

IN THE SUPREME COURT OF BELIZE, A.D. 2011

CLAIM NO. 873 of 2010

MARSHALL'S COMPANY LIMITED	1 <sup>st</sup> CLAIMANT
KINEA INTERNATIONAL S.A.	2 <sup>nd</sup> CLAIMANT
AND	
KARINA ENTERPRISES LIMITED	1 <sup>st</sup> DEFENDANT
MIKE HOTCHANDANI	2 <sup>nd</sup> DEFENDANT
AMIT HOTCHANDANI	3 <sup>rd</sup> DEFENDANT
(a.k.a. DANISH HOTCHANDANI)	

CLAIM NO. 896 of 2010

CHINA TOBACCO ZHEJIANG INDUSTRIAL CO. LTD.	1 <sup>st</sup> CLAIMANT
KINEA INTERNATIONAL S.A.	2 <sup>nd</sup> CLAIMANT
KEVAL INTERNACIONAL S.A.	3 <sup>rd</sup> CLAIMANT
B & C INTERNATIONAL LTD.	4 <sup>th</sup> CLAIMANT
AND	
KARINA ENTERPRISES LIMITED	DEFENDANT

Hearings

2011

17<sup>th</sup> February

24<sup>th</sup> February

Mr. Godfrey Smith SC, Dr. Elson Kaseke and Ms. Rachel Montejo for the claimants in both claims.

Mr. Rodwell Williams SC, Mrs. Melissa Balderamos-Mahler and Mr. Kareem Musa for the Defendants in both claims.

LEGALL J.

**JUDGMENT**

**Brief facts**

1. On ex-parte applications for injunctions made in both of these

claims by the claimants, the court granted the injunctions against the defendants in both claims on 15<sup>th</sup> and 20<sup>th</sup> December, 2010. The ex-parte injunctions restrained the defendants in both claims, their servants and agents, from selling, offering for sale, advertising for sale or offering samples in Belize any cigarettes bearing the names “Marshal” or “Marshall” or “Modern”. In the case of “Modern” the defendant in Claim 896 of 2010 was also restrained from importing into Belize cigarette bearing that name.

2. Briefly, the facts relied on by the claimants in support of the applications for the injunctions are as follows. There are two companies registered and operating in China that manufacture cigarettes. One company, named China Tobacco Zhejiang Industrial Co. Ltd., (China Tobacco) the first claimant in Claim No. 896 of 2010 (the first claim) is the manufacturer of cigarettes under the brand name “Modern.” The other company, China Tobacco Hunan Industrial (Hunan) is the manufacturer of cigarettes bearing the name “Marshal” the subject of Claim No. 873 of 2010 (the second claim).
3. China Tobacco exports Modern cigarettes to a company named Kinea International SA (Kinea) located in Panama, who is the authorized agent of China Tobacco, to sell Modern cigarettes in North, Central and South America. Kinea then authorized another company, in Panama, namely, Keval International SA (Keval) to sell Modern cigarettes in the Corozal Free Zone in Belize. Keval in turn authorized a locally registered company, B & C International Company Ltd., (BC) of Freedom Road, Corozal Free Zone, Belize “to

sell Modern cigarettes in the Territory of Belize.” China Tobacco, Kinea, Keval and BC are the claimants in the first claim.

4. The other company Hunan exports Marshall cigarettes to Kinea from whom a locally registered company of Corozal Free Zone Belize, Marshall’s Company Ltd. imports Marshall cigarettes for sale at the Corozal Free Zone, Belize. Kinea and Marshall Company Ltd., are claimants in the second claim. The local claimants in both claims can be considered as sub-agents of the manufacturers of Marshall and Modern cigarettes.
5. The Marshall Company Ltd., began importing Marshall cigarettes in Belize from around 2007 and is still doing so. BC was authorized to sell Modern cigarettes at the Corozal Free Zone since August 2010. It is alleged that the defendants, in the first claim, on 30<sup>th</sup> August, 2010, who knew that Marshall Company had an exclusive agreement to sell Modern cigarettes at the Corozal Free Zone, applied to the Belize Intellectual Property Office to register the trademark “Modern” using an identical logo, trade-dress and get up or packaging of the Modern cigarette of the claimants. The same allegation was made against the defendant in the second claim with respect to Marshall cigarettes by the claimants in that claim.

**Serious questions to be tried**

6. The defendants in both claims by applications dated 28<sup>th</sup> January and 3<sup>rd</sup> February, 2011 applied to discharge the injunctions; to dismiss the claims, and to award the defendants security costs. The basis for the

application to dismiss the claims and to discharge the injunctions is that the claimants in both claims have failed to disclose or establish a cause of action against the defendants. The claimants, it was submitted, are not the registered owners or proprietors of the trade names “Marshall” or “Modern” and therefore have no standing to bring these claims against the defendants. The claimants therefore have no right or interest or causes of action against the defendants. The claims therefore must be struck out; and based on the *Siskina 1979 AC 2010*, since the injunctions cannot stand on their own, the injunctions would also have to go.

7. The claimants in both claims aggressively disputed the submissions of the defendants that the claimants, on the affidavits and pleadings, do not have a cause of action against the defendants. The claimants submit that the causes of action, as shown in the pleadings, are the torts of passing off. In *Reckell & Coleman Products 19910 1 AER 873*, relied on by the claimants, there are three elements of the tort of passing off which the claimants have to prove in order to succeed. Lord Oliver of Aylmerton gave the elements:

“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 recognized

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. .... 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.”.

His Lordship also said that “The law of passing off can be summarized in one short general proposition, no man may pass off his goods as those of another.”

8. The defendants were equally aggressive in their submissions that no cause of action is, on the evidence, established. They rely on Halsbury Laws of England Fourth Edition Vol. 48 at paragraph 148 where Lord Halsbury wrote:

“In the classic form of passing-off action, the only person entitled to bring the action is the person to whom the name, mark or other indicia misused by the defendant refers, so that other persons legitimately trading in goods bearing that name or mark, such as exclusive importers or distributors, cannot maintain an action for passing off even

though the defendant's activities cause damage their trade."

But Lord Halsbury immediately added:

"However, where there is passing off of a product which has a character intrinsic to and inseparable from its descriptive name, for example "advocaat", such a limitation seems inappropriate in view of the non-proprietary nature of the name or mark misused, and it appears that any person manufacturing or dealing in the genuine product whose business or goodwill will suffer more than minimal damage as a result of the defendant's activities may maintain an action."

9. The House of Lords has decided that a defendant who falsely applies to his goods a descriptive appellation to which he is not entitled, is liable to an action for passing off at the suit of persons whose business or goodwill will be damaged by the misuse of the descriptive appellation concerned: see *Erven Warnlink BV v. Townsend & Sons Ltd.* 1979 AC 731; and *Bollinger v. Costa Brava Wine Co. Ltd.* 1959 3AER 800. In *Dental Manufacturing Co. Ltd. v. DeTrey & Co.* 1912 3 K.B. 76, an authority relied on by the defendants, the head note reads that "the sole agent for sale of an article made by a particular manufacturer cannot maintain a passing off action against a person who passes off an article made by himself as the article made by that manufacturer merely on the grounds that

his profits through sale of that articles are thereby diminished.” But Vaughn Williams LJ, in the said case, says that his “own impression is that an action for passing off would, under proper circumstances, be available as a protection for an exclusive agent for sale .....”: see *Dental Manufacturing* above at p. 82. Moulton LJ in the said case at page 85 said:

“There is a right in a plaintiff to come to the court to prevent any goods being passed off as his which are not his goods and, when I say that, I include goods which he has manufactured, goods which he has purchased and sold - any goods that can fairly be called his goods. In respect of these he can restrain an attempt to pass off goods that are not his, as though they were his.”

10. Whether or not, on the facts at this stage, and on the authorities above there is in favour of the claimants, a passing off action, or a cause of action in the tort of passing off, is, in my view, a serious question to be tried.
11. There are other serious questions to be tried in these claims. The defendants submit that they have permission from a company in India – Golden Tobacco Ltd. – to register the trademark Marshall. The said company sent a letter to the defendant stating that the brand name “Marshall” was registered in India by the company in November 1992, and that the company had no objection in manufacturing the

said brand name exclusively for the defendants. The defendants say that the claimants therefore do not have exclusive use of the trademark “Marshall”. Mr. Ken Zheng, in his second affidavit, states that the trade name “Modern” is registered in India by Ning-bo Cigarette Factory, the predecessor of China Tobacco. Therefore the claimants, through China Tobacco, are exclusively entitled to use the trade name Modern in Belize.

12. Once again these are serious questions to be tried, as to whether the claimants or the defendants have the exclusive right to use in Belize, the trade name “Modern” or “Marshall” in relation to the sale of cigarettes in the Corozal Free Zone, Belize. These serious questions are for the trial judge, after hearing the evidence of the witnesses from each side.
  
13. There is also a dispute by the parties in relation to the standing by the claimants to bring these claims. From the facts narrated above, there is some evidence to suggest that the claimants have standing. They say they have authorization from the manufacturer of the cigarettes to sell them in the territory of Belize, and have been doing so at the Corozal Free Zone for a length of time. But the claimants have not registered the trademark in Belize. Whether or not the manufacturers have, in fact, authorized the claimants to sell the cigarettes in Belize are questions of fact for the trial judge. This is further evidence that there are serious questions to be tried. There are also, on the affidavits, at this stage, other matters, including matters of fact, which raise serious questions to be tried; but due to my finding above, that



there are serious questions to be tried, it is not necessary for purposes of this decision to refer to those other matters.

14. At this interlocutory stage for an application for an injunction, it is not the courts function to make a final decision whether the tort of passing off is established or a final decision whether the claimants have standing. These matters are for the trial judge. The courts function at this interlocutory stage has been discussed in well known cases. In *Nevison v. Pender 1883 ICH 43* Cotton L.J. said that at the interlocutory stage on an application for an injunction the court has to consider “whether the materials that are before us show a probability that at the hearing the Plaintiff will get an injunction. In the case *D.T.C. v. Phang 1962 L.R. B.G. 378 at page 384* Wylie J said that the court would grant an interlocutory injunction “when the legal right claimed was clearly established .... Or if a prima facie case in favour of the right was established.”.
  
15. But Lord Diplock in *American Cyanamid (1975) 1 A.E.R. 504 at p. 511* has seriously questioned the above views of Cotton L.J. in *Pender and Wylie J in Phang. Lord Diplock* said that “the use of such expressions as a “a probability” “a prima facie case” or “a strong prima facie case” in the context of the exercise of a discretionary power to grant an interlocutory injunction leads to confusion as to the object sought to be achieved by this form of temporary relief. The court must no doubt be satisfied that the claim is not frivolous or vexatious; in other words, there is a serious question to be tried.”.

16. This is the principle to apply at this stage. Since the parties, in my judgment, have shown that there are a serious questions to be tried, the court must move to the second stage of the enquiry, whether damages would be an adequate remedy, because if damages would be an adequate remedy, and the defendants would be in a position to pay the damages, even though there are serious questions to be tried, no interlocutory injunction should normally be granted.
  
17. The principle was put by Lord Diplock in **American Cyanamid** above where His Lordship says 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 the stage.”.

### **Damages**

18. From the evidence, the claimants in both claims have authorization to sell the cigarettes Marshall and Modern at the Free Zone. They have been importing the cigarettes and selling them at the Corozal Free Zone, Belize since, in the case of Marshall’s cigarettes from 2007; and in the case of Modern cigarettes, since August 2010. It has not been

disputed that Marshall Co. has sales of an average of thirty containers imported per year at a cost of US\$75,000.00 per container. Modern also imports thirty containers a year at a cost of US\$75,000.00 per container. This too was not denied. It is alleged, and once again not denied, that the defendant in the second claim had never imported containers of cigarettes and traded in them at the Corozal Free Zone as at 30<sup>th</sup> August, 2010 when the defendant applied to register the trademark 'Modern'.

19. If the injunction at this stage is discharged or refused, and the defendants are allowed to sell, trade and import the cigarettes, and at the trial it is found that the claimants were wrongly refused the injunction, how will the damages to the claimants be calculated? This would depend on the perceived extent of the sales of the cigarettes by both claimants and defendants between the date of the refusal, and the date of granting the injunction by the trial judge. At this stage, on the evidence, it is almost impossible to anticipate the damages and to say whether they would be an adequate remedy.
  
20. On the other hand, if the injunction is continued at this stage, but it turns out at the trial to have been wrongly continued, the defendants would have suffered; and difficulties would also arise in calculating the damages payable to the defendants, and to say whether, at this stage, the damages would be an adequate remedy. In *Graham v. Dedderfield and other 1992 Fleet Street Report p. 313 at p. 315* Dillion L.J. agreed that in deciding whether damages would be an adequate remedy in the context of an application for an interlocutory

injunction, there must be some material from which the court could say “with some accuracy” the damage suffered by the Plaintiff.

21. On the facts at this stage, I cannot say, with any accuracy, the damage that would be suffered by either party; and I have doubts whether damages would be an adequate remedy. Lord Diplock in *Cyanamid* above at p 511 states that it is “where there is doubt as to the adequacy of the respective remedies in damages available to either party or to both that the question of balance convenience arises.”

#### **Balance of Convenience**

22. In considering the balance of convenience or balance of justice, as it is sometimes called, it must be remembered that the burden of proof lies on the claimants to prove that they would suffer the greater disadvantage or inconvenience. The burden of proving that the inconvenience which the claimants will suffer by the refusal of the injunction is greater than that which the defendant will suffer, if it is granted, lies on the claimants. The court must consider the evidence on the affidavits and make a decision as to who would suffer the greater disadvantage if the injunction was or was not granted. But in making such a decision it “would be unwise to attempt even to list all the various matters which may need to be taken into consideration in deciding where the balance lies, let alone to suggest the relevant weight to be attached to them: see *American Cyanamid* above at p 512.

23. In *National Commercial Bank of Jamaica Ltd. v. Olint*, Privy Council Appeal No. 61 of 2008, Lord Hoffmann says that among the matters which the court may take into account in deciding where the balance lies, are “the prejudice which the plaintiff may suffer if no injunction is granted or the defendant may suffer if it is; the likelihood of such prejudice actually occurring; the extent to which it may be compensated by an award of damages or enforcement of the cross-undertaking; the likelihood of either party being able to satisfy such an award; and the likelihood that the injunction will turn out to have been wrongly granted or withheld, that is to say, the court’s opinion of the relative strength of the parties’ cases.”
  
24. The claimants have been trading in the cigarettes in Belize at the Corozal Free Zone for about four years in relation to the Marshall brand, and for about 1 year in relation to the Modern brand. They say that they have average sales of thirty containers per year imported in Belize by them at a cost of US\$75,000.00 per container. Because of this amount of sales it is likely that they have developed a reputation, good will, customer base and connection to the business.
  
25. The defendants exhibit a per forma invoice dated 29<sup>th</sup> September, 2010 showing that they placed orders for six containers of cigarettes totalling \$792,000 and paid about \$24,000.00 in expenses. But there is no evidence, more than four months after the date of the invoice, that the money was paid by the defendants for the containers of the cigarettes. The defendants did say that they did not intend to import the six containers until the injunction, which was granted on 15<sup>th</sup>

December, 2010, was discharged. The defendants have not, prior to the injunction, imported containers of the cigarettes in Belize and traded in them, and therefore do not have the connection to the business and the customer base in the trading of the cigarettes as the claimants undoubtedly have.

26. The court may grant an injunction in all cases in which it appears to the court to be just or convenient to do so: see section 27(1) of the Supreme Court of Judicature Act Chapter 91. At the interlocutory stage, the court must assess whether granting or withholding an injunction is more likely to produce a just result. In *National Commercial Bank Jamaica Ltd. v. Olint Corp. Limited PC Appeal No. 61 of 2008 at page 6*. Lord Hoffmann says that the “basic principle is that the court should take whichever course seems likely to cause the least irremediable prejudice to one party or the other.”
  
27. The claimants are already importing the cigarettes and trading in them for a few years. The claimants have not registered the brand name in Belize. The defendants have not yet imported containers of the cigarettes. The defendants have an agreement from Golden Tobacco from India to sell Marshall cigarettes in Belize and they have applied to register the mark in Belize which is pending. The defendant have not, at this stage, imported containers of the cigarettes for the purpose of trading in the cigarettes. In order to make a decision as to where the balance of convenience lies, I ought also to bear in mind Lord Diplock’s views as follows:

“If the defendant is enjoined temporarily from doing something that he has not done before, the only effect of the interlocutory injunction in the event of his succeeding at the trial is to postpone the date at which he is able to embark upon a course of action which he has not previously found it necessary to undertake; whereas to interrupt him in the conduct of an established enterprise would cause much greater inconvenience to him since he would have to start again to establish it in the event of his succeeding at the trial.” See *American Cyanamid* above at page 408.

28. What is the just or convenient thing to do, considering all the facts available at this stage? Where does the balance of convenience lie? Considering the matters raised above I think it lies on the part of the claimants. I think the just or convenient thing to do, based on the evidence at this stage, is to continue the injunctions, and to recommend an early trial so that the serious questions raised above can be heard and determined.
  
29. The court was urged to retain the status quo until the hearing and determination of this matter. But since I have found that the balance of convenience lies in favour of the claimants, it does not seem necessary to go on to the question of the status quo, because such questions become necessary “where other factors appear to be evenly balanced.” Lord Diplock in *American Cyanamid* at page 408 said:

“Where other factors appear to be evenly balanced it is a counsel of prudence to take such measures as are calculated to preserve the status quo.”

**Material non-disclosures**

30. Learned senior counsel for the defendants urged the court to discharge the injunctions on the grounds of material non-disclosures which are listed at paragraphs 1.31 to 1.36 of written skeleton arguments submitted on behalf of the defendants. The court has considered the non-disclosures; but I think it is enough to mention two of them here. The claimants did allege in the *ex parte* application that the defendants would import containers of cigarettes to Belize by December 13<sup>th</sup> 2010. The defendants say that this is not true because to date it has not been shown that the containers arrived in Belize. Secondly the claimants did not disclose to the court that they were not registered proprietors of the trade name “Marshall” or “Modern” in Belize and that they were not the proprietors or owners of the trade name.
  
31. I do not find that the non-disclosures are of significant materiality to justify or require the discharge of the injunctions, considering the facts of this case as discussed above. But even if I am wrong in this regard, the court has a discretion, notwithstanding proof of material non-disclosures which would justify or require the immediate discharge of the *ex parte* order, nevertheless to continue the order, or to make new order on terms: *Brinks Matt Ltd v. Elcombe 1988 3 A.E.R. 188 at p. 192* per Gibson LJ.



## **Conclusion**

32. In conclusion I find that there are serious questions to be tried in this case, and there is doubt whether damages would be an adequate remedy. I find on the facts of this case, the balance of convenience lies in favour of the claimants. There is no need therefore to go on to consider the status quo. Though there are non-disclosures, I do not find that they are such as to justify the discharge of the injunctions. An early trial in the matter is recommended.
33. I therefore make the following orders:
- (1) The ex parte injunctions granted in these claims are continued until the hearing and determination of the claims.
  - (2) The applications to strike out the claims are refused.
  - (3) The application for security for costs is to be heard on 22<sup>nd</sup> March, 2011, 9:00 a.m.
  - (4) Case management of the claims is fixed for 25<sup>th</sup> March, 2011, at 9:00 a.m.
  - (5) The defendants in both claims to pay costs to the claimants in both claims, to be agreed or taxed.

Oswell Legall  
JUDGE OF THE SUPREME COURT  
24<sup>th</sup> February, 2011

