

Trade marks as a feature in Kenya's competitive economy

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Thesis submitted in partial fulfillment of the requirements for the award of the degree of Master of Laws of the University of Nairobi

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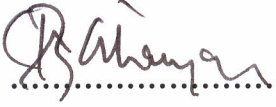
DECLARATION

I, OSIEMO ROSESYLVIA AKINYI, do hereby declare that this is my original work and has not been submitted and is not currently being submitted for a degree in any other University.

SIGNED:  13/11/2007

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This thesis has been submitted with my approval as the University Supervisor.

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DEDICATION

To Daddy,

I never got a chance to say good bye but I realized with each rising sun that I did not need the chance. You never left me. I am becoming what you wanted me to and it is because I always hear you reminding me to rely in the bliss of growth, the glory of action and the splendor of beauty. Rest in peace dad, time has solved a lot of things for us.

To Mummy,

You taught me that if I cannot be the sun I have to be a star. Mama, for your love and tender care I thank you. I will not forget that it is not by size that I win or fail. I will be the liveliest star, for you.

ACKNOWLEDGEMENTS

Special thanks go to Newton, Meggs, Dana, Wuddy, Davis, Nella, Mike and Jim, the family that I cherish most. In my prayers, in my triumphs, in my storms, I have known no one else. I thank you all. This is proof of one fact of life; when you surround yourself with the best, you settle for nothing but the best and often than not, you are sure to get it.

I thank my supervisor Dr B. Sihanya for the painstaking attention he devoted to this work despite a demanding work schedule. It was not always smooth but without his encouragement, this would never have come to be.

I thank my best friend Laurynn Inda for moulding me and sharing with me the gift of friendship. When I could not be a pine on top of the hill, she taught me how to be the best shrub by the side of the rill. Thanks.

To my all my friends, particularly Bernard Muthee and Lynet Opiyo, thanks for making it happen and for bringing out of me the person that I am.

God, because of your will and might, I have learnt to cooperate with the inevitable. I matched each star with a reason for thanking you and was doing well until I ran out of stars. Thank you.

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WTO TRIPs Agreement, 1994.

TRADE MARKS AS A FEATURE IN KENYA'S COMPETITIVE ECONOMY

A RESEARCH PROPOSAL

INTRODUCTION

1. Preamble

What is the value of a trademark?

By identifying the commercial source of products and services, trade marks facilitate identification of products and services which meet the expectations of consumers as to quality and other characteristics. The owner of the trade mark realizes its value. My project is about the impact that trade marks have in their respective product markets and the role that they play in creating competition.

2. Research Questions

I have sought to answer the following research questions,

1. What role do trade marks play as a basis of a competitive advantage in the market with regard to the soft drinks industry and the Coca Cola trade mark in particular?
2. How can Kenya and Kenyan companies use trade marks to enhance marketing strategies in trade?

3. Hypotheses

The assumptions that I make, research into and test the following,

1. That the protection of trade marks acts as a catalyst for a workable competition to take place. In particular, trade mark protection and promotion has enabled Coca Cola, a multi national soft drink company, to develop a powerful brand and a niche in the soft drinks market. The focus on Coca Cola is explained under chapter 4 of my project.
2. That developing countries such as Kenya can achieve development in trade by the

simple but sometimes complex step of implementing proper trade mark laws.

4. Objectives of the Study

The main objectives of the study are two,

First is to prove that trade marks enhance trade with particular reference to Kenya as one of the developing countries and hence the need for the protection of such innovation for trade to advance.

Second is to prove that the trade mark is a tool reaching out to the consumers at large and to discuss the issues of brand creativity, product packaging and marketing solutions using Coca Cola as the key area of study.¹

5. Theoretical framework

It is significant to note that intellectual property has joined fiscal, monetary, trade and industrial policies and overseas development assistance as a key area in which developing countries have come under pressure to identify their interests and define public policies.² Thus in the context of a global economy increasingly propelled by knowledge based industries, the protection of innovations has become a priority in the competitive strategy of economic industries and countries.³ Trade marks as an arm of intellectual property, blend well with trade to improve and enhance trade and commerce. It reaches to the consumer on behalf of the trader in the domestic and regions beyond. With such advantages accruing to the trader and to the consumer as well, there is need for protection of such a regime of glamorous inventions and innovations.⁴

The importance of intellectual property in trade in Kenya and in other developing countries has been realized through the impact that the same has had on their economies.

¹ These three principles dictate the performance of a product in the market. They are strategies employed to capture the consumers' interest in them and therefore create referrals and repeat purchasing.

² Intellectual property is one of the areas that demands government support due to the private rights that need to be protected and protection as an incentive enhances innovation and thus the spill over effects, such as development in trade of goods and services are appreciated.

³ UNCTAD-ICTSD (August 2003) *Intellectual Property Rights and Sustainable Development*, page 1.

⁴ Intellectual property rights are legal, policy and institutional devices to protect creations of the mind.

However, a question worth noting regards the fact that does the protection of a trade mark facilitate and promote trade thus improving developing countries' economies? A trade mark as a proprietary right vests in its owner such rights that are to the exclusion of all others. Thus, the owner of such a right if given a guarantee that he has the exclusive right to use that trade mark for purposes of putting products protected by the mark into circulation for the first time is encouraged to innovate. Competition is nurtured herein. But do trade marks always give rise to competition?

In the talks after the Doha Ministerial Conference also known as the Doha development agenda held in November 1982, many developing countries pointed out that a competition culture does not exist in most developing countries.⁵ These countries pointed out that a competition culture does not exist in most developing countries. This was because many developing countries knew that their local companies would not be able to compete with the foreign giants when it came to importing and exporting goods. Thus, what developing countries needed was a mechanism to build up their local industries.⁶

In modern times, international trade has had an important developmental role in developing countries such as Kenya. The main exports from Kenya as a developing country are for example agricultural products that include tea, coffee and flowers. Others include animal products like beef products and fish. The exportation of such products into Europe, the main importer of the same, is dependant on various issues that include market access and the barriers of trade therein. Developing countries use trade marks to assert their position in the world's competitive market and thus to compete with the developed countries when conditions of free trade exist.⁷ Although there are usually few trade restrictions within countries, international trade is usually regulated by governmental quotas and restrictions, and taxed by tariffs. Tariffs are usually on imports, but sometimes countries may impose export tariffs or subsidies. All of these are called trade barriers. If a

⁵ Fatoumata Jawara & Aileen Kwa, article on *The real world of international trade negotiations*, compiled in the Master of Laws 2005-2006 course materials volume 2, page 241.

⁶ *Ibid.*

⁷ *Ibid.*, page 243-244.

government removes all trade barriers, a condition of free trade exists. Developed countries by this fact are seen to be the international trade determinants.

However, developing countries too have a voice, a voice that they raised during the Doha development agenda. Many countries argued that each country should be free to choose a competition regime that reflected its own economic situation and development priorities.⁸ Intellectual property was thus appreciated as a strategy that could enhance trade amongst developing countries by the act of protecting their companies' trade marks and thus building competition.

However, the need to promote and protect trade marks seems questionable. While the protection of trade marks influences the growth in trade, a monopolistic position is bound to arise when factors such as the protection of trade marks are present in a given society.⁹ When consumers associate with one particular brand as opposed to the rest, a monopoly in that particular trade arises, as being held by one particular competitor in that market. Thus, the monopolist is in a position to affect the market price. He is the price maker while the consumer is the price taker.¹⁰ This basically means that competition no longer exists. Since the monopolist can charge what he likes rather than what the market will bear wealth is transferred from the consumer to him.¹¹ A fact that is worth proving therefore is, monopolies are not interested in growth, they need competition.¹²

Therefore, trade mark rights not only promote product innovation but also encourage the development of interregional and international distribution and marketing networks that are important for trade and development.¹³ Further, competition plays the role of creating a quest amongst traders for capturing consumers' confidence in their respective goods

⁸ *Ibid.*

⁹ *Ibid.*

¹⁰ Rose Ayugi, Class Lectures to LL.B IV Module II, Competition Theory, on the 14th February 2004 at the School of Law, Parklands Campus.

¹¹ *Ibid.*

¹² Rose Ayugi, *Ibid.*

¹³ Bernard Hoekman, Aaditya Mattoo and Philip English (2002) *Development, Trade, and The WTO*, a handbook from The World Bank, Washington D.C, page 371.

and services.¹⁴ Rules on the same are further deemed necessary based on the fact that they are then used to discipline anticompetitive practices in the use of intellectual property rights.¹⁵ Several developing countries and countries in transition have recently upgraded or adopted competition regimes as is confirmed by the countries that have ratified the TRIPs Agreement.¹⁶ Kenya is one of them. Providing incentives to producers and manufacturers is one of the strategies that has been employed to encourage trade in goods and services and thus competition. For example, a trade mark right is an example of a trade incentive.¹⁷

Because of the buyers' ability to choose and apply pressure on prices, competition obliges producers and distributors to use their resources efficiently and keep production and distribution costs low.¹⁸ This then causes competition to be considered as a very powerful force in ensuring production efficiency.

However, trade marks are a diverse and familiar feature in both industrial and commercial markets.¹⁹ Manufacturers and traders need identification tools with regard to the goods and services that they produce. Goods and services have to be distinguished in the market arena for efficient trade to take place as indicated below.

Thus, trade marks are marketing tools used to support a company's or trader's claim that its products or services are authentic or distinctive compared to similar products or

¹⁴ Rose Ayugi, Class Lectures to LL.B IV Module II, Competition Theory, on the 14th February 2004 at the School of Law, Parklands Campus. Further emphasis was laid on the fact that a competitor produces, distributes and or supplies substantially similar goods or services at the same stage of production or distribution of goods or supply of services in relation to another.

¹⁵ Bernard Hoekman, Aaditya Mattoo and Philip English (2002) *Development, Trade, and The WTO*, a handbook from The World Bank, Washington D.C, page 374 – 375.

¹⁶ *Ibid.* article 40 of the TRIPs Agreement invites nations to consider the intimate linkages between intellectual property protection and competition policy. By TRIPs being instructive, it is able to set out the major issues in order to understand the importance of trade marks in competition.

¹⁷ Registration of a trade mark gives a company the exclusive right to prevent others from marketing identical or similar products under the same or a confusingly similar mark. Thus without protection, a trader's investments in marketing a product may become wasteful as rival companies are able to use the same or confusingly similar trade mark for identical or similar products.

¹⁸ Rose Ayugi, *Ibid.*

¹⁹ David Bainbridge (1996) *Intellectual Property*, Pitman Publishing, London, 3rd Ed, page 531.

services of competitors.²⁰ In the competitive plan, it then can be said that trade marks are a basis of nurturing competition and a competitive advantage in the market. They have an important role to play in the organization of trade and commerce and especially to the developing countries like Kenya that are struggling to create for themselves a niche in trade.

Indeed trade marks make a difference when it comes to having a competitive edge in business. They are source identifiers.²¹ In business, the main players are the supplier, the trader and the consumer. Behind the two, there is a name; the trade mark. The trader excels in trade because the trade mark identifies by the goods and by this the trade mark facilitates competition. There is repeat business and referrals by consumers by the fact that the trade name enables the consumer to confirm his or her expectations of that good or service.

The trade mark helps establish the goodwill. Every business holding needs goodwill in order to stay in business. Thus, trade marks are seen as serving three main purposes. First to protect business reputation and goodwill, secondly to protect consumers from deception, that is to prevent the buying public purchasing inferior goods or services in the mistaken belief that they originate from or are provided by another trader.²² The trade mark will also act as a tool for quality assurance.

With respect to Kenya, it is prudent that the goods and services be identifiable in the markets abroad that are very competitive.²³ Excellence in the competitive international market arena for Kenya is thus important so as to realize a measure of development. By producing quality goods and the same being identified by their trade mark, Kenya garners the necessary consumer confidence and income. The choices that consumers make while purchasing products in the competitive markets determine the businesses that excel and

²⁰ *Ibid.*

²¹ Note 20, *Ibid.*

²² David Bainbridge, *ibid*, page 533.

²³ International market competitiveness is evidenced by the fact that Kenya is not the only country producing its exports. An example is tea. Brazil is the leading tea producer in the world. Kenya has to compete with it and with other countries producing tea.

those that die.²⁴ This is due to the fact that trade marks affect the organization of markets. They function as tools for market entry and barriers to market entry.²⁵

An example of a trade mark in Kenya is the Coca Cola trade mark, competing in the soft drinks industry and its strengths have been shown by the consumer confidence it has garnered in respect to this particular industry. This is to aver that the Coca Cola trade mark plays a defining role. In the competitive soft drinks market in Kenya and in other countries, the most recognized trade mark, carries the day and thus decides who excels in the trade and who does not. The Coca Cola trade mark in Kenya has proved this fact. This is evidenced by the 98% market share that it holds in Kenya as shall be further discussed in my project.

As Kenya strives to climb up the ladder of competitive trade and development, it ought to recognize the impact that intellectual property and thus trade marks have in trade. With the constant pressure to maintain international competitiveness each and every country should strive to assert its position in the market. This starts with the initiative of promoting and protecting innovation and creativity within Kenya first. Trade marks have to be protected and promoted due to the role that they play in enhancing trade.

6. Definitions

Intellectual property has a role to play in light of trade marks as the protector of innovations that human beings come up with. Such innovations further enhance trade and development. Knowing the same is prudent in understanding their impacts.

- Trade Mark

In the simplest of terms, it is a means of identification. A trade mark seeks to answer the question, “what is in a name”²⁶ As a symbol, which could be a word, device or a combination of the two, a trade mark is employed in the course of trade by producers or

²⁴Adrian Sterling (1997) *Perspectives on Intellectual Property*, Sweet & Maxwell, London, Volume 2, page 72-73.

²⁵*Ibid*, page 70.

²⁶Dr. Ben Sihanya, Class Lectures to LL.B IV Module II, Intellectual Property Law, June 23rd 2004, on the definition of a trade mark. Available on file at Innovative Lawyering.

manufacturers in order that the purchasing public from similar goods of other traders may readily distinguish the goods or services.²⁷

A trade mark is defined to be a mark used or proposed to be used in relation to goods or services for the purpose of indicating a connexion in the course of trade between the goods and some person having the right either as proprietor or as registered user to use the mark whether with or without any indication of the identity of that person.²⁸

The World Intellectual Property Organization (WIPO) defines a trade mark as:

*“A sign which serves to distinguish the goods (as does the ‘service mark’ with regard to services) of an industrial or commercial enterprise or a group of such enterprises...”*²⁹

Thus, the trade mark in this regard has its main purpose being to inform the society about the manufacturer of the goods and services bearing such a mark. It is then a testimony as to the value placed on those goods and services by businesses and by society around the world.

The United States Patent and Trade Marks Office (USPTO) defines a trade mark as:

*“...any work, name, symbol or device or any combination used or intended to be used, in commerce to identify and distinguish the goods of one manufacturer or seller from the goods manufactured or sold by others and to indicate the source of the goods. In short, a trade mark is a brand name.”*³⁰

Thus, particular products are identified with these distinctive signs that belong to a particular business undertaking as was emphasized in *Centra Farm Bv v. Winthrop Bv*.³¹

The Kenyan Trade Marks Act Cap 506 as amended describes a mark as a distinguishing guise, slogan, device, brand, heading, label, ticket, name, signature, word, letter or

²⁷ D.C. Newton (1999) *Trade Marks; an Introductory Guide and Bibliography*, British Library, London, page 9.

²⁸ Section 2 of the Kenyan Trade Marks Act Cap 506 (as amended).

²⁹ August 1997 WIPO Publication, *General Information*, page 3.

³⁰ USPTO's *Definition of a trade mark*, Available at <http://www.mamma.com/trademarkslaws> Information accessed on December 11th 2005 at 12.08 pm).

³¹ (1974) 2 Common Market Law Reports (CMLR) 480.

numeral or any combination thereof whether rendered in two dimensional or three dimensional forms.³²

There are several definitions for a trade mark but the common thread that weaves through the several definitions has an underlying theme that a trade mark is an indication of the source of the goods.

- Trade

Trade is the exchange of goods and or services through the use of a medium of exchange which may be money and thus the difference between buying and selling. Further, trade liberalization involves providing greater market access to foreign firms by lowering the barriers to trade.³³ Exchanges may take place between two parties (bilateral trade) or amongst more than two parties (multilateral trade).

Trade takes place for many reasons. It is a result of specialization and division of labour. Most people concentrate their energies on a small aspect of production, trading for the other necessities of life. Trade exists between cities and regions because one city or region may have an absolute or comparative advantage in the production of some tradable commodity, or because one region's size allows for the benefits of mass production. Competition develops between the producers of the same kind of commodity. Each trader seeks to have his commodity identifiable: this is by the use of a trade mark.

The principles of efficient marketing of respective trade marks have been applied to domestic and international trade.³⁴

- Development

³² Additional reading is taken from a 2004 Kenya Industrial Property Institute publication on the Registration of Trade Marks. Thus, a trade mark is a word, a symbol, a design or a combination of these, used to distinguish the goods or services of one person or organization from those of others in the market place.

³³ Bernard Hoekman, Aaditya Matoo & Philip English (2002) *Development, Trade and the WTO*, The World Bank, Washington DC, page 221. Further reading on what is trade is taken from Answers.com, [http://www.answers.com/main/ntquery?method=4&dsid=2222&dekey=\(Good+\(accounting\)\)&gwp=8&curtab=2222_1](http://www.answers.com/main/ntquery?method=4&dsid=2222&dekey=(Good+(accounting))&gwp=8&curtab=2222_1) Information accessed on April 12th 2007 at 9.01pm.

³⁴ This point shall be thoroughly covered within the project.

Development is an undertaking which aids or improves the growth of a country in terms of human development, education, health, choice, and environmental sustainability.³⁵ Growth comes in stages and this emphasizes that a structural change is important for a country to develop.³⁶

It is thus the process of improving the quality of human life through increasing per capita income, reducing poverty, and enhancing individual economic opportunities. It is also sometimes defined to include better education, improved health and nutrition, conservation of natural resources, a cleaner environment, a richer cultural life and protection of human rights.³⁷ One of the ways for achieving development shall also be by according innovations such as trade marks the required protection and by marketing the same in the regions within Kenya and beyond the borders so that products from the country may sell against those of competing nations in the world. Revenue is then realized which improves the economic and living conditions in the country.³⁸

The relationship between trade and development is debatable since trade on one side is a tool for enhancing development while on the other hand trade can sometimes be bad for development.³⁹ An example of when trade proved to be a hindering factor in development was during the Doha Development Agenda discussions held in Doha Qatar in November 2001.⁴⁰ Developing countries had proved this fact. Trade was a hindrance to their

³⁵Rajeev Dhavan, *Law as a concern: Reflecting on Law and Development*, article compiled in the Master of Laws 2005-2006 course materials volume 2, page 25. Further reading taken from Wikipedia, "what is development?" en.wikipedia.org/wiki/Economic_development Information accessed on December 12th 2005 at 9.12pm.

³⁶ The Rostow's Stages of Growth as outlined in Michael Todaro's *Economic Development* (London, Longman, 5th edition, 1994) page 79.

³⁷Harvard journal, *Development*, available on www.agtrade.org/glossary_search.cfm Information accessed on December 12th 2005 at 9.10pm.

³⁸ The WTO International trade statistics 2005 available online at http://www.wto.org/english/res_e/statis_e/statis_e.htm on page 80 - 81 shows the growth graphs on exports of Africa by major product group and main destinations for the years 2003 to 2004. An increase in capital in the year 2003 increased the exports and realized better revenue in significant exports such as agricultural products.

³⁹ Dr. Ben Sihanya, consultation done on the 28th May 2007 at 6.00pm, University of Nairobi, School of Law.

⁴⁰ World Bank Organization, *Annual Report 2004 on the Doha Development Agenda*, page 3.

development objectives.⁴¹ Developed countries took advantage of them through the prowess in trade and introduced barriers to market access that triggered the developing countries to seek redress. However, the other hand, through trade, economic development is achieved from the fact that trade is mainly carried out with the aim of realizing monetary profit or acquiring what one lacks in exchange of what he or she has a comparative advantage of.⁴²

One of the reasons why developing countries are not yet on the same economic level with developed countries is the unequal power relationships between developed and developing countries and the inappropriate advice that developing countries get from developed countries and other multinational donor organizations.⁴³ This gives the developed countries an overall influence over the developing countries rendering the latter inferior in terms of development.

Thus, the market has to be organized for there to be efficiency. Goods and services need to be identified as belonging to their rightful producers and the consumers thus being able to purchase goods and or services without fear of deception.⁴⁴ Trade marks and their role as product identifiers come in here. Indeed intellectual property is good for development. A focus on trade marks shall prove that a proper market for goods and services, with fair competition indeed cannot exist without trade marks. Countries shall then be able to realize development.

⁴¹ Fatoumata Jawara & Aileen Kwa, article on *Cancun and its aftermath – ‘multilateralism’ without goodwill*, compiled in the Master of Laws 2005-2006 course materials volume 2, page xvi.

⁴² Peter Holmes, *Trade, Competition and the WTO*, available in the handbook *Development, Trade and WTO*, edited by Bernard Hoekman, Aaditya Matoo & Philip English (2002) Washington DC, page 447.

⁴³ This is echoed in the Prebisch Singer hypotheses where the two economists assert that advanced countries reap gains from international trade at the expense of the less developed countries. This is through the monopoly capitalism that has an interest in maintaining backwardness and dependence in the developing countries. The Prebisch Singer hypotheses is compiled in the Master of Laws 2005-2006 course materials volume 3.

⁴⁴ Adrian Sterling (1997) *Perspectives on Intellectual Property*, Sweet & Maxwell, London, Volume 2, page 64. The buying public is prevented from purchasing inferior goods or services in the mistaken belief that they originate from or are provided by another trader.

Kenyan trade marks speak on behalf of the country to the rest of the world.⁴⁵ Examples of such trade marks are Ketepa tea and the Kamba Kiondo. Kenyan roses too are exported by individual companies like Oskerian Flowers in Naivasha and Sian Roses in Athi River. Under conditions of free trade or minimal trade barriers, as will be discussed in the project, the country is able to realize a degree of national development by the revenue realized in trade. This is thus made possible by the efforts of the producers, manufacturers, corporate entities and other business enterprises which strive to create a niche in the market for their goods and services.

7. Literature Review

Several authors have dealt with this issue of the link between intellectual property and trade and competition.

Carsten Fink & Beata Smarzynska in their article *Trade marks, geographical indications and developing countries*,⁴⁶ hold that there is a dimension of trade mark law that becomes relevant in the international context. This is the establishment of an effective framework for the registration and protection of trade marks and geographical indications within developing countries and before goods are first put on the international markets.⁴⁷ Although most developing countries do have trade mark laws on the books, the effectiveness of the laws is often held back by inadequate administration and enforcement procedures. Thus, one of the requirements for developing countries to excel in international trade is the establishment of rules pertaining to the protection and promotion of trade marks as has been discussed in the project.

Secondly, on the issue of competition, Adrian Sterling in his book *Perspectives on Intellectual Property*,⁴⁸ holds that competition means a struggle or contention for superiority and in the commercial world this means striving for the custom and business

⁴⁵ Quality of the goods and services being an important aspect here by the fact that the goodwill created by the trade mark encourages the producer to produce quality goods and or services so as to retain the same control that he or she has in the market.

⁴⁶ Available in the handbook *Development, Trade and WTO*, edited by Bernard Hoekman, Aaditya Matoo & Philip English (2002) Washington DC, page 403.

⁴⁷ *Ibid*, page 407.

⁴⁸ (1997) Sweet & Maxwell, London (Volume 2)

of people in the market place. Competition is brought about by the interaction of needs and resources in any given product market.⁴⁹ While our needs are unlimited, the resources are limited. Each producer uses his or her trade mark in the quest for consumer appreciation of that particular product. Thus, competition dictates the position of each producer in the hierarchy of competitive enterprises.

Thirdly, a trade mark is a valuable asset to its owner. David Bainbridge in his book, *Intellectual Property*,⁵⁰ avers that a trade marks is a very valuable form of intellectual property because they become associated with quality and consumer expectations in a product or service.⁵¹ A hint of competition is brought out in this particular text. However, this text is not adequate in the quest for knowledge on the character of trade marks in relation to competition. David Bainbridge further focuses on the relationships that some goods have with trade marks, that is the goods becoming almost synonymous with their trade name, for example the soft drink Coca Cola, a product of the Coca Cola Company and Cadbury chocolate, a product of Cadburys Limited.⁵² Coupled with intensive advertising campaigns, the utility of trade marks to their owners as marketing weapons is plain to see and trade mark rights usually will be vigorously asserted and defended.

Further, William Cornish, in his book *Intellectual Property: Patents, Copyright, Trade marks and Allied Rights*,⁵³ says that the subject of intellectual property is mainly concerned with marking out by means of legal definition types of conduct which may not be pursued without the consent of the right owner.⁵⁴ Thus the innovator of a trade mark has the exclusive right to it. The place of a trade mark is usually in the market place, placed on the goods and services as an instrument of identity.

Samuel Schechter in his book *The Historical Foundations of The Law Relating to Trade Marks*,⁵⁵ on the importance of a trade mark further avers that with modern advertising, the consumer benefits from knowledge of the product and he or she is urged to buy by the

⁴⁹ *Ibid*, page 43.

⁵⁰ (2002) Pitman Publishing, London, 3rd edition,

⁵¹ *Ibid*, chapter 19.

⁵² David Bainbridge, note 12 at page 429.

⁵³ (2004) Sweet and Maxwell, London 5th edition.

⁵⁴ *Ibid*, page 3.

⁵⁵ (1925) London.

product mark and this knowledge is constantly supplied to the consumer in the hope of triggering an association in the public's mind between the quality of the goods and the reputation of their source.⁵⁶

International conventions that deal with the link between trade marks and international trade include the Paris Convention of 1883 and to which 162 countries are signatories. This Convention establishes minimum standards of protection and priority filing rights. The Paris Convention has enhanced international trade by the fact that it facilitates the filing of trade marks abroad once the trade marks owners have registered them domestically. Further, in Article II (1) the Convention provides that nationals of any country party to the Convention shall as regards the protection of industrial property, enjoy in all the member countries the advantages that their respective laws grant.

Also promoting international trade is the 1891 Madrid Convention that currently encompasses 68 states and which substantially reduces the transaction costs involved in registering trade marks in multiple countries by filing a single international application and designating the countries where protection is sought.

The most important agreement and especially to developing countries is the WTO TRIPs agreement that sets stringent international standards for trade mark protection.⁵⁷ Through this agreement, enforcement principles are established that WTO members are required to meet. TRIPs on trade marks require members to establish registration procedures that are transparent and independent of the characteristics of goods and services for which protection is requested.⁵⁸

The UNCTAD-ICSTD Project on Intellectual Property Rights and Sustainable Development, August 2003 publication on page 1 holds that there is also need for trade mark protection and particularly in developing countries because of the potential to

⁵⁶ *Ibid*, chapter 5.

⁵⁷ Article 16.1 states that the owner of a registered trade mark shall have the exclusive right to prevent all third parties not having his or her consent from using in the course of trade identical or similar signs for goods or services which are identical or similar to those in respect of which the trade mark is registered where such use would result in a likelihood of confusion.

⁵⁸ Readings taken from Articles 3 & 4 of the TRIPs agreement.

develop brand recognition for high quality goods and even services. Innovation has to be encouraged. However, I assert that much still needs to be done in terms of trade mark protection in developing countries. The advantages of trade mark protection are evident and my assertion would include the fact that scholarly work should entail detailed information about the growth, protection and promotion of intellectual property solely in developing countries.

Thus, I agree with the authors who have produced works relating to this area. They assert that trade marks are an important element in the market. However, literature that deals with the link between trade marks and competition is limited.

8. Research Methodology

The primary methods of research that I have used are the Library and media which included the press. The main library that I used is the School of Law Library, Parklands Campus. This was because I had access to relevant textbooks, journals and law statutes governing my chosen research topic. Of great assistance were the bibliographical materials, textbooks and statutes. The project necessitated the use of Innovative Lawyering library and the personal collection of books belonging to Dr. Ben Sihanya since he has a vast amount of intellectual property and trade mark material. As my supervisor, access to his personal collection of books and his guidance in choosing the same was of quality assistance in developing my project.

The other primary sources of information included field survey and research involving interviews with the brand managers and marketing assistants of Coca Cola Company and Mr. Joseph Musyimi Makato, a marketing manager in Kuguru Foods dealing with the beverage Softa, beer, flour, plastic bags.⁵⁹ I chose to interview Mr. Makato due to the fact that he has vast experience in my field of research. Further, Mr. Makato was available on appointment that made gathering the necessary information possible. Field research enabled me to experience the impact that trade marks have on various products as well as on their manufacturers and producers. Interviews were carried out in the markets, for

⁵⁹ Mr. Makato has since moved to Kenya Tea Packers Ltd as a marketing manager. His email address is soodennis@yahoo.com, cell phone number 073448397.

example at the Hardy Supermarket in Karen, Nairobi that involved the buying public. This enabled me to determine the soft drinks brand that the consumers associated with most. It is worth noting that a brand in the market is what people say about the producer or manufacturer in their absence.⁶⁰

Interviews involving various brand managers from companies in the production of goods and especially the Coca Cola Company were important in searching for information beyond that which has been published. The brand managers who I interviewed were Margaret Osiemo,⁶¹ and Ken Okumu.⁶² This also gave me the opportunity of obtaining information on first hand basis with minimal possibility of distortion.

The research also involved the searching for information from the Internet. I acquired more information on the subject and also that information that has not yet been reduced to writing and thus not available in books. The Internet broadened my perspectives and assisted in the creation of novel ideas throughout my writing and thus I was able to capture dynamism.

The use of the above sources was employed due to the fact that this is a dynamic and contemporary area of law. The textbooks and statutes as well offered guides with regard to the evolution of the trade mark law over the years.

9. Justification

Growth in trade comes with effort and strategies being laid down to achieve the same. This is what my project seeks to address. Thus, the gap that I want to fill is in relation to the fact that Kenya through the use of trade marks can strategize and thereby be able to compete better in the international markets in relation to trade in goods and services. There is indeed need to address this issue. Kenya boasts of resources for example human expertise and agricultural resources. These factors can be used to improve trade in Kenya and in other developing countries.

⁶⁰ Richard Mukoma, *the brand speaks out*, article on *Daily Nation* Newspaper, Nairobi, Tuesday, June 29th 2004, page 12.

⁶¹ Email address is mosiemo@coke.ka.co

⁶² Email address is kokumu@coke.ka.co

It is therefore prudent that matters hindering Kenya from developing in trade be addressed. Kenyan trade marks for example, Ketepa tea and Kikoi fabric need to be marketed as much as possible for the country to realize the desired profits from the local and international market.

My study captured data indicating that Kenya as well as in other developing countries lack a sustainable development programme with an emphasis on the importance of protecting intellectual property rights. However, under such a program, Kenya can be led to realize growth in terms of trade as is the goal of the World Trade Organization, to which it is a member and to which development in developing countries has been a goal seeking to be achieved. I am asserting in my study that developing countries such as Kenya are encouraged to compete with the developed countries in spite of the challenges besetting them and hampering their quest for economic growth. This is in reference to the trade barriers that are in place and denying the African states such as Kenya and opportunity to excel in the market place. Free trade is yet to be realized as will be discussed in this project.

10. Research Constraints

The constraints expected in my study were related to the availability of information with regard to the marketing strategies of multinational companies such as Coca Cola Company, which was limited due to staff confidentiality. Moreover, literature was limited and thus not sufficient in this area of discussion. This fact demanded that I carried out in depth research and analysis to come up with material relevant to my study.

To enhance my writing, I conducted interviews from the marketing department of the Coca Cola Company, as an example of a company with a trade mark that has acquired a lot of goodwill. This assisted me in acquiring more information, information that has not been reduced to any publication but all the same useful. Further, case studies are done in a broader context of research and analysis of the relevant issues.

With regard to the regime of trade marks under intellectual property, I interviewed Dr. Ben Sihanya, Intellectual Property lecturer at the University of Nairobi Law School, due to the fact that he has knowledge and thorough expertise in dealing with the issues I was discussing. This shed more light in my writing on this area of law.

I experienced difficulties in setting up the interview dates and times so as to be convenient to the parties, the interviewer and the interviewee. In seeking to gather as much information as possible I implemented different methods of acquiring information, for example, using instruments such as questionnaires. There was also limited case law in this area of thought.

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CHAPTER 1

TRADE MARKS AS REGIME IN INTELLECTUAL PROPERTY

1.1 Introduction

This Chapter defines a trade mark and discusses the trade mark regime under intellectual property. The theme of the Chapter is that a trade mark is an invaluable asset to its owner, the innovator or the licensed trade mark determines the image and reputation of a company, built on the basis of performance of the goods that it represents in the market. Thus, a brand's charm lies in the idea.

1.2 Trade mark defined and discussed

A trade mark is defined to be a mark used or proposed to be used in relation to goods for the purpose of indicating a connexion in the course of trade between the goods and some person having the right either as proprietor or as registered user to use the mark whether with or without any indication of the identity of that person.⁶³ This definition is not by its terms limited to trade marks, which are registered. There are sections of the Act that specifically apply to unregistered marks.⁶⁴

Trade marks are a diverse and familiar feature in both industrial and commercial markets. They have long been used by manufacturers and traders to identify their goods and distinguish them from goods made or sold by others.⁶⁵ Thus, a trade mark is a distinctive sign, which distinguishes the goods or services produced or provided by one enterprise from those of another.⁶⁶ Like our own unique fingerprints that identify who we are, a company's trade marks identify its goods or services in the market place. Trade marks are closely associated with business image, goodwill and reputation. Thus, a trade mark is

⁶³ Sec 2 of the Kenyan Trade Marks Act, Cap 506 (as amended).

⁶⁴ See sec 5 of the Trade Marks Act, *ibid*.

⁶⁵ David Bainbridge (1996) *Intellectual Property*, Pitman Publishing, 3rd E, page 427.

⁶⁶ Kenya Industrial Property Institute, *Trade marks Guide, Answers to Frequently Asked Questions*, a guide that has been prepared by the Kenya Industrial Property Institute (KIPI). The guide above mentioned is available at the institute and it explores and provides user friendly information on trade marks to users and potential users.

anything that indicates source, sponsorship, affiliation or other business relationship of the goods and services.⁶⁷ We therefore start with a notion that an indicator must be perceived through one of the five senses. This includes taste, touch, smell, sight and sound.⁶⁸

A mark thus includes any distinctive e word, letter, slogan, device, brand, heading, label, ticket, name, signature or numeral or any combination whether in two dimensional or three dimensional form.⁶⁹ Some senses however lend themselves to interaction with trade marks better than others but all are capable of doing so.⁷⁰ Thus, marks are a very valuable form of intellectual property because they become associated with quality and consumer expectations in a product or service.⁷¹

Further, The English Trade Marks Act of 1994 in section 1 (1) defines a trade mark as any sign capable of being represented graphically which is capable of distinguishing the goods or services of one undertaking from those of other undertakings. Thus, in analyzing this definition it is useful that it is be seen in the light of the definition constituting three parts, that is, a trade mark is any sign, it is capable of being represented graphically and it is capable of distinguishing the goods and services of one undertaking from those of others.

It is then noted that a trade mark is a badge of origin. In other words, it indicates the source or the trade origin of the goods and services in respect of which it is used. A trade mark may do other things as well but it must act as a badge of origin.⁷² A trade mark may then be said to be what people say about you in your absence.

⁶⁷ Lawguru.com, “What is a trade mark?” <http://www.lawguru.com/cgi/bbs/user/faq.cgi?id=289> . Website accessed on 22nd June 2006 at 6.30pm.

⁶⁸ Lawguru.com, “What is the difference between a trade mark and a service mark?” <http://www.lawguru.com/cgi/bbs/user/faq.cgi?id=292>. Website accessed on 22nd June 2006 at 6.42pm.

⁶⁹ *Ibid.*

⁷⁰ <http://www.lawguru.com/cgi/bbs/user/faq.cgi?id=289>, *Ibid.*

⁷¹ David Bainbridge (1996) *Intellectual Property*, Pitman Publishing, 3rd E, page 427.

⁷² David Kitchin, David Llewellyn, James Mellor, Richard Meade, Thomas Moody – Stuart, David Keeling (2005) *Kerly’s Law of Trade Marks and Trade Names*, Sweet & Maxwell, 14th E, page 9.

1.3 The trade mark as a sign

The sign is the subject matter of a registered trade mark.⁷³ Any sign thus may serve as a trade mark provided that it can be represented graphically and can be registered. A trade mark may in particular consist of words, designs, letters, numerals or the shape of goods or their packaging.⁷⁴

Examples of trade marks in Kenya that come in words, numerals, slogans or shapes include:

Word	“JOGOO”	A registered mark of Unga Limited.
Numerals	0722	A registered mark of Safaricom Limited.
	504	A registered mark of Automobiles Peugeot of France.
Slogans	“the pride of Africa”	A registered mark of Kenya Airways.
	“MY COUNTRY MY BEER”	A trade mark of East Africa Breweries Limited.
Three dimensional marks	Coca Cola bottle	The contour device of a bottle is a registered mark of Coca Cola Company.

Other companies for example KTN and Unga Limited have used devices as trade marks. Further, there may be the combination of letters with devices, for example the KTN trade mark,⁷⁵ and the “KCB” trade mark, a registered mark of Kenya Commercial Bank.

⁷³ Jennifer Davis (2003) *Intellectual Property Law*, LexisNexis, 2nd E, page 251.

⁷⁴ Applications have been made to register the shapes of containers, for example the Coca Cola bottle, the shapes of goods, for example the Toblerone triangular chocolate, as shall be discussed herein. Slogans, radio jingles and sensory marks such as colors, smells, sounds and even gestures.

⁷⁵ KTN is a registered trade mark of the Standard Group.

1.4 The trade mark distinguishes

Thus to the trader, a trade mark is an asset. To the consumer, the main function of a trade mark is to enable him or her to identify a product, whether a good or a service of a particular company so as to distinguish it from other identical or similar products provided by competitors.⁷⁶ Thus, consumers who are satisfied with a given product are likely to buy or use the product again in the future. For this they need to be able to distinguish easily between identical or similar products.⁷⁷ For a business to survive, repeat purchasing by consumers is prudent. The trade mark should speak on behalf of the trader.

Customer ownership and branding are complementary and not dissonant concepts.⁷⁸ People do not just buy a good or a service, they buy a brand and its aura, its charm, its popularity. This is because of its credibility that it will deliver on its promise and the rapport it forms with the consumers.

It is therefore important that a trade mark reach out to the consumers in the market arena. The consumer buys the way he or she feels when they use it or when it comes into their thoughts.⁷⁹ This rapport begins with the brand, the trade mark. The trade mark idea is the big idea that gives life and character and differentiation to a trader's trade mark. Thus it is an idea that at its core has the foresight to set the stage for years of successful one to one transactions.⁸⁰ Thus, a trader's trade mark idea runs through everything that he or she does.

⁷⁶ David Bainbridge (1996) *Intellectual Property*, Pitman Publishing, 3rd E, page 427.

⁷⁷ Richard Mukoma, "A brand's charm lies in the idea," *Daily Nation* Newspaper, Nairobi, Tuesday, October 18th 2005, page 16.

⁷⁸ *Daily Nation* Newspaper, *ibid*.

⁷⁹ Emphasis shall be laid on the fact that repeat purchasing depends on the rapport that the consumer has with a particular brand. This is what eventually determines whether the consumer shall buy again or not. The consumers buy the way a product demonstrates an understanding of who they are and what it feels like to be identified by that particular product.

⁸⁰ Richard Mukoma, "A brand's charm lies in the idea," *Daily Nation* Newspaper, Nairobi, Tuesday, October 18th 2005, page 16.

As David Bainbridge puts it,⁸¹ trade marks are commercial indicators of source and they distinguish one individual company's goods from another's. They create a business image, goodwill and reputation. The basic principle therefore is that trade marks facilitate commercial transactions.⁸² Since there is a clear distinction of businesses, the consumers' expectations are fulfilled and the possibility of confusion is erased. The consumer makes a choice in buying a trademarked product. Such choices determine the businesses that excel and those that die. This is because trade marks affect the organization of the markets. They function as tools of market entry and barriers to market entry.⁸³

A trade mark acts as a tool of market entry and a barrier to market entry by being a determinant of consumers' choices.⁸⁴ The consumers expect a certain minimum quality for a wide range of goods and services, whatever mark attaches to them. As a result, the competition between goods and services has increasingly come to reside, not in their differing quality but in the relative attractiveness of the trade marks they carry.⁸⁵ An example is the competition between different athletic shoes which is based on the wide range of associations which their trade marks carry. A new competitor in this product market may face challenges in building consumer confidence.

Thus, all signs are deemed capable in principle of distinguishing the goods or services of a particular trade from those of any other trader.⁸⁶ Whether or not a sign will actually succeed in being registered depends upon whether it is capable in practice of being distinctive of a particular trader's goods or services that is to consumers in the market place.

1.5 The value of a trade mark

“...a man who engages in commercial activities may acquire a valuable reputation in respect of the goods in which he deals, or the services which he performs, or of his

⁸¹ David Bainbridge (1999) *Intellectual Property*, Pitman Publishing, London, 3rd E, page 9.

⁸² *Ibid.*

⁸³ Adrian Sterling (1997) *Perspectives on Intellectual Property*, Sweet & Maxwell, London, Volume 2, page 70.

⁸⁴ Jennifer Davis, (2003) *Intellectual Property Law*, LexisNexis, UK, 2nd E, page 245 to 246.

⁸⁵ *Ibid.*

⁸⁶ *Ibid.*

business as an entity. The law regards such a reputation as an incorporeal piece of property, the integrity of which the owner is entitled to protect....⁸⁷

Buckley, L J held that the property right is not a right in the name, mark or get up itself but that it is a right in the reputation or goodwill of which the name, mark or get up is the badge or vehicle.⁸⁸

A trade mark is a form of property with considerable value acquired through goodwill. According to David Bainbridge,⁸⁹ goodwill is the benefit and advantage of the good name, reputation and connection of a business. It is the attractive force which begins in custom. Thus it is the one thing which distinguish an old established business from a new business at its first start. Therefore, goodwill is worth nothing unless it has power of attraction sufficient to bring customers home to the source from which it emanates.

A trader can sell, give or otherwise transfer his rights to another party through an assignment. A registered trade mark is assignable or transmissible either in connection with the goodwill of a business or not. The same mark is assignable and transmissible in respect of either all the goods or all the services of which it is registered or of some of those goods or services.⁹⁰

To create a strong trade mark, there has to be a great product in the first place. The best trade marks set out to do what they say. Thus, a carefully selected and nurtured trade mark is a valuable business asset for a company. For some, it may be the most valuable asset that they own.⁹¹ Estimates of the value of some of the world's most famous trade marks such as Coca Cola or Microsoft exceed fifty billion dollars each. This is because consumers value trade marks, their reputation, their image and a set of desired qualities they associate with the mark and are willing to pay more for a product bearing a trade

⁸⁷ Buckley LJ in *H P Bulmer Ltd v. J Bollinger*, S A [1978] RPC 79 at 93.

⁸⁸ David Bainbridge, (1999) *Intellectual Property*, Pitman, London, 3rd E, page 598.

⁸⁹ David Bainbridge, *ibid*.

⁹⁰ Kenya Industrial Property Institute 2004 publication on the Registration of Trade Marks. Information therein holds that such assignment shall only be done in conjunction with the Trade Marks Office that only comes in to record and effect the change of the transaction in its register and in the registration.

⁹¹ Kenya Industrial Property Institute, *Trade Marks Guide*, 2004 publication, page 2.

mark that they recognize and meets their expectations.⁹² Therefore, the very ownership of a trade mark with a good image and reputation provides a company with a competitive edge over its competitors. This is a reason why the same deserve protection of the law. Anything of value deserves protection of the law.

The value of a trade mark is determined by the competitive advantage that exists as an edge over competitors and gained by offering consumers greater value either through lower prices or more benefits and services that justify higher prices.⁹³ Having a strong trade mark is a more powerful and sustainable source of competitive advantage. A trade mark may make the trader's good or service have a higher placement in consumers' minds than that of his or her competitors in spite of having similar physical qualities.⁹⁴ Thus, a trade mark is the relationship between a product and consumers.

Trade marks are critical to creating value within an organization.⁹⁵ This then translates to mean that it is crucial for a trade mark to be well positioned in the market and uniquely differentiated. A trade mark's strength and profitability is optimized by its positioning within the market. A strong trade mark tends to create barriers to entry for competitors and can deal with competitor market disruptions.⁹⁶

1.6 Market competition in Kenya

Are trade marks recognized features in the Kenyan product markets?⁹⁷

Competition means a struggle or contention for superiority and in the commercial world it means striving for the custom and business of people in the market place.⁹⁸ The presence of such contention draws the need for law. The law on competition developed

⁹² Kenya Industrial Property Institute, *Trade marks Guide*, note 29.

⁹³ Richard Mukoma, "The Consumer and the trade mark," *Daily Nation Newspaper*, Nairobi, Tuesday 11th April 2006, page 16.

⁹⁴ *Ibid.*

⁹⁵ Richard Mukoma, "Consumers need more protection in a free market," *Daily Nation Newspaper*, Nairobi, Tuesday 7th February 2006, page 16.

⁹⁶ *Ibid.* As shall be discussed in this paper, trade marks tend to lower price elasticity. Consumers see them as unique within their category and are willing to pay the given price.

⁹⁷ Cross reference to my LL. B Dissertation on Trade Marks Amidst Competition in Kenya, submitted to the University of Nairobi in partial fulfillment of the requirements for the award of the degree of Bachelor of Laws in 2004.

⁹⁸ Richard Whish (2003) *Competition Law*, LexisNexis, UK, 5th E, page 2.

from the necessity of protecting traders from the unfair business practices of their competitors such as imitation of their marks and passing off rival goods as theirs.⁹⁹ Firms need to be prevented from entering into agreements which have the effect of restricting competition, either between themselves or between them and third parties and which do not have any beneficial features.¹⁰⁰

Such law shall also control attempts by monopolists or firms with market power to abuse their position and prevent new competition from emerging yet benefits of competition have been outlined. Each and every economy deserves a workable competition and thus the same should be nurtured.

Common to each of these phenomena is a single idea that competition law is concerned with the maximization of consumer welfare by achieving the most efficient allocation of resources and by reducing costs as far as possible.¹⁰¹ When a trade mark reaches out to the consumers, the trader acquires market share and therefore establishing this new brand in the minds of consumers. Trade marks being commercial indicators of source and being tools used to distinguish one individual company's goods from another's, they create a business image, goodwill and reputation.¹⁰² This is the basic principle. Through trade marks, commercial transactions are facilitated. Since there is a clear distinction of businesses, the consumers' expectations are fulfilled and the possibility of confusion is erased. In buying a trademarked product, the consumer has made a choice. The choices that consumers make while purchasing products in the competitive markets determine the businesses that excel and those that die. Competition then takes off in stride.

A related benefit of competition is that it will have the dynamic effect of stimulating innovation as competitors strive to produce new and better products for consumers.¹⁰³

⁹⁹ Paul Goldstein, Edmund Kitch and Harvey Perlman (2001) *Selected Statutes and International Agreements on Unfair Competition, Trademark, Copyright and Patent*, Foundation Press, page 3.

¹⁰⁰ *Ibid.*

¹⁰¹ *Ibid.*

¹⁰² David Bainbridge (1996) *Intellectual Property*, Pitman Publishing, London, 3rd E, p.9.

¹⁰³ David Bainbridge (1996) *Intellectual Property*, *Ibid.*

This results in a positive spill over effect on the consumers who thus are exposed to a wide variety of goods and services under different trade marks to choose from.

Competition is brought about by the interaction of needs and resources in any given society. While our needs are unlimited, the resources are limited.¹⁰⁴ Competition takes its course at this point, dictating the position of each producer in the hierarchy of competitive enterprises. Each producer seeks to establish a niche in the market. The interaction between needs and resources is concluded in what is called open competitive markets.¹⁰⁵ This factor defines a trade mark to mean a mark that has distinguishing characteristics. This basic fact results in limiting the scope of signs or symbols that can be used as marks.

In holding that trade marks organize markets, emphasis is laid on the fact that ownership of a mark, which is also referred to as proprietorship,¹⁰⁶ gives what can be described as a restricted monopoly in that mark and that the proprietor of a registered trade mark has property right in the mark. Traders in any market can then be identified by their mark. This case is evident in most markets where consumers buy by the name without knowing the producer.¹⁰⁷

A good trade mark lies not only in the name but also in the quality of the product in question. Trade marks have a quality guarantee function and this is relied on heavily by traders to tap consumer confidence.¹⁰⁸ Many a times, new trade marks fail to find their way into the product markets due to the presence of strong trade marks already in place. An example arises in the case of Coca Cola and Softa Soda Trade Marks in Kenya, as

¹⁰⁴ Adrian Sterling, (1997) *Perspectives on Intellectual Property*, Sweet & Maxwell, London Volume 2, page 64.

¹⁰⁵ *Ibid*, page 65.

¹⁰⁶ David Bainbridge (1996) *Intellectual Property*, Pitman Publishing, London 3rd E, page 429.

¹⁰⁷ The trade mark speaking on behalf of the manufacturer. It is easier to refer to goods by their mark or name than by description. In Kenya it is a common feature in our supermarkets that consumers while picking goods from the shelves rely on their brand names without even taking time to read through the writings on the packaging. The protection of trade marks is the law's recognition of the psychological function of symbols as has been argued by Dr. Ben Sihanya in his study on Intellectual property confronts counterfeiting in Africa, Chapter 19, page 332. Thus, we live by symbols and actually purchase goods by them.

¹⁰⁸ David Bainbridge (1996) *Intellectual Property*, Pitman Publishing, London 3rd E, page 427.

shall be discussed in Chapter 4 of this paper. Coca Cola as shall be discussed continues to enjoy greater market share compared to its competitor Softa Soda.¹⁰⁹

Due to competition, the new trade mark has to find ways and means of competing in the market with the already present trade marks through the various marketing tools and the surest being advertising. Companies invest in advertising to create consumer awareness and therefore capture a particular product market. Advertising shall include media advertising, free samples and door to door product promotion. It is thus upon the company to discover which form of advertising is most effective.

Manufacturers promote the status quo, that is the equilibrium in the market by guessing the actions of their competitors and acting themselves in an *ex ante* neutralizing manner. On the other hand, they strive to change the status quo and set a new equilibrium through innovation, by following new methods of manufacture and putting in the market new products. They do this for a profit, employing all the information available to them and taking risks.¹¹⁰ This act results into the promotion of innovation so that everybody is keen on improving his or her product. The resultant factor is competition.

Consumers too have a competing role in the market. First they compete with each other for the best buy. They also compete with other classes of market players because they want products that suit their needs but also at prices that they can afford.¹¹¹ Thus, the role of consumers and manufacturers must be comprehensively viewed. They are individual competitive players and at the same time they are team players in a number of different squads of the competitive game.

Competition therefore takes place as a result of the interaction between the manufacturers and the consumers. Popular products compete with the unpopular ones while the

¹⁰⁹ This issue shall be further discussed in Chapter 4.

¹¹⁰ Adrian Sterling (1997) *Perspectives on Intellectual Property*, Sweet & Maxwell, London Volume 2, page 67.

¹¹¹ *Ibid.* In short consumers want choice and information in the case of competitive markets. They also need to know about the regulation covering prices, quality, penalties and compensation in the case where competition is absent.

unpopular products strive to garner popularity. Competition is an important element in the market arena due to the advantages it has to offer. The fact that manufacturers and consumers are complementing halves of the market relationship confers on them a combined competence to define the notion of trade marks as property and or channels of communication. This is in the same way that the two of them determine the performance of the economy as recorded by levels of production and allocative efficiency, progress and levels of employment and equity.¹¹² Thus the existence of trade marks signifies choice and interaction and serves as evidence of a market economy.

1.7 The trader protecting his trade mark

Registration as is seen gives a trader the exclusive right to prevent others from marketing identical or similar products under the same or a confusingly similar mark. Without such protection, a trader's investment in marketing a product may become wasteful as rival companies are able to use the same or confusingly similar trade mark for identical or similar products.¹¹³

Such an example arose in the Kenyan case of *Mumias Sugar Company Limited v. Njewaka Supermarket*,¹¹⁴ where there was an application for an injunction to restrain the defendant from packaging sugar under packets confusingly similar with the plaintiff's packaging. The plaintiff was arguing that the defendant's packaging was so similar to that of the plaintiff. Such was thus an attempt to pass off the defendant's sugar as that of the plaintiff's. Kasango J held that the defendant's packaging being similar in color and in the design layout to that of the plaintiff consumers were bound to be deceived that the same belonged to the plaintiff and not the defendant which should not be the case.

David Bainbridge¹¹⁵ defines passing off to be the use by a person on his own goods of an unregistered mark or get up belonging to another with the intention of passing off the

¹¹² Adrian Sterling (1997) *Perspectives on Intellectual Property*, *ibid*.

¹¹³ The spill-over effects of such a condition is that consumers would be misled into buying the competitor's product thinking that it is the trader's product. This decreases the trader's profits and confuses the consumers as well as being damaging to the reputation and image of the trader's company, particularly if the rival product is of inferior quality.

¹¹⁴ H. C Civil Case 49 of 2006.

¹¹⁵ In his book *Intellectual Property*, (1996) Pitman, London, 3rd E, page 429.

goods as being those of that other person. While in infringement the plaintiff needs only to show that his mark is registered, in passing off he must prove that he has a reputation, the defendant's misrepresentation and the likelihood of injury.¹¹⁶ Further, get up could include the appearance of goods, packaging or the general manner in which the goods are displayed advertised or sold.

The rationale for legal protection of the property right in a trade mark is that a trader invests capital and labor in the business to which the mark applies. Lord Chancellor Westbury insisted that a mark was protectable even though the public did not know the producer as such but used the connection with one trade source simply as a sign of quality.¹¹⁷ The owner of the mark has an economic right to benefit from it and thus the necessity of the law.

Some goods become almost synonymous with their trade name for example Coca Cola, Mars confectionery bars, Nescafe coffee and Cadbury chocolate. These are well known marks. Article 6bis of the Paris Convention gives protection to well known marks which are not registered. It allows the trade mark owner to obtain an injunction against the use of an identical or similar trade mark in relation to identical or similar goods or services where use is likely to cause confusion.¹¹⁸

In Kenya, trade mark protection may be obtained through registration or use.¹¹⁹ However, even though trade marks may be protected through use, the trader is well advised to register the trade mark. Registration provides stronger protection particularly in the case of conflict with an identical or confusingly similar trade mark.

¹¹⁶ Mbaluto J. in *Biersdorf Ag v. Emirchem Products Limited*, HCCC 559 of 2002.

¹¹⁷ *Hall v. Burrows* (1863) 4 Dr. G. J & S. 150, at page 157.

¹¹⁸ Further reading taken from Jennifer Davis, (2003) *Intellectual Property Law*, LexisNexis, UK, 2nd E, page 284 to 285.

¹¹⁹ Kenya Industrial Property Institute publication on Guide to Trade Marks, page 4.

CHAPTER 2

TRADE MARKS IN KENYAN TRADE

2.1 Introduction

In this chapter, I shall discuss the existence of trade marks signifying choice and interaction in Kenya. Trade marks connect the trader and the consumer and therefore serve as evidence of a market economy being present. Thus, there is a place where the objective orchestration of supply and demand find the conditions for their realization in the universe of possibles which each of the fields of production offers them. Further, the most varied tastes meet herein.¹²⁰ This is made possible due to the organization that trade marks bring, as shall be discussed herein.

2.2 The role of trade marks in trade

Trade marks are ubiquitous; they are everywhere. There is the need to distinguish what one is selling from what others are selling. A symbol is applied or attached to goods or services offered for sale to enable the potential buyer to identify the goods, their source or origin. The symbol is the trade mark. Its main purpose is to inform the society about the manufacturer of the goods and services bearing such a mark.¹²¹ A trade mark is a testimony as to the value placed on those goods and services by businesses and by society around the world. This further means that trade marks communicate.¹²² A fundamental principle is that there is a connection between a trader and the goods or services in question and there can be no such connection if the mark is not being used.

Trade marks have a direct affect on the costs of production since the cost of branding is incorporated into the total cost of the product.¹²³ Thus, trade marks have a role to play in the operation of trade, information and advertising channels. By definition, it is realized

¹²⁰ Adrian Sterling (1997) *Perspectives on Intellectual Property*, Sweet & Maxwell, Volume 2, page 68.

¹²¹ *Ibid.*

¹²² David Bainbridge (1996) *Intellectual Property*, Pitman Publishing, 3rd edition, page 429.

¹²³ *Ibid.*

that trade marks are used to identify the existence of products that can be readily substituted.¹²⁴ This thus means that consumer choice in any given market is facilitated by the presence of trade marks therein.¹²⁵ Trade marks guide consumers' purchasing decisions thereby determining market trends.

Being tools of market entry and or barriers to market entry, trade marks affect the organization of the markets and thus trade.¹²⁶ Trade marks provide businesses with a chance to mitigate the costs of an investment.¹²⁷ Trade marks feature in trade by carving out a niche in the market in question and competing against the other trade marks in the same line so as to create a market and thus the trade mark connects the trader and the consumer.¹²⁸ The trade mark reaches out to the consumer and the communication created draws the consumer into purchasing the branded product. This is due to the fact that trade marks link the trader to the consumer.¹²⁹ The survival of any trade marks thus depends on repeat purchasing by the consumers and proper product knowledge by the consumers, created through advertising.¹³⁰

2.3 Trade marks an important aspect in Kenyan trade

A trade mark's character is split between monopoly, territoriality and globalization.¹³¹ Thus, a trade mark in the organization of a product market can possibly create a monopoly status by the fact that one particular trade mark in a product market could be popular with the consumers. Its function as an information carrier enables a trade mark to be known far and wide and therefore enter into territories and this further enhances

¹²⁴ David Bainbridge (1996) *Intellectual Property*, Pitman Publishing, 3rd edition, page 429.

¹²⁵ Adrian Sterling (1997) *Perspectives on Intellectual Property*, Sweet & Maxwell, Volume 2, page 68

¹²⁶ *Ibid*, page 70.

¹²⁷ By this is meant that trade marks give businesses the means to test market products and learn more about the likely fate of any project. Trade marks intervene in the markets before and even after putting a product in the market by representing the respective producers and manufacturers. This is made possible through advertising and marketing strategies as discussed in Chapter 3 of this project paper. Thus, all in all, trade marks enable businesses to diversify to other markets by transferring their goodwill from one national market to another and or from one field of activity to another. Examples of brands or trade marks that have soared into other national markets include Barclays, Marks & Spencer and Coca Cola soft drink brand.

¹²⁸ This shall be further discussed in Chapter 4 of this project paper, The Coca Cola trade mark being an example of a trade mark that has carved a niche in the market, evidenced by the market share it holds.

¹²⁹ David Bainbridge, *ibid*.

¹³⁰ *Ibid*, page 429. Advertising permits the creation of an image associated with a product that might have nothing at all to do with the qualities of the product itself.

¹³¹ Adrian Sterling, *ibid*.

globalization. Thus, the basic economics of information is important for both consumers and traders. This is due to the fact that trade marks have a role to play in the process of buying and selling which can also be described as the interaction between the consumer and the trader.

A product in a market is matched with the brand image.¹³² Product performance is possibly the most basic attribute that a trader should strive to perfect. Consumers normally have certain expectations about the product that must be met. In the event that a certain trade mark does not meet the needs of the consumers or does not live up to the promises it offers, the trader will end up with disappointed consumers who will most likely never try the product again. Even worse, the consumers may spread their bad experience to potential consumers.¹³³

A trade mark's role in trade comes into perspective. Consumers buy by the trade mark.¹³⁴ The difference between trade marks and other forms of intellectual property rights is with regard to the fact that in trade marks, it is not enough that the innovator comes up with a brand name and demands ownership or entitlement to it. It goes further. The name should also represent the product and the expectations of the consumer in that particular product. Otherwise, its performance in the market locally and internationally shall be hampered if it does not gain popularity with the consumers therein.

The subject of trade marks is created because many traders deal in goods with similar characteristics. Differentiation is prudent. A trader may have a trade mark but his or her products do not offer the promised consumer satisfaction. A trader's trade mark will gain popularity in the event that he or she is true to the promise granted to the consumers in the event of the use of the said product. The trade mark once again reaches out.¹³⁵ Thus, by maintaining the product at the expected quality, the trader is able to optimize the price

¹³² Richard Mukoma, "Match the product with brand image," *Daily Nation* Newspaper, Nairobi, Tuesday, March 7th 2006, page 16.

¹³³ Essentially then, the rule of the thumb is that product performance in the market must support the trade mark and should live up to consumer expectations in all its aspects.

¹³⁴ Richard Mukoma, "Match the product with brand image," *ibid*.

¹³⁵ Richard Mukoma, *ibid*.

value equation.¹³⁶ Consumers purchase the products with an assurance of the value therein. This is made possible because consumers recognize the products' consistent quality and are sure about they will get each time they use it. They will therefore be willing to pay the price.¹³⁷

Trade marks amidst market performance is illustrated by the Kenyan example of the Coca Cola trade mark and the Softa Soda mark. Softa Soda, a competitor in the soft drink industry, just as Coca Cola is, entered the market and with marketing skills that included advertising and offering price advantage over Coca Cola the main competitor, Softa Soda still lacks the needed consumer confidence in the soft drinks market. Though Coca Cola products cost more,¹³⁸ it has created for itself a niche in the carbonated soft drinks market in Kenya, as shall be deeply discussed in Chapter 3. Coca Cola may be said to have created an impression in people's minds to be able to stay on strongly in the carbonated soft drinks industry. It now faces competition in other markets that include juices and water as I illustrate presently.¹³⁹ Kenya' growing population has contributed to the growth of its soft drinks industry.

There are many companies arraigning their products on the market shelves, each hoping to outdo the other. Examples of companies in the soft drinks and beverage industry in Kenya include;

Name of Company	Products Produced
Quencher Industries	Juices in a variety of flavours

¹³⁶ Richard Whish (1989) *Competition Law*, Sweet & Maxwell, 2nd edition, Chapter 19.

¹³⁷ David Bainbridge (1996) *Intellectual Property*, Pitman Publishing, 3rd edition, page 430.

¹³⁸ A bottle of Coca Cola Company's soda costs Kshs 20 while that of Softa Soda costs Kshs 10. Coca Cola has 98% market share in the carbonated soft drinks market. Information sourced from Margaret Osiemo, Brand Manager, Coca Cola Africa, East Africa and Islands Region, Interview carried out on July 4th 2006 at the Coca Cola's Head Office in Upper Hill, Nairobi.

¹³⁹ Peter Munatia, "Coke: The Unfamiliar Taste of Real Competition" *Daily Nation* Newspaper, Nairobi, Monday, May 17th 2007, page 16. The author traces Coca Cola's decision to shut down two key bottling plants in Kenya to a tidal wave of new beverages that include Malta Guinness from Kenya Breweries and Softa Soda from Kuguru Food Complex. Competition is facing Coca Cola on all fronts, as shall be discussed in Chapter 4 of this project paper.

Highlands Company	Juices in a variety of flavours and bottled water
Keringet Water Company	Bottled water in assorted bottle sizes
Delmonte Kenya	Fresh fruit juices and tinned fruit
Delamare Company	Milk products
Cadburys Kenya	Chocolate beverages and other chocolate products
Ketepa Kenya Tea Company	Processes and packages tea for human consumption
The Coca Cola Company	Carbonated drinks, juices and bottled water.

Thus, a trade mark being a word, name, symbol, device or other designation or a combination of such designations, that is distinctive of a person's goods or services in the same product market, it is used in a manner that identifies those goods or services and distinguishes them from the goods or services of others.¹⁴⁰

Trade marks having a role in trade is further emphasized by the fact that trade marks have proved a source of value for businesses across the full spectrum of business activities from human resources to product development and of course market share and customer loyalty.¹⁴¹

Another important role of strong trade marks in the economy is with regard to their effect on cash flow in the economy.¹⁴² Popular international brands that have succeeded in

¹⁴⁰ Paul Goldstein (2001), *Selected Statutes and International Agreements on Unfair Competition, Trade Mark, Copyright and Patent*, New York Foundation Press, 2001 Edition, page 5. Further, see Chapter 1 of this project paper.

¹⁴¹ Richard Mukoma, "Brands can enhance cash flow," *Daily Nation* Newspaper, Nairobi, Tuesday, March 28th 2006, page 16.

¹⁴² *Ibid.* By analyzing the profit and loss and cash flow statements of a business, one can be given a good indication of the value of their brands. Stronger brands deliver stronger revenue growth which creates stronger cash flows. This is because strong brands command stronger consumer loyalty leading to high

brand extension, the presence of such brands in different national territories prove to be a source of revenue to the countries in which they are found. When such brands capture particular markets in such countries, the spill over effect is that the economy is boosted and the consumers are treated to a variety of goods and thus an opportunity of choice. Thus, as the economy grows, so do brands.

When an economy grows, consumers' spending power increases and their purchasing habits begin to shift towards higher quality and luxury goods and services. The effect might not be immediate but is clearly evident after a while. This is the trend that is occurring in China now whose economy is growing at 9.7 per cent.¹⁴³ Designer brands like Valentino, Gucci and Buccelati,¹⁴⁴ had previously been available to a small elite. This situation is gradually changing over the years with the youth especially beginning to appreciate quality products due to their inherent nature of accepting and wanting to be part of change whenever such a need arises.¹⁴⁵ This is further enhanced by growing prosperity among the middle class driven by the growing proportion of wealthy entrepreneurs. This has promoted luxury brand manufacturers especially in Europe and the USA to turn their attention to this massive population which if current growth trends are anything to go by, promises to become the world's largest consumers.¹⁴⁶

Thus, if Kenya's economic growth continues consistently, there will be a gradual increase in demand for higher quality goods and services.¹⁴⁷ The growing number of high class restaurants and clubs like Java and Galileo's,¹⁴⁸ goes to show that there is room for such economic growth and appreciation for higher quality goods and thus brand development.

sales. Strong brands are also less risky and therefore the rates at which cash flows are discounted are less severe.

¹⁴³ Richard Mukoma, "As economy grows so do brands," *Daily Nation* Newspaper, Nairobi, Tuesday, July 4th 2006, page 16.

¹⁴⁴ These are designer brands, Valentino dealing in designer clothes, Gucci dealing in perfumes, leather products and clothes and Buccelati also dealing in clothes and has a line of perfumes. These brands originate from Europe and the United States of America.

¹⁴⁵ Richard Mukoma, *Ibid.*

¹⁴⁶ Richard Mukoma, note 66.

¹⁴⁷ This is averred from world occurrences in countries that have risen economically and thus having an increase in demand and supply of goods. Purchasing power increases with such growth.

¹⁴⁸ These are restaurants within Nairobi's central business district and its environs.

There is also an advantage offered to the trader who invests in a different locality or foreign market. An example is the act of Coca Cola move to open its Somalia plant in July 2004. The company commenced production of its range of soft drinks at a new state of the art facility in Mogadishu after a 15 year absence in that country.¹⁴⁹ Production in Somalia's capital means that Coca Cola is now produced and is readily available in all the 56 countries and territories on the African continent. This move has enhanced Coca Cola's brand popularity and this offers an economic advantage to the Coca Cola Company over other soft drink producing companies in Africa and regions beyond.

Thus, it may then be noted that trade partners tend to have more faith in strong trade marks or brands because they are more or less guaranteed to sell them faster. There is confidence that the strong brand will not stay on the shelf for too long or become dead stock.

2.4 The impact of trade marks in the Kenyan market arena

Intellectual Property accords to the creator of an idea protection that is necessary to cover his justifiable rights and not to obtain exclusive rights further than is consistent with reason and fair dealing. The function of the law and the court as Fry J framed it is to draw a line between fair and unfair competition, between what is reasonable and unreasonable.¹⁵⁰

Thus, a brand is what people say about its owner in his or her absence.¹⁵¹ A brand has at its heart a defining idea that is differentiating, that lodges itself in people's mind. So you can create more distinctively differentiated brands in an increasingly crowded market place.¹⁵²

¹⁴⁹ Isaac Esipisu, "Coke opens its Somalia Plant," *Daily Nation* Newspaper, Nairobi, Wednesday, July 7th 2004, page 21.

¹⁵⁰ *The Mogul Case* [1889] 23 Ch. D. 598.

¹⁵¹ John Simmons, "A brand is what people say about you in your absence," *Daily Nation* Newspaper, Nairobi, Tuesday, June 29th 2004, page 12.

¹⁵² *Ibid.*

The impact of trade marks in the market arena is based on the fact that a brand is a promise of what the company or product represents and it cannot choose to be one thing to one audience and something else to another.¹⁵³ Thus, the brand idea runs through everything one does. People represent the brand. The trader invests in brand management to ensure that the impact that that particular brand has on the market remains a positive one. This is because a brand exists only in people's minds as a collection of feelings and perceptions.¹⁵⁴

Trade marks have a role to play in the domain of economics. The law to protect them developed from the necessity of protecting traders from the unfair business practices of their competitors such as imitation of their marks and passing off rival goods as theirs.¹⁵⁵ The consumer out there requires information. The manufacturer of a product relates to a consumer through these identity marks. The marks designate where the goods are coming from and by this, act as indicators of trade source.

In Kenya it is a common feature in the supermarkets that consumers while picking goods from the shelves rely on their brand names without taking enough time to read through the writings on the packaging. The protection of trade marks is the law's recognition of the psychological function of symbols.¹⁵⁶ Thus, we live by symbols and actually purchase goods by them. The owner will finally be able to be identified with his products, a case which would not have arisen if he or she did not have a mark identifying him or her with those products and services.

An example in Kenya arises from the tea industry. Most producers use green packaging and this is what is in the shelves in the supermarkets. Examples include Ketepa tea,¹⁵⁷

¹⁵³ *Ibid.*

¹⁵⁴ John Simmons, *ibid.* Hence a brand can be a product, a person or even an event as long as they communicate a clear focused and consistent character over time. Good examples of people who have become brands with global influence include Michael Jordan, Ralph Lauren and Giorgio Armani. Consumers wanting to be identified with these persons shall buy products bearing their trade marks. Another example is The Olympics is a brand that moves its venue but never its venerable position as the premier sporting competition in the world.

¹⁵⁵ This point is further discussed in Chapter 5 which emphasizes on trade mark infringement.

¹⁵⁶ Dr Ben Sihanya, "Intellectual property confronts counterfeiting in Africa," page 332.

¹⁵⁷ Ketepa tea is processed tea, a product of Ketepa Kenya Tea Company.

Melvins Tea,¹⁵⁸ and Kericho Gold Tea,¹⁵⁹ just to name a few. The consumer though, has a brand name in mind and by choice, will pick from a particular producer. The number of consumers who purchase it makes the strength of a brand known.

2.5 Trade mark protection in Kenya

Trade mark law protects consumers by prohibiting competitors from selling inferior quality goods to an unsuspecting public who take them for quality goods from the trader they know. Thus the law takes cognizance of commercial and social realities of the business world.

Consumers almost always buy by the trade marks or product names of the goods without meticulous investigation as to their qualities.¹⁶⁰ It is not therefore open for a trader to argue that he or she is not guilty of trade mark infringement or passing off or other form of unfair trading since he or she did not imitate his or her rival's mark exactly yet his or her imitation was close enough for the public not to bother to prefer one brand or the other.

An example in Kenya arose in the case of *Biersdorf Ag v. Emirchem Products Limited*,¹⁶¹ where Biersdorf Ag, a company incorporated in Germany, registered it as the proprietor of trade marks consisting of the words Nivea and Nivea Crème. Emirchem Products was manufacturing and selling in Kenya a product known as the Nivelin Pure Petroleum Jelly. This formed the basis of the dispute between the parties. The plaintiffs claimed that the name Nivelin was so similar to the name Nivea as to be an infringement of its trade mark, as was the identifying get up on the jar in which the Emirchem marketed Nivelin, designed so as to pass off the product as that of Biersdorf. The colors too were both white and dark blue colours. The plaintiff established that there was goodwill or a reputation that was attached to the goods. Mbaluto J. held that these similarities were sufficient to

¹⁵⁸ A product of Melvin Marsh International Limited.

¹⁵⁹ A product of Gold Crown Beverages (Kenya) Limited.

¹⁶⁰ Sampling to prove the same was done in Uchumi Supermarkets and Nakumatt Supermarkets in Nairobi, Kenya during the duration of writing this project paper.

¹⁶¹ H. C. Civil Case 559 of 2002.

cause confusion to consumers. Emirchem who were new entrants in the market had the freedom to choose any other name.

In *Sanchoo v. Jonkoping*,¹⁶² the defendant's trade mark comprising a drawing of three tigers was held to infringe the plaintiff's, which comprised three lions. The court took judicial notice of the customers, who were unsophisticated Africans and could not differentiate between familiar animals or identifying the two brands of matches. To them the trade marks were very similar. The law thus requires that trade marks should not confuse consumers as to the qualities of the goods. Traders are also prohibited from registering or using identical or deceptively similar marks. However, the test for deceptiveness is very objective.

Section 7 of the Kenyan Trade Marks Act,¹⁶³ describes the exclusive nature of the right given by registration. These include the exclusive rights that he acquires and shall be deemed to be infringed by any person who, not being the proprietor of the trade mark or a registered user thereof using by way of the permitted use, uses a mark identical with it or so nearly resembling it as to be likely to deceive or cause confusion, in the cause of trade, in relation to any goods in respect of which it is registered.

However, the right to the exclusive use of a trade mark comes with responsibility. The owner acquires the all important right to stop imitations but must not use his or her mark deceptively otherwise he may be criminally liable or deprived of it or refused the right to enforce it. Part XI of the Act deals with offences that a trade mark owner can commit and the penalties therefore.¹⁶⁴

Section 14 acts the shield, which the law provides against infringers since it gives three grounds of opposition to registration, which include likelihood to deceive or cause confusion, the mark being contrary to law or morality and the mark being of scandalous

¹⁶² [1958] E A 463.

¹⁶³ Cap. 506 (as amended).

¹⁶⁴ See section 57 and 58 of the Trade Marks Act.

design. Deception is prevented on the consumers' part and protection is granted to prior registered marks.¹⁶⁵

In Kenya, protection through registration is governed by the Trade Marks Act (Cap 506) as amended. In order for a trade mark to be registrable it must contain or consist of at least one of the following essential particulars: -

- i. The name of a company, individual or firm, represented in a special or particular manner.
- ii. The signature of the applicant for registration or some predecessor in his business.
- iii. An invented word or invented words.
- iv. A word or words having no direct reference to the character or quality of goods and not being according to its ordinary signification a geographical name or a surname.
- v. Any other distinctive mark, such as a name, signature or word or words.¹⁶⁶

A question worth asking thus may be why registration of a trade mark is important. Registration of a trade mark is direct evidence of exclusive ownership in Kenya and it helps keep off potential infringers who would be attempted to ride on the goodwill of a trader's mark.¹⁶⁷

Trade mark registration protects the trader's rights easily in case someone challenged them since the burden is on the challenger to prove any rights in dispute. The process of registration with its thorough checks for conflicting trade marks ensures that a trader has

¹⁶⁵ As was discussed in Chapter 1 of this project paper, The Kenya Industrial Property Institute as stipulated in Section of 12 of the Industrial Property Act holds that the registrar will reject an application for a mark that is identical or which resembles a mark belonging to another proprietor and is already registered or pending registration, or if it so nearly resembles such other mark as to be likely to deceive or cause confusion.

¹⁶⁶ Mr. Rombo, trade marks examiner, Kenya Industrial Property Institute, interview carried out on July 5th 2006 at 11.00am at the Kenya Industrial Property Institute Office in Nairobi. Supplementary information on the same is available on the Kenya Industrial Property Institute brochure on Registration of Trade Marks, 2004.

¹⁶⁷ *Ibid.*

a unique trade mark that does not resemble any other parties and in so doing helps one to avoid infringement of other parties' rights.¹⁶⁸

An example in Kenya showing the need for a unique trade mark arose in the case of *Match Masters Limited v. Rhino Matches Limited*,¹⁶⁹ where there was an application by the Applicant for an injunction to restrain the Respondent from using the brand name "Rhino" on their products where the Respondent is using the name of the Applicant on his match box. The Applicant established a prima facie case that the Respondent was using the Applicant's brand name prominently and thus the Respondent was liable for infringement under the Trade Marks Act Rule 67 and 68. The Applicant proved that he was first in the use of the particular trade name.¹⁷⁰

Registration is not mandatory. Using a mark for a certain length of time can establish your ownership through common law but it is highly advisable to register a trade mark.¹⁷¹ Thus, registration is direct evidence of one's ownership and enables a trader to more easily protect his or her rights should someone challenge the same. A registered trade mark is also a valuable asset for business expansion especially so through licensing franchises.

The need for such registration arises when a trade mark owner seeks to expand his business territorially. The trade mark shall be recognized as his or hers in other territories and the name thus not infringed upon. Such examples in Kenya are the "Steers" and "Nandos" fast food restaurants. These are South African Companies that have franchises in Kenya. Since the trade marks are registered, they are recognized as thus.

2.6 Registration Procedures

Trade marks in Kenya are registered at the Kenya Industrial Property Institute, a corporate body established under the Industrial Property Act, 2001. The main functions

¹⁶⁸ *Ibid.*

¹⁶⁹ H.C Civil Suit 314 of 2006.

¹⁷⁰ This then goes to prove that the implementation of proper trade mark laws is important in discouraging unfair competition.

¹⁷¹ Kenya Industrial Property Institute 2004 publication on Registration of Trade Marks, page 2.

of the institute are to grant and register industrial property rights which include patents, industrial designs, utility models and trade and service marks; screen technology transfer agreements and licenses; provide to the public industrial property information and promote use of industrial property in Kenya.

Trade mark registration involves about six steps.¹⁷² There is first carried out a preliminary search either by the applicant mainly through agents or by the registrar. The importance of a search is that it determines whether the trade mark is registrable or not and also whether there exists in the records a trade mark that could be confusing with the one in question. Emphasis shall be placed on the fact that such a search will also help one avoid trade mark infringement and potential lawsuits that might occur if he went straight ahead in applying for registration.

Application for registration follows after the search has been carried out. A person claiming to be the proprietor of a trade mark used or proposed to be used by him and is desirous of registering it shall apply in writing to the Registrar in the prescribed manner for registration.¹⁷³ A filing date and an application number shall be issued to the applicant after application.

The Trade Marks Office shall then examine the trade mark in question. This involves examining whether the mark meets all the criteria that allow a mark to be registered. It also involves carrying out a search among all registered and pending marks awaiting registration to see if there are similar marks that might hinder the mark from being registered to avoid any possible confusion from arising in the future.¹⁷⁴

It is then prudent that there be advertisement or publishing of the trade mark in the Kenya Gazette.¹⁷⁵ When an application is advertised in the Kenya Gazette, it allows members of the public an opportunity to raise objections to the pending applications prior to

¹⁷² Mr. Rombo, *supra*. Further information on registration of trade marks in Kenya is available on Kenya Industrial Property Institute pamphlet on Registration of trade marks, published in 2004, available at the Institute and on [Http://www.kipo.ke.wipo.net](http://www.kipo.ke.wipo.net).

¹⁷³ Mr. Rombo and Mr. Sylvance Sange, Kenya Industrial Property Institute trade mark examiners, interview carried out on 6th July 2006 at 9.30am at the Kenya Industrial Property Institute office in Nairobi.

¹⁷⁴ Mr. Rombo, note 40.

¹⁷⁵ Kenya Industrial Property Institute 2004 publication on Registration of Trade Marks, page 4.

registration. Thus this is a means of weeding out trade marks that conflict with those of other owners.

There is then time set to allow for opposition.¹⁷⁶ Any aggrieved party with valid grounds may oppose the registration of a trade mark so advertised in the Kenya Gazette. In practice this is now published in the Industrial Property Journal.¹⁷⁷ An opposition must be made within two months of the publication date either by filing a statement of opposition together with an assigned fee or by requesting an extension of time to oppose with no initial fee paid.¹⁷⁸ At the end of the process, the Registrar makes a ruling that is binding.

Registration and issuance of the Registration Certificate then follows. The trade mark is thus entered into the Trade Marks Register.¹⁷⁹

2.7 The trade mark linking the trader and the consumer

The best brands set out to do what they say.¹⁸⁰ Consumer ownership and trade marks complement each other.¹⁸¹ This then means that through a trade mark a rapport is established with its consumers. Due to this fact, it is prudent that a manufacturer have this in mind while placing his products in the market. There is practically no brand that is exclusively consumed by the target audience intended by the manufacturer. Every brand tends to be consumed to varying degrees by a wide spectrum of the population.

Assessing the strength of a brand's consumer franchise is thus important.¹⁸² This is the only way to determine whether the trade mark and the consumers have been finally linked. The strength of a trade mark is its ability to distinguish the goods or services of one from the goods and services of another.¹⁸³ The strength of all other trade marks is a

¹⁷⁶ Mr. Slvance Sange, *supra*.

¹⁷⁷ Dr. Ben Sihanya informed me of this fact. This followed law reform to allow KIPi to publish the journal.

¹⁷⁸ *Ibid*, note 40.

¹⁷⁹ *Ibid*.

¹⁸⁰ John Simmons, "A brand is what people say about you in your absence," *Daily Nation* Newspaper, Nairobi, Tuesday, June 29th 2004.

¹⁸¹ Richard Mukoma, note 66.

¹⁸² Richard Mukoma, *ibid*.

¹⁸³ Wikipedia, *Overview of Trademark Law*, available on

<http://www.lawguru.com/cgi/bbs/user/faq.cgi?id=301> Information accessed on July 21st 2006 at 6.58 pm.

function of the uniqueness of the mark compared to the goods or service coupled with the level of consumer recognition of the trade mark.

An important factor to be considered when such a determination is being made lies on the pricing mechanism. The purchasing power of consumers in particular places has to be considered if a trade mark is intended to gain popularity amongst the said consumers. It is not enough that the product offers the promised satisfaction. It is also important that the consuming public is able to afford the same.¹⁸⁴

When carrying out an assessment, a manufacturer or trader should find out at what point in their lives and for what reasons consumers start using his trade marked product.¹⁸⁵ Since every manufacturer creates a product with a certain target audience in mind, it is important to determine whether the brand is popular amongst the people who should be its natural users.

Thus, the consumer is an asset to the trader. However, their interaction only comes into play through the trade mark that also has the responsibility of protecting the public.¹⁸⁶ Trade marks indicate source, sponsorship, affiliation or other business relationship and are used to prevent consumer confusion. As a result, the public uses trade marks to know who made the product or who stands behind the service.

Trade marks are in essence the proper name, much like a given name and are used to know exactly who is providing the product to the consumers. Thus, the benefits that flow to the consumer include consistency of quality and character so that the consumer does

¹⁸⁴ This fact can be well illustrated by the example of the Coca Cola trade mark in the soft drinks market. For a product like Coke, pushed in the market through aggressive marketing, the appeal is easily lost once a customer gets a substitute. Coke was recently forced to resort to price competition after its strategy based on depicting rival products as inferior proved ineffective with consumers grappling with reduced purchasing power. This point is further discussed in Chapter 4 of this project paper.

¹⁸⁵ This goes on to suggest that the manufacturer should in the same quest find out when the said consumers begin leaving the use of that particular product.

¹⁸⁶ Lloyd L.Rich, "Overview of Trademark Law," available on <http://www.lawguru.com/cgi/bbs/user/faq.cgi?id=294> Information accessed on July 21st 2006 at 6.52 pm. More information can be sourced from him through the email address rich@publishingattorney.com.

not need to open the packaging on each product to know the quality of what is inside.¹⁸⁷ The innovator, through his trade mark, exercises a quality guarantee function. Whatever he produces should measure up to the consumer's expectation. The consumer's tastes change and this becomes crucial to the trade mark owner since the consumer may not make the trade mark his or her choice again. This is the point at which investment in advertising is done.¹⁸⁸

To the trader, the trade mark is a commercial asset. It nurtures consumer loyalty. The trade mark is the identifier of the product or service in that it separates the associated goods and services from all other competing goods and services.¹⁸⁹

¹⁸⁷Wikipedia, *Overview of Trademark Law*, available on

<http://www.lawguru.com/cgi/bbs/user/faq.cgi?id=295> Information accessed on July 21st 2006 at 6.58 pm.

¹⁸⁸Margaret Osiemo, Brand Manager, Coca Cola Africa, East Africa and Islands Region, Interview carried out on July 4th 2006 at the Coca Cola's Head Office in Upper Hill, Nairobi. Chapter 4 of this project paper discusses advertising and the role it plays in marketing.

¹⁸⁹ The motivating factors are based on a consumer's personal experience, recommendations by others and even the way goods are advertised. In a capitalist economy the trade mark owner does not sit back after revealing his mark. He has to go an extra mile by using strategies that draw consumers to his fold.

CHAPTER 3

TRADE MARKS AMIDST COMPETITION IN KENYA'S COMPETITIVE ECONOMY

3.1 Introduction

This chapter discusses the role of trade marks in competition and in the organization of product markets. Vigorous competition between firms is the lifeblood of strong and effective markets. Competition helps consumers get a good deal. It encourages firms to innovate by reducing slack, putting downward pressure on costs and providing incentives for the efficient organization of production.¹⁹⁰

3.2 The role of trade marks in identifying goods and services

Trade marks are a diverse and familiar feature in product markets. Trade marks have long been used by manufacturers and traders to identify their goods and distinguish them from goods made or sold by others.¹⁹¹ This makes trade marks a very valuable form of intellectual property because they become associated with quality and consumer expectations in a product.¹⁹²

Goods have over the years been identified with their trade marks,¹⁹³ and thus it is important for their owners to have their commercial interests protected. The foundation of intellectual property is that the proprietor should own what he produces, that which he brings into being.¹⁹⁴ Kenya's economy is rapidly developing and competition features are apparent as is evidenced by the number of producers in the markets each competing for a niche and consumer convince in their products. Further, other producers in dealing with competition have introduced new products in addition to the products they are known to

¹⁹⁰ Richard Whish (2003) *Competition Law*, LexisNexis, UK, 5th E, page 16.

¹⁹¹ David Bainbridge (1996) *Intellectual Property*, Pitman Publishing, London 3rd E, page 428. Bainbridge goes to explain how in the Roman times it was common for pottery to be embossed or impressed with a mark, for example a representation of a dolphin or the maker's initials. Thus from the beginning, traders were in the quest for identity. Trade marks facilitated this.

¹⁹² See Theoretical Framework, page 5 of this project paper.

¹⁹³ Such goods include Coca Cola, Hovis bread, Nescafe coffee, Cadbury chocolate and Levi jeans.

¹⁹⁴ Dr. Ben Sihanya, Class Lecture to LL.B IV Module II on *Natural Rights, Human Rights, Moral Rights in Perspective, to Intellectual Property*, June 30th 2004. Notes available on file at Innovative Lawyering.

produce.¹⁹⁵ There is need for identity, this being the reason for the trade marks features in the Kenyan competitive economy. Further, investment is stimulated by the presence and enforcement of laws that ensure that the manufacture of new products will be profitable where they are useful and commercially attractive to attain a viable level of sales.¹⁹⁶ Such laws should be enforced due to the advantage they offer to innovators and their innovation.

3.3 Trade marks and market competition in Kenya

David Bainbridge in his book *Intellectual Property*,¹⁹⁷ avers that trade marks can be seen as serving two main purposes. The first purpose is to protect business reputation and goodwill. The second purpose is to protect consumers from deception.¹⁹⁸ Under the theme of market competition, the role of trade marks in protecting business reputation and goodwill is emphasized. Deception could relate to the origin of the goods, either by connection with the proprietor or by false reference or implication as to the place of manufacture.¹⁹⁹

An example in Kenya arose in the case of *Cut Tobacco Limited v. British American Tobacco*,²⁰⁰ where it was held that there has to be available evidence in decided cases on deception to prove that the intention of a trader was to deceive the buying public. In *Beiersdorf Ag v. Emirchem Products Limited*,²⁰¹ it was held that the proprietor of a trade mark has the exclusive right over it and any person who wishes to use it can do so only with a license from the proprietor. The confusion engendered by the defendants resulted in damage which could not be recovered by monetary compensation.

¹⁹⁵ An example in Kenya is the Postal Corporation of Kenya that has faced competition on all fronts due to technological advancement that has seen the writing of letters by the public reduce. Postal Corporation of Kenya in August 2007 introduced Posta Pay, an electronic money transfer system to increase its revenue.

¹⁹⁶ David Bainbridge (1996) *Intellectual Property*, Pitman Publishing, London, 3rd E, page 429.

¹⁹⁷ David Bainbridge (1996) *Intellectual Property*, Pitman Publishing, London, 3rd E, page 430.

¹⁹⁸ This means that the buying public is protected from purchasing inferior goods or services in the mistaken belief that they originate from or are provided by another trader.

¹⁹⁹ David Bainbridge (1996) *Intellectual Property*, Pitman Publishing, London 3rd E, page 443.

²⁰⁰ H. C Civil Appeal 126 of 2000.

²⁰¹ H.C Civil Case 559 of 2002.

This brings to the picture the issue of unfair competition. As Richard Epstein puts it, "...the critical point is that the exclusive possession claimed by one is likely to impose very high costs on all non owners, relative to the gains obtained by the holder of the property...."²⁰² Innovators and investors are rewarded for expending skill, money, time, judgment and energy in order to come up with attractive designs and articles so as to measure up to or outdo the competition.²⁰³ The function of the law and the court as Fry J framed it is to draw a line between fair and unfair competition, between what is reasonable and unreasonable.²⁰⁴

Law is a necessity in the Kenyan markets and one of the reasons for its presence is because traders have to be prohibited from making untrue statements or giving untrue information in the names or marks applied on their goods.²⁰⁵ There is need for legal protection of the reputation a trader builds in a certain name in relation to certain goods or services. Other traders should not take advantage of this goodwill to sell their goods or services as the trader's to the unsuspecting public. This was the message that was inscribed by Lord Halsbury when he declared that nobody has the right to represent his goods or services as the goods or services of somebody else.²⁰⁶

Further in *Unilever Plc v. Bidco Oil Industries*,²⁰⁷ it was held that the similarity in the get up and words used on rival products in the course of trade could amount to deception. In this case where the plaintiff was the proprietor of a trade mark "Blue Band" for its margarine and the defendant was selling its margarine under the names "Gold Band" it

²⁰² Adrian Sterling, (1997) *Perspectives on Intellectual Property*, Sweet & Maxwell, London, vol. 2, page 17.

²⁰³ Dr. Ben Sihanya, "Intellectual Property Confronts Counterfeiting in Africa," Chapter 19, page 337.

²⁰⁴ *The Mogul Case* [1889] 23 Ch. D. 598.

²⁰⁵ Richard Whish (1989) *Competition Law*, Sweet & Maxwell, 2nd E, Chapter 19.

²⁰⁶ *Reddaway v. Benham* [1896] AC 119, at 204. Thus, Social considerations are also very important. Where, for instance, the types of customers targeted by the traders are illiterate or generally unsophisticated the courts apply the rule against misdescription very stringently. Here customers are not expected to be alert and will easily fall prey to the activities of imitators.

²⁰⁷ H.C Civil Case 1447 of 1999. Unilever Industries is an example of a company in Kenya in the manufacture of soap and other household products. It has branches that include Unilever Tanzania, Unilever Ethiopia and Unilever Uganda, all in the same line of production. Bidco Oil Industries, a company incorporated in Kenya is in the production of cooking oil, soap and spices used in cooking. Its head office is at Nairobi's Industrial Area.

was held that the defendant was not liable for passing off and for infringement of the plaintiff's trade mark as the targeted consumers could well differentiate the two.

Thus, trade marks have proprietary value to the proprietor. Coca Cola Company is an example of a company which relies on marketing its brands and having itself being identified by its trade mark.²⁰⁸

In matters of competition, there are always market leaders.²⁰⁹ Any innovative product will almost always enjoy a grace period of monopolistic market dominance. This grace period will not last forever since any profitable activity is bound to attract competitors and imitators.²¹⁰ This is strongly evident in Kenya; where we have experienced the rise of some brands only to discover that they have no sooner been swept away by the wild fierce winds of competition. Examples of such brands include Bidco Limited's Joma cooking fat and Rama bread spread, Unilever Company's Tree Top fruit Juice and Malaika biscuits, just to name but a few. Due to this reason, competitors are keen to out spend, out innovate and out perform their rivals.²¹¹

The ideal state of the markets according to classical economists would be one of perfect competition which comprises essentials that include the presence of numerous buyers and sellers so that no participant's action will have any significant impact on the product's price and market transactions at known prices that are the mirror of consumers' preferences.²¹² Thus, a trader may put in the market his or her own brand that may compete with those of other manufacturers. In this regard, trade marks are used by manufacturers to maintain their exclusivity as means of strengthening their brand

²⁰⁸ As the company holds, the aim of advertising is not to promote the company but promote its brands. This point shall be discussed in Chapter 4 of this project.

²⁰⁹ Adrian Sterling (1997) *Perspectives on Intellectual Property*, Sweet & Maxwell, London, vol. 2, page 17.

²¹⁰ Richard Whish (1989) *Competition Law*, Sweet & Maxwell, 2nd E, Chapter 19 and 20. See also Rose Osiemo LL. B Dissertation on Trade Marks Amidst Competition in Kenya, submitted to the University of Nairobi in partial fulfillment of the requirements for the award of the degree of Bachelor of Laws in 2004.

²¹¹ LL. B dissertation, *ibid*.

²¹² Adrian Sterling, (1997) *Perspectives on Intellectual Property*, Sweet & Maxwell, London, vol. 2, page 85.

image.²¹³ An example that comes to mind is that of Kellogg's Company which recently launched a campaign based on the statement that "*We don't make cereals for anyone else*" in order to clarify that their customers would not find cheaper Kellogg's under another get up and thus there would not be cases of deception of the buying public.²¹⁴

This demands that a trade mark has to stand out to feature in a competitive market. Investing in such a need is prudent to the manufacturer if he or she is to achieve consumer loyalty. Intellectual property's definition of being a product of the mind comes into play by the fact that trade marks are identities that are created by their owners to function as information carriers. In the case of *Jivanji v. Sanyo Electrical Company Ltd*,²¹⁵ it was held that trading in goods bearing a registered trade mark on goods which most of the times are of inferior quality amounts to special damages for infringement.

The main reason why such innovators create trade marks is for there to be organization in the relevant product market where there is bound to be competition. Each innovation demands its fair share of returns since intellectual property is an integral part of an individual's sovereignty. Trade marks reach out to consumers according to their individual strengths. The market determines such strengths.

3.4 Trade marks made known through advertising

Trade marks are the operators of trade, information and advertising channels.²¹⁶ Brands are commercial creations that are thought to have social and political power. Traders crave for competitive advantage which is an edge over competitors gained by offering consumers greater value.²¹⁷ Competitive advantage may originate from areas that include pricing, product innovation, information technology and advertising.

²¹³ *Ibid.*

²¹⁴ Kellogg Company (often referred to as simply Kellogg or Kellogg's) is an American multinational producer of breakfast foods, snack foods, cookers and crackers and with its corporate headquarters in Battle Creek Michigan USA. Additional information available on <http://en.wikipedia.org/wiki/kellogg>. Website accessed on 8th November 2007 at 11.30am

²¹⁵ H. C. Civil Appeal 225 of 2001.

²¹⁶ Adrian Sterling (1997) *Perspectives on Intellectual Property*, Sweet & Maxwell, London, Volume 2, p. 70.

²¹⁷ This may be possible either through lower prices or more benefits and services that justify higher prices.

Advertising is a potential source of information on brand quality to the consumer by the trader.²¹⁸ Traders may supply consumers with quality signals, directly and indirectly through advertisements or consumers can supply themselves with information on quality through research. Thus, advertising interacts with the value of the quality expectations for the consumer and the degree of risk aversion and therefore firms offer a variety of product qualities.²¹⁹

Trade marks and informative advertising are the main methods of providing potential buyers with knowledge of the trader's identities. This has the impact of giving the consumers an initiative to enter the market. Advertising is a persuasive way of gaining consumer confidence by the fact that without such advertising, it might not be possible for the consumers to know of the products available in the market. The fact that the trader advertises is a sign that the trader is willing to subject the product to quality.²²⁰ Further, advertising plays a significant role in developing a market strategy. It adds value in the consumer's eyes. Advertising simply transforms markets and changes the competitive structures because it changes how customers look at products, services and suppliers.

Accordingly, most advertising is informative since consumers will be willing to look at advertisements as long as the marginal revenue to them of so doing is greater than their marginal cost.²²¹ Advertising is interrelated with repeat purchases through consumer response. However, advertising due to the competitive nature of the market arena is an asset in product development. This means that firms and or traders should engage in

²¹⁸ Adrian Sterling (1997) *Perspectives on Intellectual Property*, Sweet & Maxwell, Volume 2, p 72.*Op. cit.*

²¹⁹ *Ibid.*

²²⁰ For example advertising of the reputability of the trader increases sales by providing the consumer with hard information about the trader's products. Advertising is also done through sales promotion and includes free sampling and demonstrations as to the use of the product. An example of a company, which carries out advertising through the issuing of free samples, is Proctor & Gamble, a company in the production of sanitary pads. The main strategy put in place whenever there is an improvement in its products is the door to door advertising. The company thus comes into direct contact with the consumers. The consumers, according to their tastes and preferences identify themselves with the best brand.

²²¹ Adrian Sterling, *ibid.*

advertisement to create a lasting impression on the consuming public in order to benefit from repeat purchasing.²²²

An example of a company advertising is found in the *battle of the brands feature*.²²³ The Coca Cola Company holds that it is evoking old magic to the world. The Company invites the world to choose Coca Cola and live on the positive side of life. This is through their new advertising logo, *The Coke Side of Life*.²²⁴ The message behind *The Coke Side of Life* is an invitation to live on the positive side of life. This is the new global marketing platform for the Coca Cola brand which was launched in Atlanta USA on the 4th of April 2006.²²⁵ Through the advertisement, the Coca Cola Company intends to advocate for positive choices in a world where people make choices every day.²²⁶ Thus, the new campaign invites people to create their own positive reality, to be spontaneous, listen to their hearts and live in full color.

Advertisement is thus seen to be an important asset to the Coca Cola Company as is evidenced in the above mentioned statements. There is need for a connection between the consumer and the trader and this is made possible through communication which in this case is what is brought about by advertisement.

Modern advertising has brought with it knowledge benefiting the consumer. Such knowledge urges him to buy by the product mark. The same is constantly supplied to the consumer in the hope of triggering an association in the public's mind between the

²²² Adrian Sterling in *Perspectives on Intellectual Property, supra*, page 73, argues that the durability of advertising is very brief and more importantly that given the evidence of heterogeneity in sales, advertising is prudent to maintain a position in the market.

²²³ Atlanta, *New Coke ads try to evoke old magic*, *Daily Nation* Newspaper, Nairobi, Tuesday, April 11th 2006, page 16.

²²⁴ Wikipedia, *Coca – Cola*, <http://home.atl.ko.com/operating> principles (accessed on July 21st 2006 at 6.52 pm). More information also available on the *New Coke ads try to evoke old magic*, *Daily Nation* Newspaper, Nairobi, Tuesday, April 11th 2006, page 16.

²²⁵ Margaret Osiemo, Brand Manager, Coca Cola East Africa and Islands Region. Interview held on July 19th 2006 at the Coca Cola Head Office in Nairobi.

²²⁶ *Ibid*. The Coca Cola Company recognizes that the most universal experiences are those where Coca Cola is refreshingly honest and uplifting.

quality of the goods and the reputation of their source.²²⁷ This is aimed at preventing the consumers from defecting to rivals. Advertising thus has a role to play in creating consumer awareness. The media and press offer advertising services in addition to the advertising agencies that are present in Kenya which include McCann Kenya, Lowe Scanad, Ogilvy & Mather just to name but a few.²²⁸

Without names, goods could not be advertised easily. Recognition of advertising as a separate function of a trade mark merely acknowledges the goodwill, which the trade mark can attract to itself independently of the goodwill of the product or its maker.²²⁹ The example of Coca Cola and the value of the brand independently of the soda drink itself demonstrates this as will be further discussed herein.

Another Kenyan example of an advertisement that received a lot of airplay in the press is Unilever Kenya's advertisement of Omo, a product of the same industry.²³⁰ The unique thing about Omo is the number of different names it has had over the years. This has been from *Omo* to *New Blue Omo*, *Omo with Powerfoam*, *Omo with Powerfoam Plus* to the current variant, *Omo Multiactive*.

Omo's advertising prides itself in being diverse, keeping in line with the modifications and variations of the product. In analyzing Omo's latest advertisement, the commercial opens with an emotive scene, where a mother is privileged to witness her child's first steps. The mother is seen to be in earnest anticipation as her child toddles towards her slowly and stands, sways and almost falls. He then is able to balance as the mother urges

²²⁷ S. Schechter (1925) *The Historical Foundations Of the Law Relating to Trade Marks*, London, Chapter 5.

²²⁸ The advertising companies work with such companies to help in creating the desired consumer awareness.

²²⁹ A. Firth (1998) *Readings in Intellectual Property*, Sweet & Maxwell, London, p. 252.

²³⁰ Some argue that Omo lost market leadership because it was not in touch with what consumers wanted and did not respond to consumers' complaints with regard to the chemicals in it that tended to be corrosive. Unilever thus had to develop a strategy that will enable it to win consumers' confidence in its products again. The producer is continuously in touch with the market and the products therein to make sure that Omo stands out. It can be noted here that through the advertisements, Unilever strives to connect with the consumers. Through the "*Apenji Omo with Powerfoam*" advertisement which had the Luo lady speaking animatedly advertised the benefits of New Omo with Powerfoam. Apenji is a Luo language expression to draw attention. Thus, by developing taglines such as "*Nothing washes cleaner nothing washes more*" Unilever is creating for itself a niche in the detergent industry.

him on. The child takes his first and second steps as he tries hard to walk towards his mother who is now waiting for him with outstretched arms.²³¹

The complete joy and excitement in the mother's face is enough to tell us what a great achievement that is for both of them until the child bursts out crying as he walks away after touching her hands. The mother looks at her hands in shock and deep disappointment. The viewers then see her washing with Omo which now has the tagline "strong on stains and gentle on your hands." The commercial ends with a shot of the mother using her hands which are now softer.

The basis of analyzing this advertisement is for that realization of the importance of targeting an audience by cleverly using a key milestone in their lives.²³²

Such positive advertising is bound to give the advertiser a market share in the market he seeks to feature in. It thus starts with the first step of the innovator's act of coming up with a trade mark or a brand name. When a trade mark gains strength in the market,²³³ it is able to charge a premium price over the competitor in the same category leading to better profit margins and better cash flow. A trade mark's strength is correlated to market share which is strongly linked to profitability.

Thus, the need for legal protection of strong trade marks is also brought to light by the fact that trade marks tend to have lower price elasticity, meaning that a strong trade mark may increase price without losing significant volumes. This means that not only are consumers willing to pay a premium for a strong trade mark but the majority of them would not stop using the brand due to marginal price increase.²³⁴

²³¹ Further analysis of this advertisement is provided by Mark Agutu, "Advertisement creates an impact in the hearts of many," *Daily Nation* Newspaper, Tuesday 10th October 2006, page 16.

²³² More information on Unilever's strive to build on their unique selling point is available in *The Critic, Unilever strikes emotional chord with Omo advert*, *Daily Nation* Newspaper, Nairobi, Tuesday, March 28th 2006, page 16.

²³³ Advertising is one of the ways of gaining such strength through its persuasive character.

²³⁴ Thus, the trade mark can become more profitable to the manufacturer and further enhance cash flow. The manufacturer deserves protection of his asset, the trade mark.

Trade mark law's importance is once again in the spotlight with regard to the impact that such trade marks may have in the market. Because strong trade marks are able to defend their market share, they maintain strong cash flow over time. The costs associated with establishing a strong trade mark in any given category can often deter potential competitors from entering the market.²³⁵ Thus, trade marks provide options for growth into new markets through extensions and thus allowing access to new revenue streams.

Further, the rationale for legal protection of the property right in a trade mark is that a trader invests capital in the business to which the mark applies. Lord Chancellor Westbury insisted that a mark was protectable even though the public did not know the producer as such but used the connection with one trade source simply as a sign of quality.²³⁶ The owner of the mark has an economic right to benefit from it and thus the necessity of the law.²³⁷

3.5 Trade mark infringement a feature in a competitive market

“What is in a name”?²³⁸

A trade mark is a symbol (whether a word, device or combination of the two), which a person uses in the course of trade in order that the purchasing public from similar goods of other traders may readily distinguish his goods or services.²³⁹ Several definitions exist for a trade mark but a common thread weaves through all of them: trade marks as being indications of the sources of goods. Such a definition is important before analyzing the tort of trade mark infringement.

A trade mark is defined to be a mark used or proposed to be used in relation to goods and services for the purpose of indicating a connexion in the course of trade between the

²³⁵ Adrian Sterling (1997) *Perspectives on Intellectual Property*, Sweet & Maxwell, Volume 2, p 72.

²³⁶ *Hall v. Burrows* (1863) 4 Dr. G. J. & S. 150, at p. 157.

²³⁷ See Chapter 2 of this project paper on registration of trade marks.

²³⁸ Dr. Ben Sihanya, Class Lectures to LL.B IV Module II, Intellectual Property Law, June 23rd 2004.

²³⁹ David Newton (1999) *Trade marks; an Introductory Guide and Bibliography*, British Library, London, page 9. Also see Chapter 1 of this project paper on definitions.

goods and some person having the right either as proprietor or as registered user to use the mark whether with or without any indication of the identity of that person.²⁴⁰

Trade marks have a role to play in the domain of economics. The law to protect them developed from the necessity of protecting traders from the unfair business practices of their competitors such as imitation of their marks and passing off rival goods and services as theirs. In the "*Perfection*" *Trade Mark Case*²⁴¹ Morton L J observed that anyone buying soap would not suppose that it was perfect merely because the maker claimed it so. The law has a duty to protect the public, which due to its ignorance or assumption of detail or misconceptions is vulnerable to deception and exploitation by crafty and unscrupulous traders.

Though products produced may be similar, manufacturers have come up with different brand names to facilitate product identification. The marks designate where the goods are coming from and by this, act as indicators of trade source. The owner will finally be able to be identified with his products, a case which would not have arisen if he didn't have a mark identifying him with his products and services. This was the position in *Pharmaceutical Manufacturing Co v. Novelty Manufacturing Ltd*,²⁴² The consumer out there thus requires information since the manufacturer of a product relates to a consumer through these identity marks.

Infringement of a trade mark thus is the use of another's trade mark on one's goods which may be carried out by importing a reference.²⁴³

Professor Cornish observes that the immense growth in the scale of modern business and the widespread advertising that accompanies it hardly enables consumers to have that

²⁴⁰ Sec 2 of the Trade Marks Act (as amended).

²⁴¹ [1910] 27 RPC 483.

²⁴² H. C Civil Case 746 of 1998.

²⁴³ White Blanco (1999) *Competition Law*, Sweet & Maxwell, London 3rd E, page 89. See Chapter 1 of this project paper.

personal knowledge of suppliers which is the hallmark of a village economy.²⁴⁴ Knowledge of the source still remains important. It enables consumers to make a connection between that source and the quality of what they are buying. This goes on to emphasize the point that many a consumer purchases by the product name.

A good example of such confusion to consumers that amounts to deception arises with the case of “Panasoanic” and Panasonic brands of electronic goods.²⁴⁵ This merely shows that in Kenya, traders are known and are allowed to use fancy descriptions for their products, for example and are not liable if such “puffing” claims turn out to be inaccurate. This is common in such electronic goods where, though it is advertised that the goods’ lifespan is long, they may not even last for a week.

Where there is a real probability of the word deceptively inducing people to buy the goods, registration is refused. In *Royal Worcester Corset Company’s Application*,²⁴⁶ the words “Royal Worcester” which were applied, on corsets were held to *prima facie* suggest royal patronage which did not exist thus were refused registration.

In Kenya, the Restrictive Trade Practices, Monopolies and Price Control Act,²⁴⁷ draws the limits of monopolistic practices and describes what is fair and unfair competition. A law protecting marks is necessary in a capitalistic economy. It prevents the ugly scene of uncontrolled comparative advertising especially as is often the case, a trader slandering or attributing undesirable qualities to his rival’s goods.²⁴⁸

²⁴⁴ William Cornish, *Intellectual Property, Patents, Copyright, Trade marks and Allied Rights*, 4th E, page 616.

²⁴⁵ Market survey carried out in Nairobi’s electronic stores to confirm the presence of such brands and the fact that many consumers are deceived to think that the products originate from the manufacturers that have created a bond with those consumers. This is due to the presence of names that are misleading to the consuming public.

²⁴⁶ [1909] 26 RPC 185.

²⁴⁷ Cap. 504 of the Laws of Kenya.

²⁴⁸ See Chapter 2 of this project paper.

3.6 Trade mark Infringement as a restrictive trade practice

Infringement consists in using the mark as a trade mark, that is, as indicating origin.²⁴⁹ The restrictive trade practices amounting to unfair competition include infringement through parallel importation, which entails the importation of foreign goods bearing infringing marks, to another country yet the owner of the mark has not authorized sale of the goods bearing that mark in that foreign exporting country.²⁵⁰

In *Colgate Palmolive v. Markwell Finance*,²⁵¹ it was held to be infringement for the defendants to import goods to Britain without a license.

Reconditioning and adulteration of the goods also amount to infringement. Further, such reconditioning and adulteration creates unfair competition since as it is the goods have lost their identity. A trader who retargeted and repacked used razors was held to have infringed.²⁵² Thus a trader should not interfere with another's goods so as to lower their value or quality while selling them under the plaintiff's mark. In *Wilts Diaries v. Robinson*,²⁵³ the defendants were held to have infringed by selling six month old milk as fresh under the plaintiff's mark.

Thus, the likelihood of confusion is a factor under consideration while deciding on this issue of infringement. The Kenyan case of *Premier Food Industries Limited v. Ai-mahra Limited*²⁵⁴ emphasized the point that where the Applicant establishes any likelihood of confusion from the competitor's trade mark against his, section 36 of the Kenyan Trade Mark Act sets the grounds for expunging such confusion. In this particular case, Azagalala J held that the defendant's trade mark was identical with or strikingly similar to

²⁴⁹ Lord Greene MR in *Saville Perfumery Ltd v. June Perfect Ltd*, (1939) 58 RPC 147 at 161. Issue earlier discussed in Chapter 1 of this project paper.

²⁵⁰ White Blanco (1999) *Competition Law*, Sweet & Maxwell, London 3rd E, page 89.

²⁵¹ [1988] RPC 283.

²⁵² *Gillette Safety Razor v. Diamond Edge* [1948] RPC 310.

²⁵³ [1958] RPC 94.

²⁵⁴ H.C Civil Case 661 of 2005.

those of the plaintiff and was in breach of the plaintiff's trade mark and that the defendant's trademark created confusion among the public.²⁵⁵

The consumer buys on reliance of the name and thus the name should not be confusing.²⁵⁶ The relevance of this factor was upheld in the case of *Wagamama Ltd v. City Centre Restaurants plc*,²⁵⁷ where it was held that the phrase likelihood of confusion on the part of the public includes a likelihood of association with the trade mark. The consumers' interest in the market is a subject of consideration.

3.7 Passing off

Passing off in relation to goods can be said to be the use by a person on his own goods of an unregistered mark or get up belonging to another person with the intention of passing off the goods as being those of that other person.²⁵⁸

Passing off is a restrictive trade practice which also stifles competition. In *Burberry v. Cording*,²⁵⁹ Parker J defined it as any misrepresentation calculated to injure another in his trade or business. Thus there is a thin line between passing off and the tort of injurious falsehood.

Passing off arises by representing one class of plaintiff's goods as another, copying the lay out of the plaintiff's goods and supplying one's own goods when requested for the plaintiff's. The tort is restricted to injury caused and incurred in the course of trade. It is concerned with the protection of business goodwill and reputation. For example in the case of *Paul Kukubo and 3 Others v. Reollout Publishing Limited*,²⁶⁰ there was an action for passing off regarding "Sokoni" magazine versus "Sokoni Africa" magazine and the ingredients of a passing off action were laid down, emphasis being placed on the likelihood of confusion. Thus, the Applicant was entitled to an injunction restraining the

²⁵⁵ *Ibid.*

²⁵⁶ See Chapter 2 of this product market on different companies in the production of the same type of product.

²⁵⁷ [1995] FSR 713.

²⁵⁸ David Bainbridge (1996) *Intellectual Property*, Pitman Publishing, London, 3rd E, page 429.

²⁵⁹ [1986] RPC219.

²⁶⁰ H.C Civil Suit 323 of 2004.

Respondents from publishing a magazine that was aimed at confusing the buying public and the same being passed off as the Applicant's magazine.

An example arising in the Kenya is the case between the Weetabix Limited that manufactures and distributes Weetabix cereal on behalf of Weetabix Mills of the United Kingdom and Healthy You 2000 Limited manufacturers and distributors of Healthy Breakfast.²⁶¹ Weetabix Limited alleges that Healthy Breakfast was identical and strikingly similar to Weetabix and by selling it in the Kenyan market, Healthy You 2000 was giving it unfair competition. By giving Healthy Breakfast the packaging and shape that resembles Weetabix's and therefore confusing consumers, Healthy You 2000 is infringing on the goodwill that resides in the artwork and design of the packaging and the trade dress of Weetabix.

While Healthy You argues that breakfast cereal consumers are enlightened and could not mistake Weetabix for Healthy Breakfast, Weetabix Limited argues that it has been the registered owner and proprietor of the trademark Weetabix and thus deserves the protection of its trade mark and design.²⁶²

Lord Oliver stated the three elements that are essential for a passing off action as, the being of the plaintiff's goodwill, a misrepresentation as to the goods or services offered by the defendant and damage or likely damage to the plaintiff's goodwill as a result of the defendant's misrepresentation.²⁶³

A passing off claim arises when a trader feel that his trade mark is being infringed upon by an act of a competitor of selling goods that would create an impression to the consumer that the goods or services belong to the trader. Basically, such claims rely on goodwill and usually arise in respect of an unregistered trade mark. Ancillary effect of passing off law is the protection of consumers from deception. While in infringement the

²⁶¹ Mark Agutu, "Trademark war over more than the name," *Daily Nation* Newspaper, Tuesday 10th October, page 16.

²⁶² The matter is still being heard at the Milimani Commercial Courts.

²⁶³ *Ricket and Colman Products Ltd v. Borden inc.*, [1990] 1All ER 873.

plaintiff needs only to show that his mark is registered, in passing off he must prove that he has a reputation, the defendant's misrepresentation and the likelihood of injury.²⁶⁴

Unfair competition in a competitive economy such as Kenya's also arises out of trade libel, which consists of injuring another's business by making a false statement calculated to produce damage. It differs from passing off due to the requirement of proving malice. It may consist of false claims to legal rights or disparaging criticisms of another's goods or even a libelous statement upon a trader personally, which damages his trade.²⁶⁵ Thus there must be a falsehood, malice and proof of special damage, for example loss of value of goods or reduction of customers.

What is brought to light is the fact that the trader needs the consumer and the consumer needs the trader. Each party has to play his roles well. In case of a dispute erupting, the law takes its position as negotiator in the path of justice.

3.8 The strength of a trade mark defined

In analyzing the strength of a trade mark, it is important to note that the advantage to established sellers accruing from buyer preferences for their products as opposed to potential entrant products is on average larger and more frequent in occurrence at large values than any other barrier to entry.²⁶⁶

As already discussed in the previous chapters of this project paper, manufacturers and consumers interact in the market place. The result of this interaction is a competitive market with an infinite number of possible variations due to the numerous product variations and the complexities of human behavior.²⁶⁷

Trade marks convey information between the market participants and they also function themselves as information. In this way, the trade marks have acquired a degree of

²⁶⁴ Mbaluto J in *Biersdorf Ag v. Emirchem Products Limited*, H. C Civil Case 559 of 2002.

²⁶⁵ *Riding v. Smith* (1876) L. R 1 Ex D 91.

²⁶⁶ Adrian Sterling (1997) *Perspectives on Intellectual Property*, Sweet & Maxwell, London, vol. 2, page 124.

²⁶⁷ *Ibid.*

independence from the product they mark. Trade marks are essential for competition in each and every market. This is because they influence the state of the market and their close link with competition cannot be ignored. Hereby, they acquire their value as property. This value is the direct result of their nature as information.

The strength of a trade mark is determined by its performance in the product market. Some trade marks are able to rise above the tides of competition due to the bond that they are able to create between them and the consumers. Trade marks have a character inherent in them that influences consumer choice and thus market trends. A trade mark, for example the Coca Cola trade mark, is a great asset in a company. This is because the trade mark is the connecting factor between the manufacturer and the consumers.

This fact would lead us to ask, “what do we want to protect in a trade mark?” The answer to this question is with regard to the value or strength of a trade mark. This is what is in the name.

CHAPTER 4

THE COCA COLA TRADE MARK

4.1 Introduction

“...The Coca-Cola Company is invited into people's lives more than 1.3 billion times a day through our beverages. We have a steadfast commitment to conduct business with the utmost respect for the communities and environments in which that invitation is extended...”²⁶⁸

Coca Cola is a company and product that most people are familiar with. Coca Cola owns copyright in the design of its bottles, the design of its logos, its advertising, and generally anything it creates that can be considered an original work requiring creative effort.²⁶⁹ For example, the famous Coca Cola logo and script design is an original artistic creation that is protected by copyright law.²⁷⁰ In other words, the right to copy the logos and script design is limited by copyright law.

Trademark protection gives Coca Cola the right to stop competitors from passing off their goods and services as Coca Cola's, and to be compensated for any damage Coca Cola may suffer as a result of this unfair competition.²⁷¹ Trademark protection also protects consumers by prohibiting confusing trademarks in the marketplace. The Coca Cola Company holds registered trademarks in its logo and script design. Even the distinctive shape of the Coke bottle is trademarked.²⁷² These things are trademarks because they are distinctive marks used by the company to identify its goods and services as being uniquely Coca Cola's.

²⁶⁸ Neville Isdell, Chairman and Chief Executive Officer, on the Coca-Cola Company's aim. Information available at *Mission, vision and values*, <http://home.atl.ko.com> Information accessed on 27th September 2006 at 7.24 am.

²⁶⁹ At *Understanding intellectual property through coca cola*, http://www.zvulony.com/intellectual_property_coca_cola.html Information accessed on 24th October 2006 at 8.00 pm.

²⁷⁰ *Ibid.*

²⁷¹ At *Understanding the various types of intellectual property* www.eventuring.org/.../Resource/Resource_577.htm Information accessed on 24th October 2006 at 8.04 pm.

²⁷² *Ibid.*

Trademark protection gives Coca Cola the right to stop competitors from passing off their goods and services as Coca Cola's, and to be compensated for any damage Coca Cola may suffer as a result of this unfair competition.²⁷¹ Trademark protection also protects consumers by prohibiting confusing trademarks in the marketplace. The Coca Cola Company holds registered trademarks in its logo and script design. Even the distinctive shape of the Coke bottle is trademarked.²⁷² These things are trademarks because they are distinctive marks used by the company to identify its goods and services as being uniquely Coca Cola's.

Like many companies, the Coca Cola Company creates various inventions to assist with its business. Many of these are patented, even the ones that are not particularly unique, since an invention does not have to be totally unprecedented to be patented. It just needs to have some element of novelty.²⁷³

For example, the Coca Cola Company owns a patent on a method of making barrier coated plastic containers.²⁷⁴ Obviously no one has the exclusive right to make plastic containers, but Coca Cola has the exclusive right to use the particular method of making those containers that they describe in their patent.

Further, a trade secret is a piece of information whose value derives from it not being widely known.²⁷⁵ The essential elements of a trade secret are that it must actually be a secret, disclosed only to those employees of the company who need to know it in order to do their jobs, and that the company must actually be taking stronger than usual precautions in order to keep the secret.²⁷⁶

²⁷¹ At *Understanding the various types of intellectual property* www.eventuring.org/.../Resource/Resource_577.htm Information accessed on 24th October 2006 at 8.04 pm.

²⁷² *Ibid.*

²⁷³ Section 2 of the Kenya Industrial Property Act and the TRIPs Agreement Article 27 outlines what is patentable.

²⁷⁴ At *Understanding intellectual property through coca cola*, http://www.zvulony.com/intellectual_property_coca_col.html Information accessed on 24th October 2006 at 8.10 pm.

²⁷⁵ Adrian Sterling (1997) *Perspectives on Intellectual Property*, Sweet & Maxwell, London, Volume 2, p. 71.

²⁷⁶ *Ibid.*

The formula for making Coca Cola is a trade secret.²⁷⁷ The formula is extremely valuable to the company as a secret thus it is known only to selected people within the Coca Cola Company and the company takes special precautions to make sure that the formula does not get out. In other words, it fulfils the essential criteria for a trade secret: The Company takes special effort to keep it a secret, and that secrecy creates value.

The Coca Cola campaign tags include *Always Coca Cola*, *Coca Cola enjoy*, *Life tastes good*, *Coca Cola real!* They reflect the excitement that the company always aims to deliver to its consumers.²⁷⁸

This Chapter focuses on the case study of Coca Cola and its initiatives with regard to developing its trade mark and competition policies. Coca Cola's foothold is strong in many geographical and product markets. This is evident by the fact that Coca Cola Company being the major producer and distributor of carbonated soft drinks in Kenya has over the years been a household name.²⁷⁹ Why is this so? This may have been made possible by the strong heritage that it has in the soft drinks market in terms of the duration it has served the market with its products.

The marketing strategies that the company has put in place as shall be discussed herein seem to give it a wider market share based on the promise that the Coca Cola Company exists to benefit and refresh everyone it touches.²⁸⁰

An example of Coca Cola's competitor in Kenya is Kuguru Food Complex Limited, the producer of Softa Soda. This is a company wholly owned by indigenous Kenyan

²⁷⁷ At *Understanding intellectual property through coca cola*, http://www.zvulony.com/intellectual_property_coca_cola.html Information accessed on 24th October 2006 at 8.10 pm.

²⁷⁸ *Africa Update*, the quarterly magazine of Coca Cola, published by Westcom Public Relations, South Africa, 2nd quarter 2003, p 7.

²⁷⁹ As shall be discussed herein, The Coca Cola Company holds that through media advertising and market innovation strategies it has been able to capture the relevant market for its products.

²⁸⁰ At *The Coca Cola Company*, <http://www2.coca-cola.com/> "The company's aim." Website accessed on 27th September 2006 at 7.30am.

entrepreneurs.²⁸¹ KFCL (Kuguru Food Complex Limited) has had experience in the mass-market beverage manufacture and distribution since 1992.²⁸² KFCL was founded in 1988. KFCL is one of the manufactures of beverages in Kenya. It is a family business founded by the family patriarch, Mr. Peter Kuguru. He and his wife built up the company for five years before being joined by four new family members.²⁸³

KFCL began manufacturing the product Chibuku, a South African Sorghum beer, originally operated by the multinational Lonrho in Kenya.²⁸⁴ The company holds that the success of the alcoholic beverages did not stop KFCL from diversifying into mass market products. KFCL expanded into maize meal starting with two mills followed by procuring plastic manufacturing machines that promoted quality through plastic packaged products.²⁸⁵

In an effort to diversify, KFCL decided to leave alcoholic beverages and concentrate solely on soft drinks.²⁸⁶ The company avers that the most promising projects are the soft drink bottling plant and the ready to drink fruit juices. The company holds that these projects have helped it establish a beverage network for itself against its competitors. KFCL's mission is to maintain policies that are visionary and intrepid to stay ahead of the ever dynamic Kenyan economy.²⁸⁷

Another competitor in the soft drinks industry is Del Monte Kenya Limited which is located in Thika town in Kenya. Del Monte Kenya Limited is a Kenyan company that operates in the food processing industry. The company previously known as Kenya Cannery owns 5,500 acres (22 km²) of pineapple plantation and a population of 6,000

²⁸¹ At *History*, <http://www.kuguru.com/softa.htm> Information accessed on October 24th 2006 at 10.45 am.

²⁸² At *History*, <http://www.kuguru.com/company.htm#History> Information accessed October 24th 2006 at 10.55 am.

²⁸³ *Ibid.*

²⁸⁴ *Ibid.*

²⁸⁵ *Ibid.*

²⁸⁶ At *Commitment* <http://www.kuguru.com/company.htm#Commitment> Information accessed October 24th 2006 at 10.59 am.

²⁸⁷ At *Mission*, <http://www.kuguru.com/company.htm#Mission> Information accessed October 24th 2006 at 11.10 am.

employees.²⁸⁸ Del Monte Kenya is a subsidiary of Del Monte Royal, one of a number of companies using the name "Del Monte" formed following the 1965 partial sale of the US company Del Monte Foods.²⁸⁹

With the tag line "Del Monte Quality" the company not only produces juices but is also in the production of processed vegetables, tomatoes and fruits.²⁹⁰ The Thika factory in Kenya also produces juice squeezed from the skin and core of the pineapples which is frozen and shipped to European and American processing factories.²⁹¹

Brands add value in the consumer's eyes.²⁹² This is what determines competition. With regard to Softa Soda in Kenya, in spite of its competition strategies it has not captured a market as big as Coca Cola's. There is a reason behind this. These are the issues this Chapter intends to deal with. The main tools for research are interviews and the Internet.

4.2 The Coca Cola Trademark born

Dr. John S. Pemberton invented the name Coca Cola in May 1886 in Atlanta, Georgia. The name "Coca Cola" was suggested by Dr. Pemberton's bookkeeper, Frank Robinson who coined the name Coca-Cola, because it included the stimulant cocaine and was flavored using kola nuts a source of caffeine.²⁹³ He penned the name Coca Cola in the flowing script that is famous today.²⁹⁴ Willis Venable first sold Coca Cola at a soda fountain in Jacob's Pharmacy in Atlanta.²⁹⁵

²⁸⁸ At *Delmonte Kenya*, <http://www.answers.com/topic/del-monte-kenya> Information accessed on October 24th 2006, 1.02pm.

²⁸⁹ *Ibid.*

²⁹⁰ At *Products*, <http://www.delmonte.com/Home.asp> Information accessed on October 24th 2006 at 1.18pm.

²⁹¹ At <http://www.pan-uk.org/pestnews/pn47/pn47p3.htm> Information accessed on October 24th 2006 1.27pm.

²⁹² This is discussed later in the Chapter.

²⁹³ Mary Bellis, *The History of Coca Cola*, available at

http://inventors.about.com/od/cstartinventions/a/coca_cola.htm Information accessed on October 24th 2006 at 2.04pm.

²⁹⁴ *Ibid.*

²⁹⁵ The Coca Cola Collectors Club on *Coca Cola History* at http://www2.coca-cola.com/contactus/faq/history_include.html Information accessed on October 24th 2006, 2.08 pm.

During the first year, sales of Coca Cola averaged 9 drinks a day, adding up to total sales for that year of \$50. Since the year's expenses were just over \$70, Dr. Pemberton took a loss. In 1887, Pemberton sold a stake in his company to Asa Griggs Candler, who incorporated it as the Coca Cola Corporation in 1888.²⁹⁶ In the same year, Pemberton sold the rights a second time to three more businessmen: J.C. Mayfield, A.O. Murphey and E.H. Bloodworth.²⁹⁷ Meanwhile, Pemberton's son Charley Pemberton began selling his own version of the product. Three versions of Coca Cola sold by three separate businesses were on the market.²⁹⁸

In an attempt to clarify the situation, John Pemberton declared that the name Coca-Cola belonged to Charley, but the other two manufacturers could continue to use the formula. So, in the summer of 1888, Candler sold his beverage under the names Yum Yum and Koke.²⁹⁹ After both failed to catch on, Candler set out to establish a legal claim to Coca-Cola in late 1888, in order to force his two competitors out of the business. Candler apparently purchased exclusive rights to the formula from John Pemberton, Margaret Dozier and Woolfolk Walker. However, in 1914, Dozier came forward to claim her signature on the bill of sale had been forged, and subsequent analysis has indicated John Pemberton's signature was most likely a forgery as well.³⁰⁰

In 1892, Candler incorporated a second company, The Coca Cola Company, the current corporation. In 1910, Candler had the earliest records of the company burned, further obscuring its legal origins.³⁰¹ Regardless, Candler began aggressively marketing the product, the efficiency of this concerted advertising campaign would not be realized until much later. Candler pioneered several promotional techniques, such as the distribution of

²⁹⁶ *Ibid.*

²⁹⁷ Mary Bellis, *The History of Coca Cola*, available at http://inventors.about.com/od/cstartinventions/a/coca_cola.htm Information accessed on October 24th 2006, 2.12 pm.

²⁹⁸ *Ibid.*

²⁹⁹ The Coca Cola Collectors Club, http://www2.coca-cola.com/contactus/faq/history_include.html Information accessed on October 24th 2006, 2.12 pm.

³⁰⁰ *Ibid.*

³⁰¹ Mary Bellis, *The History of Coca Cola*, available at http://inventors.about.com/od/cstartinventions/a/coca_cola.htm Information accessed on October 24th 2006 at 2.21 pm.

vouchers for free glasses of Coca Cola and advertising through media varying from soda fountain urns to wall murals which thus is a possible ancestor of the billboard.³⁰²

4.2.1 Coca Cola in bottles

Coca Cola's bottling system, introduced in 1894, is one of a modest start for a bold idea. It was this strong bottling system that has made Coca Cola the world famous brand it is today.³⁰³

Coca Cola was sold in bottles for the first time on March 12 1894. The first bottling of Coca Cola occurred in Vicksburg Mississippi at the Biedenharn Candy Company in 1891. Its proprietor was Joseph A. Biedenharn.³⁰⁴ The original bottles were six-ounce (170 gram) Hutchinson bottles manufactured by Biedenharn and sealed with a rubber gasket. Reportedly leaky, they were soon replaced with "crown top" bottles with straight sides, and sealed with a metal cap. Variants of this design remain in use today for the glass bottled soda in most countries in the world, for example Kenya. The distinctive hobble-skirt bottle design now associated with Coca-Cola was introduced in 1915.³⁰⁵

Initially, Candler was tentative about bottling the drink, but the two entrepreneurs, Benjamin F. Thomas and Joseph B. Whitehead who proposed the idea were so persuasive that Candler signed a contract giving them control of the procedure. A third Chattanooga lawyer, John T. Lupton, soon joined their venture.³⁰⁶

However, the loosely termed contract proved to be problematic for the company for decades to come. Legal matters were not helped by the decision of the bottlers to subcontract to other companies, in effect becoming parent bottlers. This means that Coca Cola was originally sold in a wide variety of bottles, until the introduction of the iconic,

³⁰² *Ibid.* Additional information available at http://en.wikipedia.org/wiki/Coca_Cola.

³⁰³ *Ibid.*

³⁰⁴ Information accessed through live search at <http://search.msn.com/results.aspx?srch=105&FORM=AS5&q=KO+Worldwide+Intranet+-+The+Coca+-+Cola+Promise> on October 24th 2006 at 2.33pm.

³⁰⁵ Mary Bellis, *The History of Coca Cola*, available at http://inventors.about.com/od/cstartinventions/a/coca_cola.htm Information accessed on October 24th 2006 at 2.36 pm.

³⁰⁶ *Ibid.*

standardized hobble-skirt bottle in 1916.³⁰⁷ The later introduction of canned and plastic bottles enhanced the packaging of the product.

After the advent of bottling, the company began taking advertising even more seriously than it had before, hiring William D'Arcy whose creations set the tone for Coca Cola advertising that his successors would follow.³⁰⁸ D'Arcy associated Coca Cola with typical everyday scenes of people going about their daily business. His personal view was that Coca Cola advertising should create scenes that drew people in and made them part of the pleasant interludes of everyday life.³⁰⁹ Instead of targeting particular population segments, D'Arcy attempted to appeal to as broad a class of people as possible, with advertising copy such as all classes, ages and sexes drink Coca-Cola.³¹⁰

The three pioneer bottlers divided the country into territories and sold bottling rights to local entrepreneurs. Their efforts were boosted by major progress in bottling technology, which improved the efficiency and product quality. By 1909, nearly four hundred Coca Cola bottling plants were operating, most of them family owned businesses. Some were open only during hot weather months when demand was high.

In Kenya, Coca Cola Company has created a joint venture between all the eight franchise bottling companies in Kenya, which are Nairobi Bottlers Limited, East Kenya Bottlers Limited, Flamingo Bottlers Limited, Equator Bottlers Limited, Coastal Bottlers Limited, Kisii Bottlers Limited, Rift Valley Bottlers Limited and the Mount Kenya Bottlers Limited and itself.³¹¹ The two partner throughout the system to maximize the product flow on a sustainable basis. This partnership is intended to enhance the distribution

³⁰⁷ *Ibid.*

³⁰⁸ Wikipedia, redirected from Coca Cola, at http://en.wikipedia.org/wiki/Coca_Cola Information accessed on October 24th 2006 at 2.45pm.

³⁰⁹ *Ibid.*

³¹⁰ *Ibid.* Emphasis on this advertising strategy shall be further discussed in the chapter.

³¹¹ Mrs. Margaret Osiemo, Brand Manager, Coca Cola East Africa & Islands Region. Interview held on October 9th 2006 at the Head Office in Symbion House Nairobi. Further reading taken from *Major Milestone in the Firm's History*, *Daily Nation* Newspaper, Wednesday, March 29th 2006, page VI.

process of production making sure that the product reaches the consumer in desired and expected quantities and qualities.³¹²

4.2.2 The shape of the bottle

However in 1916, bottlers worried that Coca Cola's straight sided bottle was easily confused with that of imitators. The bottled products were distinct but the shape of the bottles was similar and this caused the consumers to be deceived while they were purchasing.³¹³ A group representing the Company and bottlers asked glass manufacturers to offer ideas for a distinctive bottle. A design from the Root Glass Company of Terre Haute, Indiana, won enthusiastic approval. The Contour Bottle became one of the few packages ever granted trade mark status by the US Patent Trademark Office (USPTO).³¹⁴ Today, it is one of the most recognized icons in the world, even in the dark!

The 1950s saw consumers having choices of Coca Cola package sizes and types, the traditional 6.5-ounce Contour Bottle or larger servings including 10-, 12- and 26-ounce versions. Cans were also introduced for convenience purposes.³¹⁵ The 1960s came with the introduction of new brands for example Sprite and Fanta, while the 1980s brought diet Coke and Cherry Coke, all which are part of the body of the Coca Cola trade mark group.³¹⁶ These brands target specific age groups with the result that the Coca Cola products reach all age groups in any product market that they access.³¹⁷ Today scores of other brands are offered to meet consumer preferences in local markets around the world.³¹⁸

³¹² Mrs. Margaret Osiemo, *ibid*.

³¹³ Wikipedia, redirected from Coca Cola, at http://en.wikipedia.org/wiki/Coca_Cola Information accessed on October 24th 2006 at 3.04pm.

³¹⁴ *Ibid*.

³¹⁵ At *History*, http://www2.coca-cola.com/historybottling_include.html Information accessed on October 24th 2006 at 3.04pm.

³¹⁶ *Ibid*.

³¹⁷ Mrs. Margaret Osiemo, Brand Manager, Coca Cola East Africa & Islands Region. Interview held on October 9th 2006 at the Head Office in Symbion House Nairobi.

³¹⁸ For more on the bottling history access http://www2.coca-cola.com/historybottling_include.html Information accessed on the September 13th 2006 at 11.30pm.

Today, products of the Coca Cola Company are consumed at the rate of more than one billion drinks per day.³¹⁹ The company avers that for more than a century it is consistently delivering the simple promise it made, that is to work with strong ideas and always striving to behave in ways consistent with the brand itself.³²⁰

The company holds that working with strong ideas has meant that there has had to be new changes dramatically introduced in the business to meet new challenges of the evolving world. This therefore means that Coca Cola has a vision, foresight and the courage to innovate and adapt the mechanics of the business to allow it to thrive within the business conditions of each particular day.³²¹

Competitors may wonder how Coca Cola manages to protect the integrity of their brands and capture the dedication of its customers to their disadvantage. A day in the Coca Cola Kenya Head Office provides a good explanation.³²² According to the company's management body, the company's motive is always to serve the people who enjoy their brands through innovation, superb customer service and to respect the unique customs and cultures in the communities where they do business. The management avers that the Coca Cola work place is a place where everyone's ideas and contributions are valued and where responsibility and accountability are encouraged and rewarded.

The customer is an attention seeker. He thrives best where the producer recognizes his needs.³²³ It is then important that companies realize this fact and its importance. An example of such a move by the Coca Cola Company is according to the management, their act of reducing the premium price of its products that enables most of the people in

³¹⁹At *Information on the Coca Cola Company*, <http://www.coca-cola.com/index-b.html> Information accessed on September 10th 2006 at 9.00 pm.

³²⁰ Mrs. Margaret Osiemo, *ibid*.

³²¹ At *Our Company*, <http://www.thecoca-colacompany.com/> Information accessed on September 10th 2006 at 10.25 am.

³²² Interview with Africa's Regional Brand Managers and Assistant Brand Managers on August 4, 2006 at their offices on Old Mutual Building and Symbion House on Upper Hill, Nairobi.

³²³ S. Adrian (1997) *Perspectives on Intellectual Property*, Sweet & Maxwell, London, Volume 2, p. 67.

the community to be refreshed.³²⁴ Thus the company avers that it strives to take part in social responsibilities.

4.3 Coca Cola facing competition

Coca Cola, the Dynamic Ribbon Device, Life Tastes Good, all Brand logos and marketing slogans are Registered Trade marks of the Coca Cola Company.³²⁵

The presence of competition demands the innovation of business strategies and planning. Coca Cola Company launched its brands in Kenya in 1958,³²⁶ and according to the company, the consumer has been at the centre of everything that it does. The company is in the business of manufacturing carbonated drinks and has recently ventured into the packaging and distribution of water and juices as part of their diversity strategy.³²⁷

The company by developing the diversity strategy in spite of the strength of its brands intends to cater for all consumers.³²⁸ It is important to provide refreshments for everybody since their needs are changing too and thus it is important to meet these needs. The joint venture between the franchise bottling companies in Kenya and the Coca Cola Company is intended to meet the needs of consumers.

The core branded beverage business has been strengthened and protected by building global brands.³²⁹ Thus, Coca Cola products in Kenya are easily identified and purchased by the consumers through the use of their brand names. In Kenya the common brands of soda include Coca Cola, Fanta, Sprite and Krest. These brands relate to the company's products and thus are trademarks of the Coca Cola Company.

³²⁴ Mrs. Margaret Osiemo, Brand Manager, Coca Cola East Africa & Islands Region. Interview held on October 9th 2006 at the Head Office in Symbion House Nairobi. This has been the main competition strategy in developing countries.

³²⁵ At *The Coca Cola Company*, <http://www.thecoca-colacompany.com/> Information accessed on September 13th 2006 at 6.24 pm.

³²⁶ B. Egbe, East Africa and Islands Regional Director, delivering a keynote speech on the company's regional developments while focusing on Kenya on August 8, 2004, at the launch of Sunfill Juices, a brand of five flavors of juices introduced by the Coca Cola Company in August 2004.

³²⁷ Discussed later in the Chapter. Water and juice brands are Dasani and Sunfill, respectively.

³²⁸ Mrs. Margaret Osiemo, *ibid*.

³²⁹ At <http://home.atl.ko.com/operating> principles. Information accessed on September 13th 2006 at 6.52 pm.

The Coca Cola Company avers that the brands are target specific.³³⁰ Each brand is directed to a specific target group and this is the foundation of competition within the brands themselves and other brands in the market. In a case where a particular brand is not performing well in the market, once the marketing arm of the company proves this fact, it is taken away from the market since producing it will not be cost effective.³³¹

A good example arose with the Fanta brand. The Coca Cola Company recently launched a new campaign for its Fanta brand, encouraging Fanta drinkers in a variety of humorous ways to open up the possibilities that life has to offer. This is the “Bamboocha Fanta Campaign” that spurs teens to love life fully.³³² Due to the fact that the target group is constantly changing, the brand has to fit and identify with the changing market and thus the constant need for innovation.

Essentially, the brand invites teens to experience the life under the influence of Fanta.³³³ That means that always staying open to life’s innumerable possibilities, a concept aimed at appealing to a teen’s sense of fun, adventure and spontaneity.³³⁴ The primary message is to seize every moment and live life to its fullest. The company thus hopes that Bamboocha will be a concept that will appeal to teens’ sense of fun, adventure and

³³⁰ Mrs. Margaret Osiemo, Brand Manager, Coca Cola East Africa & Islands Region. Interview held on October 9th 2006 at the Head Office in Symbion House Nairobi.

³³¹ *Ibid*, on marketing.

³³² Fanta is a brand that is considered to be a teen drink. It is a target for the ages between 12 and 19. However, the core target rests with the ages of between 15 and 17. Information has been provided by Mrs. Margaret Osiemo, brand manager, Coca Cola East Africa and Islands Region, interview held on October 9th 2006 at the Head Office in Symbion House Nairobi.

³³³ *Africa Update*, “Bamboocha Fanta Campaign Spurs Teens to Live Life Fully” 3rd quarterly of 2005, p. 14.

³³⁴ *Ibid*. The philosophy is that Bamboocha introduces a new life concept which, through free spirited islander Jimmy and his friends, shows that fun and exhilarating things can happen when a person is simply willing to take a chance. Thus, Coca Cola brand Marketing Manager Miss. Janice Kemoli says that everyone can relate in some way to Bamboocha because we are all at some time or other faced with interesting situations and opportunities that force us to decide often on the spot, should I or should I not? If you go for it that is Bamboocha! Thus if you are living life under the influence of Fanta, the company avers that there is no question which way you will decide.

spontaneity and ultimately strengthen their relationship with Fanta.³³⁵ Summed up in a single word, Bamboocha, and it is a key component of the campaign's communications

Previously, in 1994 as part of their innovation, the company introduced different flavors of the Fanta brand into the market, which included Fanta apple, Fanta passion and Fanta citrus.³³⁶ However, the brands did not blend well with the consumers' tastes and preferences causing the company to withdraw their production. The Fanta citrus brand is still in the market but under the strict eye of the company's sales department, which is charged with gauging the performance of the company's products in the market.³³⁷

Currently, Coca Cola Company has introduced the 300 ml Fanta Splash bottle that is aimed at helping the brand adopt a more distinctive presence among other soft drinks. It is designed to communicate a new sense of fun and playfulness for the Fanta brand.³³⁸

Brand development enhances the image of a company and its products.³³⁹ In this regard, Coca Cola has developed its brands under a strategy termed as relevance and identification whereby each brand targets a certain age group or class of people.³⁴⁰ Before initializing this concept, the company, through what it calls a thorough market survey, managed to identify the likes of particular age groups.³⁴¹

Coke is a target for the ages between 12 and 29, the core target being between 18 years and 22 years. Sprite is a drink that is targeted for the 12 to 29 year olds too. However, its core targets are the older adults. It is mainly identified with people who believe in themselves and trust their guts. These are thus the trend setters. The older generation is

³³⁵ *Africa Update*, "Bamboocha Fanta Campaign Spurs Teens to Live Life Fully" 3rd quarterly of 2005, p. 14. Thus, inspired by Fanta's much vaunted sense of fun and adventure, consumers are urged to 'listen to the bubbles' and ultimately choose the course most filled with possibilities.

³³⁶ Mrs. Margaret Osiemo, brand manager, Coca Cola East Africa and Islands Region, interview held on October 9th 2006 at the Head Office in Symbion House Nairobi.

³³⁷ Mrs. Margaret Osiemo, *ibid*.

³³⁸ J. Kemoli, Brand Marketing Manager, Coca Cola Africa. Interview held on 14th September 2006 at the Company's divisional offices on Old Mutual Building, Upper Hill, Nairobi.

³³⁹ B. Sihanya, "What is in a name?" Class Lecture to LL.B IV Module II *Intellectual Property Law*, 23rd June 2004.

³⁴⁰ *Africa Update*, "Coca Cola's operating principles." 4th quarterly of 2003, p. 2.

³⁴¹ *Ibid*.

also taken care of. They are the targets for Diet Coke, water and juice.³⁴² Thus, any communication in the form of advertisements is directed to each particular age group. This explains why the television advertisements in Kenya vary according to the brand being advertised; the target groups vary.³⁴³

Kenya's growing population has contributed to the growth of its soft drink industry. There are many companies competing in the product market, each hoping to outdo the other. Examples of companies in the soft drinks and beverage industry include Keringet Water Company producing bottled water in assorted bottle sizes, Del Monte Kenya which produces fresh juices and tinned fruit, and the Coca Cola Company which is in the manufacture of carbonated drinks, juices and bottled water.

The presence of many companies in this industry makes advertising a marketing asset since each company has to assert itself in the market arena for its products to sell and to realize a profit. Advertising plays a significant role in developing a market strategy. It adds value in the consumer's eyes.³⁴⁴ Advertising simply transforms markets and changes the competitive structures because it changes how customers look at products, services and suppliers.

An example thus emerged when in 1996, Pepsi changed its package color and design from red to blue at the cost of some US 500 million, to deliver more impact for the brand and to differentiate more effectively from its stronger rival, Coke. Coke fought back with \$ 500 million advertising spend.³⁴⁵ The products are heavily reliant on image based advertising and this fact makes advertising one of the strategies that the companies have to put in mind in creating and capturing a market share.³⁴⁶

³⁴² Mrs. Margaret Osiemo, Brand Manager Coca Cola East Africa and Islands Region, interview held on October 9th 2004 at Symbion House.

³⁴³ *Ibid.*

³⁴⁴ Mrs. Margaret Osiemo, Brand Manager Coca Cola East Africa and Islands Region, interview held on October 9th 2004 at Symbion House. Further reading taken from Richard Whish (1989) *Competition Law*, Sweet & Maxwell, 2nd edition, Chapter 19.

³⁴⁵ Keine Phillips (1998) *Market Led Strategic Change*, Butterworth Heinemann, London, 2nd edition, p. 220.

³⁴⁶ *Ibid.*

Coca Cola has shown a reliance on advertising as evidenced by the airtime it has on television channels and the billboards that it has occupied in striving to promote its brands. Though Coca Cola's advertising logos may be similar to those of other companies, for example, Coca Cola's *always Coca Cola* and Procter and Gamble's sanitary towels with the brand name *always*, there may not be any likelihood of consumers being deceived or confused by the advertisements due to the fact that they are clearly aired out in reference to the specific products as owned by each company. Trademark violations occur only when the distinguishing feature of the original has been borrowed.

The most famous example of such a case of trademark violation is that one of *Coca Cola Company v. Pepsi Cola Company*,³⁴⁷ where Coca Cola sued Pepsi Cola for violating its trademark. The courts ruled that "Cola" was simply a descriptive word identifying a type of beverage, and that the distinguishing feature of the Coca Cola trademark was the word "Coca." Because the distinguishing feature was not borrowed, there was no likelihood that the average person would get those trademarks confused.

4.3.1 Coca Cola competes

Competition is evident in the market place. The companies' products compete against each other and thus to sell out, each company is in the bid to develop strategies that will see its products rising up above the others within the ever competitive market. Coca Cola, my main study, has not been left behind.

Kenya's soft drink and beverage market is still expanding as evidenced by the fact that many industries are joining or entering this industry. Consumers still seek awareness as to what is available on the market shelves. It is prudent that each producer asserts himself or itself in the production and distribution process. In Kenya, Coca Cola stands high above the rest,³⁴⁸ holding a market share of 90%. This has not come easily. According to the

³⁴⁷ (1942) 2 D.L.R. 657 (P.C.).

³⁴⁸ Mrs. Margaret Osiero, Brand Manager, Coca Cola East Africa & Island Region, interview held on August 10, 2006 at the Head Office in Symbion House, Upper Hill, Nairobi.

Coca Cola Company, it has invested in business strategies that have seen it achieve this reputation.

First and foremost, the company asserts that it communicates with its consumers as much as the consumers require it to.³⁴⁹ This is a business strategy with an objective of drawing the consumers closer to this trade name, the result being that the company's brands are well identified with the consumers. Coca Cola Company claims to have done this through its involvement in thorough advertising and consumer awareness programmes. Coca Cola billboards are a common sight in the Kenyan cities and towns. The company holds that it engages in marketing programmes that are directed to the youths specifically, who are their main target group in a move to accelerate the development of talent in them.³⁵⁰ The company has this year, 2006, prioritized in advertising the Fanta brand,³⁵¹ through extensive media advertisement and program promotions within the media, while the year 2004 saw the advertising of the Coca Cola brand soaring high.

According to the company, this move has come in with the change in the company's campaign logos, the objective being to capture the right mindset,³⁵² with the consumer appreciating the company's authenticity, originality and real refreshment bid. The last quarter of 2003 saw the company's move in the reduction of the premium price of its products in Kenya. The company avers that this was a move that was a response to consumers' wishes.³⁵³ However, it may be a marketing strategy too.³⁵⁴

The company's bid to reduce the prices of its products may be seen as a marketing strategy. This is the main marketing strategy in developing countries such as Kenya and

³⁴⁹At http://www2.coca-cola.com/ourcompany/commitment_quality_include.htm Information accessed on August 11th 2006.

³⁵⁰ An example was the 2004 Coca Cola Pop Stars competition launched in South Africa, Tanzania, Uganda and Kenya where the Coca Cola Company sponsored the event to bring out talent in music that has never been captured in youths. The Competition was aired by the local media to the East Africa countries.

³⁵¹ Mrs. Margaret Osiemo, Brand Manager, Coca Cola East Africa & Island Region, interview held on October 10th 2006 at the Head Office in Symbion House, Upper Hill, Nairobi.

³⁵² Andrew Bienkowski, Coca Cola Africa Group Marketing Director, in his speech during the Sunfill Juices launch in Nairobi on August 8, 2004.

³⁵³ Mrs. Margaret Osiemo, *ibid*.

³⁵⁴ A comparison to Softa Soda, dealt with later in the Chapter.

Tanzania where the strategy has been widely implemented.³⁵⁵ Undercutting the premium price is intended to build the consumers' collapsing loyalty to the products once again. The move was put in place in Kenya in 2003 when consumers expressed the fact that the company was pricing their products so highly that it was unjustified.³⁵⁶

In Tanzania, there has not only been undercutting of prices but also the introduction of the 200 ml, a smaller pack of the drinks.³⁵⁷ Coca Cola Company appreciates that undercutting of the premium price has brought positive returns, which has even carved a better place for the company's products in the market.³⁵⁸ Thus the strategy in developing countries calls for affordability. Thus, it is important that the capacity of the purchasing power of a particular society be put under scrutiny above anything else.

Diversity comes as a marketing strategy too. A brand has at its heart a defining idea that is differentiating and lodges itself in people's minds.³⁵⁹ It is that which people say about you in your absence. Coca Cola's bid to advertise extensively shows that the fact that a brand is strong is not a reason for a company to stop developing market strategies. Coca Cola has plunged its strengths in diverse productions, which include juices and water. The launch of the Dasani bottled water brand in 2003 saw Coca Cola's bid to create a wider market for its products. This was a milestone for the company's brand diversity objectives.³⁶⁰

Currently, with the water brand facing competition in the market place, the company is carrying out its promotion campaigns intensely especially through the occupation of billboards as evident in the Kenyan cities for example. Competition is alive especially

³⁵⁵ Mrs. Margaret Osiemo, *Ibid*.

³⁵⁶ Kenneth Okumu, Coca Cola Kenya Marketing Advisor, interview carried out on August 10th 2006 at the Coca Cola Head Office in Nairobi.

³⁵⁷ Launched on the May 14, 2003 during the *real campaign* launch at the Coco Beach Hotel, Dar es Salam.

³⁵⁸ Kenneth Okumu, *Ibid*.

³⁵⁹ John Simmons, *Daily Nation* Newspaper, Nairobi, Tuesday, June 29th 2004, p. 12.

³⁶⁰ Alexander Cummings, President Coca Cola Africa, *Top USA water brand launched in Africa*, the *Africa Update* magazine, 2nd quarter of 2003.

with the presence of the other bottled water companies, which have a stronger heritage in Kenya.³⁶¹

According to what we see in the market, Coca Cola holds that the market share it has in carbonated drinks and water is not adequate. Sunfill juices were launched in Kenya on August 8th 2004, as part of their diversity strategy. The juices, just as those of competing companies are in lemon, orange and blackcurrant flavors. The brand is facing competition from other brands boasting stronger market heritage thus due to the need for thorough advertising and great marketing, the company put in place such a strategy in January 2005. Sunfill's performance in the market has been determined.³⁶² The company has to consistently work on creating this brand idea in the consumers' minds in order to rise up against the pressing competition. Thus, the company has broadened its historical family of brands, products and services.

4.3.2 Coca Cola and its Competitor Softa

In my opinion, the strong heritage that Coca Cola boasts is the main reason for its successful capture of a big market share in Kenya and other developing countries. Softa Soda in Kenya is an example of a competitor. Its retail price is lower than that of Coca Cola being Kshs. 10 for a 300 ml bottle against Coca Cola's Kshs. 15 for a 300 ml bottle of soda. However, there is evidence that it is struggling to gain a wider market share just as well.³⁶³ It has a market share of 1% in Kenya's soft drinks market. Its entry into the soft drinks market came with the sole aim of satisfying the consumers who had been left out by Coca Cola due to the differing economic strengths. Thus Softa targets the low income earners.³⁶⁴

An example is appropriate. A recent survey in Nyeri town proved that Softa is a strong brand there. Nyeri, the provincial headquarters of Central Province, is a small town and

³⁶¹ Examples include Keringet and Kilimanjaro bottled water companies in Kenya.

³⁶² Mrs. Margaret Osiemo, Brand Manager, Coca Cola East Africa & Island Region, interview held on October 10th 2006 at the Head Office in Symbion House, Upper Hill, Nairobi.

³⁶³ *Supra*. Softa's market share is currently 1% in Kenya.

³⁶⁴ M. Osiemo, *ibid*. Interview held seeking to determine how much Coca Cola Kenya knows about Softa.

the main economic activity carried out is commercial farming. Many people in the town rely on their crops for their livelihood. With very little industrial activities taking place, their purchasing power in regard to soft drinks may not be too strong. Softa identified this market and it is doing well here, giving Coca Cola a need for strategizing again. Currently Coca Cola Company is involved in bigger campaigns in the Central Province region whereby they have noted the strengths of Softa.³⁶⁵

Softa has not been doing well in the big towns and cities of Kenya. The company engaged itself in promoting its product by using new strategies. The “buy one get one free” campaign seems to have been received well but only in the growing towns since Coca Cola’s records show that it still holds 90% market share in soda across the region, the big towns and three cities in Kenya according it the largest market.

4.4 Coca Cola’s wars

When the United States entered World War II, sugar rationing in the United States meant Coca-Cola was unable to produce drinks at full capacity. However, a deal was struck between the U.S. government and Coca Cola whereby the company was exempted from sugar rationing, while Coca Cola supplied free drinks to the United States Army. The U.S. Army permitted Coca Cola employees to enter the front lines as ‘Technical Officers’ where they operated Coke's system of providing refreshments for soldiers, who welcomed the beverage as a reminder of home. After the war, the soldiers brought home their newfound taste for Coca Cola, popularizing the drink. A survey of soldiers after the war indicated that veterans preferred Coca-Cola to Pepsi by an 8 to 1 ratio.³⁶⁶

Coca Cola has been criticized for its decision to continue trading in Nazi Germany. Eventually, the difficulty of shipping Coca Cola concentrate to Germany and its occupied

³⁶⁵ K. Okumu, Coca Cola Kenya Marketing Advisor, on the 2004 the “Nyeri Campaign Roll Out”; reviewing statistics on August 16, 2006 at the Coca Cola offices in Upper Hill, Nairobi.

³⁶⁶ http://en.wikipedia.org/wiki/Coca_Cola Information accessed on 18th September 2006 at 11.40pm.

states, due to the Allied blockades, led to the creation of Fanta by a Coca Cola employee. Fanta is still sold worldwide to this day.

Thus, the path has not always been smooth for Coca Cola. It has had to face challenges just like those faced by other companies. When the company launched its bottled water brand in 2003, it was met by many challenges which saw the banning of the brand in Europe due to complaints that the water contained impurities since it was not water in its natural state but just treated water from the reservoirs.³⁶⁷ This had the effect of taking away most of the product loyalty that the company boasted about in the product markets. The company however has strived to build this loyalty again. Through embarking on major advertising in Kenya and elsewhere around the world, the company, according to its marketing department, hopes to garner the required consumer loyalty.

Further, franchise owners in Kenya have over the years been complaining about the company's rules with regard to the fridges and the containers, which the company provides for the purposes of selling its products. It is the company's regulation that the fridges and containers be used only for the storage of its products and not for any other product manufactured by a different company. This means that only its products are to be displayed. This acts as an anti competition strategy due to the fact that the company restricts the sale of other companies' products.³⁶⁸ This may deter many dealers from selling the company's products since the company's rules as so the storage facilities are rigid and not business friendly.

Competition in the market arena is fierce and unrelenting. Companies will do anything to gain or defend market share. Coca Cola has to fit in the competitive world of business and strive to remain at the top. This means that the company has to work out strategies after strategies in the bid to retain the market share that it already holds and to capture

³⁶⁷ M. Osiemo, Coca Cola Africa Brand Marketing Manager, in an interview as to why there is so much promotion of Dasani in Kenya.

³⁶⁸ B. Sihanya alerted me on this issue.

more. An example was evidenced in the case of Schweppes Company which was bought by Coca Cola in 2003 as a transition strategy.³⁶⁹

According to the company, the Krest brand is not doing well in the market charts and there is a need for substituting it with a brand that will be better appreciated by consumers. Because of this reason, the Coca Cola Company bought Schweppes Company and in place of Krest, there will be a brand, with a taste that is altered from the present one and containing ingredients, which are linked to the Schweppes' drink.³⁷⁰

In the international arena, the cola market, dominated by Coke and Pepsi, is probably the most heavily branded market in the world. In the United Kingdom, Classic Cola, which is supplied by the Cott Corporation, had by 1994 taken 60 per cent of Sainsbury cola sales giving it a 15 per cent of the entire United Kingdom market.³⁷¹ This is enough evidence that though the Coca Cola brand may be strong in some markets, it is not strong in all markets and thus there is still much that it has to continuously do in order to climb higher in the strive for the creation of the most powerful brand.

Competition is the major challenge that the company faces. It has the responsibility of protecting its trade mark and promoting it in the market amongst the other numerous product names.

Thus, the trade mark provides the company with an identity that it has to retain and protect in order to draw sales and therefore continuously hold grip in the competitive markets. Just by its trade mark, a company says it all.

³⁶⁹ *Africa Update*, the quarterly magazine of Coca Cola, 1st quarter 2004, p. 9.

³⁷⁰ *Africa Update*, the quarterly magazine of Coca Cola, 1st quarter 2004, p. 9.

³⁷⁰ M. Osiemo, interview carried out on August 20, 2006 at the Divisional Office in Upper Hill in Nairobi.

³⁷¹ K. Phillips (1998) *Market Led Strategic Change*, Butterworth Heinemann, London, 2nd edition, p. 226.

CHAPTER 5

TRADE MARKS; GLAMOROUS INVENTIONS OR CREATIVE WORKS

5.1 Introduction

The theme of this Chapter is that a trade mark is of outmost value and importance to its proprietor and the business to which it is attached. As I indicated in Chapter 1,³⁷² a good trade mark is no more expensive to apply than a bad one but certainly requires more initiative, talent and effort to think up.³⁷³ It is therefore right that the creator of a trade mark should be given the opportunity of acquiring a monopoly for the result of their input in return for the application or registration fee as was discussed in Chapter 3 herein. Further, the position in Kenya with regard to trade mark protection is brought into perspective on the basis of the discussion in Chapters 1 and 3.

5.2 Trade mark protection in Kenya

As I discussed in Chapter 1, trade marks being generally distinctive in nature demand the protection of the law.³⁷⁴ Trade mark status is granted to such names and to distinctive and unique packaging, color combinations, building designs, product styles, and overall presentations as was discussed in Chapter 1.³⁷⁵ It is also possible to receive trade mark status for identification that is not on its face distinct or unique but which has developed a secondary meaning over time that identifies it with the product or seller.³⁷⁶ The owner of a trade mark has exclusive right to use it on the product it was intended to identify and

³⁷² See Chapter 1.2.

³⁷³ Cornell Law School, "What is a trade mark" http://www.law.cornell.edu/uscode/html/uscode15/usc_sup_01_15_10_22.html Information accessed on 6th November 2006 at 12.10pm.

³⁷⁴ David Newton (1991) *Trade Marks: An Introductory Guide and Bibliography*, British Library, London, page 109.

³⁷⁵ *Ibid.*

³⁷⁶ Cornell Law School, "What is a trade mark" http://www.law.cornell.edu/uscode/html/uscode15/usc_sup_01_15_10_22.html Information accessed on 6th November 2006 at 12.10pm.

in return for the application or registration fee as was discussed in Chapter 3 herein. Further, the position in Kenya with regard to trade mark protection is brought into perspective on the basis of the discussion in Chapters 1 and 3.

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The need for law thus arises since the use of trade marks can boost a company's profitability. Marks help consumers answer the questions: "Who makes this product?" and, "Who provides this service?" Consumers thus need to feel the trade mark,³⁷⁸ and this is well done when the mark stands out. This was the theme in Chapter 4 where I discussed competing trade marks and the impact that a strong trade mark has in its product market. Further, a trade mark being an indicator of quality,³⁷⁹ means that an established mark helps consumers answer another question: "Is this product or service a good one to purchase?"³⁸⁰

³⁷⁴ David Newton (1991) *Trade Marks: An Introductory Guide and Bibliography*, British Library, London, page 109.

³⁷⁵ *Ibid.*

³⁷⁶ Cornell Law School, "What is a trade mark" http://www.law.cornell.edu/uscode/html/uscode15/usc_sup_01_15_10_22.html Information accessed on 6th November 2006 at 12.10pm.

³⁷⁷ *Ibid.*

³⁷⁸ Richard Mukoma, "Consumers need to feel your brand" *Daily Nation* Newspaper, August 8th 2006.

³⁷⁹ Gregory Guillot, "The value of a trade mark" <http://www.ggmark.com/whatis.html> Information accessed on 6th November at 12.28pm.

³⁸⁰ See Chapter 2.2.1.

However, registering a business and its trade name under the Registration of Business Names Act and the Companies Act,³⁸¹ would not automatically protect the trade mark. There is a difference between trade names and trade marks. A trade name is the full name of a business and it identifies a company.³⁸² Thus it means the name or style under which any business is carried on whether in partnership or otherwise or as a limited company. A trade mark, however is what distinguishes the product of a company from those of other companies.

In order for a trade mark to be registrable in Kenya, it must contain or consist of essential particulars as stipulated in section 12 of the Kenyan Trade Marks Act.³⁸³ The particulars are,

- The name of a company, individual or firm, represented in a special or particular manner.³⁸⁴
- The signature of the applicant for registration or some predecessor in his business.³⁸⁵
- An invented word or invented words.³⁸⁶
- A word or words having no direct reference to the character or quality of the goods and not being according to its ordinary signification a geographical name or a surname.³⁸⁷
- Any other distinctive mark.³⁸⁸

The key requirement thus is the issue of distinctiveness.³⁸⁹

³⁸¹ Cap 499 of the Laws of Kenya and Cap 486 of the Laws of Kenya respectively.

³⁸² Kenya Industrial Property Institute (2005) *An Introduction to Trade Marks for Small and Medium Sized Enterprises: A nationally customized version of the WIPO publication entitled "Making a mark."* page 8.

³⁸³ Cap 506 of the Laws of Kenya.

³⁸⁴ Sec 12 (a) of the Kenyan Trade Marks Act as amended.

³⁸⁵ Sec 12 (b) of the Kenyan Trade Marks Act as amended.

³⁸⁶ Sec 12 (c) of the Kenyan Trade Marks Act as amended.

³⁸⁷ Sec 12 (d) of the Kenyan Trade Marks Act as amended.

³⁸⁸ Sec 12 (e) of the Kenyan Trade Marks Act as amended.

³⁸⁹ Kenya Industrial Property Institute (2005) *An Introduction to Trade Marks for Small and Medium Sized Enterprises: A nationally customized version of the WIPO publication entitled "Making a mark."* page 8 and 9.

Further, a trade mark registration is valid for 10 years from the date of application. Six months prior to the expiry of the 10 years, the Registrar should notify the owner of the trade mark of the imminent expiry of the concerned trade mark.³⁹⁰

The owner may then apply for a renewal which covers the next 10 years and the renewal can continue every 10 years thereafter upon payment of a renewal fee. Renewal of Trade or Service mark is done on form TM 10. If at the expiration of the time prescribed for renewing the mark, the conditions have not been duly complied with, the Registrar may remove the trade mark from the register.³⁹¹

5.3 Rationale and justification for trade mark law

In Kenya trade mark protection may be obtained through registration or use.³⁹² Even though trade marks may be protected through use, traders in Kenya are well advised to register the trade mark by filing the appropriate application form with the Kenya Industrial Property Institute.³⁹³ Registration will provide stronger protection particularly in the case of conflict with an identical or confusingly similar trade mark.

Advantages that accrue to a trader who has registered his trade mark include,³⁹⁴

- The ability to bring actions for trade mark infringement in state courts.
- Eligibility for damages in a successful trade mark infringement action.
- A presumption that the registered trade mark is valid.
- A presumption that the owner of the registration owns the registered mark.
- A presumption that the registrant has exclusive rights to use the trade mark in commerce.

³⁹⁰ KIPi, “The procedure of registration of trade marks in Kenya.” At <http://www.kipi.go.ke/trademarks/tmprocedure.htm> Information accessed on 6th November at 1.28pm.

³⁹¹ *Ibid.*

³⁹² *Ibid.* The Act too holds in Section 5 that no person shall be entitled to institute any proceeding to prevent, or to recover damages for, the infringement of an unregistered trade mark, but nothing in this Act shall be deemed to affect rights of action against any person for passing off goods as the goods of another person or the remedies in respect thereof.

³⁹³ *Ibid.*

³⁹⁴ Gregory Guillot, “Registration of trade marks” <http://www.ggmark.com/protect.html> Information accessed on 6th November at 12.44pm. Further reading taken from David Bainbridge (1996) *Intellectual Property*, Pitman Publishing, London, 3rd E, page 457 to 460 on Registrable Trade Marks.

- A presumption that the registered mark is not confusingly similar to other registered trade marks.
- The ability to file applications for registration in other countries, based upon recognized national registration.
- The ability to prevent the importation of goods bearing infringing marks by registering the trade mark in the importing country.³⁹⁵

Thus, the major conclusion that I would like to draw from my study herein is that having proper laws regarding trade marks in a country is necessary for its businesses and trade to thrive. Innovators deserve the protection of law. This would in turn act as an incentive to encourage them towards creativity and trade. Development as an important factor and need in Kenya is promoted by the implementation of laws that are geared into seeing that the market arena is an organized place.

Further, a trade mark is important to its proprietor as it is to a consumer. The proprietor and the consumer both need a distinction in products they want to be associated with and through this fact the importance of trade marks is understood. Marketing of products is made possible by the role that trade marks play in differentiating products. Indeed, trade mark law is important for a country's market economy.

All in all, from my study, I aver that a trade mark is an important tool in the market. It might take the proprietor of a trade mark time before consumers identify with it. However, with proper marketing tools aimed at creating consumer awareness, there is bound to be an interaction between a trader and the consumers through the trade mark their link.

5.4 Proposed reforms in the Kenyan laws with regard to trade and trade mark law.³⁹⁶

³⁹⁵More information from "trade mark protection" by Gregory Guillot available at <http://www.ggmark.com/protect.html> Information accessed on 6th November 2006 at 12.53pm.

³⁹⁶ Research has been carried out through interviewing Mr. Edgar Imbamba, former legal counsel at Attorney General's chambers where industrial property rights were granted and registered before the establishment of Kenya Industrial Property Organization (KIPO) in 1990 which was renamed KIPi In 2001. Further information obtained from a cross reference to my LL. B. Dissertation entitled "Trade Marks

The present legal definition of trade marks, in section 2 of Kenya's Trade Marks Act, is restrictive in that it only provides that a trade mark is a mark used to indicate a connexion in the course of trade between the goods and a person entitled to use the mark. A mark is defined as a name or description of goods. The section goes on to give various examples of marks.

My first recommendation is on the broadening of this definition. Any sign capable of being graphically represented should be eligible for registration.³⁹⁷ The concern of the law should be whether the relevant sign is capable of performing the basic function of a mark which is, in economic and legal terms, to indicate the origin of the goods or services. In summary, the definition should not suggest a closed list of eligible signs as no type of sign should be automatically excluded from registration.

The present concern of the law, that a trade mark must be something that can be applied or attached to goods, completely misses the point. It excludes features like the shape of goods or their container, signs denoting smells, sounds or tastes which, in my view, are good indications of source or distinguishing features. Although they are protectable under other branches of intellectual property, for example as industrial designs, they can serve as trade marks and can be protected as such. The root question is; if a sign does function in the market place as a trade mark, why should it not be registrable as one?

There may be considerable difficulties in the utility and practicality of registering sounds or smells but there is no need for an explicit exclusion. It is up to the applicant to convince the Registrar that what he seeks to protect is capable of functioning as a trade mark. The open ended definition that I am suggesting has served well in the USA where sounds and three dimensional shapes have been registered as trade marks, the only condition is that the mark be capable of being graphically represented which simply

amidst competition in Kenya", submitted to the University of Nairobi in partial fulfillment of the requirements for the award of the degree of Bachelor of Laws in 2004.

³⁹⁷ This would include shapes and colours.

means, in a form which can be recorded and published.³⁹⁸ A three dimensional mark is, for instance, portrayed in drawings and or described in words while a sound mark can be represented in conventional musical notation or described in words.

Presently, the law does not exclude a colour or a combination thereof being regarded as a trade mark. In Britain, the House of Lords has ruled that the distinctive appearance of colours on a capsule is registrable.³⁹⁹ In my opinion, it is undesirable to allow a trader to acquire a perpetual monopoly in a particular color or combination of colors and this was the position in the case of *Cut Tobacco Limited v. British American Tobacco*.⁴⁰⁰ I would thus recommend that colors ought not to be registrable except as part of a trade mark in which case, there ought to be a disclaimer as to the exclusive use of the colors alone.

There is controversy on what marks may be registered. First is whether the shape of goods or their packaging can be registered. The House of Lords ruled in 1986 that as the law was, a bottle could not be a trade mark.⁴⁰¹ The rationale of the law is that allowing the registration of shapes of goods or containers would lead to an unacceptable restriction on the choice of shapes available to other traders given that in practical terms the choice must be limited by manufacturing techniques. This view is misconceived. It is a fact of the market place that some shapes are recognized by consumers as distinctive of the products of a particular trader. Allowing the registration of such shapes would therefore not be conferring a monopoly, it would merely be recognizing the *de facto* monopoly already in existence.

A good example has been with the Coca Cola bottle as I discussed in Chapter 4 of my study. The Coca Cola Company was finally afforded registration in the 80s, but after a gruelling experience in litigation.⁴⁰² The shape that primarily identifies and distinguishes a product and does not contribute substantially to the intrinsic value of the product ought

³⁹⁸ An example is the Coca Cola trade mark that was registered therein.

³⁹⁹ *Smith, Kline & French Limited Application* (1976) RPC 511.

⁴⁰⁰ H.C Civil Appeal no. 126 of 2000.

⁴⁰¹ *Coca Cola Trade Mark Case* [1986] RPC 421.

⁴⁰² For example the *Re Coca Cola* case, [1986] 2 A11 ER 274.

to be registrable as a trade mark.⁴⁰³ Thus, the Coca Cola bottle does not add any intrinsic value to the product. So, the main motive of a competitor in using an identical or similar shape would be to mislead purchasers as to the origin of the product. It is thus recommended that appropriate shapes be registrable as trade marks.

On registration the trade mark register was introduced to make it unnecessary to prove the plaintiff's reputation and give evidence of deception or its likelihood resulting from the defendant's conduct. What is not so certain in Kenya is whether the registration system will survive in its present form or, for that matter, at all, in order to afford the required protection against imitations. It cannot be denied that marking of products is of ever increasing importance to traders and consumers alike. As we have stated above, a good trade mark is no more expensive to apply than a bad one but certainly requires more initiative, talent and effort to think up.⁴⁰⁴ It is therefore right that the creators of new marks should be given the opportunity of acquiring a monopoly for the result of their input in return for the application or registration fee.

However, registration is not enough. There are many instances of infringement and passing off that never reach the courts. This is caused by two factors; first is the ignorance of traders. They fail to recognize some unfair practices of their rivals as actionable. Second, and more importantly, is the high price paid for suing. Owing to the expenses of litigation and the poor chances of obtaining interim relief, especially if the trade mark registration in suit is recent, many traders fear going to court.

Thus, I am recommending that there be established by statute a procedure of private protection of trade marks by traders. This would be cheaper and a more effective scheme of trade mark protection. Complaints of infringement and passing off will then be investigated by a committee to be appointed, which recommends the sanctions to be applied if the accused party is found guilty. Trade sanctions such as expulsion from membership or debarment from trade exhibitions are very drastic thus very effective as

⁴⁰³ As was held in the *Coca Cola Trade Mark Case*.

⁴⁰⁴ David Newton (1991) *Trade Marks: An Introductory Guide and Bibliography*, British Library, London, page 109.

deterrent measures against future misdeeds. Such a scheme in my opinion would be more effective than the present set up as traders are better placed to solve current trade problems amongst them than the ordinary courts which are usually ignorant of current customs and practices and are overloaded with other cases.⁴⁰⁵

Further, there is the controversy surrounding geographical names as trade marks. Here, there are two specific types of marks. Type one is the geographical name on a product, which acquire their particular qualities from being produced in the place designated. These are called appellations of origin and the law presently prohibits their false use.⁴⁰⁶ Groups of independent traders from one state or region, rivals amongst themselves, nevertheless jointly use their appellations to distinguish their products from those of outside competitors. An agreement for the protection of appellations of origin and their International Registration⁴⁰⁷ prohibits sale of goods in foreign markets without the correct appellations of origin. These marks thus need protection since many products, especially wines have come to be described by their use; for example burgundy, champagne and sherry. There are however proposals to introduce protection in another convention.⁴⁰⁸ There is little I can recommend here in terms of reform but it would be ideal if all states ratified and adhered to these international arrangements.

Type two comprises of geographical names for products whose qualities are not particularly associated with the place designated. A wide range of food and drink and other products are sold under a geographical name with which they have become associated even though this association depends on local skills rather than geographical peculiarities. The Kamba Kiondo, Swiss watches, Cuban cigars and Italian shoes are good examples. It is thus recommended that traders be prohibited from falsely claiming goods to be from a certain region. Mentioning that region induces the public to purchase products thinking them to be from the suggested places.

⁴⁰⁵ Gerald Jerome (1974) *Trade Mark Protection & Practice*, Sweet & Maxwell, London, page 104.

⁴⁰⁶ Ralph Folson (1990) "Trade marked generic words," 89 Yale L. J. 1323.

⁴⁰⁷ Signed in Lisbon, 1958.

⁴⁰⁸ The Paris Convention for the Protection of Industrial Property signed in 1883.

On an international level there is urgent need for an international register. There has been in the past attempts to establish an international register. The Madrid Agreement on International Registration of Marks⁴⁰⁹ of 1891 led to the Trade Mark Registration Treaty, which endeavoured for international protection of marks. But it failed because only the USSR and four African countries ratified it and thus only a token number of registrations appear on it.⁴¹⁰ It is important that as many countries as possible accede to it so that international registration can become a reality. Once the register is established, mutual protection of foreign marks can then be offered on a *quid pro quo* basis amongst member countries.

All in all, although the 1938 English Act on which the Kenyan statute is based consolidated the law,⁴¹¹ it has been suggested that parts of it are incomprehensible except in conjunction not only with its predecessors but also with the law before registration began. It is clearly undesirable that those wishing to know what the law on trade marks is should have to indulge in such a study. It is hoped that these reforms will provide a new and self sufficient law of trade marks while at the same time simplifying and clarifying the text of the law. The Act has indeed been amended but there is more that needs to be done, for example, the new law to provide for much more protection to both the trader and the consumer than it does as it is.

Thus a trade mark gives the company an identity which it has to protect in order to retain it. Since it is the trade mark which brings the company recognition from the purchasing public, there is need for the company to be offered the desired security by the law on its trade mark.

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⁴⁰⁹ Les Marques Internationales, WIPO, Geneva, 1893.

⁴¹⁰ A. Miller & M. Davis (1985) *Intellectual Property: Patents, Trademarks & Copyright in a Nutshell*, London Press, page 264.

⁴¹¹ Lord Diplock in *G. E. Trade Mark* [1973] RPC 297.