

THE REPUBLIC OF UGANDA
IN THE HIGH COURT OF UGANDA AT KAMPALA
COMMERCIAL COURT DIVISION

HCT-00-CC-MA-0457OF 2006
(ARISING FROM HCT-00-CC-CS-0391-2006)

KIWI EUROPEAN HOLDING B.V. & ANOTHER APPLICANTS

VERSUS

DJAWOTO ARUA DEFENDANT

BEFORE: HON MR. JUSTICE LAMECK N. MUKASA

RULING:

This is an application brought by Chamber Summons under Order 37 (now 41) rule 2 and 9 of the Civil Procedure Rules. The applicants, Kiwi European Holdings B.V. and Sara Lee Household & Body care (K) ltd, are seeking orders that:-

- a) A temporary injunction does issue restraining the Respondent, his servants or agents from clearing, disposing of, selling or otherwise dealing in or with the counterfeit “Kiwi” shoe polish the subject of the said suit pending final determination of H.C.C.S. No. 391 of 2006.
- b) Costs of this application be provided for:-

The application is supported by an affidavit deponed to by Aniir Kassam, the Finance Director of Sara Lee Household and Body care (K) Ltd. I will reproduce the most

relevant parts of the affidavit below:-

- “3. That the 1st Applicant is the proprietor of the “Kiwi” shoe polish trademark and design in Uganda.
4. That the 2nd Applicant is the sole manufacturer of KIWI products in Kenya, for sale in East Africa and other regions under the authority and trademark of the 1st Applicant.
5. That on or about the 3rd April 2006, I was informed by the Applicant’s advocates that a large consignment of 4 containers to wit: PCIU-384556-8, PCIU-338882-0, PCIU-328111-2, PCIU 302371-4 containing counterfeit KIWI shoe polish disguised in boxes labeled shoe brushes, had been held by the Uganda Revenue Authority.
6. That the respondent is the one who procured the said goods and passed them off as belonging to the applicants (copy of bill of lading attached and marked “A”).
7. That I obtained samples of the said shoe polish and noticed that tins bore a counterfeit “KIWI” mark and false label that they were made in Kenya at the 2nd Applicant’s factory.
8. That the said shoe polish also had marks that can be used to identify counterfeit KIWI products, inclusive of a false and counterfeit bar code on the tins.
9. That the said goods bore a counterfeit mark and were passed off as goods of the Applicants having been manufactured in Kenya by the 2nd applicant, whereas not.
10. That I have been informed by the Applicants lawyers that the said goods are worth over Ugshs800,000,000/= and that unless a temporary injunction does issue restraining the defendant from clearing, disposing of, selling or otherwise dealing in, or with the counterfeit KIWI shoe polish until the determination of H.C.C.S. No. (391) of 2006, their circulation into the market is likely to irreparably destroy the Applicants business and good will

in places where they may be sold.

11. That unless this Honorable Court does issue a temporary injunction restraining the Respondent from clearing, disposing of selling or in any way dealing with the said goods, the applicants suit it would be rendered nugatory.

12. That the Applicant has a prima facie case with a likelihood of success.”

The Respondent Djawoto Arua swore an affidavit in reply wherein he states that he is a Congolese and avers as follows

“3. That during the month of April 2006, I procured a consignment of Kiwi shoe polish and shoe brushes from Hong Kong vide container Nos. PCIV-384556-8, PCIV-338882-0, PCIV-328111-2 and PCIV – 302371-4 all destined for the DR. Congo. Photocopies of the relevant documents are attached hereto and collectively marked as annexure “A”.

4. ---

5. That the said consignment is genuine Kiwi shoe polish and brushes made from Kenya but purchased from China and are in transit to the DR. Congo.

6. That the said consignment is in transit to the DR. Congo and this honourable Court has no jurisdiction to prosecute it.

7. That the applicant application has no likelihood of success and no irreparable loss shall be suffered by the Applicants since the goods are designated for the DR. Congo.

The Applicants were represented by Mr. Kenneth Murungu, while the Respondent was represented by Mr. Innocent Tarimwa.

Order 41 rule 2 (I) CPR provides:-

“ In any suit for restraining the defendant from committing a breach of

contract or other injury of any kind, whether compensation is claimed in the suit or not, the plaintiff may at any time after the commencement of the suit, and either before or after judgment, apply to the Court for a temporary injunction to restrain the defendant from committing the breach of contract or injury complained of or any injury of a like kind arising out of the same contract or relating to the same property or right”

In H.C.C.S. No 391 of 2006, wherein the Applicants are the plaintiffs, their claim is that on or about the 15th August 2005, the defendant, who is the Respondent, procured for sale four containers of inferior, shoe polish from WUXI Soyray International Corp. China bearing a Counterfeit “KIWI” mark and passed off the goods as those of the applicants. That the said counterfeit goods were passed off as having been made by the 2nd Applicant in Kenya, whereas not. That the packaging, entire get up of the said goods, the use of “KIWI” mark and address of the 2nd Applicant on the packaging was intended to have and has the effect of passing off the Respondent’s goods as those of the Applicants. Further that the Applicants’ business faces a likelihood of being adversely affected and suffering irreparable damage once the said goods are circulated into the market. In the main suit the Applicant are, inter alia, seeking a permanent injunction restraining the Respondent from passing off his goods as goods of the Applicants, an order for the forfeiture and destruction of the goods the subject of passing off, an order that the Respondent does pay demurrage charges and general damages for passing off.

The granting of a temporary injunction is an exercise of judicial discretion, the purpose of which is to preserve the status quo until the questions to be investigated are finally disposed of. See Noormohamed Janmohamed Vs Kassamali Virji Madhiain (1953) 20 EACA8. E.L. T. Kiyimba – Kagwa Vs Haji Abdu Nasser Katende (1985) HCB 43.

Conditions upon which court would exercise its discretion and grant a temporary injunction are first that the applicant has a prima facie case with a probability of success. Secondly, the applicant would suffer irreparable injury which an award of damages could

not adequately atone if the injunction was refused and later on he turned out to be successful in the main suit. Thirdly if the court is in doubt in respect of to the above two, that the balance of convenience is in the applicant's favour. See J. K. Sentongo & Anor Vs Shell (U) Ltd (1995) II KALRI, Robert Kavuma Vs Hotel International Ltd S. CC A8 of 1990.

With regard to the first condition of a prima facie case at this interlocutory stage to delve into the question of the existence or otherwise of a prima facie case would require evidence which is pre-mature. It would turn the application into a trial of the main suit. The general trend of our Courts is currently relaxed to considering only whether there are serious questions to be tried rather than a prima facie case with a probability of success. So court should consider whether the applicant raises prima facie triable issues in the main suit. See Mohamed Yahu vs. Abdumur Khamis (1994) II KALR 137, E.L.T. Kiyimba Kagwa Vs Haji Abdu Naser Katende (Supra), Napro Industries Ltd Vs Five Star Industries Ltd & Anor H.C. Misc Appl. No. 773 of 2004 (Commercial Division)

I now turn to the merits of the application. In paragraphs 5 of the Amir Kassam's affidavit in support of this application it is averred that a large consignment of 4 containers to wit. PCIV – 384556-8, and PCIV-338882-0, PCIV-328111-2 and PCIV-302371-4. containing counterfeit KIWI shoe polish disguised in boxes labeled shoe brushes has been held by the Uganda Revenue Authority. In his affidavit in reply the Respondent Djawoto Arua avers in paragraphs 5 and 6 that the consignment is in transit to the DR. Congo. In a letter, filed by consent of both parties from the Solicitor General to the Director External Security Organization dated 4th September 2006 and copied to the Commissioner General URA, the Solicitor General advised that the goods should be released as transit good to the DRC. However, there is no evidence to show that the goods have ever been released. The applicant's averment that the goods are held by URA remain uncontradicted. This application is seeking for a temporary injunction restraining the Respondent, his servants or agents, inter alia, from clearing the "KIWI" shoe polish the subject matter of this application. All the above considered as a whole show that the goods which are the subject matter of this application are currently held by

URA. That is the status quo sought to be preserve until the final disposal of the main suit.

The 1st Applicant is the proprietor of the “KIWI” shoe polish trade mark and design in Uganda. The 2nd Applicant is the sole manufacturer of KIWI products in Kenya for sale in East Africa and other regions under the authority and trade mark of the 1st Applicant. The applicants’ complaint, both in the affidavit in support of this application and in the plaint is that the goods in the consignment is shoe polish contained in tins bearing counterfeit “KIWI” mark and are passed off as goods of the Applicants having been manufactured in Kenya by the 2nd applicant, whereas not. The applicants contend that the Respondent was infringing the 1st Applicant’s “KIWI” trade mark and passing off the goods as those of the Applicants. In his affidavit in reply the Respondent contends that the consignment is genuine KIWI shoe polish and brushes made from Kenya but purchased from China.

The parties agree that the shoe polish tins bear a “KIWI” trade mark. The issue is whether it is genuine or counterfeit. This is a matter which can only be resolved at the hearing of the main suit. In Napro Industries Ltd Vs Five Star Industries Ltd. (above) Justice Arach Amoko considered the Common law tort of passing off. She quoted from the case of Perry Vs Truefit (1842) 6 Beav 66 where the basic underlying principle of a passing off action was stated to be:

“A man is not to sale his own goods under the pretence that they are the good of another man –“

Also the case of Reddaway (Frank) & Company Ltd Vs George Banham & Company Ltd (1896) AC 199 HL where Lord Halsbury stated:-

“No body has the right to represent his goods as the goods of somebody else.”

It is the applicant’s case that the Respondent was passing off the goods as those of the

Applicants whereas not. The Respondent contends that though he purchased the goods from China the goods are made from Kenya. However, the Respondent does not say that the shoe polish is that produced by the Applicants. In fact in his submission Counsel for the Respondent argued that the Applicants had not filed any documentary evidence to prove that the 1st Applicant was the sole manufacturer of KIWI shoe polish. This gives a possibility of the product not being that of the applicants. I therefore find that the Applicants case raises serious issues to be tried in the main suit.

In his affidavit in reply the Respondent contends that the goods are in transit to the DR. Congo. The bill of lading, AnnexA1 to the Affidavit in reply shows that the consignee of the goods is “Djawato Arua B.P. 134 Goma” in the DR Congo. The other annexures namely A2, A4, A5, A13 and A14 also show the country of destination as DR Congo. In Annexure A19 on 23rd June 2006 the URA Manager Enforcement authorized processing for resumption of transit leg Counsel for Respondent submitted that there was documentary evidence that the goods are destined for DR Congo Counsel argued that the Applicant had not adduced any evidence to show that the goods were destined for the Uganda market. I was referred to section 6 (2) of the Trade Marks Act which provides:-

“The right to the use of a trade mark given by registration in Part A of the register ----- shall not be deemed to be inferred by the use of that mark in any mode, in relation to goods to be sold or otherwise traded in any place, in relation to goods to be exported to any market or in any other circumstances to which, having regard to any such limitation the registration does not extend.”

The status quo is that the goods are still within Uganda held by URA. A close examination of Annexure A 19 to the Respondent’s affidavit in reply shows that though the Manager Enforcement had cleared the good to be processed for resumption of transit he had also stated:

“Do ensure strict monitoring at worst and at best physical”.

In view of that statement and the fact that at this stage it is not clear under what circumstances the goods had in the first place been held by URA it cannot be stated for certain that the goods were destined for DR Congo. This is a matter which can only be investigated at the hearing of the main suit. Further the applicants' cause of action is founded both on trade mark infringement and also on the tort of passing off which is not covered by the above section. The application therefore satisfies the first condition upon which Court may grant a temporary injunction.

The next issue is whether the applicants would suffer irreparable injury which an award of damages cannot adequately atone if the injunction was not granted and later on the Applicants turned out to be successful in the main suit. In paragraph 10 of the affidavit in support of the application the deponent avers that the goods' circulation into the market is likely to irreparably destroy the Applicant's business and good will in places where they may be sold. It is also so claimed in paragraph 7 of the plaint and para 5 (f) it is pleaded as follows:-

“As a result of the Defendant's passing off his inferior goods as those of the plaintiffs the plaintiffs business faces a likelihood of suffering and being irreparably and adversely affected.”

In paragraph 7 of his affidavit in reply the Respondent avers that no irreparable loss shall be suffered by the applicants since the goods are destined for the DR Congo.

In paragraph 10 of the affidavit in support it was stated that the goods are worth over Ughs800, 000,000/=. In his submission Mr. Murungu argued that if such a big consignment of four containers and worth the above sum is put on the market it would irreparably destroy the applicants' business and good will. On the other hand Mr. Taremwa submitted that once a value is attached to a product then the damage can be atoned by damages to that value. He referred to the case of Musicraft Manufacturing (U) Ltd Vs Allied Bank International (U) Ltd & Anor (1997 – 2001) U.C.L 309. In that

case the applicant sought a temporary injunction against the respondent to stop the sale of the applicant's assets by the receiver. Justice Okumu-Wengi held that the sale by the receiver would not necessarily amount to irreparable loss that could not be atoned for by the award of monetary damages. The sale of the applicant's goods and assets would realise money and an award of monetary damages would adequately compensate the applicant. The learned judge declined to grant an injunction.

The sum of Shs800, 000,000/= is the applicants estimation of what the Respondent is likely to earn from the consignment if put on the market. But the applicants' claim is that the respondent's goods are of inferior quality and contends that if put on the market there is likelihood that the Applicants' business will be adversely affected. In paragraph 5(a) of the plaint it is claimed that the applicants have for several years produced for sale in Uganda and other regions high quality shoe polish under the brand names of KIWI have gained reputation in those goods and good will is attained to its name. Reputation and good will are not matters which can be measured monetarily. Both are acquired over time and once damaged cannot be re-established easily. In Napro Industries Vs Five Star Industries Ltd & Anor (above) Justice Arach Amoko stated that the principle to be considered in cases of this nature is that the circumstances should be such that if the Court does not issue the order, the applicant would suffer irreparable loss even if he subsequently succeeds in the action. The learned Judge held that continued use of the applicant's mark by the Respondents is likely to lead to irreparable damage on the side of the applicant, which cannot be atoned for in damages, if the applicant succeeds in its action, because it is not easy to compute damages suffered in the circumstances of the case. I agree with that holding and I find that if the respondent's shoe polish with the mark KIWI is put on the market and the applicants succeed in the main suit the applicants are likely to suffered irreparable damage which cannot be atoned for in damages. For that reason this ground also succeeds.

As to the balance of convenience the 1st applicant is the proprietor of "KIWI" shoe polish trade mark and design in Uganda. The 2nd Applicant is the sole manufacturer of KIWI products in Kenya for sale in East Africa and other regions under the authority and

trademark of the 1st Applicant. The averments above have not been controverted by the Respondent's affidavit in reply. The respondent's only response is that he purchased the goods from China and are in transit to the DR Congo. The applicants as proprietor of the KIWI trade mark and manufacturer of KIWI products, respectively and who for several years have produced or traded in the product and acquired a reputation and good will associated to the quality of their product and trade mark, stand to suffer more than the Respondent who is merely an importer of the product if the injunction is not granted. On the balance of probability I am of the considered view that the applicants stand to suffer more if the injunction is not granted than what the Respondent would suffer if it is granted.

On the basis of my findings above and the reasons I have given this application is allowed. Accordingly a temporary injunction does hereby issue restraining the respondent, his servants, or agents firm clearing, disposing of, selling or otherwise dealing in or with the shoe polish under the name "KIWI" the subject of H.C.C. S No. 0391 of 2006 pending the final determination of the said suit. Costs of this application shall be in the cause of the main suit.

Hon. Mr. Lameck N. Mukasa

Judge

4/10/2006