REPUBLIC OF KENYA

High Court at Nairobi (Nairobi Law Courts)

Civil Case 756 of 2012

FAULU KENYA DEPOSIT TAKING MICROFINANCE LIMITED …….PLAINTIFF

VERSUS

SAFARICOM LIMITED ……..…….....….. DEFENDANT

RULING

1. The Plaintiff's Application before this court is by way of Notice of Motion dated 10 December 2012. The Application seeks Orders under **Order 40 Rules 1 & 2, Order 51 Rule 1** of the *Civil Procedure Rules* and **sections 1, 1A, 3 & 3A** of the *Civil Procedure Act*. The Plaintiff's counsel Mr. Njenga appeared before this court on the 10 December 2012 requesting that this matter be certified as urgent and seeking prayers for an interim injunction as against the Defendant herein from offering to its subscribers and the public generally the cash savings and advance product called M-Shwari and/or the same or similar products under any other name, on its mobile phone network and/or any other platform, firstly pending the hearing and determination of this application and secondly pending the hearing and determination of this suit. Although I certified this matter is urgent, I was reluctant to grant the prayers for interim injunction until I had had an opportunity of hearing what the Defendant had to say about the Application.

2. The Grounds in support of the Application were numerous and I detail the same as follows: –

"i. The plaintiff did on various dates in the year 2011, develop a cash advance service which would be operated on the mobile telephony platform and where its clients would be able to apply for, receive and, make payments through the mobile phone network operated by a mobile phone service provider.

ii. The distinct features of the product were that it would target customers would have to be subscribed to a mobile phone network and who would on their mobile phone handsets accessa provided interface which would be reduced into a menu and on which they would apply for and receive the cash advance for an agreed consideration from the plaintiff.

iii. The plaintiff is already using this product in partnership with the Airtel Networks Kenya Limited under the bank name KipaChapaa cash advance services and which has been approved for offering to the public as a money product, by the Central Bank of Kenya.

iv. The plaintiff proposed to the defendant to partner with it in offering the same product on its mobile phone network and on its money transactions functionality being the Mpesa platform and presented thereby a concept paper that incorporated the detail and information on the cash advance product.

v. The plaintiff further executed a non-disclosure agreement with the defendant to restrain either party from disclosing any information on the plaintiff's cash advance product and related information, to any third party and/or using such information to compete or obtain any competitive or other advantage over the other party.

vi. The plaintiff states that the defendant in breach of the terms of the non-disclosure agreement aforesaid and in breach of the plaintiff's confidence and further in contravention of the plaintiff's trade secrets and copyright, has now presented a similar product called M-Shwari and offered it to its customers, purporting it to be its own.

vii. The Defendant's actions are most injurious to the plaintiff and unless restrained by an order of this court, the plaintiff will suffer irreparable loss and damage to the integrity and value of its products which will stand to lose its commercial viability.

viii. This honourbale court has jurisdiction to make the orders sought.

ix. The plaintiff's suit has a high probability of success on a prima facie basis.

x. In view of the foregoing, it is in the interest of justice and fairness that the prayers sought herein are allowed".

3. I have set out the Grounds in full so as to understand the nature of the product that the Plaintiff states that it has developed through extensive research and innovation. As I understand it from the Plaint filed herein on 10 December 2012, the Plaintiff engaged in the business of micro-finance being a deposit taking Organization which includes the offering of credit and other cash advance services to its clients. From paragraph 4 of the Plaint, the Plaintiff avers that during the year 2011, it developed a cash advance service which would be operated on a mobile telephony platform. Such service, in brief detailed that the Plaintiff's clients would be able to apply for, receive and make payments through the mobile phone network operated by the various service providers based on terms and conditions provided as between the Plaintiff and such providers, which would include the Defendant. At paragraph 6 of the Plaint, the Plaintiff stated that it was already using this product in partnership with Airtel Networks Kenya Ltd under the brand name *KopaChapaa*. The Plaintiff maintained that on various dates during 2011 it had proposed to the Defendant that it should partner with it in realizing and developing the Plaintiff's cash advance product, availing of the same to its customers through the Defendant's mobile phone network and its *mpesa* platform. In this Ruling, it is not for this court to go into the Plaintiff's claim in detail as per the Plaint but I consider it necessary to review the Plaintiff's causes of action as against the Defendant. Firstly, the Plaintiff maintains that the Defendant is in breach of contract being a non-disclosure agreement mutually entered into and executed by the parties. It also charges the Defendant of being in breach of confidence again in relation to (presumably) the non-disclosure agreement. The Plaintiff maintains that the Defendant has used the Plaintiff's confidential information to develop and produce a similar product purported to be its own and is now deriving commercial benefit therefrom. Then the Plaintiff has detailed in its Plaint that the Defendant has infringed the copyright of its cash advance product without prior authorization and/or licence. Finally, the prayers in the Plaint seek firstly, a permanent injunction to restrain the Defendant from availing to its customers the cash savings and advance service recently launched by the Defendant and known as M-Shwari. Secondly, the Plaintiff seeks general damages as against the Defendant as well as the costs of this suit together with interest at court rates.

4. As regards the Plaintiff's cash advance product, it maintained that the same as per paragraph 7 of the Plaint contained distinct features and it was presented to the Defendant as a novel and uniquebusiness modelpresented as a concept. As regards the non-disclosure agreement, the Plaintiff maintained that all the proprietary information disclosed therein would remain the exclusive property of the Plaintiff. It continued at paragraph 10 iv. to say that the Defendant would not receive any rights whatsoever to any of the disclosed information including any rights on any patent, trademark, copyright, trade secret, moral right or any other right that would attach to the Plaintiff in respect of the information. Further, in paragraph 12 of the Plaint, the Plaintiff in reference to the non-disclosure agreement entered into as

between the parties, stated that it held the copyright in the said product and/or all the intellectual property therein.

5. I have detailed all the above as it is pertinent to the Preliminary Objection dated and filed herein by the Defendant on 14 December 2012. The said Preliminary Objection took the legal point that the proper forum for the determination of the issues arising out of this suit was the Industrial Property Tribunal established under the provisions of **section 113** of the *Industrial Property Act (2001)*. The Defendant maintained that under that Act the High Court has no original jurisdiction, solely appellate jurisdiction in accordance with **section 115** of the Act. Both counsel for the Plaintiff and the Defendant at the hearing of the Preliminary Objection on 18 December 2012 agreed that the well-known case of **Mukisa Biscuit Manufacturing Co. Ltd vs West End Distributors Ltd (1969) EA 696** applied so far as the Preliminary Objection was concerned in that it raises purely a point of law which is argued on the assumption that all facts pleaded (by the Plaintiff herein) are correct.

6. In his oral and written submissions on behalf of the Defendant, learned counsel Mr. Ohaga having set out the format of the Application before court, detailed that in his opinion, the Plaint herein laid the foundation of the Application. He noted that the prayers therein sought to restrain the Defendant from breaching the non-disclosure agreement which the parties had entered into between them. He was of the opinion that the prayers sought not to restrain a breach of contract but to protect the Plaintiff's alleged ownership in the property being the invention of the cash advance product. He felt that the claim was for the protection of a right in property. Counsel detailed that the Preliminary Objection advances the point that such property is defined and protected by the Industrial Property Act. Further, he noted that there was a pleading for breach of confidence as well as for breach of contract under paragraphs 14 and 15 of the Plaint. However such references as to breach of confidence as well as breach of contract had not been broken down by the Plaintiff into the prayers of the Plaint which supposedly should define what is to be protected. In Mr. Ohaga's opinion it was clear that the Plaintiff's cause of action is for infringement of its alleged intellectual property. Thereafter, counsel noted that the Application before court was founded on such averments as are contained in the Plaint and consequently the Defendant's Preliminary Objection was directed at both the Application as well as the suit itself.

7. Mr. Ohaga continued with his submissions by saying that jurisdiction of this court was everything and that it must,within its territory, have authority over both the parties and the subject matter of the litigation. He referred the court to the well-known quotation from **Nyarangi J.** in the **Owners of Motor Vessel "Lillian S" vs Caltex Oil (Kenya) Ltd (1989) KL R 1 (CAK)** as follows:

"Jurisdiction is everything. Without it, the court has no power to make one more step. Where a court has no jurisdiction, there would be no basis for a continuation of proceedings pending evidence. A court of law downs tools in respect of the matter before it the moment it holds the opinion that it is without jurisdiction."

Counsel went on to refer to a quotation from the text **"Words and Phrases Legally Defined" Volume 3** more particularly:

"Where a court takes it upon itself to exercise a jurisdiction which it does not possess, its decision isreduced to nothing. Jurisdiction must be acquired before judgment is given."

Having touched on the question of jurisdiction, Mr. Ohaga turned his attention to the provisions of the *Industrial Property Act (2001)*. He maintained that the statute had divested the High Court of the jurisdiction to hear and determine disputes relating to rights of ownership over an invention or innovation where a plaintiff alleges a breach of such right of ownership. He spelt out the Preamble to the Act and continued by saying that the right to ownership of an invention is similar to the right to ownership over any other genre of property. If the Plaintiff claimed any right of ownership over an invention or other such intellectual property, then it would have to base its foundation for the claim in a recognized legal regime. In counsel's opinion that legal regime, so far as the Plaintiff's claim is concerned, was under the *Industrial Property Act*. He referred to various provisions in the Act in relation to solutions to specific problems in the field of technology and the patentability of an invention under **section 22** of the Act.

Thereafter counsel set out the powers of the*Industrial Property Tribunal* which he maintained were very much along the same lines as the inherent powers of this court, particularly in relation to injunction and damages. As regards the jurisdiction of the Industrial Property Tribunal, counsel for the Defendant maintained that such were exercisable apart from appeals from the decisions of the Managing Director of the Industrial Property Institute as per **section 113** of the Act **subsection (1)** which read:

"For the purposes of hearing and determining appeals in accordance with section 112 and of exercising the other powers conferred on it by this Act…." (underlining mine).

Counsel then set out the powers of the Tribunal under **section 114** of the Act as well as the appellate provisions as regards the jurisdiction of this court under **section 115** of the Act.

8. Mr. Ohaga stated that the Plaintiff herein would rely on the decision (which indeed it did) of **Mr. Justice Kimaru** in**Engen Kenya Ltd vs Magnate Ventures Ltd HCCC No. 572 of 2008** reported in (**2009) eKLR**. That was a case involving the uniqueness of an industrial design and it was submitted on behalf of the defendant therein that the plaintiff ought to have filed a complaint before the Industrial Property Tribunal pursuant to **section 112** of the *Industrial Property Act*. The learned judge detailed:

"The tribunal set up under section 112 of the Act provides an avenue for a person dissatisfied with the decision of the managing director of the KIPI to appeal to such tribunal. In the present case, the managing director of KIPI has not made any decision that may be challenged before the said tribunal. What the plaintiff is seeking before this court is the protection of its industrial design that is pending registration by KIPI. The plaintiff is therefore properly before this court".

Mr. Ohaga attempted to distinguish **Kimaru J's** decision by stating that his Lordship had framed the jurisdiction of the Tribunal too narrowly as per **section 113 (1)** quoted above. Counsel emphasized that it was the Defendant's submission that the letter and spirit of the Act led to the inescapable conclusion that the High Court does not have original jurisdiction to determine this suit and indeed this Application. Counsel went on to detail limitations to the jurisdiction of this court which I did not consider were relevant so far as the Preliminary Objection is concerned by reference to the case of**Narok County Council v Trans Mara County Council (2001) 1 EA 157**.

9. In his turn, Mr. Njenga for the Plaintiff initially took objection to the Defendant's counsel having submitted by way of written submissions rather than the procedure which had been agreed earlier, by way of oral submissions. Mr. Ohaga commented briefly on that submission but this court did not make anything of it. Mr. Njenga then submitted that the Preliminary Objection had no merit, was unfounded and had no connection with the law. In his opinion, it was merely filed in an attempt to delay the quick determination of the outstanding issues before this court. Counsel outlined that the Plaintiff's suit claimed a proprietary interest in a way of doing business in that it had applied its resources to develop ideas which were presented to the Plaintiff in a concept paper. He maintained that in that concept paper, the Plaintiff provided in detail for a conception of ideas on interplay of doing business which, in its opinion, was commercially viable. The Plaintiff claimed that the publication accrued in its favour a proprietary interest in the nature of the product. He stated that copyright is in the nature of intellectual property which is recognized and provided for by the law of Kenya. In this connection, he was referring the court to the Copyright Act. Counsel continued by detailing that the Plaint discloses that in the course of the interaction between the parties, certain information as regards to this particular transaction was detailed in confidence to the Defendant. The Plaintiff's claim is that this information was disseminated to a third party in a manner which breached the Defendant's duty of confidence. This, counsel maintained, was a cause of action available to the Plaintiff and for which the remedy sought in the Plaint was available. He noted that the Plaintiff had entered into a non-disclosure agreement with the Defendant which contained clear mutual covenants as regards the receiving, dissemination and handling of confidential information. Accordingly, the Plaintiff had pleaded a cause of action by way of breach of contract. Mr. Njenga went on to say that the prayers in the Plaint details remedies available to all the causes of action disclosed therein.

10. Turning to the Preliminary Objection, Mr. Njenga detailed that the Defendant's basic contention is that the Plaintiff was in the wrong forum and had no standing before this court. The Defendant sought to

direct the suit to the Industrial Property Tribunal established under the *Industrial Property Act (2001)*. Counsel maintained that the basis of the Defendant's contention was that what the Plaintiff was claiming was an invention that falls under the provisions of the Act. It contended that the innovation referred to could only mean that the Plaintiff was claiming a patent over the product. In his opinion, the said Act had no application or relationship whatsoever to the cause of action sought by the Plaintiff and the nature of the relief sought. The said Act governed the kind of intellectual property as is typically classified as a patent or an industrial design. If a party is not claiming a patent or a utility model or an industrial design, then it would have no business in the Industrial Property Tribunal. Counsel detailed that in the Plaintiff's pleadings, it had not claimed any patent, industrial design or utility model. This was not out of confusion or lack of knowledge, it was deliberate as the Defendant wanted the Plaintiff to come to court asking for this. Counsel emphasized that the Plaintiff did not want a patent, it was fine with the copyright that the Plaintiff owns over the concept. He maintained that the Industrial Property Tribunal is seized of jurisdiction for patent recognition through the Managing Director of the Industrial Property Institute. Anyone aggrieved by the decision of the said Managing Director could appeal that decision to the Industrial Property Tribunal – that is well provided for under the Act and the Rules made thereunder. Counsel then referred this court as above to the case of **Engen Kenya** (supra) and submitted that the Tribunal was confined to appeals from the decisions of the Managing Director of the Industrial Property Institute. Mr. Njenga closed his submissions by saying that the Plaintiff was in the right court and given time and opportunity, it would establish that there is a clear way open to it and it is this court that has the jurisdiction to determine those questions.

11. Mr. Ohaga replied briefly that the question whether the alleged concept was a patent, copyright or some form of industrial design is not a question of fact but one of law. He noted that counsel for the Plaintiff had confirmed that what the Plaintiff has is a copyright and read out to court the heading of the *Copyright Act (2001)* as follows:

"AN ACT of Parliament to make provision for copyright in literary, musical and artistic works, audio-visual works, sound recordings, broadcasts and for connected purposes."

In counsel's submission what the Plaintiff was claiming could not be copyright. He stated that it did not matter what a litigant pleads but such must formulate what prayers are sought in the Plaint. He noted that there was no prayer in the Plaint seeking to restrain the Defendant from a breach of contract or copyright. The prayer in the Plaint stated that it is sought to restrain the Defendant from using the product which the Plaintiff has developed. The Defendant in its submissions had tried to categorize the nature of the Plaintiff's claim and had addressed **Kimaru. J.'s** said Ruling as defining the provisions of **section 113** of the Industrial Property Act, too narrowly. Counsel detailed that the other powers of the Industrial Property Tribunal were detailed in **section 106** of the Act in which it had powers equivalent to those available in the present suit before this court. He concluded that a proper categorization of the Plaintiff's cause of action suggests that the first step for a party that claims to have innovated and claims a breach of its innovation is the Industrial Property Tribunal.

12. I have perused the Interpretation section of the *Copyright Act (2001)*. That is **section 2** and I really cannot see that the Plaintiff's concept paper, which it has attached to the Supporting Affidavit to the Application, qualifies as musical and/or artistic work, audiovisual work, sound recording and a broadcast. As the concept paper is in written form, I went to the interpretation of "literary work" which according to the section:

"means, irrespective of literary quality, any of the following, or works similar thereto –

(a) novels, stories and poetic works;

(b) plays, stage directions, film sceneries and the broadcasting scripts;

(c) textbooks, treatises, histories, biographies, essays and articles;

(d) encyclopaedias and dictionaries;

(e) letters, reports and memoranda;

(f) lectures, addresses and sermons;

(g) charts and tables;

(h) computer programs; and

(i) tables and compilations of data including tables and compilations of data stored and embodied in a computer or a media used in conjunction with a computer,but does not include a written law or a judicial decision;"

Try as I may, I do not seem to be able to fit the Plaintiff's said concept paper into any of these categories, although I note that the "court" as regards the Copyright Act means a court of competent jurisdiction under **section 35** thereof.

13. Leaving the question of copyright aside, it is necessary for this court to consider the Preliminary Objection which is basically detailing that the correct forum for the dispute between the parties is the Industrial Property Tribunal. I appreciate that **Kimaru, J.'s** finding in the **Engen Kenya** case is not binding upon me, merely persuasive. I take Mr. Ohaga's point that in **section 113** of the *Industrial Property Act*, it does say that apart from hearing and determining appeals in accordance with **section 112**, it may exercise the other powers conferred on it by the Act. In court, I had asked counsel for the Defendant just where in the Act these other powers were defined. In his submissions, he referred to **sections 114** and **106** of the Act. I have perused **section 114**. **Subsection (1)** details that the Tribunal:

"shall have powers to make any order for the purposes of securing the attendance of any person, the discovery or production of a document, or the investigation or punishment for any contempt of court, which the court has power to make".

Not much help to the Defendant there. **Subsection (2)** commences: **"Upon any appeal to the Tribunal…."**which would indicate that this subsection does not apply to an initial application of the nature of this one before court.

Section 106 of the Industrial Property Act reads:

"106. On the request of the owner of the patent or registered utility model or industrial design, the Tribunal shall grant the following relief –

(a) an injunction to prevent infringement where infringement is imminent or to prohibit the continuation of the infringement, once infringement has started;

(b) damages; or

(c) any other remedy provided for in law."

To my way of thinking, the Plaintiff is not the owner of a registered utility model or industrial design. Indeed counsel for the Plaintiff dismissed that contention. Is the Plaintiff the owner of a patent? It is quite clear that the Plaintiff has not made any application to be registered as a patent owner under **section 34** of the *Industrial Property Act* and in my view, it is only where a party is so registered that the provisions of section 106 come into play. I do not consider that the section applies to just any application where there is no registration as a patent owner or a utility model or an industrial design.

14. Counsel for the Defendant as detailed above submitted that the Preliminary Objection does not defeat the Plaintiff's cause of action. It merely sought to re-direct it to the proper forum for adjudication of the question of the right to ownership and the consequent claim to infringement of such right and the remedies that may arise to compensate for such infringement. I do not consider that the Industrial

Property Tribunal is the correct forum for the adjudication of this dispute. This court has unlimited jurisdiction and, to my mind, is the proper place for the Plaintiff to air its grievances. Just what its said concept paper amounts to,remains to be decided upon, as does the question as to whether any remedy is available to the Plaintiff in that connection. All that remains in the future but for now, I dismiss the Defendant's Preliminary Objection dated 14 December 2012 with costs to the Plaintiff.

DATED and delivered at Nairobi this 20th day of December 2012.

J. B. HAVELOCK
JUDGE