

Judgment Book
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IN THE SUPREME COURT OF JUDICATURE OF JAMAICA

SUIT NO. C.L.M. 440/95

IN CHAMBERS

MCDONALD'S CORPORATION - **PLAINTIFF**
MCDONALD'S CORPORATION LTD. - **FIRST DEFENDANT**
VINCENT CHANG - **SECOND DEFENDANT**

R. Henriques, Q.C., Allan Wood & Mrs. Feanny for Plaintiff
M. Hylton, Q.C., P. Goldson & Mrs. Debbie Fraser for Defendants

Heard: February 19, 20, 21, 22 & 27
April 15, 16, 17, 18 & 22, 1996.
July 5, 1996.

JUDGMENT

CHESTER ORR, J.

In this case the plaintiff seeks an interlocutory injunction to restrain the defendants 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 defendants' store at 1 Cargill Avenue, Kingston 10, in the Parish of Saint 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 marks.

The first defendant in turn seeks an interlocutory injunction to restrain the plaintiff from opening a restaurant in the city of Kingston trading under the name McDonald's.

The plaintiff is a corporation existing under the laws of the states of Delaware, United States of America. It develops, operates franchises and services a world wide chain of restaurants which operate under the tradename and trademark "McDonald's". It opened its first McDonald's restaurant in 1955 and as of the 1st March, 1995, the plaintiff and its licensees were operating 15,963 restaurants in 79 countries including the Caribbean.

Since the year 1967, the plaintiff has registered a number of its trademarks in Jamaica. Exhibited to the application were copies of the registration of the arched "M" logo and the word "McDonald's" which were registered in 1973 and 1979 in respect of certain food and printed matter.

Each registration contains the following disclaimer.

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

The first defendant is a company incorporated in Jamaica on the 16th September 1971. The second defendant is the principal shareholder and Managing Director, thereof.

One of the subscribers to the Memorandum of Association was Sandra McDonald, whose shares were transferred to another on the 24th September, 1971. On the 3rd December, 1971, the first defendant acquired the shares in Cee Bees Ltd. which operated a restaurant at No. 1 Cargill Avenue.

In 1973 the first defendant opened two other restaurants in Kingston, namely the "McDonald's Buttery" and "McDonald's Fast Food". These were closed during the 1970's but the restaurant at No. 1 Cargill Avenue remained in operation.

In 1973 the plaintiff became aware of the operation of the restaurant at No. 1 Cargill Avenue, but its then Attorneys in Jamaica advised that an action could not be instituted against the defendants successfully to prevent the use by them of the name McDonald's. The plaintiff alleges that there was a conversation between Mr. Myers a partner of the firm of the Attorneys and Mr. Chang the second defendant in which Mr. Myers advised Mr. Chang that he had pirated the plaintiff's name and should cease whereupon the second defendant said he would speak with Albert Chang the person in charge about the allegation. The second defendant states that he does not recall the conversation but could have said that Albert Chang was in charge of the business and that he would have to speak with him.

Pursuant to this conversation the plaintiff's Attorneys wrote to the plaintiff, on the 23rd August, 1973, seeking further information and instructions. There is no evidence of a reply to this letter.

The plaintiff contends that during the 1970's and 1980's it actively pursued the possibility of opening restaurants in Jamaica but that this proved not to be feasible due principally to the stringent foreign exchange regulations in force in Jamaica which were not relaxed until 1994. The defendants seek to rebut this contention by adverting to the fact that during this period a number of foreign restaurant chains, including Burger King, Shakey's and Kentucky Fried Chicken commenced business in Jamaica.

During the period the plaintiff received enquiries from more than 80 individuals, the majority of whom were Jamaican entrepreneurs including the first defendant, expressing an interest in obtaining a licence from the plaintiff to operate in Jamaica.

On the 3rd July, 1981, the Attorneys for the first defendant wrote the plaintiff offering to become the plaintiff's franchisee in Jamaica in exchange for the acquisition by the plaintiff of the equity of the first defendant or some form of participation with the plaintiff. The plaintiff states that it rejected the offer. The second defendant states that the offer was made as a result of conflict between himself and the only other shareholder Austin Chang. He eventually acquired Austin Chang's shares.

On 2nd August 1985, the premises at No. 1 Cargill Avenue were leased to Anthony Lue for a term of three (3) years. The lease included the restaurant and equipment and for a consideration of \$1.00 gave the lessee a licence to use the word "McDonald corporation" for the purpose of the business for a period of twelve (12) months. The defendants assert that the lease was renewed for a further period of three (3) years and Lue vacated the premises in September 1992. This date is disputed by the plaintiff who claim that the premises became vacant in 1990.

After the restaurant was closed the rear of the premises was used for the printing of T-shirts. The plaintiff states that this continued up to September 1995.

During the period that Lue had possession of the premises a restaurant was operated under the name of Mcdonald's and the sign Mcdonald's was publicly displayed.

In or about November 1992, the first defendant decided to have the building at 1 Cargill Avenue completely refurbished and renovated in an effort to modernize and upgrade the facilities in accordance with the many fast food outlets which had by then opened in Jamaica. Mr. Laurence Chang an Environmental Designer was engaged and he recommended the removal of the knife, fork and spoon from the logo and other internal

alterations in order to convey the concept of a fast food restaurant. The renovation continued in 1993 but was not completed until the middle of 1995. The delay was occasioned by the fact that the first defendant had failed to obtain the necessary permission from the relevant authority before commencing the work.

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.

The menu boards and tray liners at Cargill Avenue contained items prefixed by "McD" which the plaintiff states is a colourable invitation of its items. The defendants removed these items and state that it was done in error.

The necessary elements to establish passing off were stated in *Erven Warnink B V and others v. J. Townend & Sons (Hull) Ltd. and others* [1979] 2 All E.R. 927 (*The Advocaat Case*). Lord Diplock at 932 identified five characteristics which must be present namely:

"(1) a misrepresentation (2) made by a trader in the course of trade, (3) to prospective customers of his or ultimate customers of goods or services supplied by him, (4) which is

calculated to injure the business or goodwill of another trader (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.”

Lord Fraser at page 943 formulated the test 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 trade 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 good will 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.”

The question arises as to whether the plaintiff has goodwill in Jamaica. There is conflict between the authorities on this point.

In *The Athletes Foot Marketing Associates Inc. V. Cobra Sports Ltd. and Another* [1980] R.P.C. 343 Walton J stated the position thus at 349.

“There appear, on the cases, to be two schools of thought about this. There is what was described in argument as a “hard line school of thought”, which maintains that it is essential for the plaintiff to have carried on a trade in the country (best, perhaps exemplified by *A Bernadin et Cie v Pavillion Properties Ltd.* [1967] R.P.C. 581, the well known “Crazy Horse” case) and a much less demanding approach, which suggests that something less than that will do (well exemplified by *Maxim’s Limited v. Dye* [1977] 1 W.L.R. 1155, the case concerning the famous restaurant).”

In *Maxim's Limited v. Dye* it was held that a plaintiff could establish that he had goodwill in England in respect of a foreign business which the courts would protect without it having to be shown that he carried on business in England.

In *Star Industrial Co. Ltd. (trading as New Star Industrial Co.) v. Yap Kwee Kor* [1976] F.S.R. 256 at 259 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.”

This passage was cited with approval by Lord Jauncey in *Reckitt & Colman Products Ltd. v. Borden Inc. and others* [1990] 1 All E.R. 873 at 889.

Several cases were cited to me from countries in the Commonwealth by both Mr. Henriques and Mr. Hylton supporting both schools of thought. In some of the later cases it was held that it is not necessary for the plaintiff to have a place of business in the jurisdiction, it is sufficient if he has customers there.

In the Athletes Foot Case supra Walter J. said at 357.

“ . . . the position in law appears to be relatively clear. That is to say it does not matter that the plaintiffs are not at present actually carrying out business in this country, provided that they have customers here. Equally, it is of no moment, if they have no customers here, that they have a reputation in the general sense of the word in this country. It is also of no moment that that representation may have been brought about by advertising; this can be of no moment, unless (as it did in the C & A case) it brings in customers, when, of course, once again there is no need to rely upon it.”

In Pete Waterman Limited and Others v. C.B.S. United Kingdom Limited

[1993] EMLR 107, Sir Nicholas Browne-Wilkinson V.C., as he then was, after reviewing the authorities said at 129.

“The presence of customers in this country is sufficient to constitute the carrying on of business here whether or not there is otherwise a place of business here and whether or not the services are provided here. Once it is found that there are customers, it is open to find that there is a business here to which the local goodwill is attached.”

In Jian Tools For Sales Inc. v. Roderick Manhattan Group Ltd. and Another

[1995] F.S.R. 924 Knox J. held that the nature of the goods and services rendered was something to be taken into account when deciding whether the customer base in the United Kingdom was sufficient to support a goodwill locally situate within the jurisdiction.

In Conagra Inc. v. McCain Foods Aust. Pty Ltd. [1992] 231 P.R. 193, a decision

of the Full Court of the Federal Court of Australia, Lockhart J, said at 232:

“In the United Kingdom there are two opposed lines of authority on the question of whether the tort will protect a plaintiff’s business, goodwill or reputation where there is no business carried on in the United Kingdom. The “hard line” cases require, in addition to any reputation in the United Kingdom, a form of business presence or activity within the jurisdiction or some use of that reputation. However, even within the “hard line” authorities there is inconsistency on the question of the extent or degree of use”

and at 233`

“The Australian authorities do not present an entirely clear picture.”

In this case it was held:

“It is not necessary that a plaintiff, to maintain a passing off action, have a place of business in Australia nor for his goods to be sold here. It is sufficient if his goods have a

reputation in Australia among persons of a sufficient degree to establish there is a likelihood of deception among consumers and damage to his reputation. Reputation may be proved by a variety of means including advertisements on various forms of media and exposure of people within the forum to the goods of the overseas owner.”

Both Walton J and Knox J considered it inappropriate to make a final decision between these two schools of thought on interlocutory proceedings. I entirely agree. However, the plaintiff claims it can succeed on both schools of thought. On the one hand it had a reputation in Jamaica prior to the opening of its restaurant at Ironshore on the 28th September, 1995. This reputation was acquired inter alia by advertisements and visitors from Jamaica to its restaurants abroad. On the other hand, it has an established business and customers in Jamaica since 28th September, 1995.

A survey undertaken on behalf of the plaintiff in October 1995 in a section of the Corporate Area revealed that eighty-eight per cent (88%) of the residents report awareness of the plaintiff and sixty-nine per cent (69%) of such persons associate the name McDonald's used in connection with fast food restaurants with the plaintiff's business and 23% confuse the defendant's business as being associated with the plaintiff. The defence adverted to the fact that the plaintiff claims passing off since January 1995 and submitted that the relevant date for determining whether the defendants have in fact damaged the goodwill of the plaintiff is the year 1971 when the first defendant company was formed. At this date the plaintiff had opened restaurants in only four (4) countries, viz., the United States of America, Canada, Puerto Rico and Costa Rica.

In *Cadbury Schweppes Pty Ltd and others v. Pub Squash Co. Pty Ltd*. [1981] 1 All E.R. 213, Lord Scarman in delivering the judgment of the Board said at 221.

“The judge it is conceded, misdirected himself in holding that the relevant date for determining whether a plaintiff has established the necessary goodwill or reputation of his product is the date of the commencement of the proceedings (i.e. 1st June, 1977). The relevant date is, in law, the date of the commencement of the conduct complained of, i.e. 8th April, 1975, when the respondent began to market “Pub Squash”: see *Norman Kork Publications Ltd v Oldhams Press Ltd* [1962] R.P.C.163”

Further it was submitted that the plaintiff is not entitled to relief on the grounds of delay and acquiescence in that the plaintiff has been aware of the first defendant operating under the name McDonald’s and took no legal action to restrain it.

In reply the plaintiff submitted that the first defendant pirated the name McDonald’s and thus cannot acquire any right to the use of the name. Further the first defendant had abandoned whatever goodwill it had acquired when the restaurant at Cargill Avenue was closed in 1990’s.

These are issues to be decided on evidence, certainly not on Affidavit evidence.

The plaintiff also claims passing off under the Fair Competition Act.

Section 37(1) provides -

“A person shall not, in pursuance of trade and for the purpose of promoting, directly or indirectly, the supply or use of goods or services or for the purpose of promoting, directly or indirectly, any business interest by any means -

- (a) make a representation to the public that is false or misleading in a material respect.”

Section 52 of the Trade Practices Act 1974 (Australia) reads:

“(1) A corporation shall not, in trade or commerce, engage in conduct that is misleading or deceptive.”

In *Hornsby Building Information Centre Proprietary Limited and Another vs Sydney Building Information Centre Limited* 1978 140 CLR 216 cited for the plaintiff, the Australian High Court considered this section.

Stephen J said at 227:

“In determining the meaning of “misleading or deceptive” in s.52 (1) and in applying it to particular circumstances the law which has developed around the tort of passing off, founded as that tort is upon the protection of the plaintiff’s intangible property rights, may not always provide any safe guide. However the long experience of the courts in that field should not be disregarded, some principles which have been developed appear equally applicable to s.52(1). One of these bears upon the circumstance that what the Hornsby Centre has done is, in a sense, no more than to use its own corporate name in association with its activities. No doubt the meaning of the statutory prohibition which s. 52(1) enunciates must be gained from the terms of the sub-section itself; but nothing in those terms suggests that a statement made which is literally true, i.e. that the centre at Hornsby is conducted by Hornsby Building Information Centre Pty. Ltd. may not at the same time be misleading and deceptive. It clearly may be. To announce an opera as one in which a named and famous prima donna will appear and then to produce an unknown young lady bearing by chance that name will clearly be to mislead and deceive. The announcement would be literally true but none the less deceptive, and this because it conveyed to others something more than the literal meaning which the words spelled out. Thus, in passing off, a newly incorporated defendant company may not use, in its newly established business, its true corporate name if it be deceptively similar to that of a plaintiff with an established reputation (*Fine Cotton Spinners and Doublers’ Association Ltd. v. Harwood Cash & Co. Ltd.* (30)).”

The defence relied on *McWilliam’s Wines Pty. Ltd. v. McDonald’s System of Australia Pty. Ltd.* 49 F.L.R. 455 in which the plaintiff a franchisee in Australia of the plaintiff in this case, brought an action against McWilliams wines who used the name “Big

Mac" in its advertisements. The action was brought under section 52(1) of the Trade Practices Act supra.

The Federal Court of Australia held:

"Whilst McWilliam's conduct in using the name "Big Mac" might have caused confusion as to whether there was some business connection between McWilliams and McDonald's, that finding was insufficient to establish that the conduct was misleading or deceptive or likely to mislead or deceive, within s. 52 of the Trade Practices Act. Conduct which merely confuses the public is not conduct which contravenes s. 52(1)."

It was submitted that the first defendant had made no representation to link itself to the Plaintiff. It represented that it operates under the name McDonald and had done so for some time both of which are true. Any confusion arose because of people's preconceived but erroneous beliefs.

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.

The plaintiff also relies on infringement of its trade marks by the defendants.

The marks are an arched "M" used in association with the name "McDonald's".

Section 16 of the Trade Marks Act provides as follows:

"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 other-

wise 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."

Each Certificate of Registration contains the disclaimer, "Registration of this trade mark shall give no right to the exclusive use of the letter "M" or the word "McDonald's".

The defendants submitted that the plaintiff having been required to disclaim both of the two component parts of the mark, the mark is meaningless insofar as the bringing of an infringement action is concerned.

The plaintiff contended that the words of the disclaimer are to be properly construed as meaning that those registrations give the plaintiff exclusive right to use the arched "M" in combination with the word "McDonald's".

In *Alexander Pirie & Sons v. Goodall* [1892] 1 Ch.35 Lindley L. J. said at 42.

"A disclaimer in the following words appears upon the register in connection with the said trade mark: "The Applicants do not claim any right to the exclusive use of either the word 'Parchment' or the word 'Bank' appearing in connection with this mark." 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 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*."

The plaintiff submitted that the disclaimer in the instant case should be similarly construed. This, however, is not conclusive of this issue. From the evidence and exhibits there does not appear to be similarity between the "M" and "McDonald's" of the plaintiff and those of the defendants.

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 chain 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.

I wish to express my gratitude to both Counsel for the able arguments presented by numerous authorities on this difficult aspect of the law.

In fine the application for an Injunction by the plaintiff is refused. The application for an injunction by the defendants is granted in terms of the first defendants' Summons dated the 17th November, 1995.

There will be costs to the defendants, such costs to be taxed if not agreed.