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Judgment
8/1964

No. 26 of 1961

IN THE PRIVY COUNCIL

UNIVERSITY OF LONDON
INSTITUTE OF ADVANCED
LEGAL STUDIES
22 JUN 1965
25 RUSSELL SQUARE
LONDON, W.C.1.

O N A P P E A L

FROM THE FEDERAL SUPREME COURT OF NIGERIA

78539

B E T W E E N :-

JOHN KHALIL KHAWAM AND COMPANY
JOHN KHALIL KHAWAM (trading as)
(Plaintiffs) Appellants

- and -

10 K. CHELLARAM AND SONS (NIG.)
LIMITED (Defendants) Respondents

AND B E T W E E N :-

K. CHELLARAM AND SONS (NIG.)
LIMITED (Defendants) Appellants

- and -

JOHN KHALIL KHAWAM AND COMPANY
JOHN KHALIL KHAWAM (trading as)
(Plaintiffs) Respondents

(CROSS APPEAL CONSOLIDATED)

20 CASE FOR K. CHELLARAM AND SONS (NIG.) LIMITED

RECORD

1. These are Appeals from the Judgment and Order dated the 8th March 1960 of the Federal Supreme Court of Nigeria dismissing the Cross Appeal by K. Chellaram and Sons (Nig.) Limited (the Defendants in the suit) from the Judgment of the High Court of Lagos dated the 16th February 1959 and allowing the Appeal by John Khalil Khawam and Company (John Khalil Khawam trading as) (the

pp. 69, 80.
p.42.

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Plaintiffs in the suit) by increasing the damages awarded by the said Judgment from £2,000 to £2,500.

2. The suit was brought for relief in respect of infringement by the Defendants of the Plaintiffs' rights in a textile design which the Plaintiffs had registered in the Manchester Registry of the Patent Office under the Registered Designs Act, 1949, such registration being entitled to protection in Nigeria under the United Kingdom Designs (Protection) Ordinance. In their Defence and Counterclaim and at the trial the Defendants contended (inter alia) that the Plaintiffs had no rights in the said design on the ground that it was not new or original. The learned trial Judge held that the said design was sufficiently distinct from decorative motifs, well known in Nigeria and associated with Adire or "tie and dye" cloth, as to be entitled to protection as a new and original design. Before the Federal Supreme Court the Defendants abandoned their appeal against this finding of fact. The appeals of both parties accordingly proceeded on issues of damages only, namely, whether the Defendants were innocent infringers and therefore not liable in damages or, if not, what was the proper measure and amount of the damages. In these Appeals the Defendants will contend that on the true construction of the relevant statutory provisions and the effect of the evidence their infringement was innocent, alternatively that the £2,000 damages awarded by the learned trial judge were excessive, that the Federal Supreme Court erred in law and on the evidence in awarding a further amount of £500 damages, and that in any event there is no ground for increasing the £2,500 damages awarded by the Federal Supreme Court.

Ex G. p.89. 3. By letter dated the 26th November 1957 the Plaintiffs' solicitor informed the Defendants that the Plaintiff was "the proprietor of registered design No. 459477 which is also registered in Japan as New Design 7140 and which is identical to that on textile goods that you are marketing under the No. 7140R." The said letter (inter alia) asked the Defendants to pay the Plaintiffs within 48 hours the sum of £50,000 damages. In their reply dated the 28th November 1957 the Defendants' solicitors asked to see a cutting of the design in question and said that until they had compared the designs and investigated the matter the Defendants could not be expected to do any of the things listed in the said letter. By letter dated the 3rd December 1957 the Plaintiffs' solicitor stated that a cutting was attached to papers already filed in Court. On the

3rd December 1957 The Present Suit was commenced p.2.
by Writ of Summons to which was attached
Particulars of Claim dated the 30th November 1957. p.1.
In their Particulars of Claim the Plaintiffs
claimed £50,000 damages for infringement of the
Plaintiffs' Registered Design No. 459477 also
registered in Japan as New Design 7140. In their
Statement of Claim dated the 21st January 1958 the p.3.
10 Plaintiffs alleged that on the 4th January 1957 they
had registered the design in question at the
Manchester Branch of the Designs Registry of the
Patent Office as registered number 459477 and that
since registration they had imported into Nigeria
in 4 consignments about 10,000 pieces of cloth
bearing the design and had sold it in Ibadan and
Lagos at an average price of 50/- per piece,
that in November 1957 their customers had
complained that they could buy similar cloth from
the Defendants at 39/- per piece, and that in
20 consequence they had to reduce their price to 43/-
per piece, and they gave the following Particulars
of Damages:-

"Loss of profit on 9841 pieces of p.5. 1.12.
7140 Registered Design at 15s.
a piece on one year's sales £ 7,280.15. --

30 The design is registered for 5
years from 4.1.57 with two
options to renew of 5 years
each, i.e. a total period
of 15 years.

Loss of profit for 5 years	£36,913.15. --
General damages	13,096. 5. --
Total damages	<u>£50,000. --. --."</u>

The Statement of Claim did not allege that
the design was registered in Japan.

4. In their Statement of Defence dated the 3rd p.7.
February 1958 the Defendants alleged that they
only knew of the registration of the design in
Manchester since the proceedings were commenced;
40 that they had imported only 880 pieces, of which
530 pieces had been sold, leaving 350 pieces in
hand; that they had paid 31/9 per piece and sold
for 38/- per piece; that the cloth was known as

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- cotton crimped African prints No. 7818 and was an open design in Japan where it could be printed and sold by anybody; that it was not registered in Japan and could only have been so registered as an open design; that the Plaintiff did nothing to bring the fact of registration in Manchester to the notice of manufacturers or dealers in Japan or to warn the public of Nigeria that the design had been registered in Manchester under the Registered Designs Act 1949 or under any other Act, nor did he indicate the fact on the pieces offered by him for sale, nor print thereon the registration number; and the Defendants therefore contended, in Paragraph 14 (c), that "the Defendant is an innocent Importer without notice of the Plaintiff's registration". 10
- p.9. 1.30.
5. On the commencement of the suit the Plaintiffs served notice of motion for an interlocutory injunction. Affidavits were filed on both sides. The Defendants gave an undertaking not to sell any more cloth bearing the disputed design which undertaking was extended on the 16th January 1958 until the trial of the suit. The affidavit of Mr. Ladharam sworn on the 21st December 1957 on behalf of the Defendants stated (what was not disputed) that the Defendants had not in fact sold any of the cloth since receiving the first letter from the Plaintiffs' solicitor dated the 27th November, 1957. 20
- p.43. 1.19.
- p.57. 1.22.
6. At the trial, which commenced on the 10th December 1958 before the Honourable Mr. Justice Coker, John Khalil Khawam testified that he had started registering his own designs in 1956; that he had got Gilbert McCaul and Co. Ltd. to register the design in question and he produced the Certificate of Registration; that the first importation was on the 20th January 1957; that he sold the cloth (Exhibit C) in Lagos and Ibadan. 30
- p.14.
- Ex.A. p.87.
- p.16. 1.20.
- "On the first occasion, of my import, I imported about 1,000 pieces of 10 yards each into the country. Between January and December, 1957, I imported about 9841 pieces of 10 yards each. I sold at 50/- £2.10.-) a piece Wholesale. I later sold same by Retail. I had sold for 55/- or 53/- (per piece) but the average was 50/- per piece. 40
- Mr. Awofadeju complained to me that he could get the same at a cheaper price. Other customers complained about the price too. My sales fell and

10 so I had to reduce my price first to 43/- a piece then 34/- per piece. I still have about 500 pieces of Exhibit "C" left. The complaint was that the colours on Exhibit D (defendant) fade when washed and so the people refuse to buy my own. Exhibit D is inferior in quality and dye to my own designs Exhibit C. When I sell at 50/- I made average profit of 15/- on each piece of cloth sold. When I sold at 34/- I was losing on the cloth. I claim £36,913.15. -. for loss of profit for 5 years on the basis of importation of 9841 pieces every year. I claim general damages of £13,096. 5. -. for the two further periods of 5 years in respect of whom I am entitled to protection. I have been unable to repeat my orders for Exhibit C and so could not enjoy the benefits of my registration. The total amount of damages claimed by me is £50,000. -. -d. I have got the high standing price of 50/- a piece because the design is new."

20 He further testified that the No. 7140 had been allotted to the Plaintiffs by Gosho Co. Ltd. of Japan; that he was told by Gilbert McCaul and Co. Ltd. that nothing would be registered in Japan and that as soon as he received the shipping samples he decided to register in Manchester; that he did not put any other indication of registration on Exhibit C because he had already put his name on it and that when the goods were first registered he had not the registration number of the design.

30 "The second consignment arrive in April, 1957 for 1,982 pieces. The third consignment for 1,980 pieces arrive in June, 1957. The fourth for 2,000 pieces arrived in July, 1957. The 5th consignment for 1897 pieces arrived in October, 1957. I cannot say how much of Exhibit C I had in stock in November, 1957. When I first knew the defendants were selling Exhibit D, I did not check my stock. Up till today, I have not checked my stock."

p.18, 1.34.

40 7. Isaiah Pamisi Awofadeju, a textile trader with a shop in Ibadan, testified that in November 1957 he had brought 2 cases of 50 pieces each of the Defendants cloth bearing the design in question (Exhibit D) at a price of 38/- per piece and complained to the Plaintiffs, to whom he resold 2 pieces at 39/-. Exhibit D was of inferior dye, but when it came on the market he could only sell both Exhibits C and D for £2.

p.21.

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p.24. 1.19. Frederick Wegner, the representative in Lagos of Gilbert McCaul and Co. Ltd., testified that the numbers 7140 and 7140/2 were given by the Gosho Company in Japan and represented the design number of the Plaintiffs with that company; that Exhibit D was of inferior quality to Exhibit C, especially the colour; that the quality of the design was responsible for the price of 50/- per piece. In cross-examination this witness identified a letter from the Gosho Company stating that the design in dispute had been recorded as common design No. OM-36023 on the 8th September 1956 by the Japan Colour Design Centre, and the witness said that the Japanese suppliers quite often explained that the Design Centre in Japan refused to accept registration of designs, which are called "Open or Common Designs", and that was the reason why his customers applied for registration in Manchester. 10

p.26. 1.39. "Adire Cloth" is also known as Cotton Crimped African Print. Any design of "Adire Cloth" can be bought in the open market as it is not registerable there. By any design I mean those which are declared "open". In Japan, certain design are registered and is protected by Japanese Law. Every Importer knows and ought to know that before ordering out a new design, it is his duty to enquire from Manchester whether or not the design has been previously registered. Even though, it is an Open Design in Japan, the Importer still has to do his duty if he is importing the goods into Nigeria. I would advise an Importer to take a Sample cutting and send it to the Manchester Registry to make enquiry as to whether or not it has been previously registered. I am not quite sure whether a man having registered a design must publish it. I do not know the law dealing with registration of designs." 20 30

p.27. 1.30. This witness also testified that the Plaintiffs paid 25/- per piece CIF Lagos for the cloth; that his company tried to get the Gosho Company to register in Japan, but they were unable to do so, and that he advised the registration in Manchester as the goods were being imported into Nigeria. 40

p.28. 1.21. 8. On behalf of the Defendants Naraindas Ladharam, their Textile Manager, testified that Cotton Crimped African Prints had originated from the African "tie and dye" process and had been common in the market for several years; that the design in dispute No. 7140 was an open design in Japan which any merchant could order; that in 1955 and 1956 the Defendants had ordered similar designs (which the 50

witness produced) under that number; that
sometime in 1957 the Defendants through their
office in Japan had been offered by the Gosho
Company cloth of the Design No. 7140R and had
ordered 880 pieces, for which he produced the
invoices and confirmation documents. These
documents related to 5 different designs, one of
which was 7140R, which arrived on the 11th
November and were cleared on the 18th November
1957. The witness said that the Defendants sold
about 500 pieces from their Depot Shop in Lagos
and had the balance in their custody; that he
did not know that the Plaintiffs were selling the
same or a similar design; that after receiving
the letter from the Plaintiffs' solicitors he made
inquiries in Japan, as a result of which the
Defendants received a Certificate to the effect
that the design in dispute was not registered with
the Japan Textile Colour Design Centre because it
was identified as Open Design OM No. 36023. The
witness said that if the Defendants had known that
the Plaintiffs had registered Exhibit C they would
not have imported it, even though they knew it was
an open design.

At the close of the examination-in-chief of this
witness counsel for the Defendants admitted
that before the design in dispute the Defendants
had been ordering and selling cotton crimped
African prints without reference to any particular
design for many years.

p.32, 1.7.

In the course of cross-examination the witness
stated:

"Exhibit D came from our Japan office. They
were offered by Gosho Co. to our office in Japan.
They were purchased by our Japan office and sent
over here. We received the Confirmation Notes in
Lagos. Our office in Japan is the buying centre
for all our branches. We order for goods from
Japan. Gosho Co. offered about five different
designs to our Japan office. Our Japan office wrote
us about them and we ordered for the goods.

p.34, 1.31.

I saw Exhibit C for the first time in this
Court. I did not know that the design belonged to
the Plaintiffs. I did not know that Plaintiffs
were selling Exhibit C from January, 1957. The
offer to us by the Gosho Co. was in May or June,
1957."

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p.35, 1.13.

9. Robert Aston Holgate, senior research officer of the Federal Institute of Industrial Research, gave evidence about Exhibit C as follows:-

"It is crimped cotton cloth... The design has typical motifs which are common to those employed in Nigerian Adire cloths. The colours, especially the dark indigo, are again typical of Adire cloths. The design is a variation of an old theme. I have never seen this particular design before. I have seen many designs similar to this." 10

p.36, 1.33.

Daniel Akin Noble, a Lagos trader, testified that he had bought Exhibit C at 50/- per piece in Ibadan and Exhibit D from the Defendants at 38/- per piece, that they had used it as family dress in his Society, that he did not consider 50/- a piece too high for the cloth, because they liked it; and that they thought the Defendants' stuff was inferior to the stuff they had bought in Ibadan.

p.40, 1.30.

In the course of his closing speech counsel for the Defendants admitted that the Gosho Company had brought the design to the Japanese office of the Defendants. 20

10. Section 9 (1) of the Registered Designs Act, 1949, is as follows:-

"In proceedings for the infringement of copyright in a registered design damages shall not be awarded against a defendant who proves that at the date of the infringement he was not aware, and had no reasonable ground for supposing, that the design was registered; and a person shall not be deemed to have been aware or to have had reasonable grounds for supposing as aforesaid by reason only of the marking of an article with the word "registered" or any abbreviation thereof, or any word or words expressing or implying that the design applied to the article has been registered, unless the number of the design accompanied the word or words or the abbreviation in question." 30

Section 2 of the United Kingdom Designs (Protection) Ordinance (Cap. 204. Laws of the Federation of Nigeria and Lagos, 1958, Vol. 6) provides that :- 40

"Subject to the provisions of this Ordinance the registered proprietor of any design registered in the United Kingdom under the Patents and Designs Acts 1907 to 1932, or any Act amending or

substituted for those Acts shall enjoy in Nigeria the like privileges and rights as though the certificate of registration in the United Kingdom had been issued with an extension to Nigeria."

Section 3 of the Ordinance (so far as material) is in the following terms:-

10 "The registered proprietor of a design shall not be entitled to recover any damages in respect of any infringement of copyright in a design from any defendant who proves that at the date of the infringement he was not aware nor had any reasonable means of making himself aware of the existence of the registration of the design."

11. Upon the true construction of these provisions the Defendants respectfully submit:-

20 (i) that Section 9 of the United Kingdom Act and Section 3 of the Nigeria Ordinance are not mutually exclusive, but entitle a defendant to rely upon one or other or both of them;

30 (ii) that there is no difference in meaning or effect between the expressions "reasonable grounds for supposing" and "any reasonable means of making himself aware", since the latter expression merely adopted the form of words used in Section 33 of the Patents and Designs Act, 1907. This form of words was altered in the Patents Act, 1949, and the Registered Designs Act, 1949, so as to conform to the construction put upon them in Wilderman v. F.W. Berk and Company Limited (1925) Ch. D. 116, (1924) 42 R.P.C. 79;

40 (iii) that for the purpose of bringing themselves within Section 3 of the Nigeria Ordinance it is sufficient for the Defendants to show that they acted in good faith, that they were not aware of the existence of the registration, that they had no reasonable ground for suspecting its existence and no actual information in their possession which offered them the means of making themselves aware of its existence.

The Defendants submit that upon the application

of the relevant test to the evidence they proved that they were innocent infringers.

12. The learned trial Judge, having referred to Section 9 of the 1949 Act and Section 3 of the Ordinance, without deciding which or whether both of them was applicable, proceeded as follows :-

p.55, l.16.

"In both cases the onus is upon the defendant to prove ignorance or lack of means of knowledge, of the registration of the design. Apart from the evidence of Mr. Ladharam to the effect that he did not know that the design of the plaintiffs was registered, there is hardly any direct evidence on this point. I have therefore to consider all the relevant circumstances of this case. 10

To start with, I accept the evidence that Exhibit D is printed with inferior dye on an inferior material. Such is the evidence of the plaintiff as well as the evidence of the witness Noble called by the defendants. The defendants did say that Exhibit D was offered to them in the middle of 1957 by the Gosho Company Ltd. through their office in Japan. 20
The Gosho Company Ltd. were the manufacturers for the plaintiff. The defendant did not make any search or searches at Manchester to know whether or not the design was registered there; in fact it is the evidence that the defendants were not in the habit of making searches for registered designs. There is no doubt that if the defendants had so made a search, the registration by plaintiffs would have been discovered. There is no other evidence to support that of Mr. Ladharam to the effect that it was the Gosho Company Ltd. that "offered" the cloths to the defendants. The cloth Exhibit D is sold by the defendants in pieces contained on paper wrappers printed inter alia with the following words:- 30
"Specially made for K. Chellarams & Sons (Nigeria) Ltd., Lagos Design No.7140R".

If as the defendants contended crimped cotton African prints are recorded in Japan as open Design OM.No.36023, why then did this design bear the special No.7140R? The defendants never inquired why was this cloth marked "Specially made for K. Chellaram & Sons" and why was it printed with inferior dye and on inferior material? If the Gosho Company Ltd. were offering some of the stocks of the plaintiffs to the defendants, they would in all probability have offered identically the same stuff in identically the same quality. I reject the evidence that it was the Gosho Company Ltd. that 40

offered Exhibit D to the defendants and indeed such evidence is not consistent with the terms of the confirmation notes Exhibits O and O1. The witness Ladharam carried this position to its logical conclusion when he made the alarming suggestion that the defendants did not even see the design before they ordered for it. I will not, and do not, believe such evidence. I take the view that either the defendants are completely
10 reckless or that their office in Japan having seen the designs of the plaintiffs after the manufacture of Exhibit C, decided to and did order for actual reproduction of the plaintiffs' design on cheaper material with inferior dye and with the avowed purpose of wrecking the market for the plaintiff. This is borne out by the attitude of the defendants to the situation which arose after their receipt of letters Exhibits F, G and Q, indeed the defendants' representative stated
20 in the witness box that he was seeing Exhibit C for the first time in Court. This is also demonstrated by the way in which the defendants had fought this case throughout. During his address to me I asked Counsel for the defence to let me know his stand whether he was an innocent infringer or he was contesting the validity of the registration. Counsel told me that he was contesting the validity of the registration. In my view therefore the defendants have not proved
30 that although they were unaware of the plaintiffs' registration, they had no reasonable means of ascertaining such fact, they had failed or neglected to make the necessary investigation which a prudent man of business in the same circumstances would have made. If a refusal or neglect to make such a search, (especially in the case of a company, with a branch in Manchester) would excuse a defendant under Section 9 of the Act, the inevitable consequence is that registra-
40 tion does not afford any protection at all and a smart infringer would have sold as much of the infringing material as he could and ruined the market for the registered proprietor, before an order for injunction is obtained and if then he had no stocks left of the infringing material, he would avoid any liabilities. Such is not the intention or indeed the words of the Act. In my judgment therefore the plaintiffs are entitled to damages against the defendants."

50 13. The Respondents respectfully submit that there was no evidence to support these conclusions

reached by the learned trial Judge, and indeed that they are contrary to the evidence in the case. The registered number of the design in Manchester was 459477. This number did not appear on the Plaintiffs' cloth nor was it referred to in any of the documents passing between the Gosho Company and the Defendants, nor in either case was there any reference to a Manchester registration. The fact that the Gosho Company used the number 714CR to identify this particular design was not in itself anything to put the Defendants on caution, and the same consideration applies to the common trade practice of marketing the goods as being "specially made for" the Defendants, as indeed the evidence suggests that they were. There is nothing in Exhibits O and O1 which is inconsistent with Mr. Ladharam's statement that the cloth was originally offered by the Gosho Company to the Defendants (a fact which was expressly admitted by the Plaintiffs' counsel in his final speech) nor was there anything "alarming" in Mr. Ladharam's statement that the Defendants in Nigeria had not seen the design before they ordered it through their Japan office, particularly in view of the express admission by the Plaintiffs that this was the Defendants' practice. There was no evidence and it was not suggested that the Plaintiffs had notified the Defendants or anybody else in Nigeria that they had registered this design in Manchester or that they had begun to make and register their own designs or that they had given notice of registration to the Gosho Company which, having informed them that the design was open in Japan, might reasonably assume that they could lawfully supply it to other importers. It is accordingly submitted that there was no evidence to support the finding that the Defendants were "completely reckless" or that the Defendants' office in Japan, having seen the design and knowing it to be the Plaintiffs, ordered it to be copied "with the avowed purpose of wrecking the market for the Plaintiffs", nor was this suggestion put to Mr. Ladharam in cross-examination. There is nothing in the Defendants reaction to Exhibits F, G or Q to support this conclusion, nor could it be supported by the fact that the Defendants in this action contested the validity of the registration.

p.40, l.30.

p.32, l.7.

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14. The Defendants further submit that the learned trial Judge, by holding that the omission to search the register was sufficient to preclude an innocent infringement, misconstrued the meaning and nullified the effect of the statutory protection given to

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innocent infringement and failed to apply the proper test, and that accordingly his findings of fact are vitiated by error of law.

15. The Plaintiffs gave Notice of Appeal dated the 27th February 1959 and filed Further Grounds of Appeal dated the 11th November 1959. The Defendants gave Notice of Appeal dated the 9th March 1959. p.58.
p.61.
p.60.

10 16. On the question of innocent infringement, on which point the Defendants had appealed on the ground that the learned trial Judge had both misdirected himself on the evidence and erred in law, the Judgment of Ademola, P.C.J., with which Mbanefo C.J. Eastern Region concurred, contains the following passage:-

20 "Mr. Bickersteth argued that either of these statutory provisions granted protection to the defendant in this case, and that the learned Judge was wrong in his assumption that the defendant must have seen the plaintiff's design and decided to order it since it was clear that Goshu Company brought the design to the Japan Office of the defendant and it was an open design in Japan. p.72, l.21.

30 It appears to me that for the defendant to claim the protection afforded by either the English Act or the local Ordinance, he must satisfy the Court that he had no reasonable means of finding out whether or not the design had been registered. It was argued that protection is claimed under the English Act.

40 The wording of the English Act refers to "reasonable grounds", the local Ordinance states "reasonable means". There is to my mind, no conflict between the two; if there is, it is clear that the local Ordinance will prevail. The earlier English Act spoke of "reasonable means" but it was amended to read "reasonable grounds". In Nigeria "reasonable means" is still the criterion; this may be due to the fact that the registration has to be carried out in the United Kingdom. Whatever it is, it hardly affects this case where the defendants did nothing although they had every means of finding out from the Design Registry in Manchester whether or not this particular design, which incidentally carries a

number, has been registered.

The submission that since the registration of the design was refused in Japan was enough for the defendant to assume that the design could not be registered in the United Kingdom, I reject without further comments.

The findings of the learned trial Judge that the defendants have failed or neglected to make necessary investigation which a prudent company having a branch in Manchester would have made in the circumstances and cannot therefore claim any protection as an innocent purchaser are, in my view, justified by the evidence before him, and these two grounds of the cross appeal must fail." 10

Brett F.J. held that the defence under Section 9 of the Act is not available in Nigeria and continued:-

p.78, l.44

"Even if I am mistaken in this, I agree that a defence has not been made out either under the Ordinance or the Act. Chellarams have certainly not proved that they had no reasonable means of making themselves aware of the existence of the registration of the design. They have an office in Manchester and it has not been suggested that they could not have had a search made in the Manchester Registry, or that a search made in revealed the existence of the registration. As to whether they have proved that they had no reasonable ground for supposing that the design had been registered, the evidence of their chief witness as to fact, Naraindas Ladharam, justified the finding of Coker, J., that "either the defendants are completely reckless or their office in Japan having seen the designs of the plaintiffs after the manufacture of Exhibit C decided to and did order for actual reproduction of the plaintiffs' design on cheaper material with inferior dye and with the avowed purpose of wrecking the market for the plaintiff". They have not, on either alternative, established a defence under Section 9 of the Act." 20 30

The Respondents make the same complaint about these Judgments, namely that the test of reasonability in this matter is not whether it was possible for the Defendants to inspect the Registry in Manchester, but whether it was reasonable for them, from information in their possession, to suspect the possibility of registration. It is submitted that there was no evidence to support a finding to that effect. 40

17. The learned trial Judge, having held that the Defendants had failed to make out the defence of innocent infringement, assessed the Plaintiffs' damages in the following passage of his Judgment:-

10 "It is true that the plaintiff had had to reduce the price of his cloth twice and finally he had to close down. There is however no evidence before me of how much the plaintiff actually lost in the transaction. The claim for special damages therefore fails. I now come to the item of general damages. I do not take into consideration the fact that the plaintiff is entitled to two renewals of the period of copyright of five years each, as these renewals are in any case subject to some conditions described by Section 8(2) of the Act. The defendants ordered out 880 pieces of Exhibit D and had sold about 500 pieces. These goods were cleared by the defendants from the 20 Customs on the 18th November, 1957 and on the 21st December, 1957 when Mr. Ladharam swore to an Affidavit in connection with the motion for interlocutory injunction, the 500 pieces had been sold. The plaintiffs ordered in all about 10,981 pieces from January to the end of 1957 and had only a few pieces left at the time of this action. It is clear that cloth of the design had a phenomenal sale and a very good market. The defendants impress me as rather callous and 30 indifferent to the result of their action. I have carefully considered all the circumstances of this case and will fix the general damages in this case at £2000.--. (two thousand pounds only) taking still a lenient view of the conduct of the defendants and in particular the fact that I do not know exactly how much the plaintiffs had lost. But I do certainly take into consideration the fact that this is a commercial case, the Issues involved in which strike at the very foundation 40 of commercial or trading activities."

p.57, l.8.

18. In their Grounds of Appeal the Plaintiffs alleged that these damages were insufficient, and in their Further Grounds of Appeal they alleged that in assessing the damages the learned trial Judge had mis-directed himself and erred in law in that

p.59, l.11.

"(a) He misapplied the law regarding special and general damages and consequently made an erroneous assessment of the damages

p.62, l.10.

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awarding to the Appellants a sum as damages less than he should have done, and he has also wrongly disregarded the fact that the Appellants would have been entitled to two renewals of their monopoly rights of the period of 5 years in their registered design of 5 years each under the Registered Designs, Act 1949 of the United Kingdom.

(b) He wrongly separated what is a single and undivided claim for damages by the Appellants for the loss they suffered into a claim for (1) Special damages and (2) general damages. 10

(c) He assessed the damages awarded by him as if they consisted of two separate claims therefor the one being for special damages and the other for general damages."

p.61, 1.2. The Defendants alleged in their fourth Ground of Appeal that the damages awarded against them were excessive. 20

19. Ademola F.C.J. held that the learned trial Judge had proceeded on an erroneous principle in his assessment of damages and that what had to be ascertained was the pecuniary loss the Plaintiffs had sustained by the wrongful acts done to them by the Defendants. The learned Federal Chief Justice then disposed of this question in the following passage:-

p.75, 1.44. "The evidence before the learned trial Judge conclusively established that about 2,000 pieces of the cloth imported by the plaintiffs were, after the defendants' infringement, sold at a reduced profit of 7/- per piece for a time and later at an actual loss of 1/- per piece until the plaintiffs had to close down. This amounts to roughly a loss of an amount between £1,000 to £1,300: added to this was the loss 15/- profit per piece on the 500 pieces sold by the defendants. This resulted in a loss of a total of £375. It would appear that taking all these into consideration the learned Judge has arrived at the figure of £2,000 which, in my view, appears on the evidence before him, a fair assessment. But the copyright had another four years to run; then the plaintiffs are entitled to two renewals of 5 years each of their copyright. I would estimate the damages for the two 5 year period of renewal (10 years) at £500. 30 40

In conclusion, I reject the submission made by Counsel in the cross appeal that the plaintiffs are only entitled to nominal damages. I would therefore dismiss the damages awarded in favour of the plaintiffs as follows :-

"£2,000 general damages as awarded by the learned trial Judge: £500 damages for the two 5 year period of renewal. Total: £2,500."

Brett F.J. dealt with the matter as follows:-

10 "As regards the quantum of damages, I agree p.79, 1.21.
that Coker J., applied a wrong principle in refusing
to allow anything for the right of renewing the
copyright for a further ten years. Even on the
basis adopted by Coker, J., it may well be that
other Judges would have awarded a larger sum, but
I cannot say that on the evidence he made any
other manifest error in principle. The Court may
take judicial cognisance of the fact that fashions
change in textile designs as in most other things,
20 and no attempt was made to give any evidence of the
life of a successful design in cotton piece-goods.
I support the variation proposed."

20. The Defendants respectfully submit that the
evidence of the Plaintiffs did not show that they
had suffered £2,000 loss of profit. The only
definitive evidence was that the Plaintiffs had
500 pieces unsold and that the Defendants had sold
500 pieces. The Plaintiffs claimed a profit of
15/- per piece and, assuming that but for the
30 Defendants' infringement they would have sold all
they had imported, their loss of profit on 1,000
pieces amounted to £750. It is true that the
Plaintiff himself in evidence said that he had to
reduce his price from 50/- per piece first to 43/-
and then to 34/- and that he had been unable to
repeat his orders, but he gave no evidence as to the
amount of cloth which he had in fact sold at these
reduced prices or as to any subsequent attempts to
sell the cloth. His answers under cross-
examination on this point were as follows :-

40 "I cannot say how much of Exhibit C I had in p.18, 1.39
stock in November, 1957. When I first knew the
defendants were selling Exhibit D, I did not check
my stock. Up till today, I have not checked my
stock."

It is accordingly submitted that on the principle
of proved pecuniary loss the proper amount of

damages cannot be said to have exceeded £750. Further it appears that in assessing damages at £2,000 the learned trial Judge was affected by his view of the Defendants' witnesses and wrongly introduced a penal element. It is further submitted that the Supreme Court were wrong to order an additional sum of £500 in respect of the two five year periods of renewal of registration available to the Plaintiffs. There was no evidence that a cloth design marketed in 1957 would be saleable after the expiry of the five year initial period of registration or that, if it was, its saleability would be diminished or in any way affected by the fact that four years previously for a period of about 10 days an infringing inferior material had been available in a small part of the Nigerian market. It is submitted that in cases of this kind damages should only be awarded for a future loss where the likelihood of such loss is actually proved by evidence and that in this case it is wholly hypothetical to hold that the Plaintiffs have suffered any loss or damage other than their loss of sales of the particular cloth in the period between the 18th November 1957 and the 27th November 1957 when the Defendants received the Plaintiffs' first letter of complaint and stopped selling the cloth. 10

p.82

p.84

21. By Order dated the 23rd May 1960 the Plaintiffs were given Conditional Leave to Appeal to the Privy Council and by Order dated the 6th December 1960 they were given Final Leave to Appeal to the Privy Council. By Order of the Privy Council dated the 17th December 1962 the Defendants were given Special Leave to Cross Appeal to the Privy Council, and it was ordered that these Appeals be consolidated. 30

22. The Defendants respectfully submit that the Appeal by the Plaintiffs should be dismissed and that the Appeal by the Defendants be allowed and that the Judgment and Order of the Federal Supreme Court of Nigeria be varied by omitting the order for the payment of £2,000 general damages by the Defendants to the Plaintiffs, alternatively by reducing the said sum to £750, and further by omitting the sum of £500 damages for the two 5 year periods of renewal, alternatively that the suit should be remitted to the High Court of Lagos for reassessment of the damages (if any), and further that the Defendants should be granted the costs of the Appeals before the Federal Supreme Court and of these Appeals, for the following amongst other 40 50

R E A S O N S

- (1) BECAUSE both the High Court and the Supreme Court erred in their construction of Section 9 of the Registered Designs Act 1949 and Section 3 of the United Kingdom Designs (Protection) Ordinance.
- (2) BECAUSE the Defendants were entitled to rely upon either or both of these Sections.
- 10 (3) BECAUSE upon the true construction of either or both of these Sections the Defendants had proved that they were innocent infringers.
- (4) BECAUSE there was no evidence to support a finding that the Defendants had been reckless or negligent or guilty of deliberate and intentional infringement.
- 20 (5) BECAUSE neither of the Courts below was entitled either in law or by the evidence to award general damages in addition to the amount of actual loss or damage proved by the Plaintiffs, which did not exceed £750 or alternatively was substantially less than £2,000.
- (6) BECAUSE the Supreme Court was not entitled either in law or by the evidence to order the payment of further damages under a separate head.
- 30 (7) BECAUSE in any event there is no ground either in law or upon the evidence for increasing the amount of damages awarded by the Supreme Court.

JOSEPH DEAN

No. 26 of 1961

IN THE PRIVY COUNCIL

O N A P P E A L

FROM THE FEDERAL SUPREME COURT
OF NIGERIA

B E T W E E N :

JOHN KHALIL KHAWAM
AND COMPANY
(JOHN KHALIL KHAWAM
trading as) Appellants

- and -

K. CHELLARAM AND
SONS (NIG.)
LIMITED Respondents

AND B E T W E E N :

K. CHELLARAM AND SONS
(NIG.) LIMITED Appellants

- and -

JOHN KHALIL KHAWAM
AND COMPANY
(JOHN KHALIL KHAWAM
trading as) Respondents

CASE FOR K. CHELLARAM AND SONS
(NIG.) LIMITED

BELL, BRODRICK & GRAY,
29, Martin Lane,
Cannon Street,
London, E.C.4.