



THE HIGH COURT OF KENYA

AT NAIROBI

MILIMANI LAW COURTS

COMMERCIAL AND TAX DIVISION

CORAM: D. S. MAJANJA J.

CIVIL CASE NO. E 380 OF 2019

BETWEEN

SATIA LIMITED.....PLAINTIFF

AND

DIB BANK LIMITED.....DEFENDANT

RULING

1. The plaintiff is the exclusive proprietor and developer of a mobile phone based operational facility management system known as **HomePesa Solutions** for licencing and utilization by banking and financial institutions to offer financial services to their customers. The plaintiff and defendant entered into a Licensing Agreement dated 15th March 2018 (“the Agreement”) in which the Defendant was to deploy and rollout the **HomePesa Solutions** into its banking system.

2. Following the agreement, the plaintiff states that between 15th March 2019 and April 2019, it installed the **HomePesa Solutions** comprising Sharia Instant Financing (also referred to a commodity Murabaha), Homepesa Sacco, International money transfer (also known as Homepesa remit), Lipa karo, County Solutions (also known as ELB) in the defendant’s computer servers on the understanding that the installation costs and profits would be recouped once the defendant had performed its operations under the contract.

3. The gravamen of the plaintiff’s case is that on 9th April 2019, the defendant purported to defer and or indefinitely suspend the contact contrary to the agreement causing it to declare a dispute on 23rd July 2019. It proposed appointment of an arbitrator in terms of Clause 21.2 of the Agreement after the attempts at mediation and settlement failed.

4. Because it was apprehensive that the defendant was using the **HomePesa Solution** in a manner that infringed its intellectual property rights, the plaintiff moved the court for interim measures of protection in terms of **section 7** of the **Arbitration Act**. In the Chamber Summons dated 28th October 2019 supported by the deposition of its Technical Director, Denis Satia, sworn on 29th October 2019, the plaintiff seeks, *inter alia*, the following reliefs:

[2] THAT pending inter parties hearing of this Application, as an interim measure of protection, temporary injunctive orders be issued barring the Defendant by its directors, servants, agents or otherwise howsoever from interfering, intruding into, transacting with its HomePesa Platform comprising of Sharia Instant Financing (also referred to a commodity Murabaha), Homepesa Sacco, International money transfer (also known as Homepesa remit), Lipa karo, County Solutions (also known as ELB) installed in the Defendant’s serves by the Plaintiff between March 2018 and April 2019.

[4] THAT pending the resolution of the dispute by way of Arbitration or further orders in the Arbitration, temporary injunctive orders be issued barring the Defendant by its directors, servants, agents or otherwise howsoever from interfering, intruding into, transacting with its HomePesa Platform (as described in prayer 2 above) with the aim of cloning or mapping the Plaintiff’s Intellectual Property in the system.

[5] THAT pending the resolution of the dispute by way of Arbitration, temporary injunctive orders be issued barring the Defendant by its directors, servants, agents or otherwise howsoever from entering into any Contract with any other persons,

Telcos, Companies or any other entities to rolling out or offering to the Public any services akin to HomePesa Platform (as described in prayer 2 above) currently installed in its servers.

5. In response to the application, the defendant also filed a Chamber Summons dated 4th November 2019 under **section 6** of the **Arbitration Act** seeking to stay the suit and for orders that the matter be referred to arbitration before named arbitrators. The defendant opposed the application for interim measures of protection through the replying affidavit of Njeri Waitimu, the Company Secretary and Head of Legal, sworn on 13th November 2019.

6. At this stage, I wish to point out that the parties are agreed that there is a dispute and in that regard they engaged in negotiations to agree on an arbitrator. Clause 21.3 of the Agreement provides for the manner of appointment of an arbitrator and in the event parties fail to agree, either party may request the Chairman of the Kenya Branch of the Chartered Institute of Arbitrators to appoint an arbitrator who shall determine the dispute. In the event of disagreement, either party is entitled to act in accordance with that agreement. Since Agreement provides for the procedure for appointment of an arbitrator, there is no need for the court to intervene hence I decline to grant the orders for appointment of an arbitrator.

7. The only issue for determination is whether the court should grant interim measures of protection. The principles applicable in determining an application of this nature were delineated by the Court of Appeal in **Safaricom Limited v Ocean View Beach Hotel Limited & 2 others Civil Application No. NAI 327 of 2009 [2010] eKLR** (see also **Scope Telematics International Sales Ltd v Stoic Company Ltd and Another NRB CA Civil Appeal No. 285 of 2015 [2017]eKLR**) as follows:

Interim measures of protection in arbitration take different forms and it would be unwise to regard the categories of interim measures as being in any sense closed (say restricted to injunctions for example) and what is suitable must turn or depend on the facts of each case before the court or the tribunal – such interim measures include, measures relating to preservation of evidence, measures aimed at preserving the status quo, measures intended to provide security for costs and injunctions. Under our system of the law on arbitration the essentials which the court must take into account before issuing the interim measures of protection are: -

1. The existence of an arbitration agreement.

2. Whether the subject matter of arbitration is under threat.

3. In the special circumstances which is the appropriate measure of protection after an assessment of the merits of the application.

4. For what period must the measure be given especially if requested for before the commencement of the arbitration so as to avoid encroaching on the tribunal's decision making power as intended by the parties.

8. While considering the application, the court must exercise due circumspection in commenting on the merits of the case in a manner that would prejudice the decisional independence of the arbitral tribunal. In the **Safaricom Ltd Case (Supra)**, the Court of Appeal added that:

In the matter before us, the court went on to make orders which undermined the arbitration and the outcome of the arbitration contrary to section 17 of the Arbitration Act. A court of law when asked to issue interim measures of protection must always be reluctant to make a decision that would risk prejudicing the outcome of the arbitration.

9. On the first condition, both parties agree that the matter is ripe for arbitration. However, they are not agreed on the second condition, that is whether the subject matter of the arbitration is under threat. Counsel for the plaintiff submitted that there was evidence that the defendant intended to interfere with its intellectual property to its detriment and that if its application was not granted, it would suffer irreparable loss as the replication of its software was a matter out of its control.

10. The defendant's counsel submitted there was no evidence that the defendant used the software in any manner that violated the plaintiff's intellectual property. In his view, the act alleged was as a result of backing up the system and not deliberate breach of the plaintiff's intellectual property.

11. The parties do not dispute that after some disagreement, they engaged in correspondence. The defendant issued a termination notice by a letter dated 19th July 2019. Thereafter Denis Satia, the plaintiff's technical manager, stated that on 30th July 2019, he received an SMS alert that its **HomePesa** Platform system at the defendant's premises had been subjected to an intrusion. Denis Satia further deponed that on 25th October 2019, he received credible information from a colleague in the IT industry that the defendant was attempting to clone, map and make a replica of the plaintiff's software with a view to rolling it out replicas of the plaintiff's products in the market in collaboration with a third party.

12. In response to the plaintiff's allegations of intrusion, Ms Njeri Waitimu, explained that the SMS alert was the result of the defendant backing up its system. She maintained that this was a routine matter, was not done in bad faith or ill motive and that it had been explained to the plaintiff. In answer to this, Denis Satia denied that he was informed of the SMS alert and that in any case Clause 2.10 of the Agreement prohibited the Defendant from duplicating or copying including back-ups thereof of the plaintiff's solutions. The plaintiff was therefore apprehensive that the defendant intends to infringe its intellectual property.

13. The issue I must consider is whether the fact of a single incident of intrusion is sufficient evidence of the defendant's intention to violate the plaintiff's intellectual property. The alleged incident of intrusion took place on 30th July 2019 while the information about attempts to clone or otherwise copy the plaintiff's software came 4 months later from an unknown source whose veracity cannot be ascertained. I find this evidence insufficient to support a finding that the defendant intends to violate the plaintiff's intellectual property and therefore establish a case for interim measures of protection.

14. I also do not find any special circumstances that would merit the grant the plaintiff's application. My view is fortified by Clause 11 of the Agreement which contemplates that either party may terminate the agreement on various grounds. The Agreement imposes on each party obligations in regard to the material in each other's possession at the time of termination. For example, under Clause 11.4, the plaintiff is required to return all documents and material provided to it by the defendant while under Clause 11.4, the defendant is required to return all the plaintiff's equipment, hardware, software that is in its possession at the date of termination. It is clear that the both parties have mutual contractual obligations which either party may invoke and any order that I may make may interfere with the exercise of those obligations which either party is entitled to invoke at any time. Since the parties are entitled to seek any further reliefs before the Arbitrator, I decline to grant any interim measures of protection.

15. Consequently, I dismiss the plaintiff's notice of motion dated 28th October 2019 and the defendant's chamber summons dated 4th November 2019. Since both parties have won and lost in equal measure, I decline to award costs. As the parties are agreed this dispute is referred to arbitration in terms of the Licensing Agreement dated 15th March 2018.

DATED and DELIVERED at NAIROBI this 29th day of NOVEMBER 2019.

D. S. MAJANJA

JUDGE

Court Assistant: Mr M. Onyango

Mr Bosire instructed by Ogetto, Otachi and Company Advocates for the plaintiff.

Mr Munge instructed by Muriu, Mungai and Company Advocates for the defendants.