



IN THE COURT OF APPEAL

AT NAIROBI

(CORAM: KARANJA, ASIKE-MAKHANDIA & GATEMBU, J.J.A.)

CIVIL APPLICATION NO. NAI E070 OF 2021

BETWEEN

TRICLOVER INDUSTRIES (K) LIMITED.....APPLICANT

AND

PREMIER FOOD INDUSTRIES LIMITED.....RESPONDENT

(An application for stay of execution from the Judgment of the High Court of Kenya at Nairobi, Commercial and Tax Division, (M. A. Odero, J.) dated and delivered on 5th February 2021

in

HCCC No. 463 of 2015)

RULING OF THE COURT

1. Before this Court is an application dated 1st March, 2021 brought under **Rule 5(2)(b)** and **Rule 47** of the Court of Appeal Rules (the Rules). The applicant seeks stay of execution of the impugned decision where the learned Judge entered judgment in favour of the respondent herein granting, *inter alia*, a permanent injunction restraining the applicant, its servants, employees, representatives, and/or agents from selling, vending, manufacturing, distributing or otherwise the sale from retail, wholesale and any other points of sale of Clovers Lime Juice Cordial or offering for sale or otherwise dealing in any goods alike to that of the respondent; a permanent injunction restraining the applicant, its servants, employees, representatives, and/or agents from using the applicant's trademark and/or any confusing or deceptive mark that directly or substantially is similar to that of the respondent; a permanent injunction restraining the applicant, its servants, employees, representatives, and/or agents from using the applicant's trademark and/or passing off the applicant's product in terms of its representation as that of the respondent; a mandatory injunction to the applicant to remove, take down, destroy, demolish and/or withdraw all its products of Clover lime Cordial from any retail, wholesale, shops or any points of sale; an order that profits earned by the applicant by wrongful use of the mark alike to that of the respondent be awarded to the respondent as may be found due on calculating the accounts; and general damages to the tune of Kshs. 5,000,000.

2. The application is supported by an affidavit and supplementary affidavit sworn by Muzahir Bhajjee, the applicant's Operations Manager, on 1st March, 2021 and on 29th March, 2021 respectively. In sum, it is averred that the intended appeal is arguable and that if stay is not granted, the intended appeal shall be rendered nugatory as the substratum, being the trade mark 'Clovers Lime Juice Cordial' will be lost hence affecting its goodwill in the lime juice business in the consumer market; that the respondent will not suffer any prejudice if stay is granted as the two products have been co-existing, including Lime Juice products by other producers, in the market for approximately 8 years now; that if stay is not granted, the applicant will suffer irreparable loss in the event that its intended appeal succeeds as it will have lost its goodwill in the lime juice business in the consumer market which will cause a negative ripple effect in the general performance of the applicant's umbrella brand 'Clovers'; and that the damages of Kshs. 5,000,000 as awarded is so colossal that if stay is not granted, it would cripple the applicant's operations.

3. It is clear from the face of the notice of motion that the grounds of appeal are *inter alia* that the learned Judge erred by finding that the applicant was passing off its products as those of the respondent despite evidence on record to the contrary hence arriving at an erroneous finding that the applicant was infringing on the respondent's trademark rights with malicious intention; and by making a determination on the issue of malice yet it was not raised by the parties.

4. The respondent opposed the application vide a replying affidavit sworn by, Sundararaman Dharmarajan, its General manger. In a nutshell, it was deponed that the applicant's intended appeal is not arguable, the intended appeal will not be rendered nugatory and that the applicant

will not suffer any prejudice if stay is not granted as it's lawfully registered trademark, which it failed to use and instead infringed on that of the respondent's, which is still open for use; that goodwill can be ascertained in monetary terms capable of being recovered hence the applicant will not suffer irreparable loss in the event that the intended appeal succeeds; and that the respondent will suffer prejudice if stay is granted as it will be denied its right to reap the fruits of a judgment entered in its favour.

5. The application was urged by way of video link on the basis of the written submissions filed by learned counsel for the parties without any highlighting. On the principle of arguability, Counsel for the applicant, citing **Kenya medical Lab Technicians Boards v. Prime Communications Limited (2014) eKLR**, submitted that the intended appeal ought to be arguable and need not be one that must succeed; further, that one arguable ground of appeal would suffice in succeeding on this limb. He maintained that the trial court erred and misdirected itself when it correctly found that the applicant's Clover's Lime Juice brand and get-up was not infringing on the respondent's brand, but erroneously concluded that the applicant was passing off its Lime Juice Cordial as that of the respondent.

6. Counsel argued that the learned Judge erred in failing to consider the evidence on record that the words "*Lime Juice Cordial*" were used widely by numerous manufacturers in the product market and that it was clear in evidence that the applicant's product was the most distinctively packaged compared to the respondent's product.

7. He also contended that the learned Judge erred in awarding damages despite making a finding that no damage was proved by credible evidence even by way of audited accounts.

8. On the nugatory aspect counsel, placing reliance on the case of **Ahmed Musa Ismael v. Kumba Ole Ntamorua & 4 Others Civil Application No. 256 of 2013** and **Reliance Bank Ltd v. Norlake Investments Ltd (2002) 1 EA 227** submitted that the applicant had operated under its brand name and/or trademark for over eight (8) years before the respondent filed its suit before the trial court. That during this period the applicant had established goodwill. Counsel maintained that the effect of the injunctive orders granted by the trial court was to squeeze the applicant's "Clovers Lime Juice Cordial" out of the market. Therefore, that if stay was to be denied then the applicant would be forced to cease production of its "Clovers Lime Juice Cordial" which would cause negative publicity and the long periods of absence from the market would cause loss of its goodwill.

9. He maintained that the respondent will not suffer any prejudice if stay is granted as it will continue selling its product.

10. On the issue of damages counsel submitted that the damages awarded were a substantial amount that if paid would cripple the applicant's business especially during the prevailing COVID-19 pandemic. Further, that if the amount was to be paid it would require the institution of fresh proceedings to recover the same.

11. In conclusion, counsel submitted that it was in the public interest to promote fair competition and to permit the Kenyan public to have access to a variety of products to choose from in the market.

12. Opposing the application, learned Counsel for the respondent relying on the Supreme Court case of **Mohamed Abdi Mahamud v. Ahmed Abdullahi Mohamad & 3 Others, Ahmed Ali Muktar (Interested Party) (2019) eKLR** and this Court's case of **Otieno, Ragot & Company Advocates v. National Bank of Kenya Limited (2020) eKLR** submitted that the applicant's intended appeal was not arguable. Counsel maintained that the applicant faulted the learned Judge for failing to consider certain evidence yet the said evidence was not tendered before the trial court. He contended that the applicant was attempting to introduce new evidence before this Court through the instant application.

13. Counsel contended that the applicant had failed to demonstrate how its intended appeal would be rendered nugatory if stay is not granted and/or that the intended appeal had high chances of success. He argued that the effect of the impugned judgment was not to bar the applicant's use of its trademark and brand name and to stop its general production operations but to bar it from selling specifically its Lime Juice Cordial which it had passed off as the respondent's product through similar packaging. He maintained that the applicant had failed to prove how this would render its intended appeal nugatory. (See: **Black Beauty Products Limited v. Stripes Industries Limited (2004) eKLR**).

14. Citing **G4S Security Services (K) Limited v. Group Four Security Limited (2007) eKLR** Counsel submitted that the applicant would suffer no prejudice in the event stay was not granted as in any event the injury they might suffer would be readily quantifiable and refundable while the respondent on the other hand would lose its corporate identity, which is irreversible, if stay were granted. He urged the Court to dismiss the instant application.

15. We have considered the application in its entirety, the rival arguments by Counsel and the law. In determining an application under **Rule 5(2)(b)** such as this one, this Court must be satisfied that the applicant has demonstrated that it has an arguable appeal or an appeal that is not frivolous, and secondly, that if the orders sought are not granted, the intended appeal will be rendered nugatory, in the event it succeeds. (See: **Githinji vs Amrit & Another (2004) eKLR** and **Patel vs Transworld Safaris Ltd (2004) eKLR**). It is trite that the applicant is obligated to satisfy both of those principles; it is not enough to satisfy only one of them. (See **Stanley Kangethe Kinyanjui vs Tony Ketter & 5 Others [2013] eKLR**.)

16. On arguability of the appeal, it is sufficient, if the applicant can show that it has serious questions of law or a reasonable argument, deserving of consideration by this Court. From the material laid before us, there is no doubt in our minds that the appeal herein is not idle or frivolous. For instance, there is the germane issue as to whether the applicant had infringed on the respondent's trade mark. Had the applicant been passing off its lime juice cordial as the respondent's? Those are, among others, issues that call for the determination of this Court. The applicant has therefore demonstrated the first limb on arguability of the intended appeal.

17. On the nugatory aspect it is paramount for this Court to weigh the competing arguments by Counsel considering the facts of the case. Counsel for the applicant argues that if stay is not granted, it will not be able to continue production. Further, that if stay is not granted it

would be condemned to pay damages when the respondent executes and that since the decretal sum is colossal, this would cripple its business.

18. A careful reading of the impugned judgment shows that the court did not bar the applicant from production but the same only bars the applicant from using logos and packaging that would likely pass off as those of the respondent. Therefore, the applicant's claim that its business would be affected by the said orders is rather far-fetched; if anything, it is undisputable that the applicant can continue trading using its own rightfully registered trademark. In addition, the damages awarded in favour of the respondent is in monetary form, and the applicant has not tendered any evidence to show that the respondent would not be able to refund the same in the event that the intended appeal is successful. In any event, any monetary loss suffered by the applicant, if at all, is quantifiable and can be recovered from the respondent in the event the appeal succeeds.

19. Inevitably therefore, we are not persuaded that the applicant has demonstrated the limb on nugatory aspect. As the two requirements are conjunctive, failure to prove one of them consigns the application to the realm of dismissal. This application fails to reach the threshold required for applications under **Rule 5(2)b** of this Court's rules. Accordingly, we dismiss it with costs in the appeal.

DATED AND DELIVERED AT NAIROBI THIS 9TH DAY OF JULY, 2021.

W. KARANJA

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JUDGE OF APPEAL

ASIKE-MAKHANDIA

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JUDGE OF APPEAL

S. GATEMBU KAIRU, FCIArb

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JUDGE OF APPEAL

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

Signed

DEPUTY REGISTRAR