REPUBLIC OF KENYA

IN THE HIGH COURT AT NAIROBI

MILIMANI COMMERCIAL & ADMIRALTY DIVISION

CIVIL CASE NO. 762 OF 2012

BKY INSURANCE AGENCIES LIMITED …… PLAINTIFF

VERSUS

FIRST ASSURANCE LIMITED …….. DEFENDANT

R U L I N G

1. Before this Court is the Plaintiff's Notice of Motion dated 14th December 2012 brought under the provisions of **Order 40 Rule 1, Order 51 rule 1** of the *Civil Procedure Rules* and **Sections 1A, 1B and 3A** of the *Civil Procedure Act*. The Application sought interim orders to prevent the Defendant, its agents, officers, servants, workmen, employees or any other person acting or purporting to act for and on behalf on the Defendant from using the trademark name "First Lady" or carrying on any business under the said trade mark name. Prayer 3 of the Application sought such injunction pending the hearing and determination of this suit. The Application was brought on the grounds that the Plaintiff is the registered owner of the trademark known as "First Lady" under **section 7** of the *Trade Marks Act* which entitles the Plaintiff to the exclusive use of the said trademark. The Plaintive noted that there was an agreement as between it and the Defendant dated 4th February 2011 (hereinafter "the Agreement") which provided for a termination notice to be given by either party to the other of 30 days. The Plaintiff had issued such a notice to the Defendant but the latter had continued, without authority, to use the Plaintiff's said trademark thus causing loss and damage to it.
2. The Plaintiff's Application was supported by the Affidavit of its Principle Officer, **John Kageche** sworn on 14th December 2012. The deponent attached to his said Affidavit a true copy of the Certificate of Registration of Trade Mark detailing that the name FIRST LADY was registered as Trade Mark No. 70152 in class 36 (Insurance services). The registered proprietor was the Plaintiff and the effective date of registration was 13th January 2011 expiring on 13th January 2021. The deponent noted that the Plaintiff and the Defendant had entered into the Agreement whereby the Plaintiff authorised the Defendant to use of the said trademark for the purposes indicated therein. Under clause 18 of the Agreement termination of the same could be effected by either party giving to the other 30 days' notice. Mr. Kageche attached a copy of a letter from the Plaintiff to the Defendant dated 24th May 2011 in which he stated that the 30 day notice had been given to the Defendant. He maintained that as from 24th June 2011 the Defendant was prohibited from using the Plaintiff's trademark FIRST LADY. He further maintained that it was quite clear that the Defendant was benefiting from revenue properly due to the Plaintiff, without being more explicit as to where such revenue was generated from.
3. The Defendant filed a Replying Affidavit on 24th January 2013 sworn by its Managing Director **Stephen Githiga** dated 19th January 2013. The deponent detailed that the invention and development of the insurance product known as **"First Lady"** was a venture by the Defendant

approved by the Commissioner of Insurance in the Defendant's name. The parties had entered into the Agreement merely for distribution purposes with the Plaintiff as the "Agent" and the Defendant as the "Underwriter". At no time during the negotiations, development and launch of the said insurance product was it ever disclosed by the Plaintiff to the Defendant that the former had registered a trademark for the same. The deponent maintained that this sudden disclosure came as a major surprise to the Defendant who considered it to be a clear demonstration of fraud and *mala fides* on the part of the Plaintiff. Pursuant to the disclosure that the Plaintiff had secretly registered in the said trademark in its favour, the Defendant was now going to commence proceedings before the Registrar of Trade Marks seeking amongst other matters, the expungement of the trademark from the Register. Mr. Githiga maintained that the Defendant cannot be alleged to have infringed the trademark since the concept for the said insurance product was the Defendant's only and that the Plaintiff had never disclosed to it that it was registering the same. He drew the attention of the Court to the fact that the Plaintiff's application for registration was lodged on 13th January 2011 and registered 8th November 2011, the Agreement being dated 4th February 2011.

4. Mr. Githiga maintained that the Defendant could not be restrained by injunction for trading in or dealing with its own product merely because the Plaintiff had maliciously and fraudulently stolen a march over the Defendant by secretly registering the trademark. The deponent then went into considerable detail as to what he had been advised by the Defendant's advocates as regards the various sections of the Trade Marks Act (hereinafter "the Act"). He noted that it had been at all times within the Plaintiff's knowledge that the Defendant, as an insurance company, was the sole entity licensed by the Insurance Regulatory Authority to develop, deal in and open the First Lady insurance product in Kenya. The Plaintiff, not being an insurance company, cannot "own" an insurance product in Kenya and its role was purely as an agent. In this connection, the deponent quoted relevant sections of the Insurance Act and maintained that the Plaintiff was in breach of the same. The Deponent then went into detailed matters pertinent to submissions rather than an Affidavit but did annex copies of various supporting documents in an effort to show that the word "First" was used in a number of products promoted by the Defendant in relation to its insurance business bearing in mind its name "First Assurance Ltd".
5. The Plaintiff, through the said **John Kageche,** filed a Further Affidavit upon leave being obtained from Court 28th November 2012. The same was dated 11th February 2013. Here again this Affidavit brought on matters in relation to various sections of the Act upon which the deponent had been advised by the Plaintiff's advocates on record for it. The deponent maintained that the Defendant had chosen to ignore the Notice of Termination as per the Plaintiff's letter dated 24th May 2011. He also maintained that the Plaintiff had written to the Defendant on numerous occasions asking it to stop using the name "FIRST LADY". He noted that no proceedings in opposition were ever filed by the Defendant opposing the registration of the trademark "FIRST LADY". Mr. Kageche also noted that the Plaintiff lodged its application for the registration of the trademark on the 13th January 2011 before entering into the Agreement. It was the Plaintiff who had approached the Defendant with a product name and concept and certainly the Defendant was excited at the name resonating with that of the Defendant Company. The deponent also stated that it was obvious that the registration process was not an afterthought but a protective measure taken by agents for insurance companies that have ridden on the creativity of such agents and have adopted their ideas which they themselves never had the clear vision for. He noted that the registration process for the trademark had taken over six months.
6. Mr.Kageche emphasised that the Plaintiff is not claiming to own the insurance product but is claiming the name "FIRST LADY" duly registered to it and which ought not to be used by the Defendant in marketing its insurance product. Mr. Kageche drew attention to the fact that in the Recitals to the Agreement it was provided:

> **"WHEREAS the AGENT is desirous of placing and administering, it Special Scheme on Motor Insurance with The Underwriter (hereinafter called 'FIRST LADY Scheme') AND WHEREAS the Underwriter is desirous of providing Insurance cover for The Scheme in accordance with the terms and conditions stipulated in the respective cover summaries."**

From this, the deponent concluded that the ownership of the Scheme at all times belonged to the Plaintiff as the Defendant was only providing the insurance cover for the same. Mr. Kageche concluded his Further Affidavit by stating that he had been advised by his lawyers on record, that the Plaintiff was entitled to the protection of its Intellectual Property by virtue of Articles 260 and 40 of the Constitution. He urged the Court not to be intimidated by the Defendant being a large insurance company which was doing its very best to dispossess the Plaintiff of its Intellectual Property!

7. The Defendant filed its written submissions in opposition to the Plaintiff's Notice of Motion dated 14th December 2012 on 7th May 2013. The submissions commenced on the premise that the Plaintiff's entire suit as well as the Application before Court were based on a serious case of fraud and bad faith through which the Plaintiff, secretly and cunningly, registered the said trademark "**FIRST LADY**" in a step calculated to unfairly steal the name away from the Defendant. The Defendant maintained that the invention and development of the insurance product known as "**First Lady**" was a venture by it, approved by the Commissioner of Insurance in its name and that the Agreement was entered into by the parties hereto merely so that the Plaintiff would become the agent of the Defendant for distribution purposes, with the Defendant as Underwriter. The fact that the Plaintiff had secretly registered the trademark in its sole name, without consulting or informing the Defendant, was both a fraudulent act and a serious one of bad faith. As per clause 6 of the Agreement, the product was owned by the Defendant and would be distributed through the Plaintiff and/or any other intermediary on a direct basis with the Defendant as the underwriter. The Defendant also pointed to paragraph 13 of the Plaintiff's Further Affidavit in which the deponent had stated that the Plaintiff was not claiming to own the insurance product, what it was claiming was the name "**FIRST LADY"** registered to it. As a result, the sudden disclosure of the trademark came as a major surprise to the Defendant. The submissions continued by alleging that the Plaintiff had let the cat out of the bag at paragraph 15 of the said Further Affidavit where it had detailed that it wished to enter into an agreement or partnership with another insurance company and use the same trademark in a new arrangement. Finally, the Defendant detailed that the product was invented and developed by it after a lot of intellectual effort and it was consequently entitled to the protection of its intellectual property and to the protection of the law.
8. As regards the law, the Defendant argued that **section 7** of the Act, although conferring exclusive rights to a person registered as the owner of a trademark, did not stop an application enquiry into the manner, motivation, irregularities or intentions leading to such registration. It pointed to section 10 of the Act which provides an exception to the "exclusivity principle" where a user has continuously used a trademark from the date anterior to the application for registration. The Defendant noted the Ruling of my brother **Mutava J.** in **Milimani HCCC No 447 of 2011 <u>Twiga Chemical Industries Ltd v Rotam Ltd & Anor</u>.** in which an injunction applied for by a registered owner of a trademark against a respondent was refused on the ground of fraud and ill motive employed by the Applicant in obtaining the registration and particularly, the finding that the Applicant had in fact "stolen" the invention from the respondent, who was the real owner of the product. It maintained that the secret registration by the Applicant of the said trademark was deliberately calculated by it so as to be used as against the Defendant for economic benefit. The Defendant could not be alleged to have infringed the said trademark since the concept for the Insurance Product was the Defendant's and not the Applicant's. To this end of the Defendant quoted from the finding of **Mutava J.** in the **<u>Twiga Chemical</u>** case as follows:

> **"The 1st Defendant has clarified that the two parties jointly participated in the promotion of the product … My concern however is the unilateral manner in which the Plaintiff went ahead to register the mark … As the sole distributor of the product for the 1st Defendant, the basic step that the Plaintiff was expected to take was to share the need for the protection of the mark with the manufacturer of the product and to involve the manufacturer in the registration of the product …… the secretive approach taken by the Plaintiff in the registration of the mark cannot therefore go without raising eyebrows particularly in view of the eventual breakdown of the relationship between the parties.**
>
> **While on paper the Plaintiff is so registered, it has been shown …. that the Plaintiff**

does not possess any legal merits to the proprietorship of the mark. The Plaintiff has no ownership to the product which its mark seeks to protect ……..

If anything, I find it deserving that the 1st Defendant should take the necessary steps to challenge the subsequent registration of the trade mark by the Plaintiff, a move the Court has already been told is underway".

9. The Defendant drew the attention of the Court to the provisions of **Order 40 rule 2 (2)** of the *Civil Procedure Rules, 2010*. If the Court was so inclined to grant the injunction requested, it should do so on condition that the Plaintiff do give security. The Defendant noted that it intended to make application under **section 35 (1)** of the Act to expunge the trademark from the register but, in any event, **section 10** of the Act applied in this case in that the Defendant cannot be restrained from using the trademark since it continuously used that description for a long time now and before the Plaintiff's Application for Registration was accepted on 8th November 2011. The Defendant also submitted that the said trademark offended section 14 of the Act in that the Plaintiff intended to deceive or cause confusion as regards the Defendant's Insurance Product. In that regard, the Defendant also referred to **sections 19, 2 (1)** and **5 (1)** of the *Insurance Act* which detailed that only a person registered under that Act could carry on an insurance business in Kenya provided he was so licensed to do so. The Plaintiff was in fact an agent of the Defendant who is defined under that Act as a person who, in consideration of the payment of a commission, solicits or procures insurance business for an insurer. Under those provisions of the Insurance Act, the Plaintiff could not develop, deal in and own the "FIRST LADY" insurance product in Kenya. Finally, the Defendant remarked that it had launched the Insurance Product in February 2011, over two years ago. It was already well-known in the insurance market and had acquired a considerable reputation as a result of widespread use, marketing, promotion and advertisement thereof solely conducted by the Defendant. As a result, the Defendant considered that this Application by the Plaintiff was suspect and clothed with ulterior motive.
10. I have perused the Affidavits for and against the Application before Court. There is no doubt that the Plaintiff is the owner of the mark "FIRST LADY" as evidenced by the Certificate of Registration dated 9th November 2011. I have also perused the Agreement between the Defendant and the Applicant. The preamble thereto as set out above is significant. It seems to imply that the "FIRST LADY Scheme" is the brainchild of the Plaintiff who would wish to engage in the services of the Defendant, as underwriter, to provide the insurance cover therefore. Of course, the Defendant categorically denies that it is the Applicant's Scheme. Indeed it has attached to the Replying Affidavit the proposal form for private motor insurance headed "FIRST LADY" with reference to the Defendant's trading name of First Assurance. It also attached a copy of what is termed the "FIRST LADY MOTOR PRIVATE CAR POLICY" as indicated on the cover of the document and also on page 1. However, whether intentional or not, the Defendant, in the copy provided to Court, immediately after the cover above referred to, detailed the policy as commencing at page 14 going all the way to page 1. To my mind, apart from the cover and page 1, the document appears to be a straightforward private motor vehicle insurance policy. The Defendant in its Replying Affidavit never sought to distinguish as between this product and any other private motor vehicle insurance policy. To my way of thinking, the Defendant's only use if the name "FIRST LADY" is to distinguish that the policy comes under the First Assurance brand of insurance products along with usage of the word "First" for other insurance products offered to the public by the Defendant company. The Plaintiff in its submissions has stressed that it is the trademark name "FIRST LADY" that it has registered not the insurance product. As far as I can see, what the Applicant wants to see happen is that this Court do direct the Defendant not to use the name "FIRST LADY" when offering to the public, its private motor vehicle insurance product. It would appear to want that name to be allowed to be used by another underwriter instead of or in place of the Defendant, for whatever reason.
11. In this regard, it is interesting to note that the letter of termination of the Agreement was dated 24th May 2011, well before the trademark name "FIRST LADY" was registered on 9th November 2011. However, the process of registration was well underway by that date of 24th May 2011. It was also interesting to note the correspondence attached to the Replying Affidavit of Mr. Githiga dated 19th January 2013 exhibited as "SG 1". Although the Defendant did not provide the Court

with a copy of its letter to the Insurance Regulatory Authority dated 17th January 2011, the Authority in its letter in response dated 9th February 2011 referred to it and requested the Defendant to furnish it with a policy wording, proposal form, claim form and draft marketing brochure in respect of the proposed policy. The letter of 17th January 2011 was dated before the Agreement. To my mind therefore the Defendant would appear to be protected by **section 10** of the Act which details:

> **"10. 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 the identical or nearly resembling trade mark in respect of those goods under subsection (2) of section 15".**

Certainly, by the time that the Plaintiff had registered the name "FIRST LADY" in November 2011, the Defendant was clearly utilising its insurance product "FIRST LADY MOTOR PRIVATE CAR POLICY" and had been doing so continuously for some time.

12. With that in mind, it clearly appears that the Defendant's submission that under the Agreement the Applicant was merely a distributor of the Insurance Product, lends considerable weight to its argument. As a result I find some assistance in the words of **Mutava J.** in the aforementioned case of **Twiga Chemical** at paragraph 18:

> **"This leads me to the question on whether a distributor can claim property rights over a trademark. From the legal position discussed above, the ownership of the trademark can only be claimed by the owner of the goods or the licencee of such owner. In the case before the court, the relationship between the plaintiff and the 1st defendant is created by the Distributorship Agreement under which the plaintiff was appointed to distribute the products of the 1st defendant. The issue arising therefore is whether the Distributorship Agreement conferred licecencee status, upon the 1st defendant. Section 3 (4) of the Trademarks Act requires that for a person to acquire licencee status both the proprietor and the licencee of the mark must apply to the Registrar of Trademarks for registration of the licencee as such. Without delving further into the legal requirements of application for registration as a licencee/registered user of a trademark, I can immediately make the finding that no licencee status was created under the Distributorship Agreement as no application in that regard was made to the Registrar. In any event, registration as a registered user under Section 3 of the Trademarks Act merely confers limited rights to the licencee to make use of the trademark of the proprietor and does not confer upon the licencee the right to claim ownership in the mark distinctly from the right of the proprietor of the mark and certainly does not fathom a right upon the licencee to register a competing mark, as has happened in the present case".**

I would also endorse the words of my learned brother when he detailed that his concern was as to the unilateral manner in which the Plaintiff in the **Twiga Chemical** case had gone about registering the trademark which connoted:

> **"an ulterior motive going beyond the necessity to protect the mark so as to safeguard**

the investment in promoting the product."

The learned judge went on to say:

> **"The secretive approach taken by the plaintiff and the registration of the mark cannot therefore go without raising eyebrows particularly in view of the eventual breakdown of the relationship between the parties"**.

13. I have found it necessary to quote extensively from my brother Judge's finding in the **Twiga Chemical** case which I find to be almost on all fours with this matter before me and I adopt his findings entirely. I find no trouble in endorsing the Defendant's submissions that it should take the necessary steps to challenge the registration of the trademark "FIRST LADY" by the Plaintiff. I do not consider that the Plaintiff possesses any legal merit to the proprietorship of the trademark. The Plaintiff has no ownership of the Insurance Product which its trademark purports to protect. As a result, the Application brought by the Plaintiff dated 14th December 2012 is dismissed with costs to the Defendant.

DATED and delivered at Nairobi this 12th day of August, 2013.

J. B. HAVELOCK

JUDGE

Delivered by Hon. A.Mabeya, J. this 12th day of August, 2013.

JUDGE