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This application follows an ex-parte interlocutory injunction on similar terms and ^{an} Anton Piller order, previously made in this matter by Mr. Justice Wolfe on the 2nd day of November, 1981 for a period of fourteen (14) days.

The plaintiffs, Calvin Klein Company ~~in their~~ affidavits, are alleging that the defendant company was passing off counterfeit jeans as genuine Calvin Klein jeans, that their witness Patricia Delisser visited the defendant company's business premises at 9 Molyne's Road, Kingston 10 on 5th October, 1981 and saw there in a back room twenty-five (25) to thirty (30) women working at sewing machines producing Calvin Klein designer jeans, that she bought there a pair of mint green jeans which was not a genuine pair Calvin Klein jeans, though it bore ^{such} a label, because the inner waist band was stitched and not "piped" and the rivets were smooth and not "pimples" and that she saw Calvin Klein jeans - both in the showroom and stacked in the said backroom. They further state that only Shelly Ann Limited had been licensed by them in Jamaica to produce Calvin Klein designer jeans, ^{that} and that ~~the~~ licence had been terminated from 10th June, 1981.

Assuming that the above was so, there would have been ~~an~~ act of passing off of the plaintiffs' goods by the defendant company, an infringement of the plaintiffs' rights which would entitle the plaintiffs to seek the intervention of the court.

At this hearing, inter partes, the defendant company now appearing and represented by counsel, vigorously contested the plaintiffs' contention and filed counter affidavits in reply.

The plaintiffs served notice of intention to and cross-examined the deponents Grey and Dennis. The defendant company served notice similarly and cross-examined the deponent Patricia Delisser. There were full arguments on both sides.

The defendant company a subsidiary of Neal & Massy (Holdings) Limited, contended that it was never involved in the production of jeans or garments of any kind and only manufactured retreaded automobile tyres and asked the Court to view its affidavits filed and its cross-examination of the deponent Patricia Delisser and to say that she is unreliable and unworthy of belief, that she did not see what she said she saw, that it itself was ^{an} innocent bona fide purchaser of twenty-four thousand (24,000) pairs of Calvin Klein jeans from Shelly Ann Limited, "forty-seven (47) pairs of which we still have" and that if the pair of mint green jeans were not authentic Calvin Klein jeans, it was not aware and could not have been aware of that fact. In further disproof of the plaintiffs' contention, a witness Dennis stated that the said pair of mint green jeans was "in every respect a genuine pair of Calvin Klein jeans".

Here was, therefore, "a serious dispute as to the facts". The defendant company was disputing the basis of the passing-off action, traversing every aspect of the plaintiffs' allegation, substantively. This is not a case of a defendant admitting being caught in flagrante delicto infringing the plaintiffs' rights, nor a case of competing products where each party admits being the manufacturer of his own goods but it is uncertain whether one rival has infringed the rights

of the other. This was a clear denial of the facts. Was it a sincere denial? Was this a case of conflicting evidence?

Mr. Henriques, on behalf of the plaintiffs, submitted that the Court was not being asked to determine the factual issue as to whether or not Mrs Delisser is to be believed, in considering the application for the grant of the interlocutory injunction but was guided by the new approach as enunciated by Lord Diplock in the House of Lords in the case American Cyanamid Company vs. Ethicon Ltd (1975) 1 ALL E.R. 504. The principle **is** that there was no rule of law that the plaintiff seeking an interlocutory injunction must establish a *prima facie* case, but that the Court "no doubt must be satisfied that the claim is not frivolous or vexatious; in other words, that there is a serious question to be tried", that it was not a trial of the action, that it was no part of the court's function to resolve conflicts of evidence but that once it is satisfied that there is a serious question to be tried it should go on to consider the balance of convenience.

Mr. Henriques further contended that the plaintiffs needed to make out a case that was "not frivolous or vexatious", that if Mrs Delisser's evidence is believed it was a strong *prima facie* case, that there was an issue to be tried and so the interlocutory injunction should be granted.

Mr. George for the defendant company accepted the new approach as stated by Lord Diplock in the American Cyanamid case, but questioned whether in the ^{instant} case there was a "serious question to be tried".

He stated that the defendant company maintained that "Shelly Ann sold

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all the Calvin Klein jeans they could produce to Neal and Massy",,
 that the onus was on the plaintiffs to establish that the defendant
 company was manufacturing without licence and passing off its goods,
 that the evidence of Mrs Delisser was not credible, that the defendant
 company was saying that the goods they were selling were not counter-
 feit Calvin Klein jeans, that the defendant company never did and
 never intend~~d~~ to pass off the plaintiffs' goods and so therefore the
 injunction sought should not be granted.

The former approach of the Court in considering an application
 for an interlocutory injunction was stated by Lord Upjohn in the
 House of Lords in J.T. Stratford & Son Ltd. vs. Lindley (1965) A.C. 269.

An applicant -

".... seeking an interlocutory injunction must
 establish a prima facie case of some breach
 of duty by the (defendant) to him
an injunction may be granted if it is
 just and convenient to do so the remedy being
 discretionary - the balance of convenience
 in these cases is always of great importance".

The House of Lords in reversing itself in the American Cyanamid
 case held that no such rule existed that the plaintiff "must
 establish a prima facie case", it being an application -

".....in the context of the exercise of a
 discretionary power to grant an interlocutory
 injunction....."

The court no doubt must be satisfied
 that the claim is not frivolous or vexa-
 tious, in other words, that there is a serious
 question to be tried

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

The latter principles therefore preclude a court in these circumstances from undertaking a "preliminary trial of the action" as the plaintiff needs merely to show that there was a "serious question to be tried", that circumstances existed needing the intervention of the court to preserve the status quo.

Lord Diplock further pointed out, at page 509 -

"The object of the interlocutory injunction is 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 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. This court must weigh one need against another and determine where the balance of convenience lies."

The American Cyanamid case concerned the interpretation to be given to the conflicting views of the expert witnesses of the chemical composition of a substance used in the manufacture of artificial surgical sutures by rival firms.

In the case of Fellows & Son vs. Fisher (1975) A.C. 184, Lord Denning, Master of the Rolls, in examining the rationale of the House of Lords in the American Cyanamid case relative to the proper approach of the court in considering the application for an inter-

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locutory injunction, observed that Lord Diplock said -

"there may be many other special factors to be taken into consideration in the particular circumstance of the individual cases"

when the Court needed to look at the "strength of either party's case".

Halsbury's Laws of England, 4th edition Vol. 24 para 956

reads -

"where any doubt exists as to the plaintiff's right or if his right is not disputed but its violation is denied, in determining whether an interlocutory injunction should be granted, the court takes into consideration the balance of convenience to the parties and the nature of the injury which the defendant, on the one hand, would suffer if the injunction was granted and he should ultimately turn out to be right, and that which the plaintiff, on the other hand, might sustain if the injunction was refused and he should ultimately turn out to be right. The extent to which the disadvantages to each party would be incapable of being compensated in damages in the event of his succeeding at the trial is always a significant factor in assessing where the balance of convenience lies...."

In the instant case the plaintiffs are contending that their brand name Calvin Klein had taken on a distinctive meaning in relation to designer jeans as a product synonymous with good quality and high styling, and that the distribution of counterfeit jeans bearing ~~their~~ brand name and over which they had no control and which was of inferior quality was of damaging effect to them as also an infringement of their rights. The defendant company, while denying the facts of the allegation of the plaintiffs, claim their right as a bona fide business, innocent of the alleged counterfeiting of the plaintiffs' goods, to pursue their trade in the Calvin Klein jeans in their possession.

In these circumstances, in what manner should a court proceed,

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in this application?

Lord Diplock, in the American Cyanamid case, is again instructive; at page 510 -

" So unless the material available to the court at the hearing of the application for an interlocutory injunction fails to disclose that the plaintiff has any real prospect of succeeding in his claim for a permanent injunction at the trial, the court should go on to consider whether the balance of convenience lies in favour of granting or refusing the interlocutory relief that is sought. "

The court therefore has to ascertain :-

- 1) What was the material available at the hearing
- 2) Whether this material disclosed that the plaintiff had any real prospect of succeeding in his claim for a permanent injunction at the trial, and if so,
- 3) Whether the balance of convenience lay in favour of granting or refusing the interlocutory injunction.

On 1st July, 1980 Calvin Klein Company entered into an agreement with and licensed Shelly Ann Limited, a limited liability company with office and carrying on business at 26 Dunrobin Avenue, Kingston 10, Jamaica, "to manufacture and distribute on certain Islands in the Caribbean Calvin Klein designer jeans.....", such agreement to run for three (3) years.

On the 10th June, 1981 the said agreement was mutually terminated. As a consequence, all sales of Calvin Klein jeans were to be discontinued by Shelly Ann Ltd from the latter date and, on the 30th day of June 1981 "all finished products, labels, hand tags, and other miscellaneous items used in the production were packaged and returned to Calvin Klein's attorneys", by Shelly Ann Ltd.

On the 5th day October, 1981, acting on instructions from one Joel Sandelman, "to attempt to make a purchase of jeans at defendant's

premises," one Mrs Patricia Delisser went to the business premises of the defendant company at 9 Molyne's Road, Kingston 10 and saw in "a showroom for apparel both women's and men's Calvin Klein designer jeans..... displayed". Unable to obtain "a size 10 women's Calvin Klein designer jeans" in the showroom, she was taken to the right of the building to the back where she "observed in the back room that twenty-five (25) to thirty (30) women working at sewing machines producing Calvin Klein designer jeans, the brand name appearing on the right rear pocket". Mrs Delisser bought, paid for and was given a receipt by the defendant company for a pair of women's Calvin Klein designer jeans, mint green in colour. Joel Sandleman, Assistant Secretary of Centrefold Industries, Inc., a corporation registered in the State of Delaware in U.S.A., who was ^a signatory of the said termination agreement of 10th June, 1981 on behalf of Calvin Klein Company and who had been employed by plaintiffs to investigate counterfeit activities re the brand name, said that the pair of Calvin Klein designer jeans purchased by Mrs Delisser from the defendant company was a counterfeit and exhibited an authentic pair of women's Calvin Klein designer jeans. He deposed that the difference was that whereas the authentic Calvin Klein designer jeans of the same style No. 1746, had a binding on the inner waist band ("piping") and pimpled rivet heads, the pair of counterfeit Calvin Klein jeans, as that sold by the defendant company to Mrs Delisser had a stitched inner band ^{and} "a smooth rivet head". By the agreement of July 1980 between Calvin Klein Company and Shelly Ann Ltd., Centrefold Inc., the United States licensee

of Calvin Klein Company, was authorised

"to furnish Licensee (Shelly Ann Ltd) with paper patterns and samples of finished articles manufactured by Centerfold for each corresponding collection in the United States."

The said agreement further provided that, :

- 3 (c) "No material, fabric, design or sample may be used by Licensee (Shelly Ann Ltd) in connection with Articles unless Licensor (Calvin Klein Co.) has given it prior written consent to use....."
- 4 (d) Before selling, distributing or promoting any Articles, Licensee will deliver to Licensor for its approval one (1) sample of each Article together with tags, labels..... to be used in connection therewith.
- (e) After any sample, copy art work or other material has been approved, Licensee will not depart therefrom in any respect without prior written approval of Licensor....."

In cross-examination, Mrs Delisser stated that she-

"saw Calvin Klein jeans in the showroom and it was Calvin Klein jeans handed to me - from that I assumed they were making Calvin Klein jeans."

She further stated that she saw the "25 to 30 women" in "an open area an area is a room to me. I know the difference between an open area and a back room - it had a roof on it".

Mr. George for the defendant company correctly pointed out that there were two areas in which she varied from her evidence in her affidavit and so she should not be believed.

The defendant company's stance was that Mrs Delisser did not see any women manufacturing jeans on the defendant's premises, nor was there any showroom of apparel on said ^{the} premises but that there was a

"cash and carry sales area where products sold by us are available for purchase." Commencing in 1980 the defendant company purchased Calvin Klein jeans from Shelly Ann (Ja.) Ltd for resale, and last made such a purchase on 11th June, 1981, by the purchase of three (3) pairs of jeans. Mr. Grey, the general manager stated that any stock presently held by the defendant company was the remains of stock purchased up to the 11th June, 1981, that the purchase by Mrs Delisser would have been from that stock and that the last purchase of jeans by Shelly Ann (Ja.) Ltd of the style purchased by Mrs Delisser - (style No. 1746) was on 9th June, 1981. The total number of jeans purchased by the defendant company from Shelly Ann Ltd "over the period was approximately 24,000 pairs of jeans", and the defendant company maintained that it had never manufactured or sold nor intended "to manufacture or sell 'counterfeit' jeans in breach of any 'proprietary rights the plaintiffs may have'." The defendant company admitted having in its possession then approximately forty-seven (47) pairs of jeans in stock, "which would only be increased in the event of returns being made to us by customers or outlets to whom jeans had been delivered for sale". Two employees of the defendant company refuted the plaintiffs' allegation that Mrs Delisser saw "25 - 30 women manufacturing jeans" on the defendant company's premises and stated that the only manufacturing done there was the retreading of motor-vehicles tyres. One Hall, an employee of an electrical firm and one Miss Chevannes of a reputable firm of Auditors and Accountants supported the defendant company's stance that there was no such operation as allegedly seen by Mrs Delisser.

Mr. Dennis, the production manager of Shelly Ann Ltd "for approximately four (4) years," stated that his company produced Calvin Klein jeans from 1980 up to 6th May, 1981 "after which we manufactured no Calvin Klein jeans, and that after the agreement was terminated on 10th June, 1981 all the finished products and miscellaneous items were returned to Calvin Klein Company's attorneys, but by an error three pairs of Calvin Klein jeans were sold to defendant company on 11th June, 1981. He admitted that there were differences between an avocado coloured pair of jeans, exhibited as authentic Calvin Klein jeans, and the pair of jeans bought by Mrs Delisser, in the waist band and the rivets as alleged by the plaintiffs, but stated that all the jeans made by Shelly Ann Ltd for Calvin Klein, other than blue denim jeans were "serged", that is, stitched at the waist band, and that the smooth headed rivets were supplied by the plaintiffs.

He maintained that the pair of mint green jeans purchased by Mrs Delisser was produced by Shelly Ann Ltd., that "it is not counterfeit and is in every respect a genuine pair of Calvin Klein. jeans."

The cross-examination of the defendant company's witnesses revealed the bases on which the defendant company adopted its posture in this matter.

Mr. Audley Dennis, the production manager of Shelly-Ann Ltd., stated:-

- 1) Calvin Klein Company provided all "hardware and accessories", that is, rivets, bands, buttons, piping and labels, for the production of the Calvin Klein jeans;
- 2) that Calvin Klein was supposed to provide piping for all Calvin Klein jeans;

- 3) that he did not know that he was supposed to get piping for the jeans other than blue denim jeans;
- 4) that for the entire year of production of Calvin Klein jeans "we not pipe any of jeans other than the Calvin Klein blue denim jeans" and not know of any official correspondence asking Calvin Klein for piping for jeans of other colours".

In his affidavit he stated that all blue denim Calvin Klein jeans were "piped" but that all the jeans of other colours produced by Shelly Ann under the Calvin Klein label were "serged" "because we could not obtain the matching piping from Calvin Klein";

- 5) that as production manager we would make one hundred (100) pairs of jeans per day - Calvin Klein jeans and that they had five (5) working days per week.

He gave this evidence to the Court on 18th November, 1981 and on 20th November, 1981, on application of Mr. George, he was recalled and said that he had made a mistake and meant -

"one hundred (100) dozen pairs of Calvin Klein jeans per day"

- the term "dozen pairs", on Mr. George's submission was from usage in the garment trade.

The Court noted that nowhere in any of the affidavits filed nor from the evidence of any witness does the term "dozen pairs" emerge.

- 6) that Shelly Ann got orders for Calvin Klein jeans "from various places - Trinidad and various places".

Mr. Hugh Grey, the general manager of the defendant company, Neal & Massy Jamaica Ltd, in cross-examination said that -

- 1) his company Neal & Massy (Ja.) Ltd was not affiliated to Shelly Ann (Ja.) Ltd.

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- 2) they purchased Calvin Klein jeans from Shelly Ann Ltd., in some cases, by
- a) tender by order or
 - b) bought by advise from Shelly Ann when such jeans were ready.
- 3) from 1980 they were buying and exporting Calvin Klein jeans to Trinidad, Bardados and throughout the Caribbean.
- 4) "There was an understanding between Neal & Massy (Ja.) Ltd and Shelly Ann that whatever Calvin Klein jeans Shelly Ann produced would be sent to us - so there was never any need to place/specific order of Calvin Klein jeans to Shelly Ann Ltd. We would receive jeans from Shelly Ann from time to time without the necessity of placing the order.
- We sold Calvin Klein jeans to Grell & Company a firm in Trinidad, and (J)\$131,000 worth of those jeans were returned to us, those jeans are on the docks, not yet in our warehouse."
- 5) The \$131,000 worth of Calvin Klein jeans were to go back to Shelly Ann and as far as I know the jeans having being sold by us to Grell are Neal & Massy's property.
- 6) We had already paid Shelly Ann for those jeans.
- a) Exhibit #2 - letter dated 1st July, 1981 from Grell & Company Ltd. - Trinidad with notations in Mr. Grey's handwriting addressed to "Mr. Hugh Grey - Shelly Ann Ltd, 26 Dunrobin Avenue," recites in part "As you are aware, the original order of Shelly Ann was booked"
 - b) Letter dated 10th July, 1981, exhibited, from Hugh Grey reciting "Calvin Klein..... value of \$131,000 to be returned by Grell to Neal & Massy (Ja) the total value is to be netted off the balance payable to Shelly Ann" - this latter phrase corresponding with notation 'no.1' in Grey's handwriting on Exhibit 2 letter dated 1st July, 1981.

When asked by the Court if the reason for this deduction of \$130,000 from balance was that Neal & Massy had not yet paid Shelly Ann for the goods, Mr. Grey answered:-

"Virtually, yes..... the agreement was that those goods were to be returned to Shelly Ann"

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- 7) There is some relationship between Neal & Massy (Ja) Ltd.... "an ongoing relationship re supply of jeans".

At the conclusion of the cross-examination of the defendant company's witnesses certain points emerged.

- 1) Shelly Ann Ltd during July, 1980 to 6th May, 1981 had a production capacity that could produce 22,000 pairs of Calvin Klein jeans, "(Dennis: one hundred pairs per day; five (5) days per week), defendant company states that it bought during July, 1980 - June 1981 approximately 24,000 pairs of Calvin Klein jeans - ".....from Shelly Ann Ltd."

Quaere:

From what source did the defendant company obtain "approximately 2,000 pairs of Calvin Klein jeans", which "approximately 2,000" it could not have received from Shelly Ann Ltd?

- 2) This numerical amount of "approximately 2,000 pairs of jeans" in the defendant company's possession, would be further increased by any number of Calvin Klein jeans that Shelly Ann Ltd would have already sent to "Trinidad and various places".
- 3) The "understanding" was that all the (22,000 pairs) Calvin Klein jeans would be sent to Neal & Massy (Ja) Ltd.

Joel Sandelman deponed, unchallenged, that "... during the year of license (sic) Calvin Klein designer jeans became a well-known product of plaintiffs, by sales of more than 100,000 pairs of jeans"

This latter information may have come from Shelly-Ann Ltd from their "sales royalty statements" to be submitted per para. 6(c) of the agreement of 2nd June, 1980.

Quaere:

- a) Who produced for Shelly Ann Ltd approximately 78,000 pairs of Calvin Klein jeans, in order to total 100,000 pairs?
- b) Did Shelly Ann Ltd have sub-contractors producing Calvin Klein jeans on their behalf?
- c) If so, who were these sub-contractors?
- d) When Shelly Ann Ltd ceased producing Calvin Klein jeans in May 1981 and the

agreement with the plaintiffs was terminated in June, 1980, did their sub-contractors, if any, also cease producing Calvin Klein jeans?

e) . Did Mrs Delisser see what she said she saw?

4) Neal & Massy (Ja) Ltd took whatever Calvin Klein jeans Shelly Ann Ltd made.

Quaere:

- a) Was Neal & Massy (Ja) Ltd sole distributing agent for Shelly Ann Ltd?
- b) Did Shelly Ann Ltd, from the inception of the agreement with the plaintiffs in July 1980, produce jeans, other than blue denim, without piping and without pimped rivets because they "could not obtain matching piping from Calvin Klein"?
- c) Why was this latter fact not communicated to the plaintiffs?
- d) Was the pair of mint green jeans bought by Mrs Delisser genuine Calvin Klein jeans made by Shelly Ann Ltd, according to Mr. Dennis, though he admitted its differing features from the pair of avocado Calvin Klein jeans described by Joel Sandelman as the genuine Calvin Klein jeans?

5) Mr. Hugh Grey deponed on 12th November, 1981, "we presently have forty-seven (47) pairs of jeans in stock which could only be increased in the event of returns from customers....."

Quaere:

- a) Why did he omit mention of the \$131,000 (J) worth of Calvin Klein jeans returned from Trinidad (vide his memo dated 10th July, 1981)then "on the docks"
- b) Why was this returned shipment of jeans now the property of Neal & Massy to be returned to Shelly Ann Jamaica Ltd?
- c) Why was the said value of the shipment of Calvin Klein jeans \$131,000 now the property of Neal & Massy (Ja) Ltd bought from Shelly Ann Ltd and sold to Grell Ltd to be debited from the balance owing by Neal & Massy Ltd to Shelly Ann Ltd.

From the above and applying the principles previously mentioned the Court took the view that the plaintiffs had a real prospect in succeeding in their claim; there was a serious question to be tried. Though the defendant company challenged the plaintiffs' allegation of fact, one cannot say that there was "conflict" between the plaintiffs' case and that of the defendant company.

The plaintiffs, makers of designer jeans with the brand name Calvin Klein, "a well known product in Jamaica", by sales and advertising have established a trade and market in such wearing apparel world wide. Jeans with this brand name have been understood by members of the public to bear a mark of high quality.

Lack of control by the plaintiffs over the distribution and quality of such garments would mean loss of royalties, and, if of inferior quality and "sold under the designation Calvin Klein", would cause damage both to the plaintiffs' brand name and their business image in the trade. The Court holds the view that if the plaintiffs turn out to be correct and no injunction was granted, the damage and loss to them would be immeasurable and they could not be compensated adequately in damages. If the defendant company is correct in their contention and an injunction is granted, similarly it would have suffered loss, namely a postponement of their trade in jeans and some loss of repute in business. Having recourse therefore to the plaintiffs' prospect of success in their claim for a permanent injunction at the trial the Court holds that the balance of convenience favours the grant of the interlocutory injunction to the plaintiffs as sought by them.

In the circumstances, it is ordered that -

- 1) The defendant company be enjoined until the trial of this action or further order whether by itself, its agents, servants, employees, officers and those persons in active concern or participation with it from using in any unauthorised manner the name Calvin Klein or any term confusingly similar thereto, in connection

with buying, offering for sale, selling or holding for sale jeans or other related merchandise, or buying or selling any related goods or any merchandise bearing unauthorised or counterfeit labels printing or hang tags, bearing the name Calvin Klein.

- 2) the defendant put all its goods marked with Calvin Klein name and parts thereof in a bonded warehouse, such goods to remain there until the trial of this action or further order.
- 3) the plaintiffs through their counsel undertaking to abide by any order as to damages that the Court may make if in the opinion of the Court the defendant company ~~has~~ suffered damage by reason of the order.
- 4) stay of issue of order granted for fourteen (14) days.
- 5) Leave to appeal is granted;
- 6) costs to be the plaintiffs' in any event;
- 7) certificate for Queen's counsel **granted**

P.T. HARRISON
Judge (Actg)