



**REPUBLIC OF KENYA**  
**IN THE HIGH COURT OF KENYA AT NAIROBI**  
**MILIMANI COMMERCIAL & ADMIRALTY DIVISION**  
**CIVIL CASE NO. 756 OF 2012**

**FAULU KENYA DEPOSIT TAKING**  
**MICROFINANCE LIMITED ..... PLAINTIFF**

**VERSUS**

**SAFARICOM LIMITED ..... DEFENDANT**

**R U L I N G**

1. The application for determination before the Court is brought pursuant to the provisions of **Order 40 Rules 1 & 2** and **Order 51** of the *Civil Procedure Rules*, **Sections 1, 1A, 3 and 3A** of the *Civil Procedure Act* in which the Plaintiff/Applicant seeks for order *inter alia*;

**“1. THAT pending the hearing and determination of this application this honourable Court be pleased to issue a temporary injunction to restrain the defendant by itself, its agents, its servants and its authorised dealers from offering to its subscribers and the public generally, the cash saving and advance product called *M-Shwari* and/or same or similar product under any other name, on its mobile phone network and/or any other platform howsoever pending the hearing and determination of this application.**

**2. THAT pending the hearing and determination of this application this honourable Court be pleased to issue a temporary injunction to restrain the defendant by itself, its agents, its servants and its authorized dealers from offering to its subscribers and the public generally, the cash saving and advance product called *M-Shwari* and/or same or similar product under any other name, on its mobile phone network and/or any other platform howsoever pending the hearing and determination of this suit”.**

2. The application is predicated upon the ground set out in the main application and in facts deponed in the supporting affidavit of **Anne Makori** sworn on 10<sup>th</sup> December, 2012. The Plaintiff reiterates that sometime in 2011 it developed a cash advance service that was to be operated on a mobile telephony platform. It is this product that the Plaintiff allegedly proposed for a joint venture with the Defendant on its *M-Pesa* platform through a concept paper that incorporated details and information of the cash advance system. Further, the Plaintiff makes claim that the parties entered into a Non-disclosure Agreement, which the Defendant breached and from which the present suit and instant application emanates. The Plaintiff alleges that the breach was in contravention of its trade secrets and copyrights, and that it would only be in the interest of justice and fairness if the prayers sought were granted. In buttressing its application, the Plaintiff relied on the cases of **Giella v Cassman Brown & Co. (1973) E.A 358**, **Alternative Media Ltd v Safaricom Ltd (2005) eKLR**, **CCH Canadian Ltd & Others v Law Society of Upper Canada (2004) 5 LRC 428**, **Auvi Private Ltd v Electronics Co. (1991) LRC (Comm) 852**, **Attorney General v Blake (Jotham Cape Ltd- Third Party) [2001] 1 AC 268** and **Football League Ltd v Littlewoods Pools Ltd (1959) 2 All ER**.
3. The application is opposed. In the Replying Affidavit of **Brian Muthiora**, the Defendant's Legal Counsel in charge of Financial Services and Finance, sworn on 17<sup>th</sup> December, 2012, the deponent avers that the Plaintiff's product was never developed into a novel cash advance system prior to the Defendant's own product and neither did it have any intellectual rights over the Defendant's product, *M-shwari*. It is the Defendant's contention that the Plaintiff has not established a *prima facie* case and, in any event, it could be adequately compensated for in damages should its application and claim be successful. The Defendant relied on the cases of **Cut Tobacco (K) Ltd v British American Tobacco (K) Ltd (2001) 1 EA 24**, **Sanitam Services (E.A) Ltd Rentokill (K) Ltd & Another (2007) 1 EA 362**, **Hoswell Mbugua Njuguna t/a Fischer Marketing v Equity Bank Ltd H.C.C.C No. 599 of 2010**, **O'Mustad & Sons v Dosen (1964) 1 WLR 109** and **Attorney General v Guardian Newspapers Ltd (No. 2) [1988] 3 All ER 545** in support of its objection to the application.
4. The general principles for an application for injunction are well set out in the case of **Giella v Cassman Brown** (supra) in which Spry, V.P (as he was then) held at page 360:

**“The conditions for a grant of an interlocutory injunction are now I think well settled in East Africa. First, an applicant must show a prima facie case with a probability of success. Secondly, an interlocutory injunction will not normally be granted unless the applicant must otherwise suffer irreparable injury, which would not adequately be compensated by an award for damages. Thirdly if the court is in doubt, it will decide an application on the balance of convenience.”**

To succeed in such an application, the Applicant has to show what irreparable loss that it stands to suffer should the Order not be granted and that it has established a *prima facie* case with a high probability of success. The court has to look at the merits of each application and the circumstances peculiar to the particular matter. This court in determining the issue of granting an injunctive order has considered the case of **Eleonora Cozzi v Ali Hussein Motors H.C.C.C Malindi No. 16 of 2001** in which Onyancha, J held:

**“Therein (Belle Maison Ltd v Yaya Towers Ltd) he (Bosire, J) thoroughly examined the circumstances under which the court has and will grant the remedy. I concur and adopt his reasoning therein. As I understand it, the jurisdiction must be exercised only in special circumstances which will obviously depend on the circumstances of each case. It is available not under Order 39 or under any order of the same but under the inherent power of this court to make orders as may be necessary for the ends of justice or to prevent abuse of the process of this court as provided under Section 3A of the Civil Procedure Act.’**

5. The particular circumstances of the instant application are that the injunctive orders are sought arising out of a passing-off suit. The Plaintiff contends that the Defendant, in blatant breach of the Non-disclosure Agreement, created a product similar to the product that the Plaintiff had developed sometime in 2011. The Plaintiff submitted, as regards its claim against the Defendant, that it had infringed on its copyrights in that the Plaintiff had proposed the same to the Defendant when seeking a joint venture with it, utilising the Defendant's mobile telephony platform. In its submissions, the Plaintiff set out what it considered to be the facts behind its Application as follows:

**“i. THAT the plaintiff developed a cash advance service that would operate on a mobile phone telephony network platform and that would enable clients who are subscribers to such a network to apply for, receive and make payments of money and money's worth credit advances from the plaintiff.**

**ii. THAT the plaintiff needed to partner with a mobile phone services provider to effectuate the service and avail it for subscription by its clients and therefore initially partnered with the Airtel Networks Kenya Limited and offered the product to the public after approval thereof by the Central Bank of Kenya and under the brand name *Kopa Chapaa*.**

**iii. THAT the plaintiff later entered into negotiations with the defendant on the possibility of offering the same product on the Mpesa platform where clients would apply for and receive credit advances of moneys and money's worth and make payments thereon through the Mpesa platform. To facilitate the proposed partnership, the plaintiff and the defendant exchanged various e-mail correspondences on the same which precipitated the forwarding to the defendant of a formal concept note containing the details of the said product, its features and recitals on how the various aspects of the product would work and interlink for the effective realization of the product. This concept note is annexed to the supporting affidavit and marked AM2.**

**iv. THAT the applicant and the respondent mutually executed a non disclosure agreement to safeguard and protect the terms of the agreement, the information that would be exchanged as between them in the course of the negotiations as between the parties.**

**v. THAT the defendant/respondent did on or about the 27<sup>th</sup> November 2012 launch and offer to the public, a cash advance product under the brand name M-Shwari, in partnership with the Commercial Bank of Kenya, which product is distinctively similar to the product proposed by the plaintiff to the defendant and set out in the concept paper hereinabove referred to.**

**vi. THAT the defendant/respondent maintains that the M-Shwari product is not owned conceptually or in its presentation by the plaintiff/applicant and that the same is similar to other money/money's worth advance services offered over the mobile phone telephony network including *M-Kesho*, *KCB***

***Mobi/Bank, KCB connect etc. Accordingly, the respondent urges that the applicant has no sustainable claim in respect to the said M-Shwari product and that the present suit and application, are untenable.***

6. Further in its submissions, the Plaintiff maintained that the concept and process in the product which was now called *M-Shwari* by the Plaintiff in conjunction with the Commercial Bank of Africa, was contained in the concept paper presented under mutual covenants of confidence to the Defendant. The extent of copyright over the same accrued in the Plaintiff's favour and the Defendant was in breach thereof. The Plaintiff drew the attention of the Court to the provisions of **section 22 (1)** of the *Copyright Act, 2001* which detailed that literary works (*inter-alia*) were eligible for copyright providing the applicant can show:

**“(a) sufficient effort has been expended on making the work to give it an original character; and (b) the work has been written down, recorded or otherwise reduced to material form.”**

To this end, the Plaintiff submitted that in determining whether the concept note and the correspondence as passed between the Plaintiff and the Defendant has sufficient originality as to be eligible for copyright, the Court was asked to consider the general state of the industry. It should also take into account the knowledge available to the market, the range of products thereon at that particular time, and consequently whether the concept and the mode of its presentation was original.

7. The Plaintiff relied on the case of **CCH Canadian Ltd v Law Society of Upper Canada** (supra) to substantiate its claim that the concept paper was a work of great skill and illustrious ingenuity and as a result, it would be fair and just for the Court to issue the injunctive orders sought as against the Defendant. The English Court of Appeal in that case had found that:

**“What was required to attract copyright protection in the expression of an idea was an exercise of skill (the use of one's knowledge, developed aptitude or practice ability in producing the work) and judgement (the use of one's capacity for discernment or ability to form an opinion or evaluation by comparing different options in producing the work) which exercise would necessarily involve intellectual effort.”**

It is the Plaintiff's contention that the Defendant has infringed on its copyright, which in following the finding in **Football League v Littlewoods Pools** (supra) and **Alternative Media Ltd v Safaricom Ltd** (supra), should entitle it to have injunctive orders issued against the Defendant.

8. In my opinion, the clearer definition was to be found in the case of **Auvi Private Ltd v Electronics Co. (1991) LRC (Comm) 852**, a High Court of Singapore decision, in which **Judge Chao Hick Tin** held:

**“The law on this is clear. Originality in this regard does not mean novelty or uniqueness; nor does it necessarily involve inventiveness. All that needs to be shown us that the author created it and has not copied it from another and that he has expended towards its creation a substantial amount of skill or labour.”**

In the Plaintiff's submission, the work in issue here, being the concept paper, did indeed disclose the investment of time, skill and labour in its compilation by the Plaintiff and was thereby protecting by copyright.

9. As regards breach of confidence, the Plaintiff submitted that the Defendant's launch of the *M-Shwari* cash advance product was a breach of its duty in that regard to the Plaintiff. It pointed to the essential factors as described in **Halsbury's Laws of England, 4th Edition, Vol. 8 (1) 341** as follows:

**“Prerequisites of liability for breach of confidence. If a party is to be held liable for breach of confidence it must be shown that:**

- 1. the material communicated to him had the necessary quality of confidence;**
- 2. it was communicated or became known to him in the circumstances entailing an obligation of confidence; and**
- 3. there was an unauthorised use of that material.”**

The Plaintiff maintained that the Concept Paper as well as the Non-disclosure Agreement had been communicated to the Defendant and they were the principal documents which contained the concept being the subject of these proceedings. The Plaintiff maintains that the originality and uniqueness of the material contained in those two documents satisfied the quantitative standard that the material communicated to the Defendant had the necessary quality of confidence. Further, it was communicated to the Defendant entailing an obligation of confidence. The Plaintiff drew the Court's attention to clause 4 of the Non-disclosure Agreement as well as clause 7 in which each party acknowledged that in any action based on the agreement, money would be insufficient compensation for breach and, in any event, such breach would occasion irreparable harm to the party concerned. Quoting from **Halsbury** again, the Plaintiff submitted that the duty upon the Defendant was thus:

**“It is well established that there is a jurisdiction in equity to protect confidence. This may be invoked when;**

- 1. a party receives information known to be confidential and an agreement not having contractual force or**
  - (2) when a 3rd party receives information which is the subject of an agreement or contract creating an obligation of confidence, having induced a party to the contract or agreement to act in breach of the obligation.”**

10. In closing its submissions the Plaintiff summarised what it considered to be the Defendant's acts of breach as follows:

**“i. To the extent that the respondent has and offered to the market the offensive product, it infringes on the applicant's copyright to the work.**

ii. To the extent that the respondent has not evidenced having had the concept in the offensive product in the manner proposed by the applicant, prior to receiving the applicant's proposal and concept on 25<sup>th</sup> February 2011, then it is more likely than not that the offensive product is a reproduction in a material form of the applicant's concept and therefore an act of infringement of the copyright therein.

iii. To the extent that the respondent has partnered with a third party bank and shared the information and concept passed to it in confidence under a non disclosure agreement, the respondent is in breach of the applicant's confidence.

iv. To the extent that the respondent has disseminated the applicant's concept and confidential information and further used the same to get a competitive advantage over the applicant which is in clear contravention of the mutual covenants set out in the non disclosure agreement, the respondent is in breach of contract.

v. To the extent that the respondent has applied information passed to it under a proposal for partnership, to launch and offer in the market the offensive product which is in direct competition with the applicant's product portfolio, the respondent is in breach of its fiduciary duty to the applicant with respect to the handling of the said information which duty is founded in equity and crystallized upon receipt in confidence of the applicant's concept.

vi. The respondent has generally acted maliciously and in bad faith in its handling, dissemination and use of the confidential information passed to it by the applicant under a proposal for partnership and under a non disclosure agreement".

11. The Defendant's submissions commenced by noting that on 20<sup>th</sup> December 2012, this Court had delivered its Ruling as regards the Defendant's Preliminary Objection in relation to the granting of an interim order of injunction on the basis that the Plaintiff herein stood to suffer irreparable loss. This Court had held that the Plaintiff had failed to satisfy it that the test laid down in **Giella v Cassman Brown** had been attained and that the Plaintiff, in any event, had sought damages which would tend to indicate that damages were an adequate remedy. The Defendant submitted that the matters as set out in the Plaintiff's submissions were *res judicata*. Later in its submissions, the Defendant noted that it was a provider of mobile communication and data services. It was not licensed to provide banking services. It had averred in the Replying Affidavit that *M-Shwari* is a product of the Commercial Bank of Africa which was the entity authorised by the Central Bank of Kenya with regard thereto. The Defendant acknowledged that it provided a platform upon which financial services can be delivered. It maintained that it was naive of the Plaintiff to suggest that it was the only entity to recognise the potential of the mobile phone platform to reach potential customers with banking products. The Plaintiff had itself acknowledged at paragraph 7 of the Supporting Affidavit that it had hoped to use the Defendant's mobile phone network and its *Mpesa* platform. It pointed out that the theme that runs throughout the Plaintiff and these

proceedings forming the Plaintiff's case, was the allegation that the Defendant had fraudulently utilised the Plaintiff's invention in breach of its ownership rights. The whole question, as the Defendant saw it, was whether the Plaintiff did in fact invent the cash advance system which it claims? The Defendant pointed to the chronology of events as evidenced in the Replying Affidavit to the effect that the Memorandum of Understanding that the Plaintiff had signed with the Commercial Bank of Africa as regards the M-shwari concept was dated 4th April 2012 while the Non-disclosure Agreement signed with the Plaintiff was dated 12th April 2012. The Defendant then referred to questions of law being constantly mixed up with questions of fact and went on to quote **Lord Halburry LC** in the case of **Reddaway v Banham (1896) AC 199**:

**“For myself, I believe the principle of law may be very plainly stated, and that is, that nobody has a right to represent his goods as the goods of someone else.”**

More useful perhaps to this court was the finding of the Court of Appeal as cited by the Defendant in the case of **Sanitam Services (EA) Ltd v Rentokil (K) Ltd & Anor** (supra) as follows:

**“The burden of proof in matters relating to infringement of industrial property rights lie with those who claim their rights have been infringed. One reason for this position of the law is that, although the protection of intellectual property rights is imperative to provide an incentive to inventors to develop new knowledge and thus, over time, confer dynamic gains to society from introduction of new products, it must be balanced against the danger of reducing current competition through market exclusivity conferred by the protection and therefore lead to a static distortion in the allocation of resources in the economy.”**

12. The Defendant then attacked paragraph 12 of the Plaintiff and paragraph 13 of the Supporting Affidavit. It challenged the Plaintiff's statement that it held the copyright in the product and the intellectual property therein. It commented that the only area where the concept paper could qualify as a work eligible for copyright under **section 22** of the *Copyright Act, 2001* was under the heading of “*literary works*”. The Defendant then looked at the interpretation of a literary work as per **section 2** of the *Copyright Act*. It noted that the Plaintiff had submitted that the concept paper would be a form of a memoranda as provided at **section 2 (e)** of the *Copyright Act* but then noted the provisions of **section 26** of the Act which provides as follows:

**“(1) Copyright in a literary, musical or artistic work or audio-visual work shall be the exclusive right to control the doing in Kenya of any of the following acts, namely the reproduction in any material form of the original work or its translation or adaptation, the distribution to the public of the work by way of sale, rental, lease, hire, loan, importation or similar arrangements, and the communication to the public and the broadcasting of the whole work or a substantial part thereof, either in its original form or in any form recognizably derived from the original”.**

The Defendant then reminded the Court as to its finding in its Ruling delivered on 20th December 2012 in which I had found:

**“Try as I may, I do not seem to be able to fit the Plaintiff's said concept paper into any of these categories....”**

Consequently, it was the Defendant's submission that there was no copyright in the Plaintiff's concept paper.

13. The Defendant also maintained and submitted that there had been no breach of confidence by it so far as the Non-disclosure Agreement was concerned. The assertion by the Plaintiff that the proposed product borrowed heavily from an existing Faulu emergency loan product as well as the fact that the product was also being used in partnership with Airtel Networks Kenya Ltd under the brand name “*Kopa Chapaa*”, all went to show that the alleged product was already in the public domain. As such, it could not possibly continue to be covered by the Non-disclosure Agreement. The Defendant referred to the House of Lords case of **O. Mustad & Son v Dosen** (supra) in which the Court had refused to grant an injunction when it became apparent that the matter in respect of which an injunction was sought to restrain non-disclosure, was already in the public domain. The Defendant quoted **Lord Buckmaster** as saying:

**“The important point about the patent is not whether it was valid or invalid, but what it was that it disclosed, because, after the disclosure had been made by the appellants to the world, it was impossible for them to get an injunction restraining the respondents from disposing what was common knowledge. The secret, as a secret, had ceased to exist.”**

14. The up-to-date position as regards the issue of a preliminary injunction in relation to patents was considered by the United States Court of Appeals for the Federal Circuit in the case of **Apple Inc. v Samsung Electronics Co. Ltd, (2012) Case No. 12-CV-00630-LHK**. That case involved the alleged breach by the Defendant of four patents held by the Plaintiff Apple Inc. In a seeming extension of the **Giella** principles, the Appeals Court held that:

**“When ruling on the motion for a preliminary injunction, a district court must consider and analyse four factors:**

- 1. whether the movant is likely to succeed on the merits;**
- 2. whether the movant is likely to suffer irreparable harm in the absence of injunctive relief;**
- 3. the balance of hardships; and**
- 4. whether issuance of an injunction is in the public interest.”**

Leaving aside for the moment the American legal language, sub-paragraphs (1) to (3) are much reminiscent of the three principles in the **Giella** authority. What has been added (and I do not think necessarily in strict relevance to patent injunctions) is the extra element of whether the granting of such injunction is within the public interest. The U.S. Court of Appeals was of the opinion that there is recognisable public interest in the protection of patents rights. The learned judges went further to adopt the ruling in **Intel Corp v ULSI Sys Tech Inc, 995 F 2d 1566 (Fed. Cir. 1993)** that a preliminary injunction is a drastic and extraordinary remedy that is not to be routinely granted, as it is usually granted before the defendant has had an opportunity to fully defend itself at trial.

15. The onus of proving that an infringement has been caused is on the Plaintiff/Claimant and in following the ruling in **Apple Inc. v Samsung Electronics Co. Ltd** (supra), the Plaintiff herein has to show that it will likely prove at trial that indeed it had the copyright to the concept paper

that it had used in making a proposal to the Defendant.  
16. In turn, the Kenya Court of Appeal in Sanitam Services (EA) Ltd v Rentokil (K) Ltd (supra), held that:

**“The burden of proof in matters relating to infringement of industrial property rights lie with those who claim that rights have been infringed.”**

Further, my brother Njagi J. in the case of Hoswell Mbugua Njuguna v Equity Bank Ltd (2012) eKLR expanding on the principles of the Giella case detailed:

**“The first condition is that an Applicant must show a prima facie case with a probability of success. In the instant case, the Applicant seeks an order restraining the Respondents from using or marketing the product branded “M-Kesho”. Whereas the Applicant contends that he gave the 1<sup>st</sup> Respondent some information about this product in good faith for the purpose of negotiating an agreement to be entered into between the parties for the creation and marketing of a new product, the Respondent avers that the M-Kesho idea was born out of Safaricom Limited and Equity Bank Limited Commitment to work together and have a consumer proposition that utilizes the M-Pesa system for delivery of simple saving, loan and insurance services. M-Kesho obtained approval of the Central Bank of Kenya, and was registered as a trade mark. In the absence of some oral evidence which can be tested by cross examination, I would find it difficult to ascertain who of the two deponents is telling the truth. In the circumstances, I am not able to hold that the Applicant has established a prima facie case as envisaged in GIELLA’S CASE.**

**Even if the Applicant had clearly made out a prima facie case with a probability of success, he still has to satisfy the second condition which ordains that an interlocutory injunction will not normally be granted unless the Applicant might otherwise suffer irreparable injury which would not adequately be compensated by an award of damages. One of the prayers sought by the Applicant is that the Respondent be ordered to render and deliver to the court proper accounts of the profits made from the use of the confidential information of the Applicant. This prayer is in tandem with prayer (b) of the prayers for judgment in which he seeks an inquiry as to damages for breach of confidence. Indeed, the other three prayers for judgment also seek an account of all the profits made by the Defendant from the use of the confidential information; appointment of a receiver to collect and receive all the profits made by the Respondent from the use of confidential information; and an order for payment of all sums found to be due to the Applicant. The effect of these prayers is that the Applicant will not suffer irreparable injury as he can adequately be compensated by an award of damages. Consequently, he has not satisfied the second condition for the grant of an injunction. In view of this finding, the balance of convenience demands that the injunction sought should not be granted”.**

17. The Plaintiff’s failure at this juncture to bring proof that firstly, it owns copyright in its concept paper and secondly, that there was infringement thereof as to copyright and intellectual rights, does not preclude the Plaintiff from pursuing its case. Indeed, the Court took note of the Defendant’s submissions at paragraph 24 thereof in which it stated:

**“24. We submit that the differences in the evidence of the parties cannot be resolved by affidavit evidence and the Plaintiff has not put before the Court any evidence that would enable the Court to reach the conclusion, on a balance of probability, that the Plaintiff holds any intellectual property in the product in question.”**

In my opinion, the Plaintiff is undeserving of being granted injunctive relief at this stage. Apart from its failure to prove its alleged copyright, I tend to agree with the Defendant that the latter has not

breached the Plaintiff's confidence. The fact that its bank product was already in the public domain through its prior agreement with Airtel Networks Kenya Ltd would imply that "*its secret, as a secret, had ceased to exist*".

18. The upshot of the foregoing is that the Plaintiff has failed to establish a *prima facie* case that would result in this Court granting the injunctive orders that iT seeks. The Plaintiff has also failed to show what irreparable loss that it stands to suffer as a result of the said orders not be granted. As earlier reiterated, the Orders which the Plaintiff has sought are discretionary and, as with all such Orders, the Court must exercise extreme caution in granting the same, lest an injustice is caused to either one or other of the parties. As a result, the Plaintiff's Notice of Motion dated 10th December 2012 is dismissed with costs to the Defendant.

**DATED and delivered at Nairobi this 15<sup>th</sup> day of July, 2013.**

**J. B. HAVELOCK**

**JUDGE**