REPUBLIC OF KENYA

IN THE HIGH COURT OF KENYA AT NAIROBI

MILIMANI LAW COURTS

COMMERCIAL & ADMIRALTY DIVISION

CIVIL CASE NO. 162 OF 2015

CLIPS LIMITED :::::::::::::::::::::::::::::::::: PLAINTIFF/APPLICANT

VERSUS

BRANDS IMPORTS (AFRICA) LIMITED

Formerly named BRAND

IMPORTS LIMITED :::::::::::::::::::::::::: DEFENDANT/RESPONDENT

R U L I N G

1. There are two **Notice of Motion** applications before the court. The first one is brought by the Plaintiff and is dated 30th March 2015 and seeks to secure the following orders:-
    1. ***That this application be certified urgent and be heard ex-parte in the first instance.***
    2. ***That pending the hearing and determination of this application, an injunction be issued restraining the Defendant whether by itself, its directors, officers, employees, servants or agents or otherwise howsoever from making threats and/or lodging objections to the Customs Department, the Anti-Counterfeit Authority or any other government body so as to prevent the sale and importation of the Plaintiff's goods bearing the marks ALPHA, FANTASTIC & ATLAS.***
    3. ***That pending the hearing and determination of this application, an injunction be issued restraining the Defendant whether by itself, its directors, officers, employees, servants or agents or otherwise howsoever from making threats and/or lodging objections to the Customs Department, the Anti-Counterfeit Authority or any other government or quasi government body preventing the sale and importation of the Plaintiff's goods bearing the marks ALPHA, FANTASTIC & ATLAS.***
    4. ***That the costs of this application be awarded to the Plaintiff.***
2. The Court issued an Order on 15th April 2015 granting an interlocutory injunction restraining the Defendant whether by itself or its directors, officers, employees, servants or agents from making threats and/or lodging objections to the Customs Department, the Anti-Counterfeit Authority or any other government body so as to prevent the sale and importation of the Plaintiff's goods bearing the disputed marks. The Defendant then filed a Notice of Motion under a Certificate of Urgency on 11th May 2015 the discharge and/or setting aside of the ex parte Order issued on 15th April 2015. The Defendant responded to the Plaintiff's application by way of a Replying Affidavit sworn by Dilpun Govindji Lakhamshi Shah on 12th May 2015 alleging that the Plaintiff is not

entitled to the orders sought as it has not proved any infringement of the subject trademarks. The Plaintiff filed a Further Affidavit sworn by Rajamohanan Gopalapillai on 8th June 2015 which was in response to both the Defendant's Replying Affidavit and the Defendant's application. The allegation by the Defendant that its application is unopposed is thus without any basis.

3. The brief history of the Plaintiff's case is that it has since the year 2010 been selling portfolios, files, folders, clip boards, staplers, staples, staple removers, fasteners, sheet protectors, ring binders, binding tape, paper clips and other office requisites (the **"**Goods") originating from Al Hoshan Stationery and Office Suppliers Co. in Kuwait and Hoshan Pan Gulf based in Saudi Arabia respectively ("the Hoshan companies") in which they advertised in their various catalogues they issued, which catalogues appear in the affidavit sworn on 30th March 2015 in support of the application. The disputed marks are owned by the Hoshan Companies respectively in class 16 and have been registered in Bahrain, Saudi Arabia, Yemen and Kuwait. The Plaintiff Company is an affiliate company of the Hoshan Companies and the two companies have a Royalty Agreement in existence from 2009 till further notice recognizing the Plaintiff as a distributor and authorizing it to charge a royalty fee between 15%-20% from the net sales. **(A copy of the Royalty Agreement is annexed to the Further Affidavit of Rajamohanan Gopalapillai and marked RG 1).** The Plaintiff has sold the goods to various companies in Kenya including a company named V-Market Choice (K) whose Director, Mr. Dilpun Lakhamshi Shah, who also uses the name Aku Shah is a director of the Defendant. The Defendant without the consent of the Hoshan Companies obtained registration of the disputed marks in Kenya. The Plaintiff has since 2010 to date sold the Goods bearing the said Hoshan Marks to various outlets, viz: Nakumatt Limited, Tuskys Supermarket Limited and Naivas Supermarkets whereas the Defendant has not sold any goods in Kenya bearing the disputed marks. In 2014, correspondence ensued between the Plaintiff and the Defendant in which the latter demanded that the Plaintiff and the Hoshan Companies pay 5% royalties for sale of the goods bearing the marks in order to continue these sales. Messrs Kaplan & Stratton Advocates responded demanding the Defendant should desist from making claims for royalties and threats to prevent the importation and sale in Kenya of the Goods bearing the Hoshan Marks. From the Defendant's letter dated 2nd March 2015, the Plaintiff believes that the Defendant intends to lodge complaints with government authorities as a form of blackmail and extortion to prevent the Plaintiff from continuing to import and sell in Kenya the Goods bearing the Hoshan Marks. The Defendant's actions amount to unlawful interference of the Plaintiff's business. It is in light of these facts that the Plaintiff herein instituted suit against the Defendant and filed this Application.
4. In brief, the Defendant's/Respondent's case is that the Defendant is the registered proprietor of the disputed marks, and that the Plaintiff's application is pre-mature ill founded and not properly before the court as there are pending proceedings before the Registrar of Trade Marks, and that in any event the Applicant is not entitled to the interlocutory injunction as it has not proven any infringement of the said disputed marks.
5. In further opposition to the application the Defendant/Respondent field the 2nd Notice of Motion application herein dated 6th May 2015 in which it seeks that the court sets aside the orders issued against the Defendant on 13th April 2015.

SUBMISSIONS

6. M/s. Opio for the Plaintiff submitted that the Plaintiff's application for injunction is filed under Section 10 of Trademark Act on the basis that the Plaintiff has been trading in these goods bearing because the marks '**Alpha, Atlas and Fatnastic**' since 2010. This trade has been continuous and this was before the Defendant registered those marks. Section 10 of the Act protects any person who has been dealing with marks prior to to registration by the proprietor. Counsel referred the court to page 44 – 150 of the application which contains the evidence of this trade, which counsel submitted was undisputed. Counsel submitted that the Defendant registered their trademarks without the consent of the owner in 2013. The owners are the Hoshan Group of Companies. After the unauthorised registration of these trade marks the Defendant wrote to the Plaintiff demanding a 5% payment of royalty. The Defendant also threatened to issue threats to government authorities so that the Plaintiff could not import and sale goods bearing these marks. Counsel submitted that the Plaintiff has satisfied the requirement of Section 10 of the trademarks Acts by showing

evidence of continuous user for 3 years prior to registration by the Defendant. M.s Opio submitted that the Defendants' main objection is that the Plaintiff is not the registered owner of the trademarks, and has cited the case of **Harlis Limited – Vs Ripples Pharmaceutical Limited,** which Counsel distinguished from the facts of this case. This case is filed under Section 10 of the Act and not Section 7. Counsel submitted that Section 10 allows any person to institute the proceedings.

7. Mr. **Mutange** for the Respondent adopted their submissions filed on 11th June 2015 and supplementary submissions filed on 5th October 2015. Counsel submitted that the Defendant is the registered owner of 3 trademarks; Fantastic, registered on 20th November 2013; Atlas registered on 21st August 2013, Alpha registered on 31st October 2013. Counsel submitted that there are two entities that are alleged to own these trademarks, Hoshan pan Gulf Limed, Alifosher Stationery and Office Suppliers Co. Counsel submitted that these two entities filed expungement proceedings before the Registrar of Trade Marks on 4th December 2014. The applications are still pending. It was expected that these two entities if they sought injunctive reliefs would come to this court under Section 10 for protection. However, it is the Plaintiff who has come. Mr. Mtange submitted that the Plaintiff is not the registered owner of these Trade Marks but is a mere distributor of the products of the above two entities . If these two entities sought any protection they ought to have applied for certificates under Rule 16 (1) of Trade Mark Rules. They have not done so in this jurisdiction. From their pleadings their marks were registered in Kuwait and Saudi Arabia, not in Kenya. Counsel submitted that the Plaintiff has no audience in this court. The Plaintiff has come under Section 10 which allows "any other person". They are not the owners to come to defend their trade mark. Counsel submitted that the application must be dismissed.
8. In reply, **M/s Opiyo** submitted that there is no requirement under Section 10 that the owner of the trademark is the one to bring such a suit as this. Secondly, the threats were directed at the Plaintiffs who are trading with goods from the said two entities. Section 10 protects any person. The Plaintiff is not a busy body. They are affected by the Defendant's actions.

ANALYSIS

9. I have considered the two opposing applications before the court, and the submissions by the parties. The issues I raise for determination are as follows:-
    i. ***Whether the Plaintiff/Applicant is protected under Section 10 of the Trademarks Act.***
    ii. ***Whether the Plaintiff's application is premature in the light of the expungement of proceedings pending before the Trademark Tribunal.***
    iii. ***Whether Rajmohanan Gopalanillai's supporting and further affidavits are defective because the deponent is not a director of the Plaintiff company.***

10. **The Law**

The principles on the granting of injunctions are well set out in the classic case of **Giella v. Cassman Brown (1973) EA at Page 358** where the Court developed a three pronged test which the applicant must qualify in order to obtain injunctive relief.

Pursuant to the well known test, the court must first consider whether the Plaintiff has established a *prima facie* case warranting the granting of a temporary injunction restraining the Defendant from making threats and/or lodging objections to the Customs Department, the Anti-Counterfeit Authority or any other government body so as to prevent the sale and importation of the Plaintiff's goods bearing the disputed marks.

Section 10 of the Trademarks Act provides that:

''Nothing in this Act shall entitle the proprietor or a licensee of a registered trade mark to interfere with or restrain the use by any person of a trade mark identical with or nearly resembling it in relation to goods in relation to which that person or a predecessor in title of his has continuously used that trade mark from a date anterior—

a. ***to the use of the first-mentioned trade mark in relation to those goods by the proprietor or a predecessor in title of his; or***
b. ***to the registration of the first-mentioned trade mark in respect of those goods in the name of the proprietor or a predecessor in title of his,***

whichever is the earlier, or to object (on such use being proved) to that person being put on the register for that identical or nearly resembling mark in respect of those goods under subsection (2) of section 15.''

11. It is clear from the above section that the first ingredient to be satisfied to rely on the section is that the Plaintiff used the mark prior to registration by the Defendant and secondly there must have been continuous and bona fide use of the mark. The Plaintiff has produced school and office catalogue issued by them proving they have been dealing with the Hoshan Goods bearing the marks. Furthermore, the Plaintiff has produced copies of invoices and delivery notes with various dates starting the year 2010 proving sale of the Goods bearing the said Hoshan Marks to various outlets, viz: Nakumatt Limited, Tuskys Supermarket Limited and Naivas Supermarkets. These catalogues as well as the invoices, delivery notes and catalogues are *prima facie* evidence of the fact that the Plaintiff has been dealing with the goods bearing the said marks prior to registration by the Defendant. The Supreme Court of South Africa in **Etraction (Pty) Ltd v Tyrecor (Pty) Ltd (20185/2014) 2015 ZASCA 78 (page 11 of the Plaintiff's authorities)** stated that:

"the clear purpose of S36 (1) (equivalent to section 10 of Kenya's Trademark Act) ***is to protect common law rights arising from continuous and bona fide use of an unregistered trademark prior to either the use or registration of the mark in issue"***

In accordance with the above case and Section 10 of the Trade Marks Act, there is also no requirement for a person claiming under Section 10 of the Trade Marks Act to be the proprietor of the mark in order to gain the protection of said statutory provision.

12. In the English case of **Club Europe Holidays Ltd v. British Airways PLC [2000] R.P.C.** at 329; **(page 26 of the Plaintiff's authorities)** Club Europe Holidays Ltd sought the mark 'Club Europe' as a service mark for travel agency services. British Airways opposed the registration on the ground that it had a pending earlier application for the same mark. The court held that in so far as the applicant was the first user of the Club Europe mark, it was entitled to register the mark.
13. On the second ingredient of continous user**,** the Plaintiff is a licensed distributor and has continuously for a period of 3 years sold goods bearing the marks prior to the registration of these marks by the Defendant in 2013 and thus has a cause of action against the Defendant. As a result of the continuous use, the Plaintiff has established a substantial reputation and goodwill in relation to the goods bearing the said marks. In addition, the Plaintiff is an affiliate company of the Hoshan Companies with a Royalty Agreement in force. The Plaintiff has been dealing with the goods bearing the disputed marks since 2010 and has issued catalogues advertising goods bearing the marks.
14. The Defendant asserts that it has an absolute right due to the registration of the said trademarks and that the Plaintiff has not proved infringment. The legal position is that the registration of a trademark does not confer an absolute and exclusive right on the proprietor of the trademarks. **Halsbury's Laws of England 3rd Ed. Vol. 38 on Trademarks, Trade Names and Designs** provides at 946 **(page 44 of the Plaintiff's authorities)** that:

"the exclusive right to the use of a trade mark given by registration is not infringed in the following circumstances...where the use is by a person who can prove continuous user by himself or his predecessor in title."

In **Solpia Kenya Limited v Style Industries Limited & Another [2015] eKLR**, **(page 56 of the Plaintiff's authorities)** Gikonyo J stated that:

''...as a principle of law, the fact of registration of trade mark per se does not entitle the

proprietor of trade mark to an automatic injunction to restrain use of the trade mark by a person who has continuously used the trade mark prior to, during and after the registration of trade mark. In other words, in the face of a claim of prior user of trade mark, and absent other strong and cogent evidence, the fact of registration of trade mark does not invariably constitute a prima facie case with a probability of success in the sense of the case of Giella vs. Cassman Brown. Where section 10 is called into play, the court should be careful not to use the fact of registration of trade mark as the sole basis of restraining the use of the trade mark by the person claiming prior use of the trade mark.''

15. In addition, the Defendant's argument that this court lacks jurisdiction due to the fact that expungement proceedings have been filed with the Registrar of Trademarks rendering this suit subjudice lacks merit. This is because the Registrar of Trademarks does not have jurisdiction to grant injunctive orders restraining the Defendant from making threats. Further, the expungement proceedings are brought under Section 35 of the Trade Marks Act whilst the present proceedings are premised on Section 10 of the Trademarks Act. The Registrar under Section 35 of the Trade Marks Act has jurisdiction to only expunge marks from the register but not to issue any injunctive orders. Further, the present proceedings are not premature as the Plaintiff's claim is based on Section 10 of the Trade Marks Act which claim is not premised on the expungement proceedings. The two matters are in respect of different remedies and therefore this suit is not subjudice.
16. The Defendant alleges in its submissions that the supporting and further affidavits sworn by Rajmohanan Gopalapillai on behalf of the Plaintiff is defective as he is not a director of the Plaintiff company neither does he have authority to swear them.

    The Defendant in that regard quoted the case of **Lords Healthcare Limited v Salama Pharmaceuticals Limited (2008) eKLR.** The case cited by the Defendant neither stands for the proposition they advocate nor did it decide the issue.

    There is no requirement under the law for a person swearing an affidavit to be a director. All that is required is that the person ought to be familiar with the facts.

    In this regard, the Plaintiff relies on the case of **Hadson Moffat Kamau v Makomboki Tea Factory Limited [2008] eKLR, (page 67 of the Plaintiff's authorities)** in which Okwengu, J held that:

    "...in the two replying affidavits, each of the deponents has clearly indicated the capacity in which they are swearing the affidavit, the fact that they are conversant with the matters in dispute, and the fact that they are duly authorized to swear the affidavits on behalf of the respondent…both the deponents of the disputed affidavits have clearly indicated that they are authorized by the defendant to swear the affidavit....A replying affidavit which has been sworn in response to an application is a matter of evidence. A party if personally seized of the matter, can swear the affidavit, or otherwise authorize any other person who is seized of the facts to swear an affidavit on its behalf."

The deponent states in paragraph 1 of both the further affidavit and the supporting affidavit that:

> *"I am a Resident Manager of the Plaintiff/Applicant; a company incorporated in Kenya and thus authorized to swear this affidavit."*

The deponent has clearly indicated the capacity in which he is swearing the affidavits, that he is duly authorized to swear the affidavits and the fact that he is conversant with the matter makes the affidavits competent. The allegations by the Defendant have no legal basis. Odunga, J in **Presbyterian Foundation & Another v East Africa Partnership Ltd & Another [2012] eKLR (page 73 of the Plaintiff's authorities)** stated that:

"The Civil Procedure Rules do not define what an authorised officer of a company is. If the Rules Committee had intended that in cases involving corporations, affidavit be sworn by

either directors or company secretaries nothing would have been easier than for it to have expressly stated so. Accordingly, we must apply the ordinary grammatical meaning of the word "authorise" which is defined by **Oxford Dictionary** ***as "sanction"; "give authority"; "commission".***

17. On the second limb of the test set out in **Giella v. Cassman Brown** *(supra),* the Plaintiff has established that it cannot be adequately compensated by damages for the loss it will suffer if the Order for Injunction is not given or confirmed. The Plaintiff is apprehensive that if the Defendant makes good its threat of lodging objections to the Customs Department and the Anti-Counterfeit Authority so as to prevent the sale and importation of the Plaintiff's goods it shall suffer great loss and irreparable damage which cannot be quantified.

The Plaintiff has placed before this Court incontrovertible evidence to show that it has been trading in the goods long before registration of the marks by the Defendant and has established substantial goodwill. Whereas the Defendant on the other hand has not sold any goods therefore the Plaintiff's loss will be irreparable.

The Plaintiff being a prior user of the said marks has established goodwill and reputation in its goods which will be eroded if the sought orders for injunction are not directed to the Defendant.

In order to define what constitutes "goodwill" the Plaintiffs rely on the case of **Commissioner of Inland Revenue v Muller & Co. Margarine Ltd [1901] AC 217; [1900-1903] All ER 413**, **(page 82 of the Plaintiff's authorities)** where Lord Macnaghten stated:

"What is goodwill? It is a thing very easy to describe, very difficult to define. It is the benefit and advantage of the good name, reputation and connection of a business. It is the attractive force which brings in custom. It is the one thing which distinguishes an old established business from a business at its first start. The goodwill of a business must emanate from a particular centre or source. However widely extended or diffused its influence may be, goodwill is worth nothing unless it has power of attraction sufficient to bring customers home to the source from which it emanates."

18. In the case of **Delta Airlines Incorporated v. Delta Connection Limited HCCC 770 of 2008**, **(page 103 of the Plaintiff's authorities)** the court noted that the value of a Plaintiff's goodwill cannot be adequately compensated in damages and that the Defendant could not be allowed to trade on the Plaintiff's goodwill.

Finally, in any event, the balance of convenience tilts in favour of the Plaintiff because it has been trading in the goods bearing the mark long before registration by the Defendant and has since 2010 to date sold the Goods bearing the said Hoshan Marks to various outlets, viz: Nakumatt Limited, Tuskys Supermarket Limited and Naivas Supermarkets whereas the Defendant has not sold any goods in Kenya bearing the disputed marks. The Defendant's action would disrupt the sale and importation of the goods at this stage which would result in irreparable damage to the Plaintiff.

It is in the interest of justice that the Orders as prayed by the Plaintiff in its application be granted pending the hearing and determination of the suit herein and the Defendant's application be dismissed with costs.

New issues cannot be raised in submissions.

19. The Defendant in its supplementary submissions submit that it has been dealing with goods bearing the disputed marks since 2007 and purports to provides evidence of usage in the form of local purchase orders and invoices.

In paragraph (iii) of its supplementary submissions, the Defendant submits that it highly regrets it did not produce any evidence of usage of the disputed marks and submits the court cannot ignore this fact.

However, it is trite law that new issues cannot be raised in submissions. Korir, J in the case of **Republic v Chairman Public Procurement Administrative Review Board & another Ex-Parte Zapkass Consulting And Training Limited & another [2014] eKLR** held that:

> ***"The Applicant, the respondents and the Interested Party all introduced new issues in their submissions. Submissions are not pleadings. There is no evidence by way of affidavits to support the submissions. New issues raised by way of submissions are best ignored."***

Furthermore, it is trite law that documentary evidence cannot be annexed to submissions and consequently the Court ought to ignore the same. The Court of Appeal in **Douglas Odhiambo Apel & another v Telkom Kenya Limited Civil Appeal No. 115 of 2006,** upheld the trial court's decision to disregard evidence that had been attached to submissions.

20. The Defendant/Respondent has cited Section 7 of Trademarks Act as conferred in exclusive right of ownership of the said make. Section 7 reads as follows:-

> ***(1) Subject to the provisions of this section, and of sections 10 and 11, the registration (whether before or after 1st January, 1957) of a person in Part A of the register as the proprietor of a trade mark if valid gives to that person the exclusive right to the use of the trade mark in relation to those goods or in connection with the provision of any services and without prejudice to the generality of the foregoing that right is infringed by any person who, not being the proprietor of the trade mark or a registered user thereof using by way of permitted use, uses a mark identical with or so nearly resembling it as to be likely to deceive or cause confusion in the course of trade or in connection with the provision of any services in respect of which it is registered, and in such manner as to render the use of the mark likely to—***
>
> ***(a) be taken either as being used as a trade mark;***
>
> ***(b) be taken in a case in which the use is upon the goods or in physical relation thereto or in an advertising circular or other advertisement issued to the public, as importing a reference to some person having the right either as proprietor or as licensee to use the trade mark or goods with which such a person is connected in the course of trade;***
>
> ***(c) be taken in a case where the use is use at or near the place where the services are available for acceptance or performed or in an advertising circular or other advertisement issued to the public or any part thereof, as importing a reference to some person having the right either as proprietor or as licensee to use the trade mark or to services with the provision of which such a person as aforesaid is connected in the course of business;***
>
> ***(d) cause injury or prejudice to the proprietor or licensee of the trade mark.***

21. Cleary, Section 7 of the Act is made subject to Sections 10 and 11 and so Sections 10 and 11 supersedes Section 7.

DISPOSITION

22. For the foregoing reasons, all the issues raised for determination are found in favour of the Plaintiff/Applicant, and this court is satisfied that the Plaintiff/Applicant has made out a prima facie case, and that it is entitled to injunctive orders it seeks herein. In that regard, i make the following orders:-
    i. ***The Plaintiff's application dated 30th March 2015 is allowed as prayed.***
    ii. ***The Defendant's/Respondent's application dated 6th May 2015 is dismissed.***
    iii. ***The costs of the two applications shall be for the Plaintiff/Applicant.***

Orders accordingly.

READ, DELIVERED AND DATED AT NAIROBI THIS 4th DAY OF DECEMBER 2015.

E. K. O. OGOLA

JUDGE

PRESENT:

M/s. Opio for Plaintiff/Applicant

N/A for Defendant/Respondent

Teresia - Court Clerk