



REPUBLIC OF KENYA
IN THE HIGH COURT OF KENYA AT NAIROBI
MILIMANI LAW COURTS
COMMERCIAL AND ADMIRALTY DIVISION
CIVIL SUIT NO 1 OF 2013

GILBERT KYUMWA MUTULU.....1ST PLAINTIFF
JOHN NKUNJA MBATI.....2ND PLAINTIFF
METROTRANS LIMITED.....3RD PLAINTIFF

-VERSUS-

OSCAR OMURWA ROSANA.....1ST DEFENDANT
HARUN NGUGI NDUNGU.....2ND DEFENDANT
METROTRANS EAST AFRICA LIMITED.....3RD DEFENDANT
REGISTRAR OF COMPANIES.....4TH DEFENDANT
THE ATTORNEY GENERAL.....5TH DEFENDANT

JUDGMENT

1. The plaintiffs have brought this action for passing off against the 1st to 3rd defendants. The 3rd plaintiff company runs an urban commuter transport service under the name and style of *Metrotrans*. Its four directors and shareholders are the 1st and 2nd plaintiffs; and, the 1st and 2nd defendants. The company was registered on 16th March, 2011.
2. The plaintiff's case is that the 1st and 2nd defendants fraudulently incorporated a rival company known as *Metrotrans East Africa Limited* on or about 7th December, 2011. The plaintiffs claim that the latter company runs a deceptively similar urban commuter service branded *Metrotrans*. The plaintiffs have pleaded that this rival business confuses the public, siphons away profits and amounts to passing off.
3. The plaintiffs thus pray for a permanent injunction to restrain the defendants from carrying on their business in the name of *Metrotrans*. The plaintiffs seek an order to compel the 4th and 5th defendants to remove the 3rd defendant from the register of companies. The plaintiffs have also staked a claim on half of the revenues of the rival company. They thus seek a mandatory injunction to compel the 1st, 2nd and 3rd defendants to deposit all revenues in a joint account with

- the plaintiffs. The plaintiffs also crave a permanent injunction to restrain the 1st to 3rd defendants from withdrawing monies held in an account number in the name of the 3rd defendant. Finally, there are prayers for damages, interest and costs.
4. The defendants have all entered appearance in the suit. The joint memorandum of appearance of the 1st, 2nd and 3rd defendants was filed on 23rd January, 2013. The appearances by the Registrar of Companies and the Attorney General were also filed on 23rd January 2013. However, all the defendants failed to file statements of defence to the action. On 21st January 2014, nearly a year later, the plaintiffs filed a request for judgment in default of defence. The request was predicated on two affidavits of service sworn on 14th January, 2014. On 30th January, 2014, interlocutory judgment was entered by the Deputy Registrar with an order that the suit be fixed for hearing by way of formal proof.
 5. The interlocutory judgment was highly irregular. For starters, there was no liquidated claim or special damages pleaded in the plaint. At any rate, there were no prayers qualifying for grant of interlocutory judgment. Under Order 10 rules 4, 5 and 6 of the Civil Procedure Rules 2010, interlocutory judgment could then not be entered against the defendants. Under Order 10 rule 8, judgment could not also be entered against the Attorney General without leave of the court. At the time the defendants entered appearance, there were interlocutory proceedings under a notice of motion dated 21st December, 2012. That is clear from the original affidavit of service of Edward Karanja sworn on 23rd January, 2013.
 6. Nevertheless, the defendants having been served and failed to file their defences within the prescribed time, and there being no liquidated claim, the plaintiff was entitled to proceed with the formal proof; not to request for interlocutory judgment. Order 10 rule 9 provides that *where any party does not appear, the plaintiff may set down the suit for hearing*.
 7. But that is now all water under the bridge. The suit proceeded for hearing on 5th May, 2014. The plaintiffs relied on the witness statement of Gilbert Kyumwa Mutulu dated 21st December, 2012 and a bundle of documents of the same date. The same witness, who is the 1st plaintiff, testified that him, the 2nd plaintiff, the 1st and 2nd defendants were the subscribers to the memorandum and directors of the 3rd plaintiff. The company was running bus services in the name of *Metrotrans*. He testified that the 1st and 2nd defendant then secretly incorporated the 3rd defendant. The brand name on the 3rd Plaintiff's vehicles is the same with that on the 3rd defendant's buses. The colours are also the same.
 8. He testified that it is not possible to tell the difference. He said that this has led to confusion of the public. In particular, the 1st to 3rd defendants have been passing off their business as that of the plaintiffs'. He referred to a document at page 36 of the bundle, a note paper of the 3rd plaintiff, addressed to NIC Bank by the defendants. To protect the plaintiffs' interests, he wrote to the bank and also to the Registrar of Companies. He got no response. He testified that he was apprehensive that the 1st to 3rd defendants may withdraw monies from the 3rd plaintiff's bank accounts. He said that as a result of the defendant's fraudulent activities, the 3rd plaintiff had lost business and profits. Hence his claim for permanent injunction, an account and damages.
 9. From the pleadings and evidence, the issues arising for determination can be condensed into four:
 - i. Have the defendants been passing off their business as that of the plaintiffs by using the business name *Metrotrans* ?
 - ii. If the answer is in the affirmative, has the 3rd plaintiff suffered loss and damage?
 - iii. Are the plaintiffs entitled to permanent and mandatory injunctions, damages, an account, share of profits, and the other reliefs pleaded in the plaint?
 - iv. Who will meet the costs of the suit?
 10. I have considered the pleadings, evidence and the written submissions filed by the plaintiffs' learned counsel on 13th May 2014. I will commence with the legal considerations in an action for passing off.
 11. The essential elements of a passing off action were summarized by Lord Diplock in *Erven Warnick BV v Townend & Sons (Hull) Ltd* [1979] 2 All ER 927 at 932: first, that the claimant's

goods or services have acquired a good will or reputation in the market and are known by some distinguishing feature; secondly, that there is a misrepresentation by the defendant (whether or not intended) leading or likely to lead the public to believe that goods or services offered by the defendant are goods or services of the claimant ; and, thirdly that the claimant has suffered or is likely to suffer damage as a result of the erroneous belief engendered by the defendant's misrepresentation.

9. Goodwill is an important component in a passing off action. Ringera J (as he then was) in Supa Brite Limited vs Pakad Enterprises Limited Nairobi High Court case 287 of 2001 (unreported) had this to say-

“As regards the precise rights which are entitled to be protected by a passing off action, it is settled law that it is the goodwill”.

10. The law on passing off was well stated in Reckitt & Colman Products Limited v Borden Inc. and others [1990] 1 All ER 873. Regarding goodwill and get up, Lord Jauncey had this to say at page 888-

“The fact that the proprietary right which is protected by the action is the good will rather than in the get up distinguishes the protection afforded by the common law to a trader from that afforded by statute to the registered holder of a trade mark who enjoys a permanent monopoly therein. Good will was defined by Lord Macnaghten in IRC Vs. Muller & Co’s Margarine Ltd [1901] A. C. 217 at 223 as ‘the benefit and advantage of the good name, reputation and connection of a business. It is the attractive force which brings in custom’. Get-up is the badge of the plaintiff’s goodwill, that which associates the goods with the plaintiff in the mind of the public. Any monopoly which a plaintiff may enjoy in get-up will only extend to those parts which are capricious and will not embrace ordinary matters which are in common use”.

11. The onus is on the plaintiff to prove the resemblance, deception, infringement and the attendant damage. See Aktiebolaget Jonkoping v East Africa Match Company Limited [1964] E.A. 62, Ewing v Buttercup Margarine Company Ltd [1916-17] All ER 1012, East African Industries v Trufoods Limited [1972] E.A 420, Cut Tobacco Kenya Ltd v British American Tobacco Ltd [2001] KLR 36, Martinair Africa Limited v Global Freight Services Nairobi, High Court case 882 of 2010 [2012] eKLR, Dinah Bhoke Makini t/a Dr Mary Riziki v Willis Wanjala & 4 others Nairobi High Court case 608 of 2004 [2005] eKLR, Anne Njeri Kihui v Standard Group Limited Nairobi High Court case 435 of 2001 [2011] eKLR. See generally *Halsbury’s Laws of England* 4th edition volume 48.

12. In a case like the present one it becomes important to adduce evidence of a member of the public to show the confusion in the get up and the passing off. Ringera J delivered himself thus in the Supa Brite case (supra) -

“I am of the opinion that like in the case of personal reputation, evidence of goodwill must, whether at interlocutory stage or final hearing of a suit, be offered by members of the public and not the subject of the reputation himself or the trader and his consultant as the case may be”

13. Applying those principles to the present case, I find further as follows. From the evidence of the 1st plaintiff, Metrotrans Limited was incorporated on 16th March, 2011. The certificate of incorporation from the Registrar of companies is exhibited at page 1 of the bundle. The company was incorporated through the firm of Ramesh K. Patel Advocate. The objects of the company are set out in the memorandum of association at clauses 3(a) to (kk). The principal objects authorized the company to conduct the business of transport of goods and passengers. The original subscribers were the 1st and 2nd plaintiffs; and the 1st and 2nd defendants.

14. The 3rd defendant company on the other hand was incorporated on 7th December 2011. I have seen its certificate of incorporation at page 2 of the bundle. Obviously, it was incorporated after

the 3rd plaintiff. The same law firm that drafted incorporation documents for the 3rd plaintiff also prepared the memorandum and articles of association of the 3rd defendant. The latter's directors and shareholders are the 1st and 2nd defendants. I have then looked at the memorandum of association of the latter company: it is word for word with the memorandum of association of the 3rd plaintiff. There was little or no creativity by the lawyers. For example the objects numbered 3(a) to (kk) of the 3rd plaintiff are a mirror image of the objects numbered 3(a) to (kk) of the 3rd defendant.

15. On the face of it, the two companies *do not* bear similar names. One is *Metrotrans Limited*; the other is *Metrotrans East Africa Limited*. The latter has two additional words *East Africa*. The word *Metrotrans* is not itself a unique name. It seems to be a combination of two English names or their derivatives. The two company names are thus different phonetically and in their wording. The plaintiffs did not lead evidence to show that they have taken out rights to exclusive use of the name *Metrotrans*. Although the plaintiff pleaded that its buses are branded *Metrotrans*, the witness did not produce any documentary, photographic or other evidence of such branding or goodwill. More importantly the plaintiff did not produce evidence to show that the defendants' buses are branded in the same manner or colours and the confusion or deception to the public. From the authorities I cited earlier, the onus of proving the resemblance, deception, infringement and the attendant damage fell on the plaintiffs.
16. In his testimony, the 1st plaintiff said that the 3rd plaintiff's buses bear the same names and colours. He did not elaborate on the colours or get up. In a matter of this nature, there is need to produce material evidence to show that the branding or get up of the plaintiffs' buses is similar to that of the defendant. That evidence is critical to demonstrate the passing off or confusion to the public. There is also need for evidence of a member of the public to show the likelihood of deception. See *East African Industries v Trufoods Limited* [1972] E.A 420, *Supa Brite Limited vs Pakad Enterprises Limited* Nairobi High Court case 287 of 2001 (unreported). The 1st plaintiff in his evidence did not state the routes or towns in which the 3rd plaintiff's buses ply or those in which the 3rd defendant operates.
17. The 1st plaintiff testified on the record as follows:-

“The brand name on the 3rd Plaintiff's vehicles is Metrotrans which is the same with the 3rd defendant's. It is not possible to tell the difference. The colours are the same.”

18. In the witness statement I referred to earlier, the 1st plaintiff stated at paragraph 4 as follows -

“The 3rd plaintiff is an urban commuter transport company operating in the central business district under the brand name Metrotrans”

19. The routes, cities or urban centres in which the company trades were not stated in the statement or the evidence in Court. The operating licenses were not provided. To be fair to the plaintiffs, I have seen the letter heads at pages 36 and 37 of the bundle. The 3rd plaintiff operates from Tembo Co-operative House in Nairobi. Their letter head has been forged or used by the defendants in a letter addressed to NIC Bank at page 36. Both letterheads are for *Metrotrans Limited*. One is authored by Harun Ndungu, the 2nd defendant and to which a superimposed stamp of *Metrotrans East Africa Limited* has been made. The other is by the 1st and 2nd plaintiffs. The two letters demonstrate that the 2nd defendant was misleading NIC Bank by using the letterhead of the 3rd plaintiff to further the purposes of the 3rd defendant. To that extent, there is an element of confusion to the bank. The trouble is that the 2nd defendant was also a director of the 3rd plaintiff. In a sense, he was entitled, subject to the articles, to use the note paper of the 3rd plaintiff.
20. What emerged from the 1st plaintiff's evidence is that there was fallout between the original subscribers to the memorandum of association of the 3rd plaintiff. The 1st and 2nd defendants then incorporated a new and rival company. I have stated that the plaintiff did not produce documentary evidence or samples of the brand name *Metrotrans*. I have perused the entire bundle

of documents and there is no such evidence beyond the letter head I mentioned above. And I have stated that the two names of the companies though similar in certain respects are different in their wording or phonetics. No evidence from a member of the public has been led to demonstrate the possible confusion or deception that may arise. The places in which the 3rd plaintiff's buses or those of the 3rd defendant operate are not stated in the documents, statement or oral evidence. Granted all those circumstances, the claim for passing off has not been established on a balance of probabilities. Issue number i) is thus answered in the *negative*.

21. It follows as a corollary that the prayers in the plaint for a permanent injunction to restrain the defendants from use of the name *Metrotrans* cannot be sustained.
22. The 3rd plaintiff wrote a letter to the Registrar of Companies (page 37 of the bundle) complaining about the similarity of names. The 3rd plaintiff asked the Registrar to strike out the 3rd defendant from the register of companies. Section 20(2)(a) of the Companies Act provides as follows:

“If through inadvertence or otherwise, a company on its first registration or on its registration by a new name is registered by a name which in the opinion of the registrar, is too like the name by which a company is previously registered, the first mentioned company may change its name with the sanction of the registrar and if he so directs within six (6) weeks of its being registered by that name, shall change it within a period of six weeks from the date of the direction or such longer period as the registrar may think fit to allow”.

23. From a plain reading of the statute, the Registrar can only exercise that power within six months of the offending registration. The 3rd defendant was incorporated way back on 7th December, 2011. That window has thus shut. See *Republic v Registrar of Companies ex parte Saidia Construction Company* Nairobi high Court Misc. App. 250 of 2010 [2013] eKLR.
24. Section 19(2) of the Companies Act on the other hand provides that no name shall be reserved or no company shall be registered by a name which in the opinion of the Registrar is undesirable. I have already held that the two names are not identical or similar. I am unable to fault the Registrar for registering both names. Although the plaintiff's counsel referred to section 17 of the Registration of Business Names Act, which outlaws registration of identical or similar business names, neither the 3rd plaintiff nor the 3rd defendant is registered under that Act. In any event, I have found the names are dissimilar in their wording and phonetics. I have not received direct evidence from the public of confusion or deception. In the result, prayer (v) to strike out the name of the 3rd defendant from the register of companies is without merit.
25. I will now turn to the prayers relating to accounts. At paragraph 6 of the witness statement, the 1st plaintiff stated that the revenue “from the business is banked at Equity Bank Limited branch numbers and bank statements were provided. In his oral evidence, the 1st plaintiff made no reference to CFC Stanbic Bank Limited account number. I assume it could be the same account referred to in paragraph 6 of the statement though stated to be at Equity Bank. In the end, the plaintiff did not lay a basis for a permanent injunction to restrain the 1st to 3rd defendants from dealing with the account at CFC Stanbic Bank Limited.
26. Prayers iii) and iv) in the plaint sought to compel the 1st to 3rd defendants to deposit their revenues in a joint account with the plaintiffs; and for the plaintiffs to be granted half a share. In this regard, the plaintiff testified as follows:-

“The registration of the 3rd defendant was fraudulent. It is the same business. I continue to suffer loss and damage because funds are diverted to another account that I am not a signatory”

27. The 1st plaintiff did not provide further evidence to show the sums deposited into the accounts of the defendant. I said earlier that I have no proof of the passing off. Granted the dearth of evidence of deception or diversion of funds there is no firm foundation upon which to grant prayers iii) and iv) of the plaint.
28. That would leave the claim for general and punitive damages. The plaintiffs' evidence on

damages was limited to the following: The oral evidence where the 1st plaintiff stated that he “continues to suffer loss damage because funds are diverted” by the defendants; and at paragraph 10 of the witness statements where he states that -

“The 1st, 2nd and 3rd defendants are wrongfully, illegally and fraudulently benefiting from the revenue that is otherwise properly due to the plaintiffs”.

29. There is nothing more in the bundle of documents that would enable the Court to assess general damages. There is no evidence of earnings or collections or accounts of either party. Furthermore, I have already found that the plaintiffs have failed to establish the claim for passing off. The substratum for grant of general damages or interest thereof has thus collapsed. Prayer vi) of the plaint is accordingly refused.
30. Finally, the centerpiece of the claim has been allegations of *fraud* by the 1st to 3rd defendants. From what I stated earlier regarding the letter at page 36 of the bundle, the defendants misled NIC Bank. However, the *standard* of proof for fraud is very high, approaching but below proof beyond reasonable doubt. See *Koinange v Koinange* Nairobi, High Court case 66 of 1984 [1986] eKLR, *Ratilal Patel v Lalji Makanji* [1957] EAR 314 at 317, *Umila Mahindra Shah v Barclays Bank International Ltd* [1979] KLR 67. I am afraid that the letter to the bank and evidence by the plaintiffs falls far short of the standard of proof for fraud. In the result, issues numbers ii) and iii) are also answered in the *negative*.
31. For all the above reasons I find that the plaintiffs have failed to prove their case on a balance of probabilities. The entire suit is accordingly dismissed. As the defendants did not file their statements of defence or attend the hearing of the suit, I shall not condemn the plaintiffs to costs.

It is so ordered.

DATED, SIGNED and DELIVERED, at NAIROBI this 11th day of July 2014.

GEORGE KANYI KIMONDO

JUDGE

Judgment read in open court in the presence of:

Ms. Githii for the plaintiffs instructed by Karanja Kiarie & Company Advocates.

No appearance for the defendants.

Ms. Irene Kemunto, Court clerk