IN THE COURT OF APPEAL AT MOMBASA

(CORAM: TUIYOTT, LAIBUTA & NGENYE, JJ.A.)

CIVIL APPEAL NO. E064 OF 2022

BETWEEN

HACO INDUSTRIES LIMITED .... 1ST APPELLANT

SOCIETE BIC .... 2ND APPELLANT

AND

DOSHI IRONMONGERS LIMITED .... 1ST RESPONDENT

KENYA BUREAU OF STANDARDS .... 2ND RESPONDENT

*(Being an appeal from the Judgment and Decree of the High Court of Kenya at Mombasa (**J. O. Otieno, J**.) delivered on 9th March 2022*

in

Civil Suit No. 108 of 2006)

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JUDGMENT OF THE COURT

[1] Before the High Court, Haco Industries Limited (**Haco or the 1st appellant**) and Societe Bic (**the 2nd appellant**) took out proceedings against Doshi Iron Mongers Limited (**Doshi or the 1St respondent)**) alleging attempted passing off and passing off of 'Bic' ballpoint pens. Societe Bic, a limited liability company incorporated and registered in France, is the owner of the trademark Bic. On the other hand, Haco, which is a manufacturer in Kenya is the duly

registered user of the trademark in the COMESA Region under licence from Societe Bic. In Kenya, the mark ‘Bic’ is registered under class 16

schedule III and allotted number 8346 and has been renewed from time to time. The mark is also associated with Trade Mark numbers 20319, 22612 and 40976.

[2] Although Kenya Bureau of Standards (**KBS**) was sued as a second defendant, that suit was withdrawn through a notice of withdrawal of suit dated 10th June, 2009. It is also needless to elaborate further on the appellants' claim as it was dismissed for want of prosecution on 10th July, 2015 and what proceeded to full hearing was the counterclaim of Doshi, to which we turn.

[3] In response to the claim, Doshi denied all allegations levelled against it. It asserted that the suit was instituted in breach of a Settlement Agreement dated 20th February 2002 (**the agreement**) entered between it and the appellants. Doshi contended that all issues raised by the appellants had been settled between them. In particular, that the subject matter of the proceedings were "Bic" ball point pens which were also the subject of Nairobi Chief Magistrate Case No. 3454 of 1996 defined in the Settlement Agreement as the 1996 products.

[4] Mounting a counterclaim, Doshi sought refund of a sum of Kshs.15,000,000.00 paid to the appellants arguing that the appellants had breached clauses 5 and 6 of the

agreement.

Further, Doshi sought compensation for general damages for breach of the said agreement.

[5] Doshi's chief grievance was that Criminal Case No. 2158 of 2002 was brought against it and two of its directors at the instance and behest of Haco. It being asserted that the products that were the subject matter of those criminal proceedings were the 1996 products in respect to which a settlement had been reached in the Settlement Agreement. Doshi stated that charges against one accused person was withdrawn and the other two were acquitted of all charges brought against them. Doshi, further, claimed a sum of Kshs.440,800.00 as legal costs and disbursements incurred in defending those proceedings. A similar claim was made regarding Criminal Case No. 3454 of 1996 in the sum of Kshs.250,000.00.

[6] The appellants, in a reply to defence and counterclaim, denied entering into the said Settlement Agreement and the allegations in the counterclaim.

[7] The hearing of the matter was short, with only one witness testifying. As will be apparent shortly, the outcome of this appeal will substantially turn on what we make of the terms of the Settlement Agreement and the evidence of the sole witness,

Mr. Ashok Labhshanker Doshi (**Ashok or PW1**) who is a director of Doshi. We propose to discuss that evidence in some detail as we determine the issues that arise for our determination.

[8] In a judgment dated 9th March 2022, the trial court held that: under the terms of the Settlement Agreement, Doshi paid a sum of ksh15,000,000.00 as compensation on the understanding that the appellants would not lodge a complaint based on the 1996 Products; the subject matter of the criminal proceedings of 2002 were the 1996 Products; the appellants had breached the Settlement Agreement; and the damages sought had been sufficiently proved.

[9] In the end, the trial court entered judgment in favour of Doshi jointly and severally against the appellants as follows:

"a) Ksh.15,000,000 being sum paid to the plaintiff pursuant to the breached agreement.

b) Ksh.690,800 being the legal fees incurred by the counter-claimant to defend the two criminal cases.

c) Costs of the suit be taxed as agreed.

d) Interests at court rates on the liquidated sums from the date of the suit till payment in full."

[10] This appeal impugns those findings and outcome in a

memorandum of appeal which raises 21 grounds but which the appellants chose to rally around five issues. Considering

the grounds of appeal and those five issues we can condense the grievances of the appellants to the following:

(a) The trial court misapprehended the intent and scope of the Settlement Agreement of 20th February, 2002.

(b) The trial court erred in law and in fact in holding that the 1996 products were those goods that were discovered to be in possession of Doshi on 23rd August, 2002.

(c) The trial court erred in law and in fact in finding that the appellants had breached the Settlement Agreement of 20th February, 2002.

(d) The trial court erred in law and in fact in finding that the appellants were liable to pay to the Doshi a refund of Kshs.15,000,000.00 and legal fees incurred in defending the two criminal cases.

[11] At plenary hearing of the appeal, learned counsel **Mr Musangi** appeared for the appellants while learned counsel **Mr Oluga** represented Doshi. Both highlighted the written submissions they had filed on behalf of their clients.

[12] The appellants impeached the decision of the trial court primarily on the ground that the court erred by introducing new terms into the agreement, thereby allowing the respondents to infringe their Trade Mark, and by

awarding

unproven special damages. It was submitted that the Settlement Agreement had limited scope as is evident in the recitals that explicitly define the parties' intentions, scope, and nature of the agreement. They asserted that the agreement stemmed from the respondents being found with offending products on 2nd October, 2001, which constitute its subject matter. The agreement compensated the appellants for infringement on account of counterfeit BIC products handled by the respondents within the last 24 months from the date of the agreement following the discovery made on 2nd October, 2001. Crucially that the Settlement Agreement defined 'counterfeit BIC products' and 'offending products' separately from the 1996 Products, which it treated as genuine BIC ball point pens. The 1996 Products were specifically linked to Criminal Case No. 3454 of 1996. In the agreement, all allegations in the recitals regarding the counterfeit or genuine nature of BIC ball point pens were admitted by both parties, with the goods discovered on 2nd October, 2001 being acknowledged as counterfeit and the 1996 Products as genuine. The Kshs.15,000,000.00 was consideration paid to the appellants so they would not pursue claims related to the counterfeit BIC products in the possession of Doshi prior

to

the Settlement Agreement. The appellants submitted that the counterclaim relied on an inference not covered by the agreement. They contended that the recitals or terms of the agreement did not establish a relationship between the parties regarding the 1996 products, and any such interpretation would create new and unintended terms. The 1996 Products were neither considered counterfeit nor offending products and were explicitly excluded from the definition of "offending products," meaning that the consideration was for damages from admitted counterfeit BIC products, not the 1996 Products. Citing **Omweri v Kiptugen (Civil Appeal 5 of 2018) [2022] KECA 413 (KLR)** which relied on **Sun Sand Dunes Limited v Raiya Construction Limited [2018] eKLR**, the appellants asserted that contracts should be construed according to the common intention of the parties and that a court should not imply terms that contradict express provisions. They further relied on the decision of Lord Clarke in **RTS Flexible Systems Ltd v Molkerei Alois Müller GmbH [2010] 1 WLR 753 at [45], [2010] UKSC 14**, cited in **Pius Kimaiyo Langat v Co-operative Bank of Kenya Limited [2017] eKLR**, emphasizing that parties are

bound by their

words and conduct, and courts should not rewrite agreements.

[13] Regarding the ground whether the 1996 Products were the goods recovered on 23rd August, 2002, the appellants stressed that the burden of proof under section 107 and 108 of the Evidence Act is that he who alleges must prove the existence of such alleged facts and thus the burden of proof lay with Doshi whose evidence needed to unequivocally prove the alleged fact, otherwise the claim must fail. They cite

Abdirahman Mohamed Elmi t/a Elmi Traders v Nyambeki

& 2 others (Civil Appeal 611 of 2019) [2023] KECA 283 (KLR) in support of the position that while the standard of proof in civil cases (balance of probabilities) is lower than in criminal cases, it still requires evidence, and where both parties are equally (un)convincing, the party bearing the burden of proof will lose because the requisite standard will not have been attained. It is argued that Doshi failed to provide convincing evidence, and its allegation that the 2002 goods were the 1996 Products contradicted its previously held position that the 1996 Products were genuine. The appellants pointed out as

illogical and unexplained difference in the description of the 1996 goods as compared to the 23rd August,

2002 goods. They referred to the Fourth Schedule of the settlement agreement which warrants an accurate description of the 1996 Products as ‘*176 cartons each containing 72 boxes, with each box containing 50 ball point pens’* making a total number of 633,600 pens, while the charge sheet for the 23rd August, 2002 goods listed ‘*427,250 blue ball point pens in count I, 199,508 black ball point pens in count II and 69,100 red ball point pens in count III, totalling to 695,858 pens*’. The appellants thought it illogical for the 2002 products to be more than the 1996 Products by 62,258.

[14] The appellants asserted, further, that the allegations by Doshi regarding the 1996 Products in Criminal Case No. 3454 of 1996 and the 23rd August, 2002 products in Criminal Case No. 2158 of 2002 were contradictory, particularly given there was acquittal in 1997, implying the 1996 Products were not counterfeit. The appellants also disputed the plea of *Autrefois Acquit*, noting that the second prosecution was on the basis of a preliminary objection rather than an acquittal based on innocence. They argued that for *Autrefois Acquit* to apply, the goods should have been of exact similar quantity and packaging.

[15] On the third question whether the appellants were in breach of the Settlement Agreement, the appellants contended that a breach occurs when a party fails to perform obligations without lawful excuse. They emphasized that their interests were protected by the agreement to prevent dilution of their rights. The appellants argued that the court cannot rewrite the contract but must hold the parties to what they bargained for. They stated that no obligation regarding the 1996 Products was described in the agreement; the recitals merely explained the circumstances leading to the settlement, which arose from the discovery of counterfeit goods on 2nd October, 2001. The appellants delineated the claim of breach by Doshi as based on the facts that: giving an undertaking to release and discharge Doshi from claims related to the BIC Trade Mark infringement; and a commitment not to pursue criminal proceedings in relation to Doshi's infringement of the BIC Trade Mark and Doshi facing criminal charges due to counterfeit goods being found in their possession on 23rd August 2002 and in 1996. The appellants referred to the proviso in the release clause which stipulated that the unconditional release of Doshi only applied to infringements prior to the date of the

agreement. Further, that the appellants

would not be in breach if criminal proceedings resulted from actions of a competent authority, and that the release did not prejudice the appellants' legal rights if the agreement was terminated. In sum, the appellants would only have been in breach if they presented or supported a claim against Doshi for counterfeit BIC products discovered prior to the Settlement Agreement. The appellants asserted that the settlement was for damages inferred from passing off, citing Goddard L.J. in

Draper vs. Trist **[1934] 3 ALL ER 513** as cited in **Rok Industries Limited v Annum Trading Company Ltd** **[2017] eKLR**. They rejected the finding of the trial court that the Kshs.15,000,000.00 payment was for allowing Doshi to keep the 1996 Products, stating this is not expressed in the agreement.

[16] As to whether Doshi was entitled to recover legal fees incurred in both criminal cases, the appellants cited **Attorney General v Kabuito Contractors Limited** **(Civil Appeal 638 of 2019) [2023] KECA 230 (KLR)**, which echoed the position that in a claim for damages for breach of contract, a plaintiff must prove the existence of a contract, its

breach, and that damage (loss) resulting from the breach, with reasonable evidence. The appellants contended that in this dispute, a remedy for legal

fees could only be awarded if there was proof that: the charges were instituted after the parties entered into the Settlement Agreement; the charges related to products forming the subject of the agreement; the charges were as a result of a complaint by the appellants; and the sums sought as compensation were actually incurred by Doshi. None of which was established.

[17] Related, the appellants asserted that the burden of proof for special damages was not discharged by Doshi. They cited

Kenya Power & Lighting Co. Ltd v Abel M. Momanyi Birundu [2015] eKLR for the argument that general damages should not be awarded for breach of contract and that special damages must be strictly proved, not estimated. The appellants pointed out that no document was presented to prove the legal fees of Kshs.250,000.00 and Kshs.440,800.00. They asserted that the trial court's award was based on an estimation and discretion that should be limited to general damages.

[18] Doshi opposed the appeal in submissions structured around three main issues. First, regarding whether the 1996 Products were the same ones that formed the basis of Criminal Case No. 2158 of 2002, it unequivocally contended

that they were. This

assertion was grounded in its counterclaim, where it is explicitly pleaded that "*the subject matter of the said Criminal Case No. 2158 of 2002 consisted of the 1996 products*," a statement which it asserted was neither denied nor controverted in the reply to defence and counterclaim. Further, its witness, Ashok, categorically testified that the goods were the same 1996 Products, and this evidence remained unchallenged by the appellants, who neither called any witness nor produced any documents. Doshi supported, as correct, the trial judge's finding that the goods which were the subject of the criminal case were the same as the 1996 goods, based on the uncontroverted evidence and the standard of balance of probabilities. Doshi downplayed the discrepancies in the number of pens given that sub-clause 1(1) of the agreement defined the 1996 Products by reference to Criminal Case No. 3454 of 1996, regardless of numerical variations. In addition, the agreement also described the 1996 Products in the Fourth Schedule as *"176 cartons each containing 72 boxes with each box holding 50 ballpoint pens"*, which differed from the number of pens in the charge sheet for the said criminal case. Doshi emphasised that despite this discrepancy, the agreement still defined

the 1996 Products as

the goods subject to the criminal case and thus the discrepancy did not negate the fact that both documents refer to the same goods.

[19] Concerning whether the appellants were in breach of the Settlement Agreement, Doshi maintained that they were. Sub- clauses 1(1)(g), 1(1)(l), and 5(3) of the agreement expressly excluded the 1996 Products from the definition of "Offending Products" and allowed Doshi to keep them, exempting them from destruction. Despite this, the appellants breached the agreement by lodging a fresh complaint against Doshi for those very goods, leading to a second criminal charge (Criminal Case No. 2158 of 2002). Doshi asserted that the trial judge's finding of breach was proper as the appellants failed to plead or adduce any evidence to justify the prosecution on the basis of goods not covered by the agreement.

[20] Finally, are submissions on the award of damages. It is contended that the Kshs.15,000,000.00 was paid as consideration for the appellants' undertaking, under Clause 6 of the Settlement Agreement, to "release and forever discharge" Doshi from present and future claims related to prior infringements, including the 1996 Products. Since the appellants breached this undertaking by instigating the

second criminal case, there was a failure of consideration, and the trial court correctly ruled that the appellants would be unjustly enriched if allowed to retain the payment. As for the legal costs of Kshs.440,800.00 and Kshs.250,000.00, Doshi argued that it was entitled to a refund because it was wrongfully charged in Criminal Case No. 2158 of 2002 for goods it was allowed to keep. Although no receipts were produced, it was undisputed that Doshi was represented by advocates in both criminal cases, and the witness of Doshi, Ashok, was found by the trial judge to be a credible and honest witness whose testimony was sufficient to prove these special damages. Cited is the decision in **Jubilee Insurance Company of Kenya Ltd v Zahir Habib Jiwan & another [2017] eKLR**, for the proposition that special damages can be proved by credible evidence, even without receipts, especially when the witness's credibility is unchallenged and no contrary evidence is presented.

[21] As a first appeal court, our role is to re-evaluate the evidence tendered at trial afresh and to draw our own conclusion having regard to the fact that, unlike the trial court, we did not see or hear the witnesses testify. This position was stated in the case

of **Selle & Another v. Associated Motor Boat Company Ltd. & Others [1968] EA 123** as follows:-

> ***"I accept counsel for the respondent's proposition that this court is not bound necessarily to accept the findings of fact by the court below. An appeal to this court from a trial by the High Court is by way of retrial and the principles upon which this court acts in such an appeal are well settled.***
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> ***Briefly put they are that this court must reconsider the evidence, evaluate it itself and draw its own conclusions though it should always bear in mind that it has neither seen nor heard the witnesses and should make due allowance in this respect. In particular, this court is not bound necessarily to follow the trial judge's findings of fact if it appears either that he has clearly failed on some point to take account of particular circumstances or probabilities materially to estimate the evidence or if the impression based on the demeanour of a witness is inconsistent with the evidence in the case generally (Abdul Hameed Saif v. Ali Mohamed Sholan (1955) 22 EACA 210)."***

[22] We take the view that the issues for determination closely follow the grounds of appeal which we have previously set out. The issues are: -

(a) What was the intent, scope and nature of the agreement of 20th February, 2002?

(b) Were the products found in possession of Doshi on 23rd August 2002 the same products as the 1996 Products?

(c) Did the appellants breach the agreement of 20th February 2002?

(d) If the answer to (c) is in the affirmative, what damages were Doshi entitled to?

[23] The Settlement Agreement of 20th February 2002 is at the heart of the dispute between the parties. It was entered between Societe Bic, Haco, Doshi and Ashok. The basis for the agreement was set out in recital H as follows:

> ***"On or about the Second day of October Two Thousand and One Doshi Ironmongers was found by certain officers of Haco Industries and of the Kenya Revenue Authority in possession of the Counterfeit Bic Products at a warehouse in Mombasa."***

[24] The counterfeit Bic products were defined in clause 1(d) of the interpretation provisions of the agreement to mean: -

"(d) The counterfeit BIC products" means those ball point pens of a quantify yet unspecified and found by officers of Haco Industries and of the Kenya Revenue Authority on or about the Second day of October Two Thousand and One in the possession of Doshi Ironmongers at a warehouse in Mombasa such ball point pens aforesaid:

i. alleged Societe BIC and/or Haco Industries to purport to bear the BIC Trade Mark and alleged by Societe BIC and/or Haco Industries to be neither the products nor the property of Societe BIC or its lawful licensee assignee or registered user in respect of the BIC Trade Mark; and

ii. alleged by Societe BIC and/or Haco

Industries to have been packaged in packaging material purporting to bear:

(A) the BIC Trade Mark and not so packaged by Societe BIC or its lawful licensee assignee or registered user in respect of the BIC Trade Mark,

(B) the Haco trade mark and not so packaged by Haco Industries or its lawful licensee assignee or registered user in respect of the Haco Trade Mark; and

(C) the name and postal address of Haco Industries and not so packaged by Haco Industries.

iii. having been alleged by Haco Industries:

(A) to have been in the possession of Doshi Ironmongers in the course of and for the purposes of a trade; and

(B) as to get up and appearance sufficiently closely to imitate the get-up and appearance of Haco BIC Products manufactured and/or sold by Haco Industries as to cause deception and/or confusion in the minds of the public;

but for the avoidance of doubt shall not include the 1996 products."

[25] Closely connected with this definition is what was described in Clause 1(g) as "offending products": -

"Offending Products" means goods or products:

(i) That infringe the Registered Trade Marks; and/or (ii)The get-up and appearance of which sufficiently closely imitate the get-up and appearance of Haco BIC Products manufactured and/or sold by Haco Industries as to cause deception

and/or confusion in the minds of the public;

And includes the Counterfeit BIC Products but for the avoidance of doubt does not include the 1996 Products"

[26] As is clear, parties were keen to exclude from these two definitions what they referred to as the 1996 Products which were defined in clause 1(l) to mean those goods or products which were the subject of Criminal Case No. 3454 of 1996 (Chief Magistrate's Court Nairobi) as more particularly described in the Fourth Schedule of the agreement. Under that schedule, the 1996 Products were described as:

"176 cartons each containing 72 boxes with each box holding 50 ballpoint pens."

[27] On the other hand, the offending products were described in the First Schedule to the agreement to mean: -

"1,125 cartons each containing 20 boxes each box holding 50 ballpoint pens."

[28] A key element of the Settlement Agreement was that it was agreed that a sum of Kshs.15,000,000.00 would be paid by Doshi to Societe Bic and Haco as fair and adequate compensation in respect of any loss or damage suffered or incurred or likely to be suffered or incurred by them regarding acts of infringement on the part of Doshi. The point of contention is whether the consideration was in respect to the

offending products and counterfeit products only or it extended to the1996 Products.

[29] Aside from the compensation, there was also an agreement by Doshi to destroy the offending goods. Sub clauses 5(2) and 5(3) provided as follows:

> ***“5(2) save to the extent of any offending products in the custody or control of the Kenya Revenue Authority at its or his (as the case may be) cost to use its or his (as the case may be) best endeavours to recover possession and control of any Offending Products referred to in Clause 4(1); and***
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> ***(3) subject to clause 5(2) of its or his (as the case may be) cost to destroy or procure the destruction to the satisfaction of Societe BIC and Haco Industries of all Offending Products in its or his (as the case may be) possession or control or in the possession or control of any Associate including without limitation but subject always to the return thereof to the possession of Doshi Ironmongers and/or Ashok Doshi by the relevant authorities the Counterfeit BIC Products provided always that the provisions of Clause 5 (1)(2) and (3) shall not apply to the 1996 products.”***

[30] Repeated again is the exclusion of the 1996 Products so that these were not liable for destruction.

[31] So as to answer the vexed question whether the 1996 Products were also covered in the consideration, it is critical to understand the extent and nature of release, discharge and undertaking that Doshi had bargained for at the pain of paying

the consideration. In this respect sub-clause 6(1) is relevant and reads;

"6. (1) Subject always to the provisions of this Agreement including without limitation to the proviso to clause 6 (1) (a) to clause 6 (2) and to clause 9 each of Societe BIC and Haco Industries hereby:

(a) releases and forever discharges Doshi Ironmongers Ashok Doshi and any Associate from any and all present and future payments claims demands rights and/or liabilities whatsoever in respect of or in connection with:

i. any infringement by Doshi Ironmongers Ashok Doshi or any Associate of the Registered Trade Marks or any one or more thereof; and/or

ii. any possession manufacture processing packaging distribution buying selling importation export or trade or other dealing by Doshi Ironmongers Ashok Doshi or any Associate in any goods or products the get-up and appearance of which sufficiently closely imitate the get-up and appearance of Haco BIC Products manufactured and/or sold by Haco Industries as to cause deception and/or confusion in the minds of the public;

provided always that this release and discharge shall apply in respect only and not otherwise of any such infringement or possession manufacture processing packaging distribution buying selling importation export or trade or other dealing aforesaid on the part of Doshi Ironmongers Ashok Doshi or any Associate prior to the date of this Agreement; and

(b) to the extent only that it may lawfully so do but

***not otherwise* undertakes not to make pursue or support any complaint or charge in relation to any criminal proceedings in relation to any of the**

matters aforesaid provided always that any action taken or omitted to be taken by any competent authority in relation to any such criminal proceedings otherwise than by reason of or consequent upon a breach by any of Societe BIC and Haco Industries of its obligations under this clause 6 (1) (b) shall not and shall not be deemed to constitute a breach under this clause 6 (1) (b) shall not and shall not be deemed to constitute a breach by any of Societe BIC and Haco Industries of its obligations under this clause 6 (1) (b);

provided always that nothing in this clause 6 (1) shall prejudice or affect any right or remedy of Societe BIC and/or Haco Industries under this Agreement or otherwise under the general law in the event of the occurrence of any Termination Event and so that neither Societe BIC nor Haco Industries or either of them shall be under any obligation or continuing obligation (as the case may be) to Doshi Ironmongers Ashok Doshi or any Associate under this clause 6 (1) in any such event."

[32] We understand this provision to mean that the release and discharge was for acts of infringement committed prior to the date of the agreement. It has to be remembered, however, that from the recitals to the agreement, the agreement was triggered by recovery of counterfeit Bic products at the warehouse of Doshi on 2nd October, 2001. This was long after Doshi and Ashok had been acquitted of the 1996 charges on 10th July, 1997. We find it unlikely that the agreement was motivated by or intended to address matters in which Doshi had long been exonerated of by an

acquittal. It is therefore not surprising that the definitions of “counterfeit” or “offending”

goods expressly excluded the 1996 Products. The purpose of mentioning the 1996 Products in the agreement was for the purpose of excluding them from the scope of what was counterfeit or offending and not for making them a subject of the consideration and the related release and discharge.

[33] To be deduced, and as correctly submitted by counsel for the appellants, the goods discovered on 2nd October 2001 were counterfeit Bic ballpoint pens while the 1996 Products were accepted by the parties as genuine Bic ballpoint pens. Our reading of the agreement yields the following:

i. It was to provide for consideration agreed at Kshs.15,000,000 in respect of any loss or damage suffered or likely to be suffered or incurred by Societe Bic and Haco related to counterfeit Bic products, possessed, manufactured, packaged by Doshi or any of its associate prior to the date of this agreement.

ii. In return, the appellants would not pursue, make, or support any complaint or charge in relation to any criminal proceedings in relation to the aforesaid infringement.

iii. There was an agreement for the destruction of offending goods.

iv. The agreement was specific that the counterfeit goods and offending goods did not include the 1996 Products.

v. Regarding the 1996 Products those were not to be destroyed.

[34] It is for this reason that we are unable to agree with the following characterisation of the Settlement Agreement by the trial court: -

> ***"After the acquittal, the counter-claimant and the plaintiffs entered into a settlement agreement dated 20/02/2002 which the counter-claimant contends, the plaintiffs expressly allowed it to keep in its possession the goods which were subject of Criminal case No. 3454 of 1996 and referred to as the 1996 products in the said agreement. In consideration of the plaintiffs forbearing their right under the trade mark and in law, the counter-claimant paid the plaintiffs a sum of Kshs.15,000,000 as compensation on the understanding that, the plaintiffs would not lodge a complaint based on the 1996 products. This payment other than the denial in the Reply to defence and defence to counterclaim has not been meaningfully challenged yet the agreement produced at trial without protestation acknowledges the payment."***

[35] Yet as we shall endeavour to show shortly, the outcome of the dispute does not change even if we were to agree with the trial court's holding that the sum of Kshs.15,000,000.00 was compensation on the consideration that Doshi and Societe Bic would not lodge a complaint based on the 1996

Products. This leads us to the second issue.

[36] The thrust of the counterclaim by Doshi, which succeeded at the High Court, was that the products which formed the subject matter of Criminal Case No. 2158 of 2002 and which were said to be counterfeit Bic ballpoints found in possession of Doshi on 23rd August, 2002 were the same as the 1996 Products. Further, Haco and Societe Bic would be pressing for charges in regard to goods which, through the terms of the Settlement Agreement, they had recognised to be genuine Bic ballpoint pens and which they had expressly agreed could remain with Doshi.

[37] So did Doshi prove this allegation? But first is the submission by Doshi that its averment in paragraph 17 was not challenged, denied or controverted. Paragraph 17 of the counterclaim reads:

> ***"The 1st defendant will further contend that the subject matter of the said Criminal Case No. 2158 of 2002 consisted of the 1996 products."***

[38] True, though it may be that the appellants neither denied nor admitted the contents of paragraph 17 of the counterclaim, they deny 'direct breach' of the Settlement Agreement in paragraph 7 of their pleadings. In the absence of an express admission by the appellants that the subject matter of Criminal Case No. 2158 of 2002 consisted of the 1996

Products, the denial of breach of the agreement was a challenge to Doshi to prove all the elements that would constitute breach. This would include proof that the suspect goods in the criminal proceedings were the 1996 Products. Indeed, looking at the manner in which the hearing was conducted and the submissions made at the end, Doshi was under no illusion that this was a contested matter that it needed to prove.

[39] According to the agreement, the 1996 Products were said to be those goods or products which were the subject of Criminal Case No. 3454 of 1996 (Chief Magistrates Court Nairobi) as more particularly described in the Fourth Schedule to the agreement. While, as pointed out by learned counsel Mr Oluga, there is indeed a discrepancy between the number of products in the charge sheet and those in schedule to the agreement, the governing document in respect to this controversy has to be the Settlement Agreement. The definition provision does not only define them to be those that were the subject of the 1996 criminal proceedings but avows them to be more particularly described the Fourth Schedule. Sub-clause 4(4) of the agreement then says the following of the Fourth Schedule;

"Each of Doshi Ironmongers and Ashok Doshi hereby represents and warrants as at the date of the agreement….

(4) that the Fourth Schedule sets out fairly and accurately the 1996 products."

This places the Fourth Schedule as the premier provision in construing the 1996 Products. At any rate, in his testimony, Mr. Ashok never attempted to fault the number of the 1996 Products. Indeed, his testimony was: -

"The 1996 goods were 633,600 ball point pens."

[40] For purposes of examining whether the goods in the 2002 criminal proceedings were the 1996 Products, we go by the Fourth Schedule which the parties declared to fairly and accurately set out the 1996 products.

[41] When giving his testimony, Ashok did not allege that the 2002 charge sheet did not accurately describe what was seized from the warehouse of Doshi. He added:

"What I was charged with in 2002 were the 1996 goods which were returned by customers."

[42] In the 2002 proceedings, Doshi and two of his directors were charged with offering to supply 427,250 blue ball pens, 199,508 black ball pens and 69,100 red ball pens for sale under a false trade description. These are also the number of pens released to Doshi by the Ministry of Trade

and Industries

in a letter of 26th May, 2006 after the two were acquitted. In addition, they total 695,858 pens.

[43] This is where the story of Doshi begins to crumble. The number of the 1996 Products was 633,600 and so on 23rd August, 2002 Doshi would be in possession of 62,285 more pens. Surely at the very least those extra pens could not be the 1996 Products. In the face of this unexplained incompatibility, the further explanation by Doshi that the pens it offered for sale in 2002 were the 1996 goods which were returned by customers is not plausible also because there was no documentary or other proof of their return.

[44] We refuse to believe Doshi and we respectfully disagree that the following passage by the trial judge is supported by the pleadings and evidence that was before court:

> ***"Civil cases must be determined on the basis of evidence led and upon the known standards of proof which remain at balance of probabilities. Trial standard dictates that where the court is faced with two rival positions of evidence it decides the matter on the basis of which of the two versions is more probable. In this matter, the defendant offered no evidence to challenge the counter claimant's position that the charges brought subsequent to the agreement were in fact grounded on the 1996 products which were except from such pursuit. that evidence stood uncontroverted and it is the only evidence that court must rely upon to come to a decision. Applying the stand of proof on the basis of preponderance, I do find that there is no other***

evidence that the 1996 goods were not the foundation of the 2002 prosecutions."

[45] The kingpin of the case of Doshi has given way and there can be no basis for an award of damages. The appeal is with merit and we allow it. The judgment dated 9th March, 2022 of the trial court is hereby set aside. Instead, the counterclaim is dismissed. The appellants shall have costs both here and at the trial.

Dated and delivered at Mombasa this 3rd day of October 2025.

F. TUIYOTT

....
JUDGE OF APPEAL

DR. K. I. LAIBUTA,
FCIArb

....
JUDGE OF APPEAL

G.W. NGENYE-MACHARIA

....
JUDGE OF APPEAL

I certify that this is a true copy of the original.

Signed

DEPUTY REGISTRAR.