

**THE REPUBLIC OF UGANDA
IN THE HIGH COURT OF UGANDA AT KAMPALA
(COMMERCIAL DIVISION)**

MISCELLANEOUS CAUSE NO.21 OF 2014

**MEGHA INDUSTRIES (U) LTD.....
APPLICANT**

VERSUS

**COMFORM UGANDA LIMITED
RESPONDENTS**

BEFORE: HON. LADY JUSTICE FLAVIA SENOGA ANGLIN

RULING

This application was made under S.98 C.P.A, S. 33 Judicature Act and 0.52 rr 1 and 3 C.P.R.

The Applicant sought orders permanently restraining the Respondent, its agents, servants or otherwise howsoever from passing off, continued passing off the Respondents goods / mattresses as being those of the Applicant in contempt of the court's judgment / decree issued on 03.02.12.

Orders that the infringing products / mattress be removed into the court.

The Respondents directors be punished by detention in civil prison for disobeying the said court decree of 03.02.12.

The Respondent be punished by payment of exemplary / punitive damages or compensation to the Applicant to the tune of shs. 2,000,000,000/-.

The Respondent be fined the sum of shs. 1,000,000,000/- for contempt of court orders.

Costs of the application were also applied for.

The application was supported by the affidavit of Mwesigye Myres the Operations Manager of the Applicant Company, which was read and relied upon at the hearing.

There is an affidavit in reply deponed by the Legal Officer of the Respondent Company, affidavits in rejoinder and two supplementary affidavits.

Counsel agreed to file written submissions.

The background to the application is that the Respondent was passing off its mattresses as those of the Applicant. By Civil Suit 269/2011 filed by the Applicants against the Respondents, where the Respondent admitted passing off its goods, the parties entered into a consent judgment on 03.02.12, which was sealed by the court on 17.02.12.

By the consent decree, a permanent injunction was issued restraining the Respondent, its agents or servants or otherwise however, from passing off its goods as those of the Applicant. The injunction also restrained the Respondents and its agents or servants from further producing and or manufacturing mattresses with the infringing mattress cover design the subject of the suit.

The Respondents mattress cover design was similar to that of the Applicants mattress cover design. - See Annexure B to affidavit in support.

However, it is the Applicant's contention that in total disregard of the consent judgment, the Respondent has continued to manufacture the mattresses using covers similar to those of the Applicant. Hence this application seeking the orders already set out herein.

It was further pointed out that the interim order issued by court on 08.07.14 restraining the Respondent from continued pass off of its mattresses as those of the Applicant has been disregarded hence the prayer that Respondent be found in contempt of court.

Relying on the case of **Stanbic Bank (u) Ltd & Jacobsen Power Plant Ltd vs. Uganda Revenue Authority MA 42/2010** – by Lady Justice Irene Mulyagonja and the case of **Hon. Sitenda Sebalu vs. Secretary General of the East African Community Ref No. 8/2012**, Counsel recited the conditions necessary in order to prove contempt of court to wit:-

- Existence of a lawful order.
- The potential contemnor's knowledge of the order.
- The potential contemnor's failure to comply i.e. disobedience of the order.

Counsel then submitted that in the present, there is a court order in existence that was issued by consent of the parties, plus the interim order issued by court on 08.07.14 subsisting to date.

The Respondent is aware of the orders that were extracted and served on the Respondent through its lawyers and also signed the consent judgment.

That the Respondent has the ability to comply with the order which it voluntarily agreed to be bound by, and received the interim order that has not been set aside.

In respect of failure to comply with the orders, it was asserted that it is evident in the continued manufacturing and sale of similar mattresses to those of the Applicant. – See Annexure F and G to affidavit in rejoinder of Mwesigye Meyers dated 16.07.14. Annexure A to supporting affidavit and Annexure F and G to affidavit in rejoinder showing photos of mattresses and receipt of the Respondent.

That all these actions amount to contempt of the consent judgment and interim orders of court.

While admitting that parties reached a settlement in Civil Suit 269/2011 and entered a consent judgment, Counsel for the Respondents argued that the Respondent in obedience to the judgment immediately stopped manufacturing the offending mattresses, changed their designs and registered Trade Marks on them and are lawfully producing mattresses with their covers under the lawfully registered trademarks and are therefore not in contempt of court orders.

Counsel also agreed that court orders have to be obeyed and the principles of contempt are as set out in the case of **Hon Sitenda Sebalu case (Supra)**. The existence of the lawful court order entered into by consent of the parties was also not disputed.

However, he argued that the order did not prohibit the Respondent from manufacturing mattresses perse but **prohibited them from manufacturing or selling or passing off its mattresses as those of the Applicant**.

Further that, the Respondent did not dispute knowledge of the court order, and that the Respondents are in total compliance thereof.

As regards the failure to comply with the orders, Counsel argued that court cannot adequately resolve this issue unless it looks at the Annexure B to the Plaint containing a photographic representation. And argued that the Applicants are misleading court by attaching photos being logos similar to those of the Respondent and yet the same were never subject of HCCS 269/2011 and which are similar to those in Annexure B to the Plaint.

Counsel insisted that the Respondent changed their designs and registered their cover designs as Trademarks. And that the

Respondent complied and continues to comply with the interim order and therefore cannot be said to be in contempt of court.

And that since the Applicants did not oppose the registration of the Respondent's Trademark as provided under S.12 of the Trade Marks Act 17/2010; they cannot turn around and claim that the Respondents are infringing their products.

Also that the Applicants contention that the Respondents New Trade Mark infringes their product is the subject of Civil Suit 02/13 pending in Jinja between the Applicant and the Respondents.

That therefore any orders made in this application will dispose of the case in Jinja without evidence. Whereas the parties were directed to prosecute the trademark infringement case before Jinja High Court.

Pointing out the difference between the mattress covers the subject matter of HCCS 269/2011 and those appearing in the photos, Counsel submitted that they are not the same as those complained of in this application and the Respondents cannot therefore be said to be in contempt of court.

It was prayed that court dismisses the application with costs.

I wish to observe that when the case was called for mention on 04.11.14, in the presence of both Counsel, Counsel for the Applicant produced mattresses for courts visual observation, to buttress the photographs that were attached to the application.

Counsel for the Respondent who then was holding brief objected to the production, contending that the procedure adopted by Counsel for the Applicant was irregular; since submissions had already been closed. He sought adjournment to another date to enable Counsel with personal conduct of the case to appear. The matter was adjourned to 10.11.14.

Counsel for the Respondent who appeared on that date (10.11.14) also objected to the mattresses being viewed by court, on the ground that the application was by way of affidavit and if Counsel wanted to exhibit the mattresses, he ought to have either photographed them or cut off the mattress cover and attached it to the affidavit. That otherwise, it could not be ascertained that those are the exhibits referred to in the affidavit; otherwise the Respondent would have been able to file an answer on the basis of the mattresses seen.

That the mattresses were not authenticated and there is no explanation as to where and how they were obtained or recovered and cannot be attributed to the Respondent. The fact that they have the Respondent's logo is not enough.

Further that the procedure set out in the Trademarks Act as to how to recover infringing material ought to have been followed to rule out foul play and setting up evidence against the Respondent.

Counsel asserted that the application was made in bad faith with the intention of denying the Respondent a chance of rebutting the evidence. That this compromises that right to a fair trial which is non derogable. He prayed that application be disallowed.

In rejoinder, Counsel for the Applicants argued that there was no new evidence as indicated by paragraph 6 of the supporting affidavit dated 07.07.14. The mattresses were purchased from the Respondents' shops and receipt is attached.

That the actual mattresses bought, were the ones produced and they are authentic as averred in affidavit in rejoinder dated 16.07.14, paragraph 4 and that there was no foul play and court should look at the mattresses.

I wish to state that the objection of Counsel for the Respondents had been overtaken by events as the court had already looked at the mattresses and noted the marks on them. And the same mattresses had been referred to in the affidavits of the Applicant

and how they were obtained by purchase from the Respondent's shop.

The court observed that the mattresses covers are very similar to those of the Applicants' mattresses in design and color and the only difference is that they bear the Respondent's Company name.

Court now proceeds to determine **whether the Respondents are in contempt of court orders.**

Having carefully studied the submissions of both Counsel, and noted the principles established by decided cases, which have to be fulfilled for any action to amount to contempt of court, I answer the issue in the affirmative for the following reasons.

That there was court order by way of consent judgment signed by both parties is not in dispute. While the order did not ban the Respondent from manufacturing mattresses perse, it prohibited the Respondent from selling or passing of its mattresses as those of the Applicants. The fact is that the Respondent still has on the market mattresses with designs and colors as exactly the same as those of the Applicant, and a lay person looking at the mattresses would not be able to tell the difference.

The Respondent does not dispute knowledge of the court order, but contrary to the submissions of Counsel for the Respondent and for reasons stated there in above; there has been continued sale of the offending mattresses with the infringing mattress covers prohibited by the order in Civil Suit 269/2011.

While the Respondent argued that they changed their designs and registered their trademarks, their contention is belied by the products on the market that have their Company name with the same design and colors as those prohibited by the court order. It is difficult to believe that two years after the court order, the exact same mattresses still persist on the market and in the Respondent's shop, if there has been no continued manufacture of the offending covers.

On the face of it, all indicators point to the fact that the Respondents have continued to produce mattresses with a design like that of the Applicant's mattress. The Respondents availed a photocopy of their registered trademark which on view looks like the mattress cover design of the Applicant Company.

For all those reasons, court finds that the Respondent is in contempt of the court orders in Civil Suit 269/2011.

The issues of opposing the alleged new trademark will be dealt with in High Court Civil Suit 02/2013 pending before Jinja High Court and I do not agree that the finding of this court will dispose of that case.

What is before this court is apparent disobedience of the consent order in Civil Suit 269/2011; amounting to contempt of court.

Court now proceeds to determine **whether the prayers sought by the Applicant should be granted.**

The Applicant sought orders imprisoning the directors of the Respondent Company, punitive / exemplary damages, compensation, fine for contempt of court and costs.

Respondents Counsel in their submissions did not rebut or dispute any of the prayers sought by the Applicant. Although they agree that disobedience of court orders ought not to be taken lightly and the contemnor should be punished.

Examples of punishments for civil contempt are derived from the common law decisions, where the punishments are provided for in the Contempt of Court Act (1981).

Courts in Uganda have established that **"Uganda have no equivalent of the Contempt of Court Act"**, but have reiterated that **"disobedience of civil court orders is known and ought not to be allowed by courts...."** See **Stanbic Bank**

**(U) Ltd and Another vs. Commissioner General URA
Miscellaneous Application 0042/2010.**

In this respect, courts have resorted to S.14 (2) (b) (i) of the Judicature Act, in which the High Court is enjoined to exercise its jurisdiction in conformity with the Common law and doctrines of Equity. And S. 14 (2) (c) of the same Act where court is obliged to exercise its discretion in conformity with the principle of justice, equity and good conscience.

- See Stanbic Bank (U) Ltd (Supra)

In the circumstances of the present case, court already found that the Respondent has repeatedly and consistently disobeyed court orders to which they consented and have continued to pass off, to manufacture mattresses with mattress covers like those of the Applicant's mattresses.

It is an established general principle of law that ***“a party who knows of an order... cannot be permitted to disobey it As long as the order exists, it must not be disobeyed.”***

The consent judgment in civil suit 269/2011 has never been set aside and accordingly remains in existence and ought to be obeyed by the Respondents. And on failure of which, the Respondent ought to be punished. The disobedience is intentional.

What remains for the court to determine is **whether the Respondent should be punished by detaining its directors in a civil prison.**

As submitted by Counsel for the Applicants and rightly so, ***“Civil contempt is punishable by way of committal or by way of sequestration. Sequestration being the act of placing, for a temporary period of time, the property of the contemnor into hands of sequestrators who manage the property and receive rent, and profits. Civil contempt may also be***

punished by a fine, or an injunction granted against the contemnor” - Halsburys Laws of England vol. 9 (1) paragraph 492 - cited in the **Stanbic Bank Case (Supra)**

It has been established by decisions in other jurisdictions that imprisonment for civil contempt is properly ordered ***“where the defendant has refused to do an affirmative act required by the provisions of an order which, either in form or substance was mandatory in character*** - See the case or in **Re Contempt of Dougherty 429, Michigan 81, 97, (1987).**

If the Contempt consists in refusal of a party to do something which he is ordered to do for the benefit and advantage of the opposite party; the process is civil, and he stands to be committed until he complies with the order. The order in such a case is not a punishment but is coercive to compel him to act in accordance with the order of court.

However, having found no similar cases in Uganda where contemnors have been committed, but bearing in mind the provision of S. 14 (2) (c) of the Judicature Act, Court proceeds to exercise its discretion in conformity with the principles of justice, equity and good conscience, and instead of committal of the Directors of the Respondent Company, order a suspended sentence of six months if the acts that were forbidden by consent order persist.

Court now proceeds to determine **whether to award aggravated or exemplary damages.**

To determine this issue, a distinction has got to be drawn between aggravated and exemplary damages. According to the Justice of the Supreme Court, Hon. Justice Bart Katureebe, ***“aggravated damages are, by their nature intended to compensate the Plaintiff (Applicant) whereas exemplary damages are, by their nature intended to punish the defendant”***. - Refer to the paper by the Learned Judge dated 18.06.2008, where he relied

upon the case of **A vs. B [1974] INZLR 673** and **677** and **Loomis vs. Rohan (1974) 46 DLR (3d) 423**

In the same paper the Hon. Justice also referred to the case of **Ntabgoba vs. Editor in Chief of the New Vision and Another [2004] 2EA 234**, and **Bhadelia Habib Ltd vs. Commissioner General URA [1997 - 2001] UCL 2002**, and **Ahmed Ibrahim Bholm vs. Car & General Ltd SCC.A 12/2002** among other cases.

Bearing the distinction as set out by those cases in mind, I find that the Applicant in the present case was already awarded damages to tune of shs. 5,000,000/- , in Civil Suit 269/2011, under the heading “nominal damages”. In my view that would have been the appropriate time for the Applicant/Plaintiff to apply for aggravated damages.

The proceedings before court now are intended to punish the Respondent / Defendant for ignoring the consent judgment and continuing with the conduct which was earlier complained of. That is, continued manufacture of mattresses with the infringing mattress cover design which was the subject of civil suit 269/2011.

At this juncture, I wish to point out that in the course of hearing this application a sample of the offending mattresses were brought before court, together with a sample of the mattress manufactured by the Applicant. Court took judicial notice of the fact that the only difference that could be discerned between the two samples was the names of the warring companies appearing on the mattresses. Otherwise, any ordinary person looking quickly at the mattress would most likely think that they belonged to one Company.

Although Counsel for the Respondent complained of the mattresses being brought before court at that point, the observation had already been made and could not be changed. Counsel for the Respondent who had appeared in court when the mattresses were produced had only told court that he was not the one in a position to comment about the production of the mattresses. But when the matter was adjourned to another date, another Counsel newly instructed was the one who appeared and made the complaint mentioned.

In the circumstances, this court finds that the Applicant is entitled to exemplary damages as a way of punishing the Respondent for the continued production and sale of mattresses with a cover design similar to those of the Applicant. This would be further compensation for the continued inconvenience caused to the Applicant in total disregard of the permanent injunction issued with consent of the Respondent.

Counsel for the Applicant applied for the award of shs. 2,000,000,000/-, but court finds this figure to be excessive. The figure of shs. 300,000,000/- is awarded instead, to indemnify the Applicant, together with interest at court rate from date of this ruling till payment in full, in addition to other penalties to be imposed against Respondent.

Court is fortified in its decision by the case of **R.K. Kasule vs. Makerere University Kampala [1975] HCB 391**, *“where exemplary damages were awarded when it was shown that the defendant had deliberately committed tortious acts in continuous disregard of others rights in order to obtain an unfair advantage which would outweigh any compensatory damages likely to be recovered by the victim. And the sum given as compensation was insufficient to punish the defendant for his conduct.”*

While the present case is an application, it arises out of civil suit 269/2011 and court finds that the principle established by the **R. K. Kasule case (Supra)** is applicable to the circumstances of the present application in that; the continued manufacture and sale of mattresses with the offending cover design is a total disregard of the rights of the Applicant Company that were meant to be protected by the court order given with the consent of the Respondent. And this gives the Respondent an unfair advantage over the Applicant Company that far outweighs the compensating damages of shs. 5,000,000/- that were awarded in the main suit. The sum although agreed upon was evidently not sufficient to deter the Respondent from the actions complained of by the Applicant.

Contempt of Court:

The sum of shs. 1,000,000,000/- also sought by the Applicant Company as punishment for contempt of court is also found to be excessive. Court will instead give a fine of shs. 100,000,000/- with the hope that the sum will be sufficient to send a firm message to the Respondent that court orders are not issued in vain and ought to be respected as long as they remain in force. This sum of money should be deposited in court.

In addition the mattresses with the infringing cover design shall be removed by the Applicant from the market with the assistance of police for destruction under police supervision; following the procedure set out in the Trade Marks Act, upon failure of which a writ of sequestration will be issued by this court to handover the management of the Respondent's Company until the orders of court are effected.

- See **Anglo Fabrics (Bolton) Ltd and Another vs. African Queen Ltd and Another HCT CS. 0632/2006.**

The application is allowed for all the reasons set out herein and the following orders are made:-

- 1) A suspended sentence of six months committal is to be meted out to the Directors of the Respondent Company, if the acts that were forbidden by court in the consent order persist.
- 2) Exemplary damages of shs. 300,000,000/- are awarded to the Applicant Company with payment of interest at court rate from date of this ruling till payment in full.
- 3) The sum of shs. 100,000,000/- is awarded against the Respondent as a penalty for contempt of court orders in Civil Suit 269/2011. The sum is to be deposited in court.
- 4) The mattresses with the infringing cover design shall be removed from the market for destruction with the assistance of police following the procedures set out in the Trade Marks Act, upon failure of which a writ of sequestration will issue.

5) Taxed cost of the application are also granted to the Applicant.

FLAVIA SENOGA ANGLIN
JUDGE
27.11.14