



IN THE HIGH COURT OF KENYA

AT NYERI

CIVIL APPEAL NO. 17 OF 2015

P.M.MACHARIA DR. T/A BATIAN GUEST HOTEL.....APPELLANT

VERSUS

BATIAN GRAND HOTEL LIMITED.....RESPONDENT

JUDGMENT

(An appeal from the judgment delivered on the 10th June, 2015 by the Honourable C.Wekesa Senior Resident Magistrate in Nyeri CMCC No.284 of 2011)

FACTS

1. The background of this case is as follows; the parties are both in the hospitality industry and the case revolves around a conflict on the business name '**Batian Guest House**' and its logo which the respondent claimed had caused a diversion of its clients leading to loss of business; the trial court found that confusion was likely to occur as the names and logos were similar; it found that there was proof of infringement and loss that had occurred and thus entered judgment in favour of the respondent herein together with costs and interest; the appellant was permanently restrained from using the name '**Batian Guest Hotel**' and was ordered to remove all the sign posts describing the premises as '**Batian Guest Hotel**'.

2. The Appellant herein being aggrieved with the decision of the trial court sought redress by filing his Memorandum of Appeal on the 15th June, 2015; which sets out seven (7) grounds of appeal summarized hereunder and centred on;

- (i) The trial court erred in law in prohibiting the appellant permanently from using the name "**Batian Guest Hotel**" and ordering the removal of sign posts bearing that name;
- (ii) The trial court failed to appreciate the fact that the Registrar of Business Names had ascertained that the name was available before registering the name **Batian Guest Hotel**; that the name was not the same as '**Batian Grand Hotel Limited**';
- (iii) No case had been made out by the respondent on the issue of "**passing off**"; that neither the name **Batian Grand Hotel** or its logo of Mount Kenya had been patented; that the respondent did not have exclusive property rights capable of being infringed upon;
- (iv) The respondent did not satisfy the essentials of a passing off action;
- (v) No evidence was availed to demonstrate that the respondents customers were confused by the name '**Batian Guest Hotel**' leading to threatened or actual loss;
- (vi) That there no property rights in the words comprising '**Batian Grand Hotel Limited**';

3. At the hearing the appellant was represented by learned counsel Ms Lucy Mwai and the respondent by learned counsel Mr. Nganga; both counsels made oral presentations hereunder is a summary of their rival submissions;

APPELLANT'S CASE

4. The appellant urged this court to allow the appeal on the grounds that the trial court erred in prohibiting it from the use of the name; the appellant simply used the name given by the Registrar; the Registrar must have been satisfied before issuing the appellant with a Certificate which meant that due process was followed; the Registrar ought to have been enjoined to explain the procedure and if it had been followed;

5. Passing off –it was the appellants contention that the respondent did not demonstrate with evidence that it had exclusive rights to the name

- the logo and also to the colours; there was no evidence adduced on the protection of either of the name nor of the logo; there was no evidence that the logo and colours were patented; the trial court wrongly allowed the respondents case;

6. There was no evidence adduced on the losses either threatened or actual; no customer was called to give evidence to add credence on the confusion of names; only the director of the respondent company gave evidence that they lost customers for a seminar;

7. The respondent had no property in the words **Batian Grand Hotel**; that the names can be used separately by anyone; that no evidence was adduced to support the finding of the trial court on the use of the full name;

8. Case law relied upon is **HCCNo.823 of 2010** where it was held that the action must be calculated to injure the other business; the action must be foreseeable and there must be evidence of actual damage to the business or goodwill; it was the appellant's contention that no evidence from any person (s) was tendered by the respondent;

9. The Court of Appeal decision in **BAT vs Cut Tobacco** where the rationale was there was no proprietary right to colour;

10. The appellant prayed that the judgment be reversed and the appeal be allowed with costs to the appellant.

RESPONDENT'S CASE

11. The response to the appellant's submissions was that; the name of the respondent's hotel is **Batian Grand Hotel Limited**; the appellant had a similar name and logo of the appellant which was also similar to that of the respondents and that this was confusing the respondent's clients;

12. That the appeal was for academic purposes as the appellant had since removed the posts and shifted his business from Nyeri to Nanyuki; this was done after the institution of these proceedings;

13. The appellants defence was very casual; the appellant's rebuttal on the colours complained of was that he was '**colour blind**'; nor was the evidence on the logo complained of controverted; nor that of the confused customers;

14. The respondent was clear on the losses it had undergone; that there had been serious interference with the business through the use of its logo and name and therefore it was entitled to the orders sought;

15. The issues of exclusive use of the logo and property rights of any of the parties was new evidence that was being introduced without the leave of the court; that it prayed for the court to ignore this line of submission;

16. That it is trite law that there is no set number of witnesses required to prove a fact; the evidence of the director and documents produced were sufficient evidence;

17. The appellant received a demand notice from the respondent and was well aware of the subject suit; he attempted to make amends which were not good enough;

18. It was not upon the respondent to know what factors the Registrar of Business Names took into consideration when registering the name and logo; the Registrar could have been called as a defence witness; and was not a party to the suit;

19. The authorities relied upon were **BAT vs CUT Tobacco; Haria Industries vs PJ Ltd**; the latter authority discusses the issues before the court; the test before this court is;

“Whether a reasonable customer would be confused by the article complained of.”

20. The trial court made a finding that the two logos were distinctly similar;

21. The appeal is not merited; the appellant closed his business during the subsistence of the suit; the appeal is academic and ought to be dismissed;

REJOINDER

22. In its rejoinder the appellant submitted; that the reasons for the appellant's relocation were clearly set out in the Record of Appeal; the issue of exclusivity is set out in paragraph 3 and 5 of the Plaintiff; the restraint in the use of the name in Nyeri and elsewhere in the whole of the Republic of Kenya was an issue; the move by the appellant to Nanyuki was not a sign of guilt;

23. The Registrar gave a public document which was proof in itself; therefore there was no need to call the Registrar as a witness;

24. The real test in both the authorities was loss; there was no computation of the actual loss before the trial court; and the trial court was wrong;

25. That the appeal has merit and the appellant prayed that it be allowed.

ISSUES FOR DETERMINATION

26. After hearing the parties rival arguments these are the issues framed by this court for determination;

- (i) Whether the name **Batian Grand Hotel** or its logo of Mount Kenya had been patented; whether the respondent had exclusive property rights capable of being infringed upon;
- (ii) Whether the trial court erred in granting the permanent injunction;

ANALYSIS

27. This court being the first appellate court it is enjoined to consider the entire evidence on record, re-evaluate and re-assess it and arrive at an independent conclusion bearing in mind at all times that this court did not have the opportunity or benefit of hearing and seeing the witnesses as they testified. Refer to the case of **Selle vs Associated Motor Boat Company [1968] EA 123**;

28. The parties agreed that this appeal was an academic exercise by virtue of the fact that the appellant had since had shifted his/its business from Nyeri to Nanyuki and removed the sign posts and therefore the undesirable competition and therefore the conflict no longer existed;

Whether the name Batian Grand Hotel had been patented; and whether the respondent had exclusive property rights in the name capable of being infringed upon;

29. The respondent testified that it was the duly registered proprietor of '**Batian Guest House**' which registration was effected on the 10/12/2009 and that it had exclusive rights to the use of the name; that its business had gathered a reputation and goodwill of twenty-five (25) years;

30. In December, 2009 it discovered that the appellant was carrying on business in the name and style of '**Batian Guest House**'; the two businesses were within the same locality and were 1½ kms to 2 kms from each other; and that this state of affairs adversely affected its business; that the appellant's logo was a mountain peak which was similar to that of the respondent; and the blue and black colours contained in its logo were also similar to that of the respondents;

31. It was the appellant's contention that the trial court erred in permanently prohibiting it from using the name '**Batian Guest Hotel**'; that the Registrar must have been satisfied before issuing the appellant with a Certificate which meant that due process had been followed; the appellant simply used the name given by the Registrar; that the Registrar ought to have been enjoined to explain the procedure that had been followed;

32. This court has had occasion to peruse the rival documents produced as evidence by the respective parties; the fact is that the respondent obtained registration of the name '**Batian Guest House**' on the 10th December, 2009 from the Registrar of Business Names and the respondent tendered evidence which was not controverted that the respondent's name enjoyed the advantage of early registration; whereas the appellant obtained its name '**Batian Guest Hotel**' from the same Registrar at a later date; the presumption is that the Registrar must have first ascertained that the individual names could be used by any person and were available before validly registering the name **Batian Guest Hotel**;

33. The question that begs an answer is whether the registration of the appellant's business name constituted an infringement of the respondent's name?

34. The position in law is that the registration of a business name *per se* under the Registration of Business Names Act and or the Companies Act does not extend protection of the name in the same way that protection is extended to registered marks under the Trade Marks Act (Act No.4 of 2002);

35. In the case of **Agility Logistics Ltd & 2 Others vs Agility Logistics Kenya Ltd [2012] eKLR** the court made the following observations on the Companies Act and the Trademarks Act that;

“My take on the two pieces of legislation is that whereas the Companies Act governs registration of company names, the fact of registration per se does not extend protection to the name of the company itself as does the protection provided by a trademark. The Companies Act only protects such names to the extent that no other can be registered by a similar name but does not protect the intellectual property in the name itself as to confer exclusive use, as does a trademark.” (emphasis mine)

36. It is this court's considered view that the trial court failed to appreciate the fact that the Registrar of Business Names must have ascertained that the appellant's business name was available before registering the name Batian Guest Hotel; and this court finds no evidence on record demonstrating that the name Batian Grand Hotel was patented giving it exclusive usage of the name;

37. This ground of appeal is found to be meritorious and it is hereby allowed.

Whether the trial court erred in granting the permanent injunction;

38. When re-evaluating the evidence on record this court perused the evidence of the respondent supported by the letter dated 4th January, 2010; the letter was written by the appellant and addressed to the respondent in which the appellant stated that it had noted the complaints and promised to rectify or remedy them; upon failing to do so the respondent applied for and obtained a temporary injunction against the

appellant restraining it from using the name and the logo and requiring it to remove the signposts pending the hearing and determination of the case;

39. It was not disputed that the two businesses were both in the hotel industry; that the two were located in the same vicinity and the distance separating the hotels was approximately between 1½ and 2kilometres; but there was no evidence adduced by the respondent to demonstrate how the continued usage of the name by the appellant would be injurious to the reputation and goodwill of the respondent; no evidence was adduced by the respondent to demonstrate the notoriety it had gained or that it commanded a reputation and goodwill in the name **Batian Grand Hotel**;

40. There was also no evidence adduced on the injuries or losses whether threatened or actual that resulted in damage; which damage would not have been capable of quantification and would also not be adequately redressed in monetary terms;

41. No customer was called to give evidence to lend credence to the confusion caused by the names; only the director of the respondent company gave evidence that the appellant was trading in a manner likely to cause the business of the appellant to be confused with that of the respondent; that his business lost customers for a seminar;

42. It is trite law that the respondent must establish that the actions of the appellant must have been calculated to injure the other's business; the action must be foreseeable and there must be evidence of actual loss or damage to the business or goodwill;

43. The admission of proximity by the appellant and the promise to take remedial action are the factors that may have influenced the trial court to tilt the balance of convenience in favour of the order granted to the respondent permanently restraining the appellant;

44. But the fact still remains that the name and the Mount Kenya logo had not been patented and were only mere marks of identity as neither had been registered as trademarks; therefore the respondent had no property in the words **Batian Grand Hotel** and its logo of Mount Kenya;

45. This court is satisfied that the respondent did not have exclusive property rights capable of being infringed upon and that the names could be used separately by anyone; there was no evidence of loss or damage suffered by the respondent to warrant the granting of a permanent injunction; and that this case is not proper for orders for a permanent injunction.

46. This court finds merit in this ground of appeal and it is hereby allowed;

FINDINGS

47. *For the forgoing reasons this court makes the following findings;*

(i) There are no exclusive property rights in the names comprising '**Batian Grand Hotel**' neither in its logo capable of being infringed upon;

(ii) The trial court erred in law in prohibiting the appellant permanently from using the name "**Batian Guest Hotel**".

DETERMINATION

48. The appeal is found to be meritorious and is hereby allowed;

49. The judgment of the lower court delivered on the 10/06/2015 is hereby set aside;

50. Each party shall bear its own costs of the lower court and on appeal.

Orders Accordingly.

Dated, Signed and Delivered at Nyeri this 12th day of September, 2018.

HON. A. MSHILA

JUDGE