by Patricia Isaacs-Green for the multinational which reads:

"1. My address is at Shop #203, Queens Drive, Montego Bay in the parish of Saint James and I am a joint-venture partner with the Plaintiff pursuant to which a joint-venture company by the name of Three Rivers Management Limited has been formed to operate the first McDonald's restaurant in Jamaica. Further, up to 30th September, 1995, I was employed to the Plaintiff in the position of Regional Vice-President and my employment ceased at the time of opening of the Plaintiff's first restaurant in Jamaica at Ironshore, Montego Bay in the Parish of Saint James on 28th September, 1995."

Here the error crops up in the record. She speaks of the plaintiff's restaurant when Three Rivers is not party to the action.

It was McDonald's Corporation Ltd and Vincent Chang (the respondents) who sought and obtained the interlocutory injunction which has precluded the multinational corporation (the appellants) from trading under the McDonald's trade mark in the Corporate Area. It was therefore in the nature of a quia timet proceedings. The Jamaican corporation has operated a restaurant at Cargill Avenue since 1971. Vincent Chang is the dominant shareholder.

Although there was no evidence adduced that the multinational corporation was registered under the Companies Act they struck the first blow. They instituted proceedings in the Supreme Court by writ, and the endorsement charged the respondents with being guilty of the torts of passing off and being in breach of their trade marks. As remedies, they claimed damages and a permanent injunction. It could have been argued that the respondents could have moved the Supreme Court to strike out the statement of claim if Three Rivers was not a party to the proceedings. Equally pursuant to section 90 of the Judicature (Civil Procedure Code) Law (The Code) at the trial the Court or Judge could order Three Rivers to be joined as a party. It seems that this procedure would also be available if there is a further appeal. Also to be noted is the provision in the Code which suggests that for an ordinary plaintiff out of the island security for costs is required. Section 663 reads:

"663. The Court may, if in any case it deems fit, require a plaintiff who may be out of the Island, either at the

commencement of any suit or at any time during the progress thereof, to give security for costs to the satisfaction of the Court, by deposit or otherwise; and may stay proceedings until such security be given."

Does this section apply to a company registered outside the jurisdiction?

I think not.

The respondents counterclaimed, and also sought interlocutory relief and the order granting their prayer tells the story. The relevant order reads:

"1. The Plaintiff be restrained until the trial of this action from opening or from causing or allowing the opening of a restaurant in the Corporate Area (as defined in the Kingston and St. Andrew Corporation Act) trading under the name 'McDonald's'."

The principal issue to be determined in this case was whether Orr J was correct to grant the respondents the above order while refusing to comply with the multinational's prayer. Here is how the refusal was worded:

"1. The application for an Injunction is refused;"

There is a curious omission from the order restraining the multinational corporation. The invariable rule is that an interlocutory injunction is granted on condition that the party who obtains it gives an undertaking to indemnify the restrained party in damages. The minute of order generally states, "Usual order in damages" and the party who has carriage of the

order writes out the condition in full for the Registrar's signature. Mr. Hylton, during these proceedings, told the court he prepared both orders. Perhaps this was an oversight, and I am sure Mr. Hylton will correct it as it would be unthinkable that a Queen's Counsel would seek interlocutory injunctive relief without giving the usual undertakings. The multinational summons for instance, has the following paragraph:

"2. And upon the Plaintiff by its counsel undertaking to abide by any order this Court may make as to damages in the event that this Court shall hereafter be of opinion that the Defendants or any of them have sustained damages by reason of this Order which the Plaintiff ought to pay."

Further, the respondents' affidavit contains the following paragraph:

"29. Damage will thereby be caused to the First Defendant's reputation and goodwill which could not be readily or easily quantifiable for the purpose of making an award of damages should the First Defendant succeed in its counterclaim at the trial of this action. The First Defendant owns the property at 1 Cargill Avenue which is registered at Volume III Folio 537 and all the equipment and stock of the business. A copy of the said title is exhibited hereto as VC 31 and a copy of a valuation report dated 20th October, 1995 as VC 32. Apart from the goodwill of the business, its assets are worth more than Twenty Million Dollars. The First Defendant therefore has adequate financial resources to pay any damages which the Plaintiff may suffer as a result of an injunction against it as prayed."

What is the true basis for granting interlocutory injunctions in instances where the grant of the injunction would either (a) dispose of the action finally in favour of the successful applicant or (b) be a grave injustice to the unsuccessful defendant?

The appropriate starting point to elucidate this issue is **NWL Ltd v Woods, NWL Ltd. v Nelson & anor.** [1979] 3 All ER 614. In stating the appropriate principle Lord Diplock said at p. 625:

“ My Lords, when properly understood, there is in my view nothing in the decision of this House in *American Cyanamid Co v Ethicon Ltd* [1975] 1 All ER 504, [1975] AC 396 to suggest that in considering whether or not to grant an interlocutory injunction the judge ought not to give full weight to all the practical realities of the situation to which the injunction will apply. *American Cyanamid Co v Ethicon Ltd*, which enjoins the judge on an application for interlocutory injunction to direct his attention to the balance of convenience as soon as he has satisfied himself that there is a serious question to be tried, was not dealing with a case in which the grant or refusal of an injunction at that stage would, in effect, dispose of the action finally in favour of whichever party was successful in the application, because there would be nothing left on which it was

in the unsuccessful party's interest to proceed to trial."

In the light of this principle, it is appropriate to ask, what was the practical effect of Orr's J decision. The multinational cannot trade under its registered trade mark until this matter is finally resolved perhaps eventually by their Lordships' Board. Even with expedited hearings, it would take about eighteen months after this judgment has been heard and determined at the interlocutory stage. Then there would still be the trial to come. In the meantime, the multinational company would be hobbled. The respondents may gain an unwarranted advantage if ultimately they lost.

There are other realities that the learned judge seemed to have ignored. The advertising budget would have to be distinguished between the Corporate Area and the other areas of Jamaica. The planned investment for other restaurants in the Corporate Area would be delayed and anticipated profits might evaporate. During that time the respondents would have the Corporate Area free of their powerful rivals. The learned judge also failed to recognise that there could be concurrent use of the McDonald's name if both parties had strong legal claims to use that name.

It is against these realities that Lord Diplock in the above case recognised that the balance of convenience was an additional element to take into account in circumstances such as this. He said at p. 625:

" Cases of this kind are exceptional,
but when they do occur they bring into the

balance of convenience an important additional element. In assessing whether what is compendiously called the balance of convenience lies in granting or refusing interlocutory injunctions in actions between parties of undoubted solvency the judge is engaged in weighing the respective risks that injustice may result from his deciding one way rather than the other at a stage when the evidence is incomplete. On the one hand there is the risk that if the interlocutory injunction is refused but the plaintiff succeeds in establishing at the trial his legal right for the protection of which the injunction had been sought he may in the meantime have suffered harm and inconvenience for which an award of money can provide no adequate recompense. On the other hand there is the risk that if the interlocutory injunction is granted but the plaintiff fails at the trial the defendant may in the meantime have suffered harm and inconvenience which is similarly irrecompensable. The nature and degree of harm and inconvenience that are likely to be sustained in these two events by the defendant and the plaintiff respectively in consequence of the grant or the refusal of the injunction are generally sufficiently disproportionate to bring down, by themselves, the balance on one side or the other; and this is what I understand to be the thrust of the decision of this House in *American Cyanamid Co v Ethicon Ltd.*"

To appreciate that Orr J went directly to the balance of convenience once he decided that there were arguable issues, it is best to refer to the following extract from his judgment. He ought to have

considered the special realities of the case before considering the balance of convenience:

“ From the foregoing It is clear that there are serious issues to be tried.

It was agreed on both sides that damages are not regarded as an adequate remedy in this type of action. The question then arises as to the balance of convenience. The plaintiff urged the loss of employment and investment in the Corporate Area which would not be compensatable as a factor in its favour. Further, the second defendant, the proprietor of the first defendant has two other successful chains of restaurants, namely Tastees and Twisters. It would be possible for the defendants to alter the signs at No. 1 Cargill Avenue. The defendants contended that the plaintiff had been warned of intended action by the first defendant's attorneys if it proceeded to open the restaurant. Further the plaintiff if not restrained, had the resources to destroy the first defendant's goodwill and business.

In the circumstances, I am of the opinion that the balance of convenience lies in preserving the status quo until trial. This will be achieved by the refusal of the application for an Injunction by the plaintiff and the grant of the defendants' application for an Injunction in terms of their Summons.”

Lord Diplock concluded thus at p. 626:

“Where, however, the grant or refusal of the interlocutory injunction will have the practical effect of putting an end to the action because the harm that will have been already caused to the losing party

by its grant or its refusal is complete and of a kind for which money cannot constitute any worthwhile recompense, the degree of likelihood that the plaintiff would have succeeded in establishing his right to an injunction if the action had gone to trial is a factor to be brought into the balance by the judge in weighing the risks that injustice may result from his deciding the application one way rather than the other."

It does not seem that Orr J recognised the serious injustice likely to be suffered by the multinational corporation debarring it from trading with its registered trade mark. Was Three Rivers barred? I think not. It was not a party to these proceedings. Be it noted however, Three Rivers could be added if there is a further appeal. Further, additional evidence can be marshalled as will be seen from the next citation.

It is now necessary to advert to the limited functions of this court since the multinational is seeking to reverse the order of the Supreme Court by setting aside the injunction. On this aspect there is a useful passage from Lord Diplock in **Hadmor Production Ltd & others v Hamilton & others** [1982] All E R 1042 at 1046. It has been frequently cited with approval by this Court. It runs thus:

"Before adverting to the evidence that was before the judge and the additional evidence that was before the Court of Appeal, it is I think appropriate to remind your Lordships of the limited function of an appellate court in an appeal of this kind. An interlocutory injunction is a discretionary relief and the discretion whether or not to grant it is vested in the

High Court judge by whom the application for it is heard. On an appeal from the judge's grant or refusal of an interlocutory injunction the function of an appellate court, whether it be the Court of Appeal or your Lordships' House, is not to exercise an independent discretion of its own. It must defer to the judge's exercise of his discretion and must not interfere with it merely on the ground that the members of the appellate court would have exercised the discretion differently. The function of the appellate court is initially one of review only. It may set aside the judge's exercise of his discretion on the ground that it was based on a misunderstanding of the law or of the evidence before him or on an inference that particular facts existed or did not exist, which, although it was one that might legitimately have been drawn on the evidence that was before the judge, can be demonstrated to be wrong by further evidence that has become available by the time of the appeal or on the ground that there has been a change of circumstances after the judge made his order that would have justified his acceding to an application to vary it. Since reasons given by judges for granting or refusing interlocutory injunctions may sometimes be sketchy, there may also be occasional cases where even though no erroneous assumption of law or fact can be identified the judge's decision to grant or refuse the injunction is so aberrant that it must be set aside on the ground that no reasonable judge regardful of his duty to act judicially could have reached it. It is only if and after the appellate court has reached the conclusion that the judge's exercise of his discretion must be set aside for one or other of these reasons that it becomes entitled to exercise an original discretion of its own."

To my mind, Orr J misunderstood the law and the evidence before him and went directly to the balance of convenience when the circumstances of the case ought to have led him to examine the realities before he went to analyse the balance of convenience. In any event, if he did not err on that score, it was contended that his assessment of the balance of convenience was also erroneous. What was the balance of convenience? Here is how Lord Diplock put it in **Garden Cottage Foods v Milk Marketing Board** [1983] 2 All ER 770 at p. 774-775:

“ The history of the trading relations between the company and the board, as I have outlined them, make it difficult to identify what was the relevant status quo which it was said in the *American Cyanamid* case it is a counsel of prudence to preserve *when other factors are evenly balanced*. The status quo is the existing state of affairs; but since states of affairs do not remain static this raises the query: existing when? In my opinion, the relevant status quo to which reference was made in the *American Cyanamid* case is the state of affairs existing during the period immediately preceding the issue of the writ claiming the permanent injunction or, if there be unreasonable delay between the issue of the writ and the motion for an interlocutory injunction, the period immediately preceding the motion. The duration of that period since the state of affairs last changed must be more than minimal, having regard to the total length of the relationship between the parties in respect of which the injunction is granted; otherwise the state of affairs before the last change would be the relevant status quo.”

A factor which seemed to have been ignored by Orr J was that when the respondents' summons was filed on 17th November 1995 to restrain the multinational:

"... until the trial of this action from opening or from causing or allowing the opening of the restaurant in the Corporate Area (as defined in the Kingston and St. Andrew Corporation Act) trading under the name 'McDonald',..."

the multinational through Three Rivers had since 28th September 1995, already opened its restaurant within the jurisdiction at Ironshore. This fact is mentioned by the learned judge but he gave it no weight. His Lordship's reasoning was based on incomplete evidence. There was no franchise before him and the evidence suggests the restaurants were being operated by Three Rivers, a company registered in this jurisdiction.

Yet His Lordship said:

" In 1994, the plaintiff formalised plans to open restaurants in Jamaica. An announcement was made at a press conference in October 1994 and the opening of the restaurant at Ironshore, Montego Bay was extensively advertised.

The plaintiff sought to acquire premises in the Corporate Area in which to operate. In March 1995 the second defendant offered to sell the business and premises at 1 Cargill Avenue among other places. The offer was refused on the ground that the price was too high.

The re-opening of the restaurant at 1 Cargill Avenue was also advertised.

Eventually both restaurants were opened. The first defendant's at Cargill Avenue on the 26th September, 1995 and the plaintiff's at Ironshore on the 28th September, 1995."

Mr. Henriques questioned the basis of awarding injunctive relief for a defined area in a unitary state but there are precedents for it. Foster J granted an injunction confined to Newcastle because the plaintiff had goodwill in that area. See **Levey v Henderson Kenton (Holdings) Ltd and another** [1974] R.P.C. 617. Prior to the opening in Ironshore, there were numerous applications by Jamaicans including the second respondent to acquire a McDonald's franchise. Further, the second respondent sought to sell the multinational sites in the Corporate Area which they knew were to be operated as restaurants trading under the McDonald's trade mark.

So there was no doubt that the multinational had goodwill in Jamaica as well as reputation. They had embarked on a massive advertising campaign and they saw this jurisdiction as one parish. That being the state of the status quo, the correct order would have been to refuse the interlocutory injunction prayed for by the respondents. The result would then be that both corporations, Three Rivers and the Jamaican McDonald's would have concurrent use of the name McDonald's and would be free to compete against each other within this jurisdiction. There is authority for suggesting that on this basis, such a

result could be found on a final hearing. Such was the position in **Habib Bank Ltd v. Habib Bank A.G. Zurich** [1981] WLR 1265 at 1275 Oliver L.J. as he was then, said:

“...The fact therefore that two or more people may be entitled to rely upon honest concurrent user of a mark to achieve registration leaves quite unaffected the question of whether they may be entitled to sue one another in a passing off action. What I think Mr. Jeffs is really saying in propounding his doctrine is really this, that where you find that two traders have been concurrently using in the United Kingdom the same or similar names for their goods or businesses, you may well find a factual situation in which neither of them can be said to be guilty of any misrepresentation. Each represents nothing but the truth, that a particular name or mark is associated with his goods or business.”

If this could be the result in the instant case, the learned judge exercised his discretion wrongly in granting the injunction and this court is free to consider the matter afresh and exercise its own discretion.

There is yet another area which demonstrates that the learned judge exercised his discretion wrongly before he considered the balance of convenience. The multinational corporation had its registered trade mark giving it exclusive right to use the arched 'M' in combination with the word McDonald's.

To appreciate the learned judge's error, it is necessary to realise that the authorities suggest that if the construction of the statute is in

favour of the multinational corporation, it is the duty of the court to so construe it. To label such an issue as a serious issue to be tried at the final hearing, would be the wrong exercise of a discretion.

How has the law developed in this regard. The starting point is **American Cyanamid** [1975] 1 All ER 504. Lord Diplock at 510 said:

“ It is no part of the court's function at this stage of the litigation to try to resolve conflicts of evidence on affidavit as to facts on which the claims of either party may ultimately depend nor to decide difficult questions of law which call for detailed argument and mature considerations.”

Then in **N W L Ltd v Woods** [1979] 3 All ER 614, the House of Lords decided to refuse interlocutory injunctive relief where on the true construction of the statute, the defendant was likely to demonstrate that statutory immunity was applicable to it. Here is how Lord Diplock put it at p. 626:

“... Judges would, I think, be respecting the intention of Parliament in making this change in the law in 1975, if in the normal way the injunction were refused in cases where the defendant had shown that it was more likely than not that he would succeed in his defence of statutory immunity; but this does not mean that there may not be cases where the consequences to the employer or to third parties or the public and perhaps the nation itself, may be so disastrous that the injunction ought to be refused, unless there is a high degree of probability that the defence will succeed.

My Lords, the instant case presents no problem. On the evidence before the court at each stage of these proceedings, the defendants have a virtual certainty of establishing their defence of statutory immunity."

Lord Fraser was equally emphatic. At p. 628 His Lordship said:

"... The word 'Likelihood' is a word of degree and the weight to be given to the likelihood of establishing the defence will vary according to the degree of the likelihood. If the court considers that the respondent is virtually certain to establish the trade dispute defence, it will naturally give more weight to this factor than if it considers the prospect of successfully establishing the defence is doubtful. In my opinion therefore the effect of sub-s (2) of s 17 is that the court, in exercising its discretion, should have regard to the balance of convenience including the likelihood (and the degree of likelihood) of the respondent's succeeding in establishing the defence of trade dispute, and then come to a decision on the whole matter."

Lord Scarman makes it plain that a court of construction must construe at the interlocutory stage in some instances. Here is how he states the court's function at p. 628:

"The second question arises on s 17(2) of the 1974 Act. On an application for an interlocutory injunction against a party who claims to have a defence that he acted in contemplation or furtherance of a trade dispute, what measure of regard are the courts to have to 'the likelihood' of his establishing the defence at the trial? The answer to this question is not to be found

in the subsection which, by its silence, leaves it to the courts."

Lord Scarman also makes it clear that it is the duty of the court to construe and not abdicate its function by saying "there is a serious issue to be tried." Here is how he states the legal position at p. 633:

" Both of my noble and learned friends treat the likelihood as an element to be weighed in the balance of convenience. Though the difference may be no more than semantic, I do not. I see it as a separate factor to which regard is to be had. Counsel for the defendants submitted that it must be treated as an overriding or paramount factor; in other words, if established (even on no more than a balance of probabilities), it precludes the issue of an injunction. But the subsection does not say so; and I would not fetter the residual discretion left to the courts by an epithet which Parliament could have used but did not. Nevertheless the question remains: if the likelihood is no more than a probability, is the court to pay the regard to it that it would if it were a practical certainty? The legislative purpose, or policy, of the Act provides the answer. If there is a trade dispute, the policy of the legislation is immunity, or (as the case may be) restriction of civil liability, for acts done in contemplation or furtherance of the dispute. There is to be, outside the criminal courts, no judicial review of such acts. The existence of so sweeping a legislative purpose leads me to conclude that, if there is a likelihood as distinct from a mere possibility of a party showing that he acted in contemplation or furtherance of a trade dispute, no interlocutory injunction should ordinarily be issued. A balance of probabilities will suffice in most

cases for the court to refuse it. I do not rule out the possibility that the consequences to the plaintiff (or others) may be so serious that the court feels it necessary to grant the injunction, for the subsection does leave a residual discretion with the court. But it would, indeed, be a rare case in which a court, having concluded that there was a real likelihood of the defence succeeding, granted the injunction."

Lord Diplock reiterated this stance in **Hadmor Productions Ltd & ors. v. Hamilton & ors.** [1982] 1 All ER 1042 at p. 1048-1049 where he said:

"Hadmor can succeed in the action if it succeeds in establishing that the answer to issue (i) is Yes and either that the answer to issue (ii) is No or, if it is Yes, that the answer to issue (iii) is No.

On an application for an interlocutory injunction, however, somewhat different considerations apply.

I do not think that your Lordships should approach this case on the assumption that this action will never come to trial but will in effect be finally disposed of by these interlocutory proceedings. Your Lordships have been informed that Hadmor has other points on which it relies in support of its cause of action which have not been raised in these interlocutory proceedings. So in applying his mind to the issue (I) the judge must follow the guidance given by this House in *American Cyanamid Co v Ethicon Ltd* [1975] 1 All ER 504 at 510, [1975] AC 396 at 407, and ask himself whether the evidence before him discloses a serious question to be tried:

did Hamilton and Bould commit a tort at common law? To issues (ii) and (iii), however, s 17(2) of the Trade Union and Labour relations Act 1974, as amended in 1975, applies. The effect of this section was dealt with by this House in *NWL Ltd v Woods* [1979] 3 All ER 614, [1979] 1 WLR 1294. Suffice it to say that the fact that the evidence before the court makes it more likely than not that if at the trial that evidence were neither supplemented nor contradicted the defendant would succeed in establishing a statutory immunity under s 13 of the Act is a factor in favour of refusing to grant an interlocutory injunction which, although not necessarily conclusive, is a weighty factor and the greater the likelihood the greater is the weight to be attached to it."

In another instance, **Garden Cottage Foods** [1983] 2 All ER 770, the House of Lords came to a majority decision in face of a powerful dissent by Lord Wilberforce. What did the majority decide? Lord Diplock who spoke for the majority said at p. 775:

" A breach of the duty imposed by art 86 not to abuse a dominant position in the Common Market or in a substantial part of it can thus be categorised in English law as a breach of a statutory duty that is imposed not only for the purpose of promoting the general economic prosperity of the Common Market but also for the benefit of private individuals to whom loss or damage is caused by a breach of that duty."

If this categorisation be correct, and I can see none other that would be capable of giving rise to a civil cause of action in English private law on the part of a private individual who sustained loss or damage

by reason of a breach of a directly applicable provision of the EEC Treaty, the nature of the cause of action cannot, in my view, be affected by the fact that the legislative provision by which the duty is imposed takes the negative form of a prohibition of particular kinds of conduct rather than the positive form of an obligation to do particular acts. Of the many statutory duties imposed on employers under successive Factories Acts and regulations made thereunder, which have provided far and away the commonest cases of this kind of action, some take the form of prohibitions, others positive obligations to do something, yet it has never been suggested that it makes any difference to the cause of action whether the breach relied on was a failure to perform a positive duty or the doing of a prohibited act."

To demonstrate that the majority of Their Lordships were virtually creating new law in interlocutory proceedings, it is prudent to cite Lord Wilberforce's comment at p. 783:

"... There is of course nothing illogical or even unusual in a situation in which a person's rights extend to an injunction but not to damages; many such exist in English law. Community law, which is what the English court would be applying, is, in any case, *sui generis* and the wording used in art 86, 'prohibited' and 'so far as it may affect trade between Member States', suggest that this may be such a case, the purpose of this article in the treaty being, so far as necessary, to stop such practices continuing. No doubt there are arguments the other way; I am certainly not contending for reverse

unarguability, but I regret that this House should take a position on this point, which was only skeletally argued in an interlocutory proceeding. It seems to me, with respect, and I am supported by Lord Denning MR, to deserve consideration in greater depth, and, if I may invoke *American Cyanamid Co v Ethicon Ltd* [1975] 1 All ER 504 at 510, [1975] AC 396 at 407 the court should not in an interlocutory proceeding 'decide difficult questions of law which call for detailed argument and mature consideration.' "

The issue of the Trade Marks

To embrace Sandra McDonald as the respondents did could have been a whim. To set out deliberately to pass off one's goods as that of another by adopting the name of a secretary to confuse might be a ruse whether it could amount to fraud is a matter to be determined at a trial.

It is against this background that this court must decide whether it was correct for Orr J to debar the multinational corporation from using its trade mark in the Corporate Area. The learned judge found that:

"The marks are an arched 'M' used in association with the name 'McDonalds'."
[emphasis supplied]

Perhaps it would be instructive to set out the Certificate of Registration. The mark which is an arched M with the words McDonald's written across it. Then below the trade mark in each instance is the disclaimer which is akin to an exception clause. It is as follows:

"Registration of this Trade Mark shall give no right to the exclusive use of the letter 'M' and the word 'Mcdonald's.'"

Then follows the body of the certificate which states:

" The Trade Mark shown above has been registered in Part B of the Register in the name of-

MCDONALD'S CORPORATION, a corporation organised and existing under the laws of the State of Delaware, located at McDonald's Plaza, Oak Brook, Illinois, United States of America, trading as Manufacturers_____ in Class 16 Schedule IV under No. B21,019 as of the date 27th June, 1979 in respect of Printed matter, paper and paper articles, cardboard and cardboard articles, periodicals, books."

Then the items to which the trade mark is registered:

"Hamburgers, Cheeseburgers, fish sandwiches and apple pie."

as well as:

"Mineral and aerated waters and other non-alcoholic drinks. French Fried potatoes and milk shakes."

The significance of these trade marks is: How are they to be interpreted in the light of section 16 of the Trade Marks Act? That section provides:

"16. If a trade mark -

- (a) contains any part not separately registered by the proprietor as a trade mark; or
- (b) contains matter common to the trade or otherwise of a non-distinctive character,

the Registrar or the Court, in deciding whether the trade mark shall be entered

or shall remain on the Register, may require, as a condition of its being on the Register -

- (i) that the proprietor shall disclaim any right to the exclusive use of any part of the trade mark, or to the exclusive use of all or any portion of any such matter as aforesaid, to the exclusive use of which they hold him not to be entitled; or
- (ii) that the proprietor shall make such other disclaimer as they may consider necessary for the purpose of defining his rights under the registration:

Provided that no disclaimer on the Register shall effect any rights of the proprietor of a trade mark except such as arise out of the registration of the trade mark in respect of which the disclaimer is made."

It would seem that while the multinational has disclaimed an exclusive right to the letter M or the word McDonald's, the arched M with McDonald's written across is the claimed distinction and to preclude the multinational from trading with its registered trade mark would be to deprive it of its property when it was more than likely to succeed in exercising its legal right at a full trial.

The contrary construction urged by Mr. Hylton for the respondents would enable the exception clause or disclaimer to eliminate the protected

right. That would be contrary to the canons of construction which states a court of construction ought to construe exception clauses and disclaimers narrowly.

Are there authorities which support the construction advanced by Mr. Henriques for the multinational. **In re Diamond T Motor Car Co.**

[1921] 2 Ch. 583 P.O. Lawrence J said at 592:

"... Lest however the use of the word 'Diamond' in the applicants' mark should after registration be thought to have conferred any exclusive right to such a border I propose as a condition of registration to require the applicants to disclaim any right both to the exclusive use of a diamond-shaped border and also to the exclusive use of the word 'Diamond'."

The headnote sets out the reasons for the decision with clarity. It reads:

" Held, on the evidence, that the mark considered as a whole was adapted to distinguish the vehicles of the company from those of other manufacturers, and was a distinctive mark registrable under s. 9, sub-s. 5, subject to the company disclaiming any right to the exclusive use of a diamond-shaped border and of the word 'Diamond' "

In Kohler Company's Trade Mark Application [1984] RPC 125 at 130

Whitford J said:

"... I have to come to the conclusion that what appears to have been the first impression of the Registry and what was certainly my first impression is the right one, namely, that this is essentially an application for what would be recognised

as a trade mark although no doubt it could be seen that there is a K within it. Subject to the disclaimer that was originally allowed, this mark should be permitted to proceed. I think that the decision was a wrong one and accordingly the appeal should be allowed."

The disclaimer was delineated thus by the learned judge at p. 127:

"... It was indicated that subject to certain alterations to the specification of goods which are immaterial for present purposes the only other requirement would be that there should be a disclaimer to any exclusive right in the letter K."

Lindlay LJ suggests the same approach in **Alexander Pirie & Sons v**

Goodall [1892] 1 Ch 35 at p. 43 His Lordship said:

"Now, upon that the question arises what this disclaimer means. One meaning is fatal to the present Appellants. If you take the disclaimer literally and strictly to mean that they do not claim either the word '*Parchment*' or the word '*Bank*', they are out of Court; but it may admit of another and perhaps less accurate construction. It may mean, and I will assume it does mean, what Mr. Moulton contends it means, that they do not claim the exclusive use of either of these words separately. They have not put in the word 'separately,' but I will assume that the disclaimer means that. I will assume that the disclaimer entitles them to say that, although they have disclaimed the right to the exclusive use of either the word '*Parchment*' or the word '*Bank*' separately, they can still claim the use of those words in combination, and either with or without the word '*Pirie*.' "

To my mind, Orr J failed to consider the consequential results of the multinational's establishment of a restaurant within the jurisdiction, and the registration of its distinctive trade mark. Also there is the issue of concurrent user. The balance of convenience made the exercise of the discretion to restrain the multinational in the Corporate Area questionable. The interlocutory injunctive relief ought to be set aside and the multinational be allowed trade in the Corporate Area under its registered trade mark. If it were not for the issues raised in Part 11 it would now be open to the multinational Corporation to enforce the usual undertakings as to damages and the Registrar of the Supreme Court would be so directed if an application is made on proof that the multinational is registered in Jamaica. I however refrain from making such an order as I am unable to say on the incomplete state of the evidence at this interim stage what is the relationship between the multinational and Three Rivers as regards the registered trade marks. Is it assigned to Three Rivers in Jamaica? Be it noted that in **Armway Corporation v Eurway International Ltd.** [1974] RPC 82 referred to in **The Athletes Foot Marketing Associates Inc. v Cobra Sports Ltd & another** [1980] RPC 343 at p. 354 the American company was the first plaintiff and the United Kingdom subsidiary the second plaintiff. Such an application would have to be made to this court initially by resorting to the procedure of liberty to apply. That matter will be developed in Part II.

Was Orr J correct to refuse the multinational's prayer to restrain the respondents from trading under their registered name of McDonald's?

The ground of appeal pertaining to this aspect of the case was worded thus:

"... that an injunction be granted against the Respondents in terms of the Appellant's Summons dated 5th October 1995 with costs to the appellant."

So the first fact to note was that the respondent company was registered from as far back as 1971. The multinational was not the renowned international fast food specialist that it has since become. It was established in only four countries outside the U.S.A. . The original founders of the respondent company, embraced Sandra McDonald a secretary as one of the original subscribers but at that stage it would be difficult to determine if that name was deliberately pirated as the multinational suggests. The gist of the multinational's complaint is rehearsed in Kenneth Hadland's affidavit:

"8. In or about January 1973 in the course of exploring the feasibility of opening a restaurant in Jamaica, the Plaintiff discovered that a restaurant had been set up by the Defendants on the corner of Half Way Tree Road and Cargill Avenue, the civic address of which is 1 Cargill Avenue in the Parish of Saint Andrew and I exhibit and annex hereto marked with the letter 'E' for identity, a

copy of the advertisement which came to the Plaintiff's attention in January 1973.

9. The Plaintiff sought assistance in 1973 from its attorneys-at-law, Messrs. Myers, Fletcher & Gordon requesting them to investigate the matter and requesting advice as to whether under Jamaican law the Plaintiff would be able to stop the unauthorized use of the name McDonald's. The Plaintiff was advised by Myers, Fletcher & Gordon in 1973 that the restaurant at 1 Cargill Avenue was being operated by the First Defendant whose principal shareholder and managing director was the Second Defendant Mr. Vincent Chang and the Plaintiff was further advised that the Plaintiff could not successfully bring an action to prevent the Defendants from using the name McDonald's.

As to the opinion tendered by Myers, Fletcher and Gordon, it was not exhibited. It was not clear why it was said that proceedings could not have been instituted against the respondents. Was it because the multinational was not registered under the Companies Act or was it because of **Alain Bernadin et Campagnie v Pavillon Properties Ltd**, the **Crazy Horse** [1967] RPC 581 or [1967] FSR 341. If the opinion was based on the **Crazy Horse** case there were previous cases which gave a contrary opinion and a different conclusion. Those cases are listed in **Pete Waterman Ltd & Ors. v CBS United Kingdom Ltd** unreported transcript [1990]. At page 123 of the transcript Sir Nicholas Browne-Wilkinson VC said:

" As a matter of legal principle, I can see no reason why the Courts of this country should not protect the trading relationship between a foreign trader and his United Kingdom customers by restraining anyone in this country from passing himself off as the foreign trader. The essence of a claim in passing off is that the defendant is interfering with the goodwill of the plaintiff. The essence of the goodwill is the ability to attract customers and potential customers to do business with the owner of the goodwill. Therefore any interference with the trader's customers is an interference with his goodwill. The rules under which for certain purposes a specific local situation is attributed to such goodwill appear to me to be irrelevant. Even if under such rules the situs of the goodwill is not in England, any representation made to customers in England is an interference with that goodwill wherever it may be situate. Only if English law refuses to recognise the existence of rights locally situate abroad, should the English courts refuse to protect such rights. But English law in general is not so chauvinistic; it does recognise and protect rights which are locally situate abroad. The rights of a beneficiary under a New York trust in assets in England will be protected by an English Court even though the situs of his right is in New York. Therefore, when a foreign trader has customers here, one would expect the English Courts to protect his goodwill with those customers."

Then His Lordship continued thus:

" Down to the decision in *Crazy Horse* case (1967) RPC FSR 341 in 1967 there was nothing in the authorities inconsistent with that view. In the *Panhard Levassor* case (1901) 2 Ch, 513, the Court

restrained the use of the name of the Franch car manufacturer in this country by a usurper even though the French company had no place of business or agent here and did not sell directly to customers here. It was sufficient that cars were bought in France and imported here. In *Poiret v Jules Poiret Ltd* (1920) 37 RPC, the plaintiff obtained an injunction here though he had no place of business here. He had visited this country to sell and had English customers. In *R J Reuter Co Ltd v Muhlens* (1954) Ch 50, 70 RPC 235, a trader whose goods were not being imported here was held to have no protectable interest here. In *T Oertli AG v EJ Bowman (London) Ltd* (1957) RPC 388, Jenkins LJ stressed that there had to be user of the name in this country which associated the name with a foreign trader. In *Sheraton Corporation v Sheraton Motels Ltd* (1964) RPC 202, Buckley J granted an interlocutory injunction to the Plaintiff, the well known international hotel chain, which then had no hotel in England but did have an office which took bookings for the use of its hotels outside the United Kingdom."

The affidavit of Kenneth Hadland continues thus:

"10. By letter dated 23rd August, 1973 from Messrs. Myers Fletcher & Gordon to the Plaintiff. Mr. Frank L. Myers, the then senior partner of Messrs. Myers, Fletcher & Gordon further reported upon a conversation which he had had with the Second Defendant, the owner and managing director of the First Defendant, in which it was stated, inter alia, that one Sandra McDonald, who had been a subscriber to the Memorandum and Articles of Association of the First Defendant, had no actual interest in the First Defendant and indeed that she was a

young girl and a daughter of a former employee of Myers, Fletcher & Gordon whose name appeared as a subscriber as a sham by the Defendants to attempt to justify the adoption and use of the Plaintiff's name by reason of Sandra McDonald's interest in the company and I exhibit and annex hereto marked with the letter 'F' for identity, a photocopy of the letter from Messrs. Myers, Fletcher & Gordon dated 23rd august, 1973."

The letter is revealing. Here it is:

" 23rd August 1973
by Airmail.

Kenneth W. Hadland Esq.,
Attorney-at-law
MCDONALD'S CORPORATION,
Mcdonald's Plaza
OAK BROOK, ILLINOIS 60521, U.S.A.

Dear Sir,

re'McDonald's' restaurants being
operated in Jamaica, etc.

In continuation of our letter of 17th August 1973 we now beg to report a development which has recently taken place in this matter.

2. On 17th August 1973, just after we had dispatched our letter above referred to, Vincent Chang came into our office in order to sign a document in connection with the Trade Mark registration matter in which we are acting for his company Tastee Limited and which we mentioned in our letter above referred to, and the signer took the opportunity of speaking to him about McDonald's corporation Limited and its activities.

3. The signer told Vincent Chang that he had received instructions some time ago from McDonald's Corporation in the United States to find out who was operating 'McDonald's' restaurants in Jamaica as such persons had no authority from McDonald's Corporation to use the name 'McDonald's', and that the signer had found out that he, Vincent Chang, is the man behind the business and that he is a Director of McDonald's Corporation Limited. The signer also told Vincent Chang that he did not believe that Sandra McDonald, who is a subscribing shareholder, has any real interest in McDonald's Corporation Limited as she is a young girl, the daughter of a lady who used to be a Secretary employed to this firm, and that her name only appears as a sham.

4. Vincent Chang is a Chinese, apparently of mixed blood, and he then exhibited his Chinese inscrutability. He was obviously somewhat taken aback at being 'tackled' by the signer about McDonald's Corporation Limited, as this must have been entirely unexpected, but he blandly stated that he only has an interest in the company and that Albert Chung is really the person behind the business. The signer told him that even if this is so, he, Vincent Chang, is the director who signed the loan documents when money was raised from the bank. This he could not deny and we believe that his statement that Albert Chung is the person behind the business is untrue. Albert Chung is known as the manager and we believe that this is all he is.

5. The signer further told Vincent Chang that this firm did not yet have any instructions from McDonald's Corporation

of the United States as to what they intended to do about the matter; but that what he, Vincent Chang, is doing is improper, even if he is able to 'get away with it', and that it would do him no good in the business community if it were made known publicly that he had 'pirated' the name of a well-known American business; and that he should do something about putting a stop to it. He continued to be inscrutable and said that he would speak to Albert Chung about the matter.

6. The signer does not believe that Vincent Chang has any intention of doing anything about putting a stop to his improper activities; but perhaps you should consider whether McDonald's Corporation should get us to write McDonald's Corporation Ltd. threatening to expose the position by advertising in the local press that McDonald's Corporation Ltd. and the 'McDonald's' restaurants being operated in Jamaica have no connection with the well known United States chain of restaurants bearing the name 'McDonald's' and requiring McDonald's Corporation Ltd. to cease using the name 'McDonald's' in their business.

In this connection we would be glad to learn whether the manner in which the name 'McDonald's' is printed in the signs denoting the restaurants in Jamaica is similar to the printing of the signs indicating your businesses in the United States, as we believe this to be the case. You already have an advertisement of one of the Jamaica restaurants with which you can make a comparison. Furthermore, we believe that the device of a knife a fork and a spoon exhibited by the restaurants in Jamaica is also copied from a similar

sign exhibited by the restaurants in the United States. Is this so?

8. We have been trying, so far without success, to obtain for you a copy of the advertising special published by The Daily Gleaner newspaper which we mentioned in our letter of 17th August 1973. If we succeed we will send it to you along with this letter.

9. We shall be glad to hear from you answering the questions asked in this letter and advising us as to your further thoughts in this matter and as to whether you think the above suggestion has any merit and to receive your further instructions.

Yours faithfully,

MYERS FLETCHER &
GORDON

No one seems to have realised even at this hearing that there was no evidence to suggest that the multinational was registered under the Companies Act. The multinational, apart from registering its trademark, had no customers or goodwill in Jamaica at that time. The respondents contended that there was no capacity for the multinational to institute proceedings when they did as they had no goodwill or place of business within the corporate area. This was developed in the Supreme Court and adverted to under the title of good will in this court and the **Athletes Foot** was cited.

The authorities suggest that the crucial determinant is goodwill within the whole jurisdiction and not part of it, for goods or services with an international reputation. For a jurisdiction like Jamaica where tourism is a leading industry and the majority of tourists are Americans, this is a cogent argument. In their grounds of appeal, the multinational put its case thus:

"4. Further, the Learned Judge failed to appreciate or give consideration to the fact that the relevant status quo at the date of the making of the order was that the Appellant had an existing restaurant business within the jurisdiction to which was attached goodwill or reputation in the Corporate Area and had erected a restaurant at the corner of Molyne's Road and Washington Boulevard, had employed staff and had scheduled the opening of that restaurant for the month of April 1996 and that the aforesaid grant of the injunction would cause irreparable harm not only to the Appellant, but also to third parties who would lose the opportunity of employment, as well as, the general loss of investment. In the circumstances, the grant of the injunction in favour of the Respondents would cause greater hardship than if such injunction were refused.

5. Further, the grant of the injunction would cause greater hardship and would result in loss of employment and investment opportunity, loss to the Appellant of the ability to exploit its goodwill in the Corporate Area, loss of business from customers, loss or diminution of its ability to attract the customers that the Appellant would otherwise attract by having the use of its

name, which losses are not or quantifiable or compensatable by an award of damages if the injunction were not to be discharged.

6. Further in considering whether the balance of convenience and/or preservation of the status quo lay in favour of the grant of an injunction against the Appellants, the Learned Judge ought properly to have considered and given weight to the fact that the Appellant was the registered proprietor of a number of Jamaican trade marks which gave the Appellant legal title and right to make use of such trade marks so long as same were not discharged or set aside. Among the Appellant's registered trade marks was an arched 'M' with the word 'McDonald's'. The effect of the grant of an injunction in favour of the Respondents would preclude and prohibit the appellant from making use of its trade marks in the Corporate Area despite its subsisting legal title to same and despite the fact that those trade marks could continue to be used in the other twelve parishes. In the circumstances, the Learned Judge erred by failing to appreciate that the balance of convenience ought to lie in favour of the Appellant who had legal title and therefore who ought not to be precluded from exercising its rights to same pending the determination of the action."

I must reiterate that the appellant's evidence suggests that it was Three Rivers who established a restaurant in Ironshore and as well at Washington Boulevard not the multinational. To illustrate **Cadbury Schweppes Pty Ltd & ors. v Pub Squash Co Pty Ltd** [1981] 1 All ER 213 was cited by the appellant and it is clear from page 215 that **Cadbury**

Schweppes a subsidiary was registered in Australia. It would seem that Three Rivers could go it alone in this jurisdiction or in combination with the multinational. Three Rivers therefore is an essential party.

Those authorities on passing off as it relates to jurisdiction must now be examined.

The Capacity of the multinational to institute proceedings for passing off if it is properly registered in the jurisdiction

In determining the state of the common law, it is always prudent to examine the latest case initially and the earlier cases can be correctly interpreted. **Reckitt & Coleman Products Ltd v Border Inc & anor.** [1990] 1 All ER 873 was a case where the factual situation was similar to this case. The principal appellant was a Belgian subsidiary of a United States Company, Borden Incorporated, who sold lemon juice in the United Kingdom and Reckitt & Colman accused them of passing off and their action succeeded. The following statement of principle from Lord Oliver at p. 880 is of importance:

" Although your Lordships were referred in the course of the argument to a large number of reported cases, this is not a branch of the law in which reference to other cases is of any real assistance except analogically. It has been observed more than once that the questions which arise are, in general, questions of fact. Neither the appellants nor the respondents contend that the principles of law are in any doubt. The law of passing off can be summarised in one short

general proposition, no man may pass off his goods as those of another. More specifically, it may be expressed in terms of the elements which the plaintiff in such an action has to prove in order to succeed. These are three in number. First, he must establish a goodwill or reputation attached to the goods or services which he supplies in the mind of the purchasing public by association with the identifying 'get-up' (whether it consists simply of a brand name or a trade description, or the individual features of labelling or packaging) under which his particular goods or services are offered to the public, such that the get-up is recognised by the public as distinctive specifically of the plaintiff's goods or services. Second, he must demonstrate a misrepresentation by the defendant to the public (whether or not intentional) leading or likely to lead the public to believe that goods or services offered by him are the goods or services of the plaintiff. Whether the public is aware of the plaintiff's identity as the manufacturer or supplier of the goods or services is immaterial, as long as they are identified with a particular source which is in fact the plaintiff. For example, if the public is accustomed to rely on a particular brand name in purchasing goods of a particular description, it matters not at all that there is little or no public awareness of the identity of the proprietor of the brand name. Third, he must demonstrate that he suffers or, in a quia timet action, that he is likely to suffer damage by reason of the erroneous belief engendered by the defendant's misrepresentation that the source of the defendant's goods or services is the same as the source of those offered by the plaintiff."

Then Lord Oliver continues at p. 884 by citing a passage from Lord Cranworths' judgment in **Farina v Sherlock** [1856] 6 De S M & G 214 at p. 218; 43 ER 1214 at p. 1216 thus :

" '... I apprehend that the law is perfectly clear, that anyone, who has adopted a particular mode of designating his particular manufacture, has a right to say, not that other persons shall not sell exactly the same article, better or worse, or an article looking exactly like it, but that they shall not sell it in such a way as to steal (so to call it) his trade-mark, and make purchasers believe that it is the manufacture to which that trade-mark was originally applied.' "

In their main action, the multinational avers that the respondents are guilty of fraud. Paragraph 7 of the statement of claim reads:

"7. The Defendants have since the month of January, 1995 passed-off and attempted to pass-off the Defendants' said business and restaurant at 1 Cargill Avenue, Kingston 10 in the Parish of Saint Andrew as being the business of the Plaintiff or as associated with the business of the Plaintiff and further, the Defendants have infringed the Plaintiff's aforesaid registered trademarks by using a colourable imitation of the Plaintiff's arched 'M' corporate logo on the Defendants' signs displayed at the premises 1 Cargill Avenue, Kingston 10 in the Parish of Saint Andrew."

Then the particulars indicate the nature of the fraud:

"7(A) The Second Defendant formed the First Defendant in 1971 to carry on a restaurant business using the name

'McDonald's Corporation' which is not the name of anyone having an interest in the First Defendant. The Second Defendant obtained the signature of one SANDRA McDONALD as a subscriber to the First Defendant's Memorandum and Articles of Association, when SANDRA McDONALD had no interest in the First Defendant and whose name appeared as a sham so that the Defendants could attempt to justify the adoption and use of the Plaintiff's name in their restaurant business.

7(B) In a further attempt to wrongfully associate their business with the Plaintiff's and to thereby deceive, mislead and/or confuse the public, the Defendants used the word 'Corporation' with the name 'McDONALD'S' in order to form the First Defendant with a name which is an exact imitation of the Plaintiff's name, in the circumstances, where the word 'Corporation' though commonly used in the United States of America is not commonly utilized as part of the name of companies incorporated in Jamaica."

That was not an issue that can be properly explored in interlocutory proceedings. However, when that issue is properly ventilated Lord Herschell's words ought to be heeded. Lord Oliver in **Reckitt and Colman** (supra) cites the passage thus:

"Again Lord Herschell observed ([1896] AC 199 at 214-215, [1895-9] All ER Rep 133 at 142):

' What right, it was asked, can an individual have to restrain another from using a common English word because he has chosen to employ it as his trade-mark? I answer he has no such right: but he has a right to insist that it

shall not be used without explanation or qualification if such a use would be an instrument of fraud.' "

As regards the averment of piracy of the multinational's name, the response of the dominant shareholder of the respondent was that:

"3. Although I am a subscriber in the First Defendant, I had almost nothing to do with its incorporation or with its operations during its early years. A group of business people including John Chang, Arthur Chi Onn and Cleve Stewart, decided in 1970 to acquire a restaurant known as 'Cee Bees' which had been operating at 1 Cargill Avenue for many years. John Chang is my uncle."

Wadlow 2nd edition The law of passing off has a useful passage on this issue at p. 210. It reads:

"...If the plaintiff's name or mark happens to be a personal name it was once quite common to recruit an individual of that name and name the business after him in purported exercise of the right of every person to trade under his own name. Examples of this being restrained are numerous *Croft v Day* (1843) 49 ER 994; *Valentine Meat Juice Co. v. Valentine Extract Co. Ltd.* (1900) 17 R.P.C. 673 (C.A.); *Morral (Abel) Ltd v. Hessin & Co.* (1903) 20 R.P.C. 429 C.A.); *Rodgers (Joseph) & Sons Ltd v. W.N. Rodgers & Co.* (1924) 41 R.P.C. 277; *Alfred Dunhill Ltd. v. Sunotopic S.A.* (1979) F.S.R. 337 (C.A.). The two occur together in *Southern v. Reynolds* (1865) 12 L.T. 75 (Page-Wood V.-C.) and in the hypothetical example of a Mr. Bass setting up as a brewer in Burton-on-Trent. In general, the defendant who goes out of his way to give colourable truth to a

representation which is misleading in fact only provides evidence against himself. 'The defendant was actually manufacturing starch at Glenfield, having gone thither for the purpose of enabling him to say that he was manufacturing it at Glenfield' is how James L.J. in *Massam v Thorley's Cattle Food Co.* (1880) 14 Ch. D. 748 (C.A.) summarised the facts of *Wotherspoon v Currie* (1872) L.R. 5 H.L. 508 (H.L.).

In *Metzler v. Wood* (1878) 8 Ch. D. 606 (C.A.) the plaintiff was the publisher of *Hemy's Piano Tutor*. The defendant retained the same Hemy to revise an obsolete book by another author and was restrained from publishing it with the name of *Hemy* prominent: '[W]e find this defunct work started into life with the name of *Hemy* prominently put on the outside. Why was that done, but for the purpose of passing off the defendant's book as that of the plaintiffs?' per Cotton L.J."

There is another judgment from Lord Diplock in a final appeal which sets out the requirement to establish the tort of passing off. The quotation from Lord Jauncey in **Reckitt & Colman Products v Borden Inc.** [1990] 1 All ER 873 at 889 runs thus:

"... More recently in *Star Industrial Co Ltd (trading as New Star Industrial Co) v Yap Kwee Kor* [1976] FSR 256 at 269 Lord Diplock, delivering the judgment of the Board, said:

' A passing-off action is a remedy for the invasion of a right of property not in the mark, name or get-up improperly used, but in the business or goodwill likely to be injured by the misrepresentation made by passing-

off one person's goods as the goods of another. Goodwill, as the subject of proprietary rights, is incapable of subsisting by itself. It has no independent existence apart from the business to which it is attached."

In the same judgment Lord Jauncey also said at p. 890:

"... In *Erven Warnink BV v J Townend & Sons (Hull) Ltd* [1979] 2 All ER 927 at 932-933, [1979] AC 731 at 742 Lord Diplock, after pointing out that misrepresentation of one's goods as the goods of someone else was a species of wrong included in a wider genus rather than a separate genus, set out five essential characteristics of a passing-off action in the following manner:

' My Lords, *A G Spalding & Bros v A W Gamage Ltd* and the later cases make it possible to identify five characteristics which must be present in order to create a valid cause of action for passing off: (1) a misrepresentation (2) made by a trader in the course of trade, (3) to prospective customers of his or ultimate consumers of goods or services supplied by him, (4) which is calculated to injure the business or goodwill of another trade (in the sense that this is a reasonably foreseeable consequence) and (5) which causes actual damage to a business or goodwill of the trader by whom the action is brought or (in a quia timet action) will probably do so.' "

This was a case where a multinational company was found guilty of passing off lemon juice in bottles similar to that of the plaintiff's. They

succeeded in obtaining injunctive relief. The instant case is even stronger as there is a restaurant in Ironshore and there is evidence that other restaurants were planned and may be in operation before the main action in these proceedings is tried.

Rejecting the argument that he should have gone on to the balance of convenience once there is a serious issue to be tried, Walton J - **The Athlete Foot Marketing Associates Inc. v Cobra Sports Ltd & another** [1980] RPC 343 at p. 348-349 said:

" I am not, however, prepared to take that simple course, and that for two reasons. The first is that, in matters involving trade restrictions, it is not possible to apply the general procedure of that case in precisely the same manner as in other cases. The reason is simple: the decision on the motion, whichever way it goes, profoundly affects the rights of the parties in a way which cannot easily be undone if at the trial a different result is reached. If, for example, an injunction were granted as sought by the plaintiffs, then the defendants would have to change the name of their Mail Order and Bargain Basement Operations. It would be idle to say that they could change back-possibly years later after there has been a trial and appeals from the decision therein-because in the meantime they will, of necessity, have invested time, money and effort in a totally different direction, and, obviously, they would not wish to throw that all away. It has therefore been clearly recognised that in the present type of case it is necessary to consider rather more than in the usual case the strength of plaintiffs' case in law: see *office Overload v. Gunn* [1977] F.S.R. 39; and

per Lord Diplock in *N.W.L. Ltd v. Woods*
[1979] 1 W.L.R. 1296 at 1307A-B."

This case cited by Mr. Hylton poses a serious question regarding the multinational's capacity to institute proceedings in this jurisdiction. It will be examined again in Part 11.

In the instant case, the respondents have been trading since 1971. To restrain them from trading by an interlocutory injunction would result in an injustice. Returning to **Warnink v Townsend & Sons** [1979] AC 731 at p. 755 Lord Fraser gave the following conditions thus:

"... It is essential for the plaintiff in a passing off action to show at least the following facts:-(1) that his business consists of, or includes, selling in England a class of goods to which the particular name applies; (2) that the class of goods is clearly defined, and that in the minds of the public, or a section of the public, in England, the trade name distinguishes that class from other similar goods; (3) that because of the reputation of the goods, there is goodwill attached to the name; (4) that he, the plaintiff, as a member of the class of those who sell the goods, is the owner of goodwill in England which is of substantial value; (5) that he has suffered, or is really likely to suffer, substantial damage to his property in the goodwill by reason of the defendants selling goods which are falsely described by the trade name to which the goodwill is attached."

In **Pete Waterman Ltd & Ors. v C.B.S. United Kingdom** unreported transcript delivered 30th July 1990, Brown-Wilkinson VC as he was then,

had this to say about the **Crazy Horse decision Alain Bernadin et
Campagnie v Pavilion Properties Ltd.** [1967] RPC 581.

" The Crazy Horse decision appears to establish that even if the foreign trader has customers here he cannot protect his reputation unless he has conducted some business here, even slight evidence of business activity being sufficient. If so, it is not inconsistent with The Hit Factory Inc in this case having a protectable interest here since, in contrast to the Crazy Horse case, English customers of Hit Factory Inc placed their business in this country with Hit Factory Inc and were invoiced in this country."

Then he continued thus:

" In my judgment, such narrow distinctions are unsatisfactory and, with diffidence, suggest that the case was wrongly decided. Pennycuik J seems to have held by reference to the Muller case that the right to protection against passing off in this country depends upon the plaintiff having a goodwill which is locally situate here. The steps in the argument seem to be: (a) passing off is an interference with goodwill; (b) goodwill always has a local situs being the place at which the customers' business is received; (c) if there is no business activity here the situs of the goodwill cannot be here; therefore (d) in the absence of a local goodwill there is no right to protect. Pennycuik J therefore shifted the emphasis in the early authorities from the need to show use of the name in this country to the need to show a goodwill here. For reasons which I have already given, in my judgment the local situs of the goodwill which is interfered with is irrelevant. If there is a

use by the foreign trader in this country of his name for the purposes of his trade, the piracy of that name is an actionable wrong wherever the goodwill is situate."

Since the multinational have alleged that there was infringement of their trade marks, the following passage quoted by Brown-Wilkinson VC from Lord Diplock's speech in **General Electric Co (of USA) v General Electric Co Ltd** [1972] 2 All ER 507 or [1972] 1 WLR 729 at p. 743 is instructive:

" But the interest of the public in not being deceived about the origin of goods had and has to be accommodated with the vested right of property of traders in trade marks which they have honestly adopted and which by public use have attracted a valuable goodwill. In the early 19th century trade was still largely local; marks which were identical or which closely resembled one another might have been innocently adopted by traders in different localities. In these their respective products were not sold in competition with one another and accordingly no question of deception of the public could then arise. With the rapid improvement in communications, however, in the first half of the 19th century markets expanded; products of two traders who used similar marks upon their goods could thus come to be on sale to the same potential purchasers with the consequent risk of their being misled as to the origin of the goods. Furthermore, it was accepted that as an adjunct of the goodwill of the business the right to use a trade mark might be acquired by more than one successor if the goodwill of the business were divided as it might be, for instance, where the business had formerly been

carried on in partnership or from more than one manufactory or shop. To meet this kind of situation the doctrine of honest concurrent user was evolved. Under this doctrine a trade mark remained entitled to protection in cases where the use of it had not originally been deceptive but a risk of deception had subsequently arisen as a result of events which did not involve any dishonesty or other wrongful conduct upon the part of the proprietor of the mark. If, however, his own wrongful conduct had played a part in making the use of the mark deceptive, the Court of Chancery would not grant him an injunction against infringement. This was but a particular application of the general equitable doctrine that he who seeks equity must come with clean hands.

In cases of honest concurrent user, neither of the owners of the mark could restrict the other from using it, but as against a usurper who infringed it either owner of the mark could obtain an injunction: **Dent v Turpin** ... and **Southern v Reynolds**."

Subject to the issues addressed in Part 11 on these authorities I find that the multinational is capable of instituting proceedings in this jurisdiction. However, having regard to the nature of these proceedings, where one party has been doing business since 1971 and the multinational since 1995, I can find no reason for granting the multinational an interlocutory injunction. Indeed the fact that the joint venture company formed by Patricia Isaacs-Green to manage the restaurant in Ironshore was registered as the Three Rivers Management

Ltd shows that the multinational recognises that so far as the registration on the companies' register is concerned, the respondent preceded it by twenty-four years. Patricia Isaacs-Green is the driving force behind the multinational's expansion in Jamaica. The cases on concurrent use of the name McDonald's referred to previously are applicable and others cited include **Anheuser-Busch Inc v Budejovicky Budvar N.P. (trading as Budweiser Budvar Brewery) and others** [1984] Fleet Street Reports 413 and **Habib Bank Ltd v Habib Bank A.G. Zurich** [1981] 1 WLR 1265. At a trial the result could well be honest concurrent user rather than any piracy of the name McDonald's.

On this point, the following observation in **Elan Digital Systems v Elan Ecomputer Ltd** [1984] Fleet Street Reports 373 at 386 is informative. Sir John Donaldson MR said:

" The final matter that Mr. Silverleaf relies upon is this. He submitted that as a matter of law in passing off actions something more than a triable issue is required. He made that submission because, he says, it is rare in cases of this sort that cases go beyond an interim hearing. I do not for my part think that that is a point of law at all. I think it is point of fact that if a product is about to be launched and there is an injunction, it may well be that it is not worthwhile for the launcher to wait for a trial because the disruptive effects will be so great that the sensible commercial course would be to adopt another name."

It would be unjust to grant the multinational an interlocutory injunction to restrain the respondents' company from trading under its registered name of McDonald's. The evidence at this stage was incomplete and the refusal should be granted at the initial stage and reinforced at the stage of the balance of convenience.

If registered, I would find that the multinational is capable of instituting proceedings for passing off and breach of trade mark as well as litigating issues under the Fair Trading Act. Also having regard to the respondent corporation's existence since 1971, the balance of convenience also impels me to refuse the multinational's claim to reverse Orr J's order and grant the injunction.

Conclusion of Part I

From the foregoing reasons, I would set aside the injunction which debarred the multinational from trading under its registered trade mark. At this stage I have done so on the narrow ground that once it was conceded that the multinational had a right to trade in this jurisdiction, having regard to service they provide, the court should not have debarred them from the Corporate Area. Further, I would affirm the learned judge's order and refuse to grant the injunction to the multinational which sought to debar the respondent corporation from trading within this jurisdiction.

There are serious issues to be tried both on the claim and counter-claim. Allegations of fraud and pirating of names have been made. The

advocacy on both sides has been powerful and the issues ought to be speedily resolved. There ought to be an order for a speedy trial.

So the order of this court ought to be that the grant of the interlocutory injunction to the respondents be set aside and the refusal to issue an interlocutory injunction to the multinational be affirmed. As for costs below, that should be set aside. As for the costs of appeal, I would order, no order as to costs because of the exceptional features I have adverted to in this case concerning issues which will be expounded on in Part II.

As regards the application of the interlocutory injunction which was refused, I would, other things being equal, order that costs be costs in the cause. As it is I must also order no order as to costs. Because of the importance of the issues raised in the claim and the counter-claim, I would grant an order for a speedy trial. However, I propose to show in Part II that any further proceedings as constituted might be ineffective. There is evidence that the party which instituted proceedings was not registered. Further the party which seems to be registered, Three Rivers, is not before the court. This ought properly to dispose of the issues on preliminary points of law or remedied. One of these points was adverted to in the court below by Mr. Hylton and one seem to have escaped the notice of counsel on both sides. These issues will be addressed in Part II to which we must now turn.

PART II

The preliminary points of law

The substantial effect of the order I have proposed above is that both parties would continue to trade in this jurisdiction. The local Corporation under the name in the Companies Register; The multinational pursuant to their registered trade mark through their vehicle Three Rivers Management Ltd. It seems as if important preliminary points were ignored which had they been argued by both counsel, would have disposed of the case without an assessment of the issues raised on appeal. These issues are raised on the evidence, they were adverted to before Orr J and this court, and as they are issues of law, they cannot be ignored by this court especially in interlocutory proceedings. If all the relevant parties are not before the court then there is no jurisdiction to make any coercive order on the party who operates the franchise in this jurisdiction. Equally there is no jurisdiction to make a coercive order on the multinational if it is not competent to institute proceedings in this jurisdiction. We can only declare the law which is what Part 1 is all about. It was necessary to make those declarations because those issues were fully argued and declarations are useful.

The appropriate preliminary points to my mind could be as follows:

- (1) (a) Was McDonald's Corporation the multinational competent to institute proceedings in Jamaica in view of the stated role of Three Rivers

Management Ltd in the affidavit of Patricia Isaacs-Green?

The answer on the face of the evidence is no.

(b) Was McDonald's Corporation registered under Part X of the Companies Act as a company incorporated outside the island carrying on business within the island. If it was not, could it properly institute proceedings in the Supreme Court.?

The answer is that there was no evidence that the multinational was so registered. Perhaps the procedures relating to companies registered abroad in the White Book are applicable in view of the legislative reference in section 686 of the Code.

(2) Was the Supreme Court exercising a proper discretion in actions for passing off where there is also breach of the Trade Marks Act to grant an interlocutory injunction debarring the multinational corporation from trading in the Corporate Area if it had a right to trade in other parts of Jamaica?

This issue was not properly explored either below or on appeal. The only relevant case involved a store in Newcastle. The issue of a trade mark does not seem to have been in issue. In any future proceedings, this matter will have to be resolved.

As for registration of the multinational, there was no evidence adduced in these proceedings that requirements of Part X of the Companies Act were fulfilled. Section 345 of that Act is important. It reads:

“ PART X

Companies Incorporated outside The
Island carrying on business within the
Island

345. This Part shall apply to all companies incorporated outside the Island which, after the appointed day, establish a place of business within the Island, and to all companies incorporated outside the Island which have, before the appointed day, established a place of business within the Island and continue to have an established place of business within the Island after the appointed day.”

I specifically asked Mr. Hylton why he was so anxious to jettison Sandra McDonald as in matters of commerce she may yet prove to be a pearl of great price. Here is her relevance. Section 346(3) of the Companies Act reads:

“ (3) If within six months of the delivery to the Registrar pursuant to subsection (1) by any such company as is mentioned in that subsection of the instrument containing the name of the company it appears to the Registrar that such name too closely resembles the name registered in respect of any other company (whether incorporated within or outside Jamaica) in the document registered at the office for the registration of companies, the Registrar may direct such first-mentioned company within six weeks of the date of the direction (or within such longer period as the Registrar may think fit to allow) in addition to or in place of its principal name to take an alternative name approved by the Registrar as the name in which it

proposes to carry on business in Jamaica."

Then indicating why the multinational may find it difficult to register in

Jamaica, section 346 (4) reads:

" (4) Where a direction has been given to a company pursuant to subsection (3) the company shall-

(a) on or before the expiration of the time given by the Registrar notify in writing to the Registrar for the purpose of registration by him the approved alternative name taken by the company pursuant to the direction; and

(b) after the date of such notification carry on business in Jamaica solely in that alternative name."

Then 346(1) which is crucial reads:

"346.-(1) Companies incorporated outside the Island which after the appointed day establish a place of business within the Island, shall within one month (or, in the case of any of the documents mentioned in paragraph (a) of this subsection, such longer period not exceeding four months as the Minister may allow) from the establishment of the place of business, deliver to the Registrar for registration-

(a) a certified copy of the charter, statutes or memorandum and articles of the company, or other instrument constituting or defining the constitution and containing the name of the company, and, if the instrument is not written in the

English Language, a certified translation thereof;

- (b) a list of the directors of the company, containing such particulars with respect to the directors as are by this Act required to be contained with respect to directors in the register of the directors of a company;
- (c) the names and addresses of some one or more persons resident in the Island authorized to accept on behalf of the company service of process and any notices required to be served on the company."

If the multinational was registered in Jamaica then one would have expected to see it stated in Mr. Hadland's affidavit. Yet there is no such reference in paragraph 1 which reads:

"1. I reside and have my true place of abode at 351 Radcliffe Way, Hinsdale, Illinois. I am the Assistant Vice President and Assistant General Counsel of the Plaintiff. The Plaintiff is a corporation organized and existing under the laws of the State of Delaware, United States of America, with its principal office located at One McDonald's Plaza, Oak Brook, Illinois, 60527. I have been duly authorized to make this Affidavit on the Plaintiff's behalf."

As for Mr. Hylton's skeleton argument in this court, he made no direct reference to the points he had skillfully developed before Orr J concerning

the incapacity of the multinational company to institute proceedings when it was Three Rivers Management Co Ltd who seem to have been registered and has been developing the multinational interests in Jamaica.

I think he was on the right track so I repeat his submission in the court below to show how far he went. He however did not grasp the point about the multinational's failure to register:

"60. In the **Athlete's Foot** case, Walton J. made it clear (at page 349, lines 9-28) that a company which grants others the right to operate a business in its name cannot rely on the operation of those others as giving them the right to bring actions in those countries. At line 20, the learned judge said:

'But the operation of the franchisees are not, and never at any stage are, or could be, the operations of the plaintiffs. The franchisees are carrying on their own respective businesses and not that of the plaintiffs.'

61. The evidence in this case shows that the Plaintiff is in the same position. Mrs. Patricia Isaacs-Green makes it clear in paragraph 1 of her Affidavit (at page 215 of Bundle 2) and Mr. Hadland confirms it at paragraph 16 page 10 of Bundle 1, that the Montego Bay restaurant is being operated by Three Rivers Management Limited and not by the Plaintiff, ..."

It is now necessary to quote in full Walton's J analysis again in **The Athletes Foot** case [1980] RPC 343 at p. 349:

" More importantly, however, it appears to me that the facts of the present case that is to say, all the relevant facts -are virtually undisputed, and are most unlikely to be changed by any evidence led at the trial. And, on those facts, it appears to me quite clear that the plaintiffs' case is, if not exactly unarguable, very nearly so.

There are, I think, two main questions of law involved. The first one is whether the plaintiffs are entitled, when the extent of their activities in England and Wales is being considered, to take the benefit of the activities of Ravel to which I have already referred. Despite an attractive argument from Mr. Evans to the effect that they should be, because obviously to some extent the plaintiffs must take the benefit of the activities carried on by their franchisees, it appears to me quite clear that they are not so entitled.

It must always be borne in mind that the activities of the plaintiffs are service activities: they provide franchises. Now doubtless the readiness of persons to accept a franchise from the plaintiffs will in large part depend upon the reputation established by the existing franchisees of the plaintiffs, and to that extent clearly the plaintiffs do obtain a benefit from the operations of their franchisees. But the operations of the franchisees are not, and never at any stage are, or could be, the operations of the plaintiffs. The franchisees are carrying on their own respective businesses, and not that of the plaintiffs. But in the present case one never even gets as far as that. For the acts done by Ravel were acts in preparation for their accepting a franchise which they never in fact accepted, at any rate down to date; and their acts were not the acts which would enure for the benefit

of the plaintiffs in any event, because they were the activities of buying and not of selling; of acquiring stock, not of disposing of it."

In this case the incomplete evidence suggests that the multinational would benefit from the operations of Three Rivers but it seems Three Rivers are also an essential party to these proceedings. To my mind, if the multinational were properly registered as well as Three Rivers Management Co Ltd, it would be necessary for both of them to be plaintiffs and it would also be prudent for them to exhibit the franchise.

So by a preferred and obligatory alternative route, I would set aside the injunction granted by Orr J and his order for costs, and affirm the refusal of the injunction sought. The learned judge had no jurisdiction to grant injunctive relief against a party who was not competent to institute proceedings. Moreover, it was brought to his attention in written submissions which were reiterated in this court. The injunction granted could not operate to preclude Three Rivers Management Co Ltd from using the registered trade mark of McDonald's in the Corporate Area. There can be no order for costs either here or below. Presumably, the parties will be better prepared in the light of these proceedings for the next round. The next round might either be a further interlocutory appeal or the full scale trial. If the choice is a trial, I would grant an order for a speedy trial in view of the important commercial and investment implications which arose in this case. I must pay tribute to the

comprehensive research and able arguments by counsel on both sides in these interesting interim proceedings.

GORDON JA

I have read the draft judgments of Rattray P., and Downer J.A.. I agree with the conclusions arrived at in the judgment of Rattray P., and in Part I of the judgment of Downer J.A. , save that as to costs I hold that costs should be costs in the cause. Costs of the appeal to appellants to be taxed if not agreed.

RATTRAY, P

The Order of the Court is as follows:

Interlocutory injunction to restrain until trial the appellant (McDonald's Corporation) from opening business and trading in the Corporate Area under the name "McDonald's" discharged and the order as to costs.

Costs of hearing injunction to be costs in the cause.

Order of Court below refusing the application to restrain McDonald's Corporation Limited (the respondent) from continuing its business at 1 Cargill Avenue affirmed. Costs to be costs in the cause.

Costs of appeal to the appellant to be taxed if not agreed. (Downer JA dissenting).