

**EFFICACY OF ANTI-COUNTERFEIT LAWS IN KENYA**

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**Declaration**

I, **Braxides Shaluma Ongola**, declare that this thesis is my original work except where indicated by special reference in the text. This thesis has not been submitted to any other institution for the award of a postgraduate degree or any other award either in Kenya or elsewhere.

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**Dedication**

To my Dad, Father, Friend and Hero: Mr. Wycliffe Ongola. This was your longtime dream, desire and cherished goal for me. So, Dad, this is for you.

## **Acknowledgements**

*“Being confident of this very thing, that he which hath began the good work in you will perform it....”*  
*Philippians 1:6 (KJV)*

To you my God, it is you who started the good work in me and I knew you would be faithful to complete it. Here we are! Thank you for the sufficient grace, thank you for seeing me through it all.

Special thanks to my supervisor and mentor, Professor Ben Sihanya for his patient guidance, enthusiastic encouragement and useful critiques through this research work. Many thanks to you Professor for always making available to me all the relevant study materials throughout this study via Innovative Lawyering and Sihanya Mentoring, Nairobi.

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To everyone else who has in one way or another helped me along the way, I am most grateful and may our good Lord shower you with His abundant blessings.

## **Abbreviation and Acronyms**

ACA	Anti-Counterfeit Agency (Kenya).
ACTA	Anti-counterfeiting Trade Agreement.
ADR	Alternative Dispute Resolution.
ARIPO	African Regional Intellectual Property Organization.
BASCAP	Business Action to Stop Counterfeiting and Piracy.
BSA	Business Software Alliance.
Cap	Chapter
CEDAW	Convention of the Elimination of all forms of Discrimination Against Women, 1979.
CTM	Community Trade Mark (EU).
CTMO	Community Trade Mark Office (EU).
CTMR	Community Trade Mark Regulation (EU).
CUP	Custom Union Protocol.
EA	East Africa.
EAC	East African Community.
EALA	East African Legislative Assembly.
FDI	Foreign Direct Investment.
ICESCR	International Covenant on Economic, Social and Cultural Rights, 1966.
ICC	International Chamber of Commerce.
ICT	Information and Communication Technology.
IP	Intellectual Property.
IPRs	Intellectual Property Rights.
IPT	Industrial Property Tribunal.
KAM	Kenya Association of Manufacturers.
KBC	Kenya Broadcasting Corporation.
KEBS	Kenya Bureau of Standards.
KEPSA	Kenya Private Sector Alliance.

KES	Kenya Shillings.
KIPI	Kenya Industrial Property Institute.
KLR	Kenya Law Report.
KRA	Kenya Revenue Authority.
MCSK	Music Copyright Society of Kenya.
OECD	Organization for Economic Co-operation and Development.
PCT	Patent Cooperation Treaty.
SME	Small Micro Enterprise.
TRIPs Agreement	Agreement on Trade-Related Aspects of Intellectual Property Rights, 1994.
UNCTAD	United Nation Conference on Trade and Development.
UNDP	United Nations Development Programme.
UPOV	International Union for the Protection of New Varieties of Plants.
v.	versus.
WCO	World Customs Organization.
WHO	World Health Organization.
WIPO	World Intellectual Property Organization.
WTO	World Trade Organization.

**List of Constitutions**

Constitution of Kenya, 1963.

Constitution of Kenya, 1969.

Constitution of Kenya, 2010.

**List of International Treaties**

Agreement on Trade Related Aspects of Intellectual Property Rights, including Trade in Counterfeit Goods, Apr.15, 1994.

Berne Convention for the Protection of Literary and Artistic Works, September 9, 1886.

Madrid Agreement Concerning the International Registration of Marks, June 26, 1998.

Patent Cooperation Treaty, June 19, 1970

Paris Convention for the Protection of Industrial Property, March 20, 1883.

WIPO Copyright Treaty, December 20, 1996.

**List of Statutes**

Anti- Counterfeit Act, 2008.

Copyright Act, 2001.

Industrial Property Act, 2001.

Penal Code, Cap 63.

Seeds and Plant Varieties Act, Cap 326.

Trade Marks Act, Cap 506.

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*Anton Piller KG v. Manufacturing Process Limited* (1976) Ch. 55

*Biersdorf AG v. Emirchem Products Limited* High Court Civil Case No. 559 of 2002

*Chloride Exide (K) Limited and Another v. Zakayo Muchai Wainaina T/A Chloride Exide Solar*  
[2008] eKLR

*Cuossens v. Attorney General* [1999] EA 40

*Doshi Iron Mongers v. Department of Weights and Measures, Kenya Industrial Property  
Institute, Kenya Bureau of Standards and others* Nairobi High Court Civil Case No. 2 of 2004

*Kuria Kanyokotla Amigo Bar and Restaurant v. Francis Kinuthia Nderuet al* (1988) 2 Kenya  
Court of Appeal Report 126

*Montana (K) Limited v. Anthony Maina Kara & 2 Others* [2006] eKLR

*Mumias Sugar Company Ltd v. The Option Two Limited et al* Civil Suit No. 463 of 2013

*Patricia Asero Ochieng and 2 others v. the Attorney General & Another* Constitutional Petition  
Number 409 of 2009

*Third Chandris Shipping Corporation v. Uniamarine* [1976] 2 All ER 972

*Sanitam Services (EA) Ltd v. Rentokil (K) and Kentainers (K)* Civil Appeal No. 228 of 2004

## CHAPTER 1

### METHODOLOGY ON EFFICACY OF ANTI-COUNTERFEIT LAWS IN KENYA

#### 1.1 Introduction on Efficacy of Anti-Counterfeit Laws in Kenya

Kenya is facing an alarming increase in trade in counterfeit products. Her counterfeit industry is worth 70 billion Kenyan shillings (KES) a year.<sup>1</sup> This is reported at a time when Kenya has an elaborate legal regime that safeguards intellectual property rights (IPRs).<sup>2</sup> Protection of IPRs is vital in combating counterfeit trade.<sup>3</sup> Despite the protection of IPRs in Kenya, counterfeit trade is still rampant. It is for this reason that this research analyses the efficacy of the anti-counterfeit laws in Kenya.

#### 1.2 Background on Efficacy of Anti-Counterfeit Laws in Kenya

Innovation and creativity are vital to the Kenya's prosperity<sup>4</sup> as it enhances economic growth.<sup>5</sup> Accordingly, inventors and artists need a well-tailored, robust protection of their creation. This is important because it grants the inventor a competitive advantage in his commercial activities.<sup>6</sup> Accordingly, for Kenya to benefit from the intellectual property<sup>7</sup> of its citizens, it must have in place robust legal and institutional framework to safeguard the same. Protection of intellectual property rights is vital in combating counterfeit trade.

Counterfeit trade involves the production and sale of goods, technologies and related services that are similar or substantially identical to legitimate products without the authorization of the

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<sup>1</sup> Mike Mwaniki(2011)“Kenya region’s top fake goods market: report,” *Daily Nation*, Nairobi on January 21, 2011.

<sup>2</sup>Kenya has an elaborate legal regime that safeguards intellectual property rights which includes; the Industrial Property Act, the Copyright Act, the Trade Description Act, the Seeds and Plant Varieties Act and the Trade Mark Act and Anti-Counterfeit Act 2008.

<sup>3</sup>Shanghai Initiative (2004) “Regional Forum on protection of intellectual property rights”at [www.ccapcongress.net/.../Files/Shanghai%20Initiative%20-%20Final.doc](http://www.ccapcongress.net/.../Files/Shanghai%20Initiative%20-%20Final.doc)(assessed on 25/10/2014)

<sup>4</sup> Robert Still (2009) “Protecting intellectual property rights in a global economy: Current trends and future challenge,” [www.WorldTrademarkReview.com](http://www.WorldTrademarkReview.com) (accessed on 20/06/2012).

<sup>5</sup> Innovations create job opportunities and encourages production thus realization of economic growth.

<sup>6</sup> A case in point is the small medium enterprises whose intellectual property rights provide them with a powerful weapon to compete with much larger companies.

<sup>7</sup>See Chapter 1.9 to the study where Intellectual property is defined to mean creations of the mind: inventions, literacy and artistic works, and symbols, names, images, and designs used in commerce.

owner or licensee of the intellectual property which undergirds the legitimate product.<sup>8</sup>

Counterfeit trade poses social and economic challenges. Economically, counterfeit trade has seen most of the innovators lose their income,<sup>9</sup> thus discouraging the growth of local entrepreneurship.<sup>10</sup> In Kenya, counterfeiting has affected the manufacturing sector seriously in terms of cutting down their revenue.<sup>11</sup> A recent report by the Kenya Association of Manufacturers shows that 40 percent of manufacturing firms in Kenya cite counterfeit product as a threat to their market share.<sup>12</sup>

Counterfeit trade has further been linked to poverty as it adversely affects the private sector. In Kenya, just as other countries, the private sector enhances economic and social development therefore when affected by counterfeiting, it becomes difficult to eradicate poverty.<sup>13</sup> Counterfeit trade has also been cited as a trade that deprives off a country its revenue thus resulting to poverty. In Kenya it is reported that counterfeiting costs Government of Kenya shillings 19 billion in lost revenue annually.<sup>14</sup>

Consumers also suffer from the counterfeit trade. In various cases counterfeits have caused harmful effects to consumer health and even caused death. Counterfeit pharmaceutical products present serious (and sometimes fatal) health risks to consumers in addition to general

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<sup>8</sup>Ben Sihanya (2001) "Intellectual property confronts counterfeiting in Africa: protecting innovators and consumers in the cyber society," Chapter 19, in Prof Thomas Wilhelmsson, *et al.* (Eds.) (2001) *Consumer Law in the Information Society* Kluwer Law International, London, pp. 329-364.

<sup>9</sup> Counterfeit products can be produced and sold at prices much lower than legitimate products, but still deliver attractive profit margins for the counterfeiter because the fake products are often made with substandard materials, undergo little or no quality control or even basic health and safety testing. This makes the counterfeiters to earn income at the expense of the legitimate owners of the intellectual property right.

<sup>10</sup> The former Attorney-General of Kenya, Amos Wako during the third global congress on Combating Counterfeiting and Piracy at the International Conference Centre in Geneva, Switzerland on January 30, 2007 reported that right holders in Kenya lose an estimated 30 Billion Shillings per annum to traders in counterfeit and piracy. Several industries have had to shut down such textile industry and the music industry leading to loss of jobs.

<sup>11</sup>Andrew Mwithiga and Anita Kamakil (2012) "The Effect of Counterfeiting in the manufacturing sector in Kenya" at [www.aca.go.ke](http://www.aca.go.ke) (assessed on 26/01/2014).

<sup>12</sup>Adan Shibia and Anne Gitonga (2014) "To Combat Counterfeit, Institutional Challenges must be addressed." *Business Daily*, Nairobi, June 19, 2014.

<sup>13</sup> Amos Wako (2007) "Promoting better legislation and enforcement of intellectual property rights," speech delivered at the 3<sup>rd</sup> Global congress on combating counterfeiting and piracy during the international conference center in Geneva, Switzerland.

<sup>14</sup>Kenya Association of Manufacturers, "KAM presents amendments to Anti Counterfeit Bill," at <http://www.kam.co.ke> (accessed on 25/08/2013).

dissatisfaction.<sup>15</sup> Counterfeits are not subjected to health inspection and many such manufacturers, processors or providers care little about health standards or consumer satisfaction. Further counterfeits trade has resulted to consumers losing their money and sometimes putting themselves at risk with the purchase of fake goods.

In spite of the dangers posed by counterfeit trade as illustrated above, counterfeit trade continues to take root in Kenya and the world at large. In the early 1990s, counterfeit goods were believed to represent about 3 per cent of world trade.<sup>16</sup> By 1998, the OECD estimated that counterfeit goods had grown to as much as 9 per cent of world trade.<sup>17</sup> This means that while world trade increased by around 50 percent in that time, the counterfeit trade increased by more than 400 percent. It is now estimated that trade in counterfeits amounted to more than \$450 billion. The rapid growth of counterfeiting trade is becoming a serious threat to the genuine business all over the world.<sup>18</sup> In Kenya trade in counterfeits has grown into KES 70 billion annual businesses, rivaling key foreign exchange earners like tourism, tea and horticulture.<sup>19</sup>

Effective laws and proper enforcement mechanism are vital ways in which counterfeit trade can be combated. Peter Gumbal argues that having the proper legal framework and enforcement mechanisms in place is useful in combating counterfeit trade.<sup>20</sup> Robert Guthrie also reports that commissioner of the European Council proposes changes to European Union Trade Mark Law that will help prevent counterfeit goods from entering European Union.<sup>21</sup>

Additionally, during the third global congress on Combating Counterfeiting and Privacy at the International Conference Centre in Geneva, Switzerland on January 30, 2007, the former Attorney-General of Kenya, Amos Wako, acknowledged that there is need to develop the

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<sup>15</sup> Ben Sihanya (2001) "Intellectual property confronts counterfeiting in Africa," *op. cit.*

<sup>16</sup> International Anti-Counterfeiting Coalition, "Global Counterfeiting," IACC website [www.iacc.org](http://www.iacc.org) (accessed 20/08/2013).

<sup>17</sup> *ibid.*

<sup>18</sup> BianVeloutsou (2007) "Consumers' Attitudes Regarding Non-Deceptive Counterfeit Brands in the UK and China," Vol.14 *Journal of Brand Management*, 211-222.

<sup>19</sup> George Omondi (2013) "Kenya loses 70 bn in Counterfeit trade," *Daily Nation*, Nairobi.

<sup>20</sup> Paul Gumbal (2009) "How to stop the Counterfeit Medicine Drug Trade; Times Health and Family," at <http://content.time.com/time/health/article/0,8599,1929147,00.html> (accessed on 21/10/2013).

<sup>21</sup> Robert Guthrie (2013) "Commission proposes changes to European Union trade mark law that will help to prevent counterfeit goods entering the EU," at <http://www.sjberwin.com/insights/2013/08/05/commission-proposes-changes-to-european-union-trade-mark-law> (accessed on 21/10/2013).

Kenyan intellectual property law so as to fight counterfeit and piracy. From the aforesaid, it can be concluded that a proper legal framework and enforcement mechanism should be in place for Kenya in order to eradicate counterfeit trade.

Kenya has an elaborate legal regime that safeguards intellectual property rights. This includes; the Industrial Property Act, the Copyright Act, the Trade Description Act, the Seeds and Plant Varieties Act and the Trade Mark Act. With respect to enforcement of intellectual property rights, Kenya has enacted the Anti-Counterfeit Act 2008.<sup>22</sup> Despite all these laws in place, counterfeit trade is still rampant in Kenya. It is on basis that the researcher will analyze the efficacy of anti-counterfeit laws in Kenya.

### **1.3 Statement of the Problem on Efficacy of Anti-Counterfeit Laws in Kenya**

As I have indicated, Kenya has an elaborate legal regime that safeguards intellectual property rights. She has further complied with various international conventions and agreements that advocate for the protection of intellectual property rights for instance the Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPs).<sup>23</sup> There is also a well-established institutional framework for safeguarding intellectual property rights.

However, like the other East African countries, Kenya is facing an alarming increase in trade in counterfeit products. In 2007 during the first East African intellectual property rights conference; Member States shared on the impacts of counterfeit trade in their economies. It was estimated that the region losses US\$ 20 million in taxes to counterfeiting and piracy with Kenya being the lead.<sup>24</sup> Kenya has the largest counterfeit market in East Africa, with China and India supplying the majority of counterfeit items into the Kenya.<sup>25</sup> Additionally, the counterfeit industry in Kenya is worth about KES 70 billion a year.<sup>26</sup>

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<sup>22</sup> Anti-Counterfeit Act No. 13 of 2008 establishes the Anti-counterfeit Agency which is charged with the responsibility of combat counterfeiting trade in Kenya in among other functions.

<sup>23</sup> World Intellectual Property Organization website, at [www.wipo.int/trademark/html](http://www.wipo.int/trademark/html) (accessed on 21/10/2012).

<sup>24</sup> International Chamber of Commerce (2007) "Counterfeiting cost East Africa \$20 million in lost taxes," at <http://www.icc-ccs.co.uk/bascap/article.php?articleid=731> (accessed on 16/12/2012).

<sup>25</sup> *ibid.*

<sup>26</sup> Mike Mwaniki (2011) "Kenya region's top fake goods market: report," *op. cit.*

In 2009, the Anti-counterfeit Act 2008 was enacted to address the issue of counterfeit trade. The question that begs then is whether the laws put forth to curb counterfeit trade are effective. Are they achieving the intended purpose?

#### **1.4 Research Objectives of the study on Efficacy of Anti-Counterfeit Laws in Kenya**

This study shall deal with both general and specific objectives.<sup>27</sup>

##### **1.4.1 General Objective**

The general objective of this study is to analyse the efficacy of the anti-counterfeit laws in Kenya.

##### **1.4.2 Specific Objective**

The specific objectives of this study are: first, to identify the legal framework put forth to curb counterfeit trade in Kenya and secondly, examine the enforcement mechanism of the anti-counterfeit laws in Kenya.

#### **1.5 Hypotheses on the Efficacy of Anti-Counterfeit Laws in Kenya**

In this study, the following two closely interrelated hypotheses will be tested. First, inadequate anti-counterfeit laws in Kenya offers a thriving environment for counterfeit trade. Secondly, poor enforcement mechanism of the anti-counterfeit laws accelerates counterfeit trade.

#### **1.6 Research Questions on the Efficacy of Anti-Counterfeit Laws in Kenya**

The following four research questions guided the researcher in achieving the objectives of this research as stated above.

The first question is what are the laws put forth to curb counterfeit trade in Kenya? Secondly, are these laws achieving their intended purpose? Third, are administrative measures employed to combat counterfeit trade in Kenya adequate? Fourth and lastly, what are the challenges facing criminal and civil enforcement of anti-counterfeit laws?

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<sup>27</sup> Ben Sihanya (forthcoming 2014) *Sihanya Mentoring Guidelines on LLM Research Projects*, Innovative Lawyering & Sihanya Mentoring, Nairobi & Siaya: Kate L. Turabian (2007) *A Manual for writers of Research Papers, theses and Dissertation*, The University of Chicago Press, Chicago 7<sup>th</sup> ed.

### **1.7 Preliminary Literature Review on the Efficacy of Anti-Counterfeit Laws in Kenya**

The literature will be reviewed in the context of the relevant laws and the enforcement mechanisms. In doing this, the researcher will demonstrate the gaps within the literature which the research seeks to address. Key to note is that this is preliminary review of the literature. Comprehensive review of the literature is pursued explicitly in Chapter 2, 3, 4 and indeed. We will begin by reviewing the Constitution of Kenya 2010 and all the other laws in Kenya put forth to curb counterfeit trade. The basis of the protection of intellectual property rights is premised in the Constitution of Kenya 2010. Under Article 40(5) of the Constitution of Kenya 2010, the state has a duty to support, promote and protect the intellectual property rights of the people of Kenya. As already noted, the protection of the intellectual property right plays a great role in curbing counterfeit trade. For this reason, it can therefore be said that Article 40(5) of the Constitution of Kenya 2010 forms the basis of anti-counterfeit laws in Kenya. It is worth to note that the Constitution of Kenya, 1963 did not provide for protection of the intellectual property right.

Allan Tuli discusses the provisions of the Constitution of Kenya, 2010 relating to intellectual property.<sup>28</sup> His focus being on the protection of intellectual property. The study will be guided by the argument presented by Allan Tuli. It will further seek to find out any other provision of the Constitution of Kenya, 2010 that deals with recognition and promotion of intellectual property rights. This is to demonstrate the constitutionalization of intellectual property rights in Kenya.

The other substantive laws put forth to curb anti counterfeit trade in Kenya includes: Industrial Property Act, the Copyright Act, the Trade Description Act, the Seeds and Plant Varieties Act, the Trade Mark Act and the Anti-Counterfeit Act 2008. This study will review these laws to ascertain whether they are effective and efficient in combating counterfeit trade. This is based on the argument that effective laws and proper enforcement mechanism are vital ways in which counterfeit trade can be combated. Peter Gumbal argues that having the proper legal framework and enforcement mechanisms in place is useful in combating counterfeit trade.<sup>29</sup> Robert Guthrie also reports that commissioner of the European Council proposes changes to European Union

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<sup>28</sup> Allan Tuli (2014) The Constitution Framework For the Protection of Intellectual Property Rights in Kenya, at [www.academia.edu](http://www.academia.edu) (accessed on 24/07/2014)

<sup>29</sup> Paul Gumbal (2009) "How to stop the Counterfeit Medicine Drug Trade; Times Health and Family," at <http://content.time.com/time/health/article/0,8599,1929147,00.html> (accessed on 21/10/2013).

Trade Mark Law that will help prevent counterfeit goods from entering European Union.<sup>30</sup> From the aforesaid, it can be said that a proper legal framework and enforcement mechanism should be in place for Kenya in order to eradicate counterfeit trade.

Michael P. Ryan argues that intellectual property is a valuable asset in today's global trading world, but if rights in intellectual property cannot be adequately enforced, the value of such rights and the incentive to trade in them is greatly diminished.<sup>31</sup> This brings us to the issue of enforcement of the anti-counterfeit laws. In support of proper enforcement mechanism, Robert Sherwood argues that the ability to judicially safeguard intellectual property assets makes these assets valuable instrument for national economic growth and when parties are secured in the belief that their intellectual property assets can be protected through judicial action, these assets become magnet for investment of funds<sup>32</sup> and hence economic growth.

Additionally, as far as proper enforcement of anti-counterfeit law is concerned, the writings of Michael Blakeney are very influential.<sup>33</sup> In his article, he discusses the general enforcement obligation of the intellectual property rights under the TRIPs Agreement. He further discusses the both judicial and non-judicial enforcement of intellectual property rights. He goes ahead and offers the best practice for the enforcement of intellectual property rights. This study examines these arguments while trying to establish the efficacy of anti-counterfeit laws in Kenya.

Ben Sihanya argues that the Kenyan legal system addresses counterfeit trade under two major tenets of law: criminal law and civil law.<sup>34</sup> He further argues that criminal law is enshrined in the Penal Code Cap 63 whereas the civil part is encompassed in the tortious and contractual liabilities. There is no further discussion as to which tenet between the two is more effective and efficient in curbing counterfeit trade. The research thus seeks to fill this gap, as it demonstrates which tenet between the two offers the best environment to combat counterfeit trade.

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<sup>30</sup> Robert Guthrie (2013) "Commission proposes changes to European Union trade mark law that will help to prevent counterfeit goods entering the EU," at <http://www.sjberwin.com/insights/2013/08/05/commission-proposes-changes-to-european-union-trade-mark-law> (accessed on 21/10/2013).

<sup>31</sup> Micheal Ryan (2002) Interim Report on Judicial Capacity Regarding Intellectual Property Enforcement and Dispute Settlement, Intellectual Property Institute, 2002.

<sup>32</sup> Robert Sherwood (1997) "Intellectual Property Systems and Investment Simulation: The rating systems in eighteen developing countries," 37 IDEA 261,268.

<sup>33</sup> Michael Blakeney (2012) "Guide book on enforcement of intellectual property rights," Queen Mary Intellectual Property Institute, University of London at [http://trade.ec.europa.eu/doclib/docs/2005/april/tradoc\\_122641.pdf](http://trade.ec.europa.eu/doclib/docs/2005/april/tradoc_122641.pdf) (accessed on 26/10/2014).

<sup>34</sup> Ben Sihanya, "Intellectual property confronts counterfeiting in Africa," *op. cit.*

Ben Sihanya also discusses the institutional profile in intellectual property and innovation.<sup>35</sup> This points out some of the institutions charged with the responsibility of enforcing anti-counterfeit laws for example KIPI. However he neither addresses other administrative measure employed in Kenya to enforce anti-counterfeit laws nor does he point out the challenges faced by these institutions. Similarly Prof Otieno Odek also discusses the tribunal charged with the responsibility of enforcing anti-counterfeit law but does not point out the weaknesses in the operation of the tribunal.<sup>36</sup> This study will go ahead to identify all the administrative measures put forth to curb counterfeit trade and whether this administrative measures are adequate to curb counterfeit trade.

Subsequently, Anti-counterfeit Act, 2008 establishes the Anti-Counterfeit Agency (hereinafter referred to as the “Agency”) which is a body corporate with perpetual succession and mandated to administer anti-counterfeiting policy and law in Kenya.<sup>37</sup> The Agency has three main functions and mandates. These are first, to enforce the provisions of the Anti-Counterfeit Act, 2008, to educate the public on counterfeiting issues and finally to combat counterfeiting in Kenya. In order to perform their mandate, the Anti-Counterfeit Act has further outlined the powers of the officers under the agency. The law as provided sounds palatable however, whether the said agency performs its mandate as provided by the law is debatable. The research analyses the said mandate of the agency and examine to what extend the same has been achieved. The research also identifies any legal issue that may hinder the agency form fully executing their mandate under the law.

### **1.8 Justification and Significance of the Study on the Efficacy of Anti-counterfeit Laws in Kenya**

This study seeks to address the efficacy of the anti-counterfeit laws in Kenya. Since counterfeit trade is so rampant in Kenya,<sup>38</sup> the research seeks to demonstrate the loop holes in the anti-counterfeit laws that provide a thriving environment for counterfeit trade.

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<sup>35</sup> Ben Sihanya, “Combating Counterfeit Trade in Kenya,” in MoniWekesa and Ben Sihanya (eds) *Intellectual property Rights in Kenya*, Konrad Adenauer Stiftung, Sports Link Limited and authors publishers, Nairobi at [http://www.kas.de/wf/doc/kas\\_18323-1522-2-30.pdf?110214131726](http://www.kas.de/wf/doc/kas_18323-1522-2-30.pdf?110214131726) (accessed on 02/06/2014).

<sup>36</sup>Odek Otieno (2005) *Enforcement of Intellectual Property Rights in Kenya*, *op. cit.*

<sup>37</sup>Section 3, Anti-Counterfeit Act, No 13 of 2008.

<sup>38</sup>Mike Mwaniki(2011)“Kenya region’s top fake goods market: report,” *Daily Nation*, Nairobi on January 21, 2011.

This study also makes recommendation on how the shortcomings on the anti-counterfeit laws in Kenya can be addressed.

## **1.9 Conceptual Framework on the Efficacy of Anti-Counterfeit Laws in Kenya**

This research draws from the concept of intellectual property, counterfeiting and enforcement. This is as discussed below.

### **1.9.1 Intellectual Property in relation to Counterfeiting**

Intellectual property basically refers to the property that results from original creative thought. It relates to the recognition, promotion and the protection of works of mind, the human intellect. Subsequently, intellectual property rights are the rights given to persons over the creations of their minds. They usually give the creator an exclusive right over the use of his/her creation for a certain period of time.<sup>39</sup>

Section 2 of the Anti-counterfeit Act defines intellectual property right (IPRs) as rights which includes any right protected under the Copyright Act, any plant breeders' right granted under the Seeds and Plant Varieties Act, any right protected under the Trade Marks Act and any right protected under the Industrial Property Act.

The concept of intellectual property rights relates to the fact that certain products of human intellect should be afforded the same protective rights that apply to physical property. Accordingly, IPRs are premised on a Western philosophy of property ownership that seeks to reward an individual, who is considered to have worked hard to contribute to the good in society.<sup>40</sup>

### **1.9.2 The Concept of Counterfeiting**

Anti-counterfeit Act 2008 defines counterfeiting to mean an act of infringement to the various intellectual property rights. Section 2 of the Anti-counterfeit Act states that:

“Counterfeiting means taking the following actions without the authority of the owner of intellectual property right subsisting in Kenya or elsewhere in respect of protected goods:

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<sup>39</sup> World Trade Organization website at [http://www.wto.org/english/tratop\\_e/trips\\_e/intell\\_e.htm](http://www.wto.org/english/tratop_e/trips_e/intell_e.htm) (accessed on 02/06/2014).

<sup>40</sup> Moni Wekesa (2009) “An Overview of The Intellectual property Rights (IPRS) Regime In Kenya,” in Moni Wekesa and Ben Sihanya (eds) *Intellectual property Rights in Kenya*, Konrad Adenauer Stiftung, Sports Link Limited and authors publishers, Nairobi at [http://www.kas.de/wf/doc/kas\\_18323-1522-2-30.pdf?110214131726](http://www.kas.de/wf/doc/kas_18323-1522-2-30.pdf?110214131726) (accessed on 02/06/2014).

- (a) the manufacture, production, packaging, re-packaging, labelling or making, whether in Kenya or elsewhere, of any goods whereby those protected goods are imitated in such manner and to such a degree that those other goods are identical or substantially similar copies of the protected goods.
- (b) the manufacture, production or making, whether in Kenya or elsewhere, the subject matter of that intellectual property, or a colourable imitation thereof so that the other goods are calculated to be confused with or to be taken as being the protected goods of the said owner or any goods manufactured, produced or made under his licence.
- (c) the manufacturing, producing or making of copies, in Kenya or elsewhere, in violation of an author's rights or related rights.
- (d) in relation to medicine, the deliberate and fraudulent mislabelling of medicine with respect to identity or source, whether or not such products have correct ingredients, wrong ingredients, have sufficient active ingredients or have fake packaging.”

From the above definitions, the aspect of “manufacturing and producing” relates to patent. The packing, re-packing and using marks that may confuse the public as to the identity of the product amounts to a trade mark infringement and the definition under (c)<sup>41</sup> which relates to violation of an author's rights refers to copyright infringement. Thus it can be said that in Kenya the counterfeiting means infringement of intellectual property rights.

Several criticisms have been levied against this definition of counterfeiting mainly in relation to pharmaceuticals and efforts related to ensure quality, safety and efficacy of medicine.<sup>42</sup> It has been urged that the attempts to stretch the meaning of the term counterfeiting may lead to the violation of human rights, particularly the rights to health and life.<sup>43</sup> A clear illustration on this is where the Kenya's Anti-Counterfeit Act was challenged in court. In the case of *Patricia Asero Ochieng and 2 Others v. the Attorney-General & Another*,<sup>44</sup> the High Court Judge Mumbi Ngugi granted a conservatory order, staying the application of Sections 2, section 32 (offences) and section 34 (powers of seizure of goods suspected to be counterfeit) of the Anti-Counterfeit Act as far as it relates to importation of generic medicines.

The Court cited the right to health standards set in international human rights instruments such as the ICESCR, the CEDAW and the Convention on the Rights of the Child, 1989. It established

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<sup>41</sup>Section 2(c) of the Anti-Counterfeit Act, 2008.

<sup>42</sup> United Nation Development Programme, Discussion Paper, Anti-Counterfeit Laws and Public Health at <http://www.undp.org/> (accessed on 7/6/2014).

<sup>43</sup>United Nation Development Programme, Discussion Paper, Anti-Counterfeit Laws and Public Health *op. cit.*

<sup>44</sup>Petition Number 409 of 2009.

that the Kenyans obligation regarding the right to health encompasses not only the positive duty to ensure that citizens have access to healthcare and medicines but must also encompass the negative duty not to do anything that would in any way affect access to such health care services and essential medicines. Any legislation that would render the cost of essential drugs unaffordable to citizens would thus be in violation of the state's obligations under the Constitution.

The other concern about the definition of the term counterfeiting relates to serious skepticism about the real motives and intentions of the advocates of IPRs enforcement.<sup>45</sup> The approach of certain multinational companies seems to put IP and monopoly rights – rather than health – at the core of the efforts to address medicines safety and efficacy.

Similarly, South African IP lawyer Marius Haman observed that in Africa, various stakeholders, including African governments, are often suspicious about whether big pharmaceutical companies conveniently use anti-counterfeiting laws to curb the flow of generic medicines, rather than ensuring public safety.<sup>46</sup> Such skepticism creates a negative atmosphere, making it difficult to seriously tackle the real problem of substandard and falsified medicines in countries in Africa and other low-and middle-income regions.

Other jurisdictions the definition of counterfeiting means infringement of trade mark. In USA, the definition of counterfeiting has been restricted to trade mark infringement.<sup>47</sup> The California statute defines the term counterfeiting as a spurious mark which is identical with, or substantially indistinguishable from, a registered mark and which is used on or in connection with goods or services for which the genuine mark is registered.<sup>48</sup>

In the Federal statute, Trademark Counterfeit Act, 1984, counterfeit mark means: a counterfeit of a mark that is registered on the principal register in the United States Patent and Trade mark

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<sup>45</sup>United Nation Development Programme, Discussion Paper, Anti-Counterfeit Laws and Public Health at *op. cit.*

<sup>46</sup>*ibid.*

<sup>47</sup> Paul Supnik(1958) “The U.S. Trademark Counterfeiting Statute” at <http://www.supnik.com/>(accessed on 2/6/2014).

<sup>48</sup>*ibid.*

Office for such goods or services sold, offered for sale, or distributed and that is in use, whether or not the person against whom relief is sought knew such mark was so registered.<sup>49</sup>

In Italy the definition of counterfeit has been given two dimensions,<sup>50</sup> In the field of intellectual property, lawyers and brand owners use the term ‘*contraffazione*’ (counterfeiting) to describe any act of infringement – regardless of whether: it applies to trade marks, designs or patents, or limited to simple interferences with exclusive rights rather than referring to acts of forgery.<sup>51</sup>

However, according to the national laws of Italy, counterfeit normally relates to trademark infringement. This is adduced from the fact that “counterfeiting” has traditionally been and still is interpreted by the courts as meaning all reproductions of an identical trade mark on non-original products.<sup>52</sup> The Industrial Property Code of Italy clearly when a trade mark is considered to be infringed: by the use of an identical or similar trade mark on identical or similar products, whenever such identity or similarity is likely to create confusion as to the origin of the product.<sup>53</sup>

Further, the TRIPs Agreement only uses the term “counterfeit” to refer to a particular type of trade mark infringement. Article 51, footnote 14(a), in particular, defines trade mark counterfeiting as referring to:

“Any goods, including packaging, bearing without authorization a trademark which is identical to a trademark validly registered in respect of such goods, or which cannot be distinguished in its essential aspects from such a trademark, and which thereby infringes the rights of the owner of the trademark in question under the law of the country of importation.”

As described above, the definition of criminal “counterfeiting” under Article 61 of the TRIPs Agreement is even narrower, focusing only on willful violations done on a commercial scale.

Having considered the aforesaid, it is my argument that indeed the narrow definition<sup>54</sup> of counterfeiting should be adopted as opposed to the broad definition.<sup>55</sup> The broad definition tends

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<sup>49</sup>PaulSupnik (1958) “The U.S. Trademark Counterfeiting Statute,”*op. cit.*

<sup>50</sup>Studio LegaleJacobacci&AssociatiAlberto Camusso, (2009), “Anti-counterfeit in Italy shows signs of improvement,” at [www.WorldTrademarkReview.com](http://www.WorldTrademarkReview.com)(accessed on 20<sup>th</sup> June 2012).

<sup>51</sup>*ibid.*

<sup>52</sup>Studio LegaleJacobacci&AssociatiAlberto Camusso (2009) “Anti-counterfeit in Italy shows signs of improvement,”*op.cit.*

<sup>54</sup> Definition of counterfeiting which is limited to trade mark infringement.

to create confusion between piracy and counterfeit. Piracy has always been considered as copyright infringement and the same cannot now be said to be counterfeiting. The broad definition has also been seen to include generic medicine as it includes patent infringement. Thus creating confusion between counterfeited medicines<sup>56</sup> which are harmful as opposed to generic medicine. Therefore, counterfeiting should be considered to mean trademark infringement.

### **1.9.3 Enforcement of Anti-counterfeit Laws in Kenya**

According to Prof. Otieno Odek,<sup>57</sup> enforcement is the process of compelling compliance with the law, mandate, command or decree. He further argues that in relation to intellectual property rights, enforcement refers to the process of compelling recognition, compliance and respect of the intellectual property rights conferred by patent, trademark, industrial designs, copyright or other categories of intellectual property. From the aforesaid it can thus be said enforcement in this context means ensuring observance of intellectual property rights.

### **1.10 Theoretical Framework on the Efficacy of Anti-Counterfeit Laws in Kenya**

There are schools of thought that relates to the study. The deontological school teaches that a person has a natural right to a person's creation irrespective of the consequences. Locke justified private property ownership based on the premise that every individual should own what he/she produces from the commons.<sup>58</sup> With respect to intellectual property right, the production of ideas comes from a person's labour and as such an innovator is entitled to own his innovation. This is the basis of condemning counterfeiting.<sup>59</sup> No one is entitled to engage in counterfeit trade. Further, Locke's theory can also be seen in terms of value-addition, namely that labour produces social value. It is this 'value-addition' that deserves to be rewarded. The 'non-obviousness' requirement for patents is meant to emphasize the value addition. According to this thinking intellectual property rights are given due to the benefits that are likely to accrue to society.

Additionally, Locke argues that since a person has a natural property right to the fruits of his or her efforts, the state has a duty to respect and enforce that natural right. It can therefore be said

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<sup>55</sup> Definition of counterfeiting as per section 2 of the Anti-Counterfeit Act 2008 Laws of Kenya.

<sup>56</sup> Counterfeit medicine are manufactured using incorrect ingredients and the same are packed and labeled to look like real brand name and generic drug.

<sup>57</sup> Odek Otieno, *Enforcement of Intellectual Property Rights in Kenya, op.cit.*

<sup>58</sup> John Locke (2001) "Freeman Lloyd's Introduction to Jurisprudence", 7th edn, London" Sweet & Maxwell Ltd, 2001, pp.148-150.

<sup>59</sup> See the definition of counterfeiting in Chapter 1.9.2 to this study.

that state is responsible to ensure proper legal and institutional framework are in place to safeguard intellectual property right. This study is based on the argument that proper legal and institutional framework is key to combat counterfeit trade.<sup>60</sup>

From the foregoing, it is evident that the intellectual property rights should be recognized and protected by the state. There should be effective laws in place to curb counterfeiting.

### **1.11 Methodology on the Efficacy of Anti-counterfeit Laws in Kenya**

The research methodology in this study is the sum total of the techniques and procedures of collecting data, analyzing it and presenting the findings. The researcher employs documentary analysis as a research method. Documentary analysis is the preferred methodology as it is suitable in finding answers to the research questions. In order to critically examine the anti-counterfeit laws, relevant documentation is the ideal way of data collection.

This study relies heavily on literature relating to intellectual property and counterfeiting for instance the writing of Prof Ben Sihanya, a renown scholar in intellectual property. The Acts of parliament as outlined under Chapter 2.2 to this study also forms part of the major legislation that will be reviewed to establish whether they are adequate enough to combat counterfeit trade in Kenya.

In order to contextualize the problem of counterfeit trade in Kenya, the study reviews magazines, newspapers and online publications for topics relating to anti-counterfeit laws and counterfeit trade.. The data collected will then be edited for proper record keeping, legibility, comprehensibility, uniformity and accuracy.

### **1.12 Chapter Outline on the Efficacy of Anti-Counterfeit Laws in Kenya**

This study is organized in five chapters as discussed below.

#### **Chapter 1: Research Methodology on Efficacy of Anti-Counterfeit Laws in Kenya**

This chapter sets out the road map for the research. It outlines the argument structure and context within which the study is carried out. It addresses key issues on research methodology including the research objectives, research question, hypotheses, assumptions and argument, literature

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<sup>60</sup> See the Chapter 1.2 of this Study.

review, documentary analysis, justification, the conceptual and theoretical framework of the study.

### **Chapter 2: Anti-Counterfeit Laws in Kenya**

This chapter interrogates the anti-counterfeit laws in Kenya. It sets out the jurisprudential basis of this research by outlining the relevant laws which are examined throughout this study. It addresses the first research question which is on laws put forth to curb counterfeit trade in Kenya.

### **Chapter 3: Using Administrative Measures to enforce Anti-Counterfeit Laws in Kenya**

This chapter is set to examine the use of administrative measures to combat counterfeit trade in Kenya. It answers the third research question on the adequacy of the administrative measures employed in Kenya to curb counterfeit trade.

### **Chapter 4: Judicial Enforcement Mechanisms of Anti-Counterfeit Laws in Kenya**

Whereas chapter three discusses the non-judicial enforcement mechanisms to combat counterfeit trade in Kenya, this chapter discusses the judicial mechanisms. In Kenya both non-judicial and judicial enforcement mechanisms are employed to ensure that anti-counterfeit laws are complied with.<sup>61</sup> Thus this chapter is intended to address the research question on the challenges facing civil and criminal enforcement of the anti-counterfeit laws.

### **Chapter 5: Summary of Findings Conclusion and Recommendation on the Efficacy of Anti-Counterfeit Laws in Kenya**

This part summarizes the research findings. It further outlines various recommendations that I deem essential in improving the anti-counterfeit laws to ensure they achieve their intended purpose.

## **1.13 Conclusion on the Research Methodology on the Efficacy of Anti-counterfeit laws in Kenya**

This chapter outlined the argument structure and context within which this study is carried out. It addressed key issues on research methodology including the research objectives, research question, hypotheses, assumptions and argument, literature review, justification and the

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<sup>61</sup>MichealRyan (2002) "Interim Report on Judicial Capacity Regarding Intellectual Property Enforcement and Dispute Settlement," *op. cit.*

conceptual framework of the study. Chapter 2 will interrogates the anti-counterfeit laws in Kenya. It is set to address the first and the second research questions which deals with the adequacy of anti-counterfeit laws.

## CHAPTER 2

### ANTI-COUNTERFEIT LAWS IN KENYA

#### 2.1 Introduction to Anti-Counterfeit Laws in Kenya

Chapter 1 sets out the road map for this study. It outlined the argument structure and context within which the study is carried out. It addresses key issues on research methodology including the research objectives, research question, hypotheses, assumptions and argument, literature review, justification and the conceptual framework of the study. This chapter builds from Chapter 1. It gives a lay out of the anti-counterfeit laws in Kenya which will be discussed throughout the study. This chapter is intended to address the first research question.<sup>62</sup>

#### 2.2 Intellectual property doctrines relevant to counterfeiting

In identifying the anti- counterfeit laws in Kenya, it is vital to consider the intellectual property doctrines. This is for the simple reason that counterfeiting is considered as infringement of intellectual property in Kenya, thus the laws that protect the intellectual property rights can be considered as anti-counterfeit laws.<sup>63</sup> According to Ben Sihanya, the intellectual property doctrines which are relevant to combating counterfeit trade include: patent, trade secrets, trade mark and copyright.<sup>64</sup> This can also be demonstrated from the conceptual framework where counterfeiting is defined to include the infringement of patent, trade mark and copy rights. It thus follows that the substantive laws that protect these intellectual property rights are part of the anti-counterfeiting laws. These are as discussed below.

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<sup>62</sup> See Chapter 1.6 of this Study.

<sup>63</sup> See Chapter 1.9.2 of the Study.

<sup>64</sup> MoniWekesa in MoniWekesa and Ben Sihanya (eds) (2009) "An Overview of The Intellectual property Rights(IPRS) Regime In Kenya," *Intellectual property Rights in Kenya*, Konrad Adenauer Stiftung , Sports Link Limited , Nairobi at [http://www.kas.de/wf/doc/kas\\_18323-1522-2-30.pdf?110214131726](http://www.kas.de/wf/doc/kas_18323-1522-2-30.pdf?110214131726) (accessed on 02/06/2014).

### 2.2.1 Copyright Law Confronts<sup>65</sup> Counterfeiting

Copyright protects original expressions which are embodied in a tangible material, fixed form or medium.<sup>66</sup> Copyright in Kenya is governed by the Copyright Act. Section 22 of the Copyright Act provides for the works that are eligible for copyright and this includes: literary works, musical works, artistic works, audio-visual works, sound recordings and broadcasts. Further section 22 of the Copyright Act provides that for any of the aforementioned to be eligible for copyright, there should be demonstration of sufficient effort expended on making the work to give it an original character and the work should be written down, recorded or otherwise reduced to material form.

Copyright therefore does not protect the idea, information or concept *per se* but rather the expression of those ideas.<sup>67</sup> Copyright law also governs computer programs in Kenya.<sup>68</sup> Other jurisdictions as United States and Brazil, prefer to regulate software through patents.<sup>69</sup>

The Copyright Act highlights two major offenses namely infringement of copyright work and authentication of copyright work. Infringement of copyright works is defined under Section 35 of the Copyright Act. This arises where a person other than the copyright owner, licensee or assignee, makes for sale, distributes imports or has in his possession contrivances used for making infringing copies.

Authentication of copyright works is stipulated under Section 36 of the Copyright Act. It arises where a copyright owner, licensee or assignee offers for sale any copyright works without authentication stickers. The police are the enforcers of this section and bestowed with powers to confiscate any works (sound recordings and movies) without the authentication device.

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<sup>65</sup> Confronts is a term used by Ben Sihaya in his article, "Anti-Counterfeiting in Kenya." *Intellectual property Rights in Kenya*, Konrad Adenauer Stiftung, Sports Link Limited, Nairobi at [http://www.kas.de/wf/doc/kas\\_18323-1522-2-30.pdf?110214131726](http://www.kas.de/wf/doc/kas_18323-1522-2-30.pdf?110214131726) (accessed on 02/06/2014).

<sup>66</sup> Ben Sihanya (2007) "Copyright law, Teaching and Research in Kenya," *East Africa Law Journal*, Nairobi.

<sup>67</sup> Ben Sihanya (2007) "Copyright law, teaching and research in Kenya," *East Africa Law Journal*, Nairobi.

<sup>68</sup> Ben Sihanya (2014) "Digital Copyright in Kenya," *Law Society of Kenya Journal*, Nairobi.

<sup>69</sup> Moni Wekesa and Ben Sihanya (eds) (2009) "An Overview of The Intellectual property Rights (IPRS) Regime In Kenya," *op cit*.

The Copyright Act establishes the Kenya Copyright Board (KECOBO) whose mandate is the overall administration of copyright and related rights. This is discussed in details under Chapter 3 to this study which deals with the administrative enforcement of anti-counterfeit laws.

Copyright law provides for both civil and criminal remedies in respect to infringement of the copyright. Section 34(4) (a) of the Copyright Act provides for civil remedy available to the right owner in case of infringement of copyright. These includes: damages, injunction and delivery up. These remedies are discussed in details in chapter 4 to this study which interrogates the judicial enforcement of anti-counterfeit laws.

### **2.2.2. Patent Law Confronts Counterfeiting**

Patent in Kenya is governed by the Industrial Property Act. A patent is a certificate granted to an inventor; it is also the right of exclusion.<sup>70</sup> Patents may be granted for products or processes or both.<sup>71</sup> Patent law grants exclusive rights (not necessarily a monopoly) for a limited period of time in respect of an invention in return for disclosure of the details regarding the invention.<sup>72</sup>

In Kenya, an invention<sup>73</sup> is patentable if it is new, involves an inventive step, is industrially applicable or is a new use.<sup>74</sup> An invention need not be complex for it to constitute an inventive step; it may be simple but not obvious.<sup>75</sup> According to Ben Sihanya, the fact that an invention must be industrially applicable refers to the doctrine of utility; unless the prototype or model or a pen can be (mass manufactured), it would have no or limited utility except perhaps as a museum piece or an object of intellectual curiosity.<sup>76</sup> Ben Sihanya further argues that an invention must be reproducible. This means that one should be able to reproduce the product or process so that many can use it.<sup>77</sup>

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<sup>70</sup>Ben Sihanya (2007) "Patent law and practice in Kenya," in *International Review of Intellectual Property and Competition Law*, Vol 6/2007.

<sup>71</sup>Ben Sihanya (2007) "Patent law and practice in Kenya," in *International Review of Intellectual Property and Competition Law*, Vol 6/2007.

<sup>72</sup>*ibid.*

<sup>73</sup>According to section 21(1) of the Industrial Property Act, 2001 an invention means a solution to a specific problem in the field of technology.

<sup>74</sup>Section 22 of the Industrial Property Act, 2001.

<sup>75</sup>Section 24 of Industrial Property Act, 2001.

<sup>76</sup>BenSihanya (2007) "Patent law and practice in Kenya," *op cit.*

<sup>77</sup>*ibid.*

Under the patent law in Kenya, patent infringement can take two forms. First is where one counterfeits a process e.g. where Smithkline has panadol another person makes a paracetamol and calls it panadol this is outright infringement. Secondly, is where there is already a registered patent or a patent waiting to be patent and another person wants to patent the same kind of product.

Just as in copyright infringement, remedies available in patent infringement are injunction and damages. This is as provided under section 106 of the Industrial Property Act. These remedies are addressed in details in Chapter 4 to this study.

Criminal remedies are also available in patent infringement. Section 113 of the Industrial Property Act provides for a fine of not more than KES 50,000 and imprisonment of between 3-5 years. The adequacy of this penalty is further discussed under Chapter 4.4 to this study.

Patent law established the Kenya Industrial Property Institute (KIPI) charged with the responsibility of administering patent law in Kenya. This is discussed in details in chapter 3 which interrogates the use of administrative measure to combat counterfeit trade.

### **2.2.3 Trade Mark Law Confronts Counterfeiting**

Trade Mark law in Kenya includes the Trade Mark Act and the Penal Code Act. Trade Mark Act is the substantive law for Trade Marks in Kenya. It provides for the procedures for registration and administration of a Trade Mark. This is discussed in details in chapter 3 of this study.

The Penal Code Act provides for the criminal procedure in Trade Mark infringement. This is discussed in details in chapter 4 to this study where we consider judicial enforcement of anti-counterfeit laws in Kenya.

Trade mark is a distinctive sign which identifies certain goods or services as those produced or provided by a specific person or enterprise.<sup>78</sup> Its origin dates back to ancient times, when craftsmen reproduced their signatures, or "marks" on their artistic or utilitarian products.<sup>79</sup> Over the years these marks evolved into today's system of trade mark registration and protection. The system helps consumers identify and purchase a product or service because its nature and

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<sup>78</sup> World Intellectual Property Organization accessed at [www.wipo.int/trademark/html](http://www.wipo.int/trademark/html) (accessed on 7/09/2014)

<sup>79</sup> *ibid.*

quality, indicated by its unique trade mark, meets their needs.<sup>80</sup> Trade mark identifies the innovator with a distinguishable mark, name, symbol or sign for example, UoN for University of Nairobi.

Apart from the aforesaid laws, we also have the Anti-Counterfeit Act which was enacted to enforce anti-counterfeit laws in Kenya. This is as discussed below.

#### **2.2.4 Anti-Counterfeit Act, 2008**

Anti-Counterfeit Act is also part of the anti-counterfeit laws in Kenya. Anti-Counterfeit Act establishes the Anti-Counterfeit Agency (hereinafter referred to as the “Agency”) which is a body corporate with perpetual succession and mandated to administer anti-counterfeiting policy and law in Kenya.<sup>81</sup> The Agency has three main functions and mandates. These are first, to enforce the provisions of the Anti-Counterfeit Act, 2008, to educate the public on counterfeiting issues and finally to combat counterfeiting in Kenya. In order to perform their mandate, the Anti-Counterfeit Act has further outlined the powers of the officers under the agency. This will be discussed in details in chapter 3 to this study which deals with the administrative enforcement of anti-counterfeit laws in Kenya.

### **2.3 Constitutional Protection of Intellectual Property Rights.**

The Constitution of Kenya, 2010 provides for the protection of intellectual property rights in Kenya. The Constitution of Kenya, 1969 did not capture concerns on innovation and intellectual property. Sections 70 and 75 of the Constitution of Kenya, 1969 provided for substantive property guarantees limited to real property as opposed to technological innovations, cultural innovations and intellectual property. However in 2010, there was a paradigm shift which resulted in the promulgation of a Constitution of Kenya, 2010. For the first time in Kenya’s history, intellectual property norms were constitutionalized.

First, Article 260(c) of Constitution of Kenya, 2010 includes intellectual property in the definition of “property.” Secondly, Article 40(5) of the Constitution of Kenya, 2010 obliges the State to support, promote and protect the intellectual property rights of the people of Kenya. In the same breath, Article 69(1)(c) and (e) mandates the State to protect and enhance intellectual

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<sup>80</sup>World intellectual property organization, *op cit*.

<sup>81</sup>Section 3, Anti-Counterfeit Act, No 13 of 2008.

property, traditional or indigenous knowledge of biodiversity and the genetic resources of the communities and protect genetic resources and biological diversity.

Under Article 11(1) of the Constitution of Kenya, 2010 recognizes culture as the foundation of the nation and as the cumulative civilization of the Kenyan people and nation. It mandates the state to promote all forms of national and cultural expression through literature, the arts, traditional celebrations, science, communication, information, mass media, publications, libraries and other cultural heritage; recognize the role of science and indigenous technologies in the development of the nation; and promote the intellectual property rights of the people of Kenya.

It is my observation that since the intellectual property rights got the constitutional protection, not much has changed in the world of counterfeiting.

#### **2.4 International Instruments**

In the bid to combat anti-counterfeit laws in Kenya, Kenya complies with various international instruments which she has ratified. Under Article 2 (6) of the Constitution of Kenya, any treaty or convention ratified by Kenya forms a part of the laws of Kenya. Kenya has ratified various treaties which confront counterfeiting. These include:

Agreement on Trade Related Aspects of Intellectual Property Rights, Apr.15, 1994.<sup>82</sup>

Madrid Agreement Concerning the International Registration of Marks (June 26, 1998).

Patent Cooperation Treaty, June 19, 1970

Berne Convention for the Protection of Literacy and Artistic Works, September 9, 1886.

Paris Convention for the Protection of Industrial Property, March 20, 1883.

WIPO Copyright Treaty, December 20, 1996.

#### **2.5 Conclusion on the Anti-counterfeit Laws in Kenya**

This chapter presents the Anti-Counterfeit laws in Kenya. This was based on the argument that the anti-counterfeit laws are key in the processes of curbing anti-counterfeit trade. This has been discussed in the background to this study.<sup>83</sup> It is my findings that in Kenya there exist anti-counterfeit law. These laws are derived from the various intellectual property doctrines which are

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<sup>82</sup> Kenya is bound by TRIPs by virtue of ratifying WTO.

<sup>83</sup> See Chapter 1.2 of this study.

relevant to counterfeit trade. These includes: Trade Mark Act, Copyright Act and Industrial Property Act and the Anti-Counterfeit Act. It was also the research finding that the Constitution of Kenya, 2010 constitutionalizes the intellectual property norm. It bestows upon the state the responsibility to support, promote and protect intellectual property right. Additionally the study also found out that in the bid to combat counterfeit trade, Kenya has ratified various international instruments which also form part of the anti-counterfeit laws in Kenya. Indeed Kenya has an elaborate legal framework to combat counterfeit trade in Kenya.

The issue to be further addressed is whether these laws are effective. Chapter 3 and 4 are centered towards analyzing these laws. Chapter 3 discusses the administrative enforcement of anti-counterfeit laws whereas Chapter 4 discusses the judicial enforcement of anti-counterfeit laws.

## CHAPTER 3

### ADMINISTRATIVE ENFORCEMENT OF ANTI-COUNTERFEIT LAWS IN KENYA

#### 3.1 Introduction to Administrative Measures as an enforcement mechanism of the Anti-Counterfeit Laws in Kenya

Chapter 2 discussed the anti-counterfeit laws in Kenya. This was to address the research question on the laws put forth to curb counterfeit trade in Kenya. This was based on the argument that proper legal framework is key to combat counterfeit trade. This chapter flows from chapter 2. It discusses the enforcement mechanisms of the anti-counterfeit laws with specific reference to administrative measures put forth to curb anti-counterfeit trade in Kenya. Consequently, this chapter addresses the research question on the adequacy of the administrative measures put forth to curb counterfeit trade in Kenya.

#### 3.2 Enforcement mechanisms to combat counterfeit trade in Kenya

The enforcement of intellectual property rights is vital as far as combating counterfeit trade is concerned.<sup>84</sup> As we have already considered in the background to this study, intellectual property is a valuable asset in today's global trading world. Subsequently, if rights in intellectual property cannot be adequately enforced, the value of such rights and the incentive to trade in them is greatly diminished.<sup>85</sup> Indeed in a bid to eradicate counterfeit trade in Kenya, proper enforcement mechanisms should be in place.

Taking into account the special nature of intellectual property *vis-a-vis* other types of property and the manner of its exploitation, it would perhaps be safe to hypothesize therefore that an effective intellectual property enforcement system is one which delivers efficient, consistent and

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<sup>84</sup> See Chapter 1.9 of this study, counterfeiting is defined as infringement of intellectual property rights.

<sup>85</sup> MichealRyan (2002) "Interim Report on Judicial Capacity Regarding Intellectual Property Enforcement and Dispute Settlement," *op cit*.

cost effective decisions on disputed matters and in a manner that protects the interests of all interested parties equally.

As discussed in the conceptual framework to this study, enforcement is the process of compelling compliance with the law, mandate, command or decree.<sup>86</sup> Professor Odek argues that in relation to intellectual property rights, enforcement refers to the process of compelling recognition, compliance and respect of the intellectual property rights conferred by patent, trademark, industrial designs, copyright or other categories of intellectual property.<sup>87</sup> In the case at hand, enforcement is the process of compelling observance of the anti-counterfeit laws.

Kenya is consistently ranks poorly in international indices of IPRs enforcement. The US Trade Representative has identified Kenya's 'lax enforcement' of IPR as a serious challenge for US businesses.<sup>88</sup> This demonstrates that proper enforcement of the anti-counterfeit law is key in promoting Kenya's economic growth.

Currently, enforcement mechanisms employed to curb counterfeit trade in Kenya takes two forms: judicial approach and non-judicial approach which is also referred as administrative approach. This chapter focuses on non-judicial mechanisms and Chapter 4 discusses the judicial mechanisms.

### **3.3 Non judicial enforcement mechanisms to combat counterfeit trade in Kenya**

Most countries offer mainstream courts only as the main platform where intellectual property disputes can generally be enforced.<sup>89</sup> However, it has been stated that parties are with increasing frequency submitting disputes to alternative dispute resolution.<sup>90</sup> Alternative Dispute Resolution (ADR) refers to all those decision-making processes other than litigation including but not limited to negotiation, enquiry, mediation, conciliation, expert determination, arbitration and

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<sup>86</sup>Otieno Odek (2005) *Enforcement of Intellectual Property Rights in Kenya op. cit.*

<sup>87</sup>*ibid.*

<sup>88</sup> ICC working together with Frontier economics: A study on the assessment of the potential benefits to the Kenyan economy off improving Kenyans IPR protection regime, at [www.iccwbo.org/.../Kenya/Value-of](http://www.iccwbo.org/.../Kenya/Value-of). (accessed on 26/10/2014).

<sup>89</sup> In Japan and U SA the use of alternative dispute resolution has been criticized as being ineffective to enforce intellectual property rights. They advocate for spending time and effort focusing on the development of formal litigation and criminal prosecution, and insisting on more transparency.

<sup>90</sup> Intellectual Property and entertainment law committee's (2006) International survey of specialized IPR courts and tribunals.

others.<sup>91</sup> To some writers however the term alternative dispute resolution is a misnomer as it may be understood to imply that these mechanisms are second-best to litigation which is not true.<sup>92</sup>

In Kenya, alternative dispute resolution mechanisms derive their legitimacy from Article 159 of the Constitution of Kenya 2010. Article 159 of the Constitution of Kenya 2010 provides that in exercising judicial authority, the courts and tribunals shall be guided by alternative forms of dispute resolution including reconciliation, mediation, arbitration and traditional dispute resolution mechanisms. The scope of the application of alternative dispute resolution has also been extensively widened by the Constitution of Kenya 2010 with Article 189 (4) which states that:

“The national laws shall provide for the procedures to be followed in settling intergovernmental disputes by alternative dispute resolution mechanisms, including negotiation, mediation and arbitration.”

Based on these constitutional provisions, it can ably be said that in Kenya, alternative dispute resolution can apply to most disputes. This has broadened the applicability of alternative dispute resolution to include counterfeiting disputes. It is also a clear manifestation of the acceptance of alternative dispute resolution as a means of conflict resolution in most disputes.

There are Acts of Parliament that provide procedures for the use of various ADR mechanisms. The Arbitration Act<sup>93</sup> governs the application of arbitration in Kenya, while the Civil Procedure Act has provisions dealing with the use of both mediation<sup>94</sup> and arbitration.

ADR may not be ideal in counterfeiting cases. This is first because of its very nature. ADR depend on the consent of the parties to the dispute. The parties have to agree on ADR as their mode of dispute resolution.<sup>95</sup> In most of the counterfeiting cases, parties do not have any pre-existing relationship and thus not inclined to agree to submit their dispute to ADR.

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<sup>91</sup>MuiguaKariuki (2012) “Alternative Dispute Resolution and Article 159 of the Constitution of Kenya 2010.

<sup>92</sup>FennAlibu, (2002) “Introduction to Civil and Commercial Mediation,” Chartered Institute of Arbitrators, Workbook on Mediation, CI Arb, London, pp. 50-52.

<sup>93</sup> Arbitration Act, Cap. 49, Laws of Kenya (Revised, 2010).

<sup>94</sup> See generally Section 59, Civil Procedure Act, Cap. 21; See also Order 46, Civil Procedure Rules 2010 (Legal Notice No. 151.

<sup>95</sup> Phillip McConaughay (2012) ADR of Intellectual Property Dispute, The Pennsylvania State University Dickinson School of Law at <http://euro.ecom.cmu.edu/program/law/08-732/Courts/ADRPMcCon.pdf> (accessed on 22/11/2014)

Secondly, concerns about the need for emergency injunctive relief also render ADR impractical in counterfeit cases. The right owner is always in a hurry to injunct the counterfeiter to avoid further loss. For this reason most of the right owners consider the process of appointing an arbitrator or mediator a waste of time.

Lastly, there are times when right owner or an alleged infringer may desire a complete and public vindication of his rights. For example, a right owner about to embark on a series of adversarial license negotiations may believe in the benefits of a favorable public judicial vindication of his rights. Similarly, an alleged infringer with an allegedly infringing product may desire a complete and public vindication of non-infringement as the only effective way to remove consumer doubt about the product in question. Similar strategic purposes render ADR impractical in counterfeit cases.

Nevertheless, administrative measures have been adopted in Kenya as a form of alternative dispute resolution in settling counterfeiting cases. This is discussed below.

### **3.4 Administrative Measures Employed to Curb Counterfeit Trade in Kenya.**

The administrative approach entails lodging a claim of counterfeiting before the Government authority. The complaint is examined and remedies are awarded accordingly.<sup>96</sup> Administrative approaches are recognized under the TRIPs Agreement. Article 49 of the TRIPs Agreement acknowledges that civil remedies can be rewarded as a result of an administrative procedure.

In the bid to combat counterfeit trade, Kenya has adopted the administrative approach. She has in place various administrative structures which are charged with the responsibility of enforcing the anti-counterfeit laws. These includes: Registrar General in the Attorney-General's Chambers under which the Kenya Copyright Board falls – the Kenya Industrial Property Institute, Customs Department of the Kenya Revenue Authority and the Kenya Bureau of Standards.<sup>97</sup> In employing the administrative measures to curb counterfeit trade, the various administrative structures are responsible for granting the innovators their respective intellectual property. These are as discussed below.

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<sup>96</sup>KanZu (2010) Anti-Counterfeiting in China at [www.unitalen.com](http://www.unitalen.com) (accessed on 10/08/2014).

<sup>97</sup> Patricia KameriMbote (2010) "Intellectual property protection in Africa: An assessment of the status of laws, research and policy analysis on intellectual property rights in Kenya," IELRC working paper, at [www.ielrc.org](http://www.ielrc.org) (accessed on 10/08/2014).

### **3.4.1 Role of the Managing Director of Kenya Industrial Property Institute**

In discharging and implementing the functions of the Kenya Industrial Property Institute, the Managing Director makes the decisions to grant or not to grant industrial property rights. He also makes the decisions to register or refuse to register technology transfer agreements and licenses. The reason for this exercise is to ensure that industrial property rights which were registered earlier are not infringed.

The Managing Director also conducts opposition hearings against industrial design applications whenever an application to register a design is objected.<sup>98</sup> In the discharge of these functions, decisions are made. These decisions determine the nature and extent of claims recognized with regards to patents, utility models, industrial designs and technovations.

One of the decisions made by the Managing Director is in the matter of Industrial Design Application No. KE/D/2009/00940 entitled “Juice Bottle” in the name of Malplast Industries Ltd. In this case, the managing director rejected an application for industrial design citing that the dog bottle was a substantial reproduction of the monkey bottle. The managing director further stated that:

“In assessing the novelty of a design against a prior design the following areas must be looked at to distinguish the design in suit against the one cited as the prior art. Each of these elements that are subjective in nature will be looked at individually.

- Are the differences “immaterial details”?
- Are the differences merely in features which are variants commonly used in trade?
- Does the design possess individual character?
- Does the design have a visual impact and/or an overall impression distinctive from that of the prior art?”

This shows that in discharging his duty as stated above, the Managing Director protect the existing industrial design against any form of infringement.

### **3.4.2 The Role of the Registrar of Trade Marks**

The Register presides over matters involving specific aspects of trade mark in Kenya. This includes trade marks searches, screening of trade marks licenses, assignment of trade marks and general advisory opinions on registrability of Trade Marks. The Register can also preside over opposition hearings.<sup>99</sup> In all proceedings before the Registrar under the Trade Mark Act, the Registrar has power to award to any party such costs as he may consider reasonable. The

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<sup>98</sup>Rule 49(1)-(20) of the Industrial Property Regulations, 2002.

<sup>99</sup> Opposition hearings happen where person wishes to oppose the registration of the trade mark in Kenya.

Registrar can also direct how parties are to be compensated. Any such order may, by leave of the Court or a judge thereof, be enforced in the same manner as a judgment or order of the Court to the same effect.<sup>100</sup>

The Registrar of Trade Marks has made several decisions that have greatly influenced the protection of Trade Marks, particularly those belonging to vulnerable foreigners, in a way that has increased vigilance in combating counterfeit trade in Kenya. Of particular significance is the registrar's decision in the case of *Stripes Limited v. Hair Zone Inc.*<sup>101</sup> where the Registrar of trade marks addressed the controversial issue of protection of well-known marks in Kenya. In his ruling, the registrar pointed out that being a well-known mark is not an expressly stated ground for refusing registration of an unregistered or a registered mark under sections 14 or 15 of the Trade Marks Act.<sup>102</sup>

However, under the sections 14 and 15 of the Trade Mark Act, a well-known mark may be a ground to disentitle a mark to protection in a court of justice. Further, an applicant attempting to register a well-known mark may be prohibited on the ground of likelihood to deceive or confuse the purchasing public. The registrar stated that unlike in the normal opposition case under section 14 and 15 of the Trade Marks Act, the burden of proving the existence of reputation and goodwill and whether a mark is well known in Kenya lies with the proponent that the mark is well known. The Registrar ruled that in order to determine whether a mark is well known in Kenya, guidance shall be taken from the Joint Recommendation Concerning Provisions of the Protection of Well-known Marks.<sup>103</sup>

In the matter of application to Registrar for the expungment of the entry on the trade marks register of Trade Mark no. KE/T/2008/062812 Samper (device) in class 16 in the Name of Sonal Holdings (K) limited by Proctor & Gamble who is the registered owner of the Trademark T. M No. 23607 PAMPERS (Word) in Kenya. In this case, the Registrar held that Sonal Holdings (K) Limited had knowingly crafted its trademark in a way that rendered it confusingly similar to

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<sup>100</sup>Section 45(1) of the Trade Mark Act.

<sup>101</sup>Trade Mark Opposition Case No. 50148 for TMA No. 50149.

<sup>102</sup>Section 14 of the Trade Mark Act provides for prohibition of identical and resembling trademarks. section 15 of the Trade Mark Act addresses the protection of well-known trade marks

<sup>103</sup>As adopted by the Assembly of the Paris Union and the General Assembly of WIPO on 10th to 29th September 1999.

Proctor and gambles mark for use on pampers with a view to deceive the public into believing that the goods sold by it are those of Proctor and gamble.

These decisions are very significant and have underlined the function of trade marks as a distinguishing guise and left no doubt that the registrar has a duty to the public to ensure that they are not deceived into buying products erroneously believing them to be what they are actually not.

It should be noted that the unique characteristic of the Managing Director as the chief administrator of KIPi, the Registrar of Trade Marks and the secretary to the Board of KIPi is a major challenge in proper discharge of his duties. For purposes of efficiency and professionalism, the Managing Director may not be able to satisfactorily discharge his professional duties to the optimal capacity expected of him due to his several responsibilities. It goes without saying that specialization and division of labour are fundamental formulae for efficiency and excellence.

### **3.4.3 The Anti-counterfeit Agency**

As indicated in the literature review to this study,<sup>104</sup> Anti-counterfeit Agency (ACA) is a body corporate with perpetual succession, mandated to administer anti-counterfeit policy and laws in Kenya.<sup>105</sup> Consequently, the Anti-Counterfeit Agency is charged with the responsibility to combat counterfeit trade in Kenya.<sup>106</sup> The inspectors appointed under the Anti-Counterfeit Act have statutory powers to investigate premises suspected of harboring counterfeiting activities and undertake seizure.<sup>107</sup> This raiding and seizure power is quite remarkable, especially because it includes expressly the destruction of manufacturing tools of the shoddy products.

In discharging its functions, the Anti-counterfeit Agency is faced with two major challenges. First, , powers given to the inspectors are limited as they have to seek court's directions in counterfeiting disputes. In addition, they do not have the ability to prosecute cases that they have initiated. Under section 30 (1) of the Anti-Counterfeit Act, the Attorney-General appoints public prosecutors for the purposes of counterfeiting cases.

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<sup>104</sup> See Chapter 1.7 to this Study.

<sup>105</sup>Section 3 of the Anti-Counterfeit Act No.13 of 2008.

<sup>106</sup>Section 5 (b) of the Anti-Counterfeit Act No.13 of 2008.

<sup>107</sup>Section 23 of the Anti-Counterfeit Act No. 13 of 2008.

Secondly, Anti-Counterfeit Agency does not have powers to settle counterfeiting disputes out of court. It is my proposal that the Anti-Counterfeit Agency be given powers to compound matters out of court. This will provide for easier settling of cases. Currently the court cases are taking too long to be resolved. A better legal framework for disposing smaller cases will enhance the turnaround time, including saving on unnecessary costs when it comes to settling such cases.

This is the position in Tanzania. The Fair Competition Commission<sup>108</sup> is given powers to settle matters out of court, impose fines and destroy counterfeit goods. Indeed most of the counterfeit cases in Tanzania are resolved administrative approach.<sup>109</sup>

#### **3.4.4 Border Measures as an Administrative Action to Enforce Anti-Counterfeit Laws**

Another form of administrative action employed in Kenya to curb counterfeit trade is border measures. Border measures are those actions taken by the local customs authority regarding goods under their control in particular but not exclusively at the exit and at the entrance of goods in the internal market.<sup>110</sup> Article 51 of the TRIPs Agreement requires Member States to enable a right holder, who has valid grounds for suspecting that the importation of counterfeit trade mark or pirated copyright goods to lodge an application in writing with the competent authority, administrative or judicial for the suspension by the customs authorities of the release into free circulation of such goods.

As indicated in the literature review, Kenya is a member of the World Trade Organisation and as such bound by the Article 51 of the TRIPs Agreement. In implementing the same, the Kenya Revenue Authority (KRA) has set up a specific unit to deal with counterfeits and smuggling, called the Anti-Counterfeits and Smuggling Unit. This unit is charged with the task of ensuring that no counterfeits or smuggled items are imported to Kenya..

They also seize suspected products at the ports of entry and prosecute importers. Under the East Africa Community Management Act, 2012 the Commissioner of Customs is given powers to

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<sup>108</sup>The Fair Competition Commission (FCC) is an independent government body established under the Fair Competition Act, 2003 (No. 8 of 2003), to promote and protect effective competition in trade and commerce and to protect consumers from unfair and misleading market conduct. The ultimate goal of the Act is to increase efficiency in the production, distribution and supply of goods and services.

<sup>109</sup>Micheal Ryan (2002) "Interim Report on Judicial Capacity Regarding Intellectual Property Enforcement and Dispute Settlement," *op cit*.

<sup>110</sup> Carmen Otero (2012) "Protection of Intellectual Property through border measure in the European Union," at [eprints.ucm.es/19938/1/AIDA\\_Castrillon.pdf](http://eprints.ucm.es/19938/1/AIDA_Castrillon.pdf) (assessed on 13/08/2014).

compound cases where an importer of prohibited goods admits offence in writing. In this case the goods are forfeited and the Commissioner imposes a fine on the importer. This fine is half the value of Goods or USD 10,000.

Border measure in Kenya faces several challenges. First, the law on border measures is inadequate. Section 34 of Anti-Counterfeit Act, 2008, provides for border enforcement mechanisms by stating that the owner of an intellectual property right may apply to the Commissioner only when he has valid grounds for suspecting that the importation of counterfeit goods may take place.

It is my argument that these provisions do not establish a solid scheme for border enforcement procedures. The law is silent on border enforcement measures as far as exports and goods in transit are concerned thus creating a loophole for counterfeiting trade in exports and goods in transit.

Secondly, the commissioner can only take action after receiving a complaint from the right owner who suspects importation of counterfeit good. This shows that if the right owner is not aware of the importation then the counterfeit goods will be allowed into the country. Thus to enhance border information sharing is necessary. This information should be supplied not only by the right owner but also institutions charged with the responsibility of enforcing anti-counterfeit laws.

Information shared with the competent customs authorities should include relevant information. This relevant information is vital as it will assist in identifying shipments suspected of containing infringing goods.

We can also consider participation in the interface public members database program of the World Customs Organization. This program will help facilitate communication and information exchange between right holders and Kenyan customs authorities. It also offers access to training and product information on the 'genuine/fake' database.

Custom risk assessment tools can also be employed to enhance border measures. For example, given the great differences in prices between authentic and counterfeit products, a system can be set up to flag up any imports of certain products that fall below a certain declared value. The

custom risk assessment approach has been employed by the U.S Government. This has enhanced their border and homeland security.<sup>111</sup>

As discussed above are the various administrative measures employed to combat counterfeit trade in Kenya. It is my argument that in order to improve the efficiency of the administrative measures, an inter-agency approach is necessary. As noted, various institutions are charged with the responsibility of administratively enforcing anti-counterfeit laws. What is largely lacking is coordination and information sharing among the various institutions. Inter-agency approach will enhance pre-seizure information sharing with right holders about samples of products and packaging. This will help in identifying infringing goods.

Effective cooperation between private and public authorities is a key element in combating counterfeiting and piracy. While industry has the primary responsibility for protecting its intellectual property, government play a critical role in ensuring there is an effective IPR protection regime in place and enforcing the relevant laws and regulations. Right holders have the technical expertise to distinguish counterfeits from original products and know the supply chain involved in manufacturing, distributing and selling their products, and can assist government in investigations and enforcements actions. Partnerships between manufactures and government agencies will provide the technical expertise to enable authorities to intervene.

### **3.4.5 Industrial Property Tribunal**

The Industrial Property Tribunal (IPT) is also charged with the responsibility of enforcing anti-counterfeit laws in Kenya. It is established under Section 113 of the Industrial Property Act for two main purposes. These are to hearing and determining appeals where provision is made for appeals from the decisions of the Managing Director under the Industrial Property Act and exercising the other powers as conferred on it by the Industrial Property Act.<sup>112</sup>

In exercise of its jurisdiction and powers, the IPT has rendered several landmark decisions particularly on the standard of protection of Industrial Designs where it has sought to widen

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<sup>111</sup> U.S Customs and border protection (2012-2016) Border Patrol Strategic Plan at [http://www.cbp.gov/sites/default/files/documents/bp\\_strategic\\_plan.pdf](http://www.cbp.gov/sites/default/files/documents/bp_strategic_plan.pdf) (assessed on 4/9/2014)

<sup>112</sup> The Industrial property tribunal has powers to confirm, set aside or vary the order or decision in question, exercise any of the powers which could have been exercised by the Managing Director in the proceedings in connection with which the appeal is brought and make such orders as to costs as it may deem fit.

public space for innovation. For instance, in the case of *Power Technics Limited v. Power Engineering International Limited*, the Requestor, Power Technics Limited filed a request under Section 106 of the Industrial Property Act seeking an injunction to prevent infringement of its registered Industrial Design No. 296. In its Statement of Case, the Requestor stated that it had designed Sectionalized tapered columns for street lighting sometime in 1998 and supplied them to various customers in Kenya and Tanzania. It was alleged that the Respondent had infringed the Industrial Design No. 296 by making, manufacturing and selling similar or identical streetlights. The Respondent's reply was that the Requestor's invention in Design No. 296 was not obvious, as it did not involve any inventive step having regard to what was common knowledge at the date of the application.

The Industrial Property Tribunal found that the Respondent had not infringed the design expunged Industrial Design No. 296 from the register stating that the evidence showed that tapered Sectionalized street poles were in existence in Kenya and elsewhere prior to Design 296 being registered. The Tribunal concluded that the evidence on record left no doubt that the invention embodied in Design 296 was in the public domain well before it was registered.

In the enforcement of anti-counterfeit laws, the IPT experiences challenges in their operation. First, the location of the tribunal is an issue. Out of the 47 counties in Kenya, the Intellectual Property Tribunal only sits in Nairobi County. This means that any person desiring to litigate before it in any other part of the country must travel to the city. Obviously, the cost implications of this are high thus low incentive to right owners.

Secondly, the sittings of the tribunal are discretionary as it sits at such times as it may appoint. In practice the Tribunal's sittings are not as frequent and consistent as they should be. There is no known calendar of sittings of the Tribunal and neither does the Tribunals have a fully equipped and functional registry that administers matters before it. Instead the Tribunal operates with a secretary who must be a legal officer and who therefore administers the Tribunal's matters. The discretion to decide when to sit coupled with the fact the members are not employed on a full time basis greatly affects their capacity and commitment to the proper functioning of the Tribunal and this in turn impacts on the quality of rulings and decisions of the Tribunals.

Lastly, the tribunals do not have a law reporting system for case decided by it. The lack of a systemic law reporting system mainly hinges on the poor resource allocation to the institute and negatively impacts on the certainty of the law and affects the confidence of litigants who litigate before it.

### **3.5 Conclusion on Administrative Measures Employed to Enforce Anti-Counterfeit Laws in Kenya**

This chapter was centered in interrogating the argument that administrative measures employed in Kenya to curb counterfeit trade are insufficient. The study found out that indeed there are various government bodies which are charged with the responsibility of enforcing anti-counterfeit laws in Kenya. These includes: the Managing Director of KIPI, Registrar of Trade Marks, Anti-Counterfeit Agency, border measures and Industrial Property Tribunals. These bodies face different challenges which make them inadequate.

The major challenge faced by the Managing Director is the huge responsibility places upon him. It was found out that the Managing Director administers two Acts of parliament. These are Industrial Property Act and Trade Mark Act. For purposes of efficiency and professionalism, the Managing Director may not be able to satisfactorily discharge his professional duties to the optimal capacity expected of him due to his several responsibilities.

The study also found out that the Anti-Counterfeit Agency cannot effectively handle counterfeit cases because of its limited power. It was noted that the inspectors in the Anti-Counterfeit Agency cannot prosecute counterfeit cases initiated by themselves. They end up forwarding the case to the appointed public prosecutor who has no facts on the case. Additionally, the Anti-Counterfeit Agency has no powers to settle disputes out of court. If such powers can be vested to the Anti-Counterfeit Agency then this will expeditiously dispose counterfeit cases.

It was also noted that the law on border measures is not adequate. The law is silent as far as export and good-in transit are concerned. Additionally, the commissioner cannot properly execute his duties because of lack of information as to a genuine or counterfeit good.

As far as the industrial property tribunal is concerned, there main weakness is its location which is not favorable to right owners outside Nairobi. Additionally, the lack of a systemic law

reporting system mainly hinges on the poor resource allocation to the institute and negatively impacts on the certainty of the law and affects the confidence of litigants who litigate before it.

Indeed the second research question can be answered in the affirmative that the administrative measures employed in Kenya to curb counterfeit trade are inadequate. Having discussed the administrative enforcement of anti-counterfeit trade, Chapter 4 focused on the judicial enforcement of anti-counterfeit laws.

## CHAPTER 4

### JUDICIAL ENFORCEMENT OF ANTI-COUNTERFEIT LAWS IN KENYA

#### 4.1 Introduction to Judicial Enforcement Mechanism of Anti-Counterfeit Laws in Kenya

Chapter 3 discussed the use of administrative measures to enforce anti-counterfeit laws in Kenya. This was to address the research question on the adequacy of administrative measures as an enforcement mechanism employed in Kenya to combat counterfeit trade. Whereas chapter 3 discusses the non-judicial enforcement mechanisms to combat counterfeit trade in Kenya, this chapter discusses the judicial mechanisms. In Kenya both non-judicial and judicial enforcement mechanisms are employed to ensure that anti-counterfeit laws are complied with.<sup>113</sup> Thus this chapter is intended to address the research question on the challenges facing civil and criminal enforcement of the anti-counterfeit laws.

#### 4.2 Judicial mechanism employed to curb counterfeit trade in Kenya.

The ability to judicially safeguard intellectual property assets makes them valuable instrument for economic growth.<sup>114</sup> When innovators are secured in the belief that their intellectual property assets can be protected through judicial action, these assets become magnet for investment.<sup>115</sup> In Kenya, judicial mechanisms are employed in the enforcement of anti-counterfeit laws.<sup>116</sup> Article 22(1) of the Constitution of Kenya 2010 grants any person a right to institute court proceedings claiming that a right or fundamental freedom has been denied, violated, infringed and or threatened.

Subsequently, in the case of counterfeit trade, the owner of an intellectual property right can institute court proceedings. Judicial enforcement of anti-counterfeit laws in Kenya takes two forms: civil and criminal.<sup>117</sup>

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<sup>113</sup>Micheal Ryan (2002) "Interim Report on Judicial Capacity Regarding Intellectual Property Enforcement and Dispute Settlement," *op. cit.*

<sup>114</sup>Robert Sherwood (1997) *Intellectual Property Systems and Investment Simulation*, *op. cit.*

<sup>115</sup>*ibid.*

<sup>116</sup>Sylvanne Sange (2006) *Intellectual Property, Piracy and Counterfeiting in Kenya*, *op. cit.*

<sup>117</sup>Otieno Odek (2005) *Enforcement of Intellectual property right in Kenya*, *op. cit.*

### **4.3 Civil Enforcement of Anti-Counterfeit Laws in Kenya**

In Kenya, the anti-counterfeit laws can be enforced through civil judicial procedures.<sup>118</sup> Civil judicial procedures are intended to compensate the intellectual property right owner for the loss suffered as a result of the counterfeit trade. Civil enforcement mechanisms of anti-counterfeit laws is provided for under the TRIPs Agreement. Article 42 of the TRIPs Agreement instructs member states to make available to right holders civil judicial procedures in the enforcement of IPR's. As illustrated in the background to this study,<sup>119</sup> Kenya is a member of the WTO thus bound by the provisions of the TRIPs Agreement. By having this civil judicial procedure for the enforcement of anti-counterfeit laws, Kenya is compliant with Article 42 of the TRIPs Agreement.

A cardinal principle under civil judicial procedure is that remedies are only available to the right holder. In section 55 of the Industrial Property Act the owner of a patent has a right to injunction, compensation and damages upon infringement of his right.

In Kenya, the burden of enforcing anti-counterfeit laws rests with the right holder. It is up to the right holder to identify any counterfeiting of his intellectual property and to decide what measures to take. In the case of *Doshi Iron Mongers v. Department of Weights and Measures, Kenya industrial Property Institute, Kenya Bureau of Standards and Others*,<sup>120</sup> the High Court held that remedies in respect to infringement of intellectual property rights<sup>121</sup> are available to right holders. The court reaffirmed that it is the duty of the right holder to protect his right from continued infringement. Thus a person who proves he is entitled to protection of his right is the one to initiate and enforces the right. Once the right owner has successfully pleaded his case, he is entitled to the following remedies.

#### **4.3.1 Anton Piller Order**

One of the remedies available in case of infringement of anti-counterfeit laws is Anton Piller Order. This order is intended to secure evidence of counterfeited property which is

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<sup>118</sup>Otieno Odek (2005) *Enforcement of Intellectual property right in Kenya, op. cit.*

<sup>119</sup> See Chapter 1.2 of this study.

<sup>120</sup> *Doshi Iron Mongers v. Department of Weights and Measures, Kenya industrial Property Institute, Kenya Bureau of Standards and Others* Nairobi High Court Civil Case No. 2 of 2004.

<sup>121</sup> Under the Conceptual Framework to this study at chapter 1.8, counterfeiting is defined as infringement of intellectual property rights.

possessed by the counterfeiter.<sup>122</sup> In January 31, 2014 the Music Copyright Society of Kenya (MCSK) conducted raids on two broadcasting stations, namely the popular urban radio station, One FM and the national broadcaster, Kenya Broadcasting Corporation (KBC). These raids were carried out after MCSK successfully obtained Anton Piller orders in suits filed for copyright infringement.

Anton Piller order is provided under section 37 of the Copyright Act. Section 37 of the Copyright Act provides that:

“ If a person has *prima facie* evidence that his right has been infringed by another party and he satisfies the court or competent authority that *prima facie*: he has a cause of action against another person which he intends to pursue; the other person has, in his possession documents infringing copies or other things of whatsoever nature which constitute evidence of great importance in substantiation of that cause of action; and there is the real and well-founded apprehension that the documents, infringing copies or other things may be hidden, destroyed or rendered inaccessible before discovery can be made in the usual way, the court or competent authority as the case may be, may make such order as it considers necessary or appropriate to secure the preservation of the documents, copies or things as evidence.”

It follows accordingly that an Anton Piller order is issued to the right owner so as to secure the evidence of counterfeited property which is possessed by the counterfeiter. Thus to achieve this, the order is always issued *ex parte* without notice to the counterfeiter. In the case of *Montana (K) Limited v. Anthony Maina Kara & 2 others*<sup>123</sup> court held that:

“The purpose for which an Anton Piller order is issued is to ensure that material evidence necessary to prove the plaintiff’s case is preserved. The reason why that order is made *ex parte* is to ensure the Defendant does not destroy the material evidence on being aware of the suit for the order to achieve the purpose for the plaintiff would be targeted to the labels, bottles and other materials including invoices and sale receipts which the Plaintiff will find in the Defendant’s premises. This indeed will be material that will assist the Plaintiff to prove to this court that there has been an infringement of his trademark and passing off.”

The Anton Piller Order has its origin in the case of *Anton Piller KG v. Manufacturing Process Limited*.<sup>124</sup> In this case, the court illustrated the pre-conditions necessary for the making of an Anton Piller order. First, there must be an extremely strong *prima facie* case. Secondly, actual damage must be very serious to the applicant. Thirdly, there must be clear evidence that the defendants have in their possession incriminating documents or things and there is a real possibility that they may destroy such material before the matter is heard inter-parties.

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<sup>122</sup> Ben Sihanya (2011) Intellectual Property Class Notes.

<sup>123</sup> *Montana (K) Limited v. Anthony Maina Kara & 2 others* (2006) eKLR.

<sup>124</sup> *Anton Piller KG v. Manufacturing Process Limited* (1976) Ch. 55.

Despite being provided for under the Copyright Act, an AntonPiller order applies in cases of trade mark infringement. This is illustrated in the case of *Mumias Sugar Company Ltd v. The Option Two Limited et al.*<sup>125</sup> where an AntonPiller order was issued in case of infringement of trade mark and passing off.

This is a sufficient remedy at the ex-parte stage as it greatly helps in the preservation of evidence which is in the counterfeiter's possession. Evidence is vital in establishing a case against the counterfeiter.

#### **4.3.2 Injunction against Counterfeiting in Kenya**

An injunction is a court order requiring a person to do or cease doing a specific action.<sup>126</sup> It is normally granted to restrain the counterfeiter from further acts of counterfeiting. Injunction has been granted in several cases of counterfeiting. The case of *Biersdorf AG v. Emirchem Products Limited*<sup>127</sup> illustrates injunctive relief to restrain continued infringement of a trade mark. In this case, the plaintiff is a limited company incorporated in Germany and the registered proprietor of Trade Mark No. 3211 consisting of the word "NIVEA" and the word "NIVEA Crème." Under the two words, the plaintiff manufactures and distributes soap, toilet powders, creams and oils for the skin, shampoos and preparations for air and has been selling the products worldwide and in Kenya.

The defendant, Emirchem Products Limited is a company incorporated in Kenya selling a petroleum jelly under the name "NIVELIN." The plaintiff instituted infringement proceedings seeking an injunction to prevent the defendant from using the word NIVELIN for its petroleum jelly product. The Court found that from the long presence of NIVEA in the Kenyan market supported by advertisement since 1970s, goodwill and reputation had been created and a *prima facie* case for the grant of an injunction had been made. Injunctive orders were issued against the defendant.

In addition to the aforesaid, there is a particular type of injunction called Mareva injunction which is applicable in counterfeiting. This is a remedy intended to freeze the assets of a party by restraining the party from removing the counterfeit goods from the jurisdiction of the court. In

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<sup>125</sup>*Mumias Sugar Company Ltd v. The Option Two Limited et al* Civil Suit No. 463 of 2013.

<sup>126</sup>Legal Information Institute website at [www.law.coenell.edu](http://www.law.coenell.edu) (accessed on 12/09/2014).

<sup>127</sup>*Biersdorf AG v. Emirchem Products Limited* HCCC No. 559 of 2002.

the case of *KuriaKanyokotla Amigo Bar and Restaurant v. Francis KinuthiaNderu et al*,<sup>128</sup> Kenyan Court of Appeal recognized that courts could grant Mareva injunction. Lord Denning in *Third Chandris Shipping Corporation v. Uniamarine*<sup>129</sup> elucidated four conditions that must be fulfilled for a Mareva injunction to issue. First, the plaintiff must make full disclosure of all relevant information and material. He must set out his claim and the grounds for it as well as the arguments raised against his claim by the defendant. Secondly, he must give indications that the defendant has assets within the jurisdiction of the court and there is risk that the assets will be removed from the jurisdiction. Third and lastly, the plaintiff must give an undertaking as to damages.

Once granted, a Mareva injunction has immediate effect on every asset of the defendant covered by the injunction because it is a method of attachment which operates *in rem* (against a thing). Considering the operation of both the Anton Pillar order and the Mareva injunction, it is my argument that both remedies can be applied at the same time to effectively put the counterfeiters out of business. Apart from this two: Anton Piller Orders and Mareva Injunction, damages are also awarded in counterfeiting cases.

#### **4.3.3 Damages on Counterfeiting in Kenya**

Damages in counterfeiting are normally intended to compensate the right owner. In the case of *Cuossens v. Attorney-General*,<sup>130</sup> the High Court held that the object of an award of damages was to give the plaintiff compensation for loss or injury suffered.

The general rule regarding the measure of damages is that the party injured would be awarded a sum of money as would put him in the position as he would have been if he had not suffered the loss. An award of damages in counterfeiting was granted in the case of *Chloride Exide (K) Limited and Another v. Zakayo Muchai Wainaina T/A Chloride Exide Solar* where the High Court ordered the award of KES.30, 000 in general damages for infringement of the plaintiffs trade mark.<sup>131</sup>

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<sup>128</sup>*KuriaKanyokotla Amigo Bar and Restaurant v. Francis KinuthiaNderu et al* (1988)2 Kenya Court of Appeal Report 126.

<sup>129</sup>*Third Chandris Shipping Corporation v. Uniamarine* (1976)2 All ER 972.

<sup>130</sup>*Cuossens v. Attorney General* (1999) E.A 40.

<sup>131</sup>*Chloride Exide (K) Limited and Another v. Zakayo Muchai Wainaina T/A Chloride Exide Solar* [2008]eKLR

It is a debatable issue as to whether damages are sufficient remedy in counterfeiting cases. According to Justice Alfred Mabeya, no award of damages can compensate a right owner. In the case of *Re Strategic Industries Limited*,<sup>132</sup> the Justice Mabeyaheld that:

“The issue of whether damages are an adequate remedy should not arise since courts exist to enforce the law. The rule of law means the law be enforced equally without having to apply different standards for those capable of paying damages as opposed to the impecunious. Be that as it may, I am satisfied that the Plaintiff has established that damages cannot be an adequate remedy, it has invested heavily in its intellectual property and no award of damages in my view, can compensate the Plaintiff if the infringement is not halted.”

Similarly, in the case of *Safe Park Limited v. Dynaplas Limited*<sup>133</sup> the Justice Mabeyawas of the view that a party entitled to a statutory protection cannot be made to suffer loss because the opposite party is able to compensate him for any eventual loss or damages.

Considering the above, the protection of a right through the grant of injunctive orders can be a substitute for damages. This is partly damages cannot be in lieu of a protection of a right through injunction.

Apart from damages, the court can also order delivery up. This arises when the counterfeiter is ordered to deliver all the counterfeit or infringing material to the court and the court disposes the infringing material as it deems fit.

Having considered the civil enforcement of anti-counterfeit laws in Kenya, it is my argument that this mode of enforcement of anti-counterfeit laws has two main problems: cost and effectiveness. In many cases civil enforcement simply costs too much to make it an economic option. To obtain a basic interim injunction, pending a full trial of a claim, will require the preparation of witness statements, pleadings as well as a court hearings. Advocates Remuneration Order, 2014 gives a minimum of KES 75,000 in contentious civil cases.<sup>134</sup> Given the technical expertise required in counterfeiting matters, advocates tend to charge more than the stipulated KES 75,000. Thus for a right holder who intends to recover only KES 100,000 this becomes of less economic sense.

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<sup>132</sup>*Re Strategic Industries Limited* Civil Case No 333 of 2010.

<sup>133</sup>*Safe Park Limited v. Dynaplas Limited* Civil Case No.359 of 2007.

<sup>134</sup>Schedule 6 of the Advocates Remuneration Order, 2014.

Similarly, the prospects of recovering such fees from counterfeiters are often remote. Many corporate defendants simply cease trading and go into liquidation rather than pay the rights holder substantial sums by way of legal costs or damages. A case in point is Durran Investment Limited, a company which was trading in counterfeit goods. When they realized that they are almost losing both the criminal<sup>135</sup> and civil<sup>136</sup> cases against them they went under.

Individual defendants, with no assets, know that there is little point in a successful claimant attempting to recover an award of costs or damages against them. Additionally, obtaining an injunction will often not deter a determined counterfeiter. Family, friends or a new company will often be used to carry on the counterfeiting business and circumvent an expensively obtained injunction. Having considered the

#### **4.4 Criminal Enforcement of Anti-counterfeit Laws in Kenya.**

Apart from civil enforcement of anti-counterfeit Laws in Kenya, we also have in place the criminal enforcement of anti-counterfeit laws in Kenya. Just as the civil enforcement, criminal enforcement is also provided for under the TRIPs Agreement.

Article 67 of the TRIPs Agreement states that:

“Members shall provide for criminal procedures and penalties to be applied at least in cases of willful trademark counterfeiting or copyright piracy on a commercial scale. Remedies available shall include imprisonment and/or monetary fines sufficient to provide a deterrent, consistently with the level of penalties applied for crimes of a corresponding gravity.”

Ben Sihanya argues that criminal enforcement of anti-counterfeit laws in Kenya is provided under the Penal Code and the Anti-Counterfeit Act 2008. Section 380 and 381 of the Penal Code, penalize counterfeiting or forging of trade marks. Section 381 outlines conduct which constitutes trade mark counterfeiting. This includes forging or counterfeiting a trade mark. It further provides that every person committing any such misdemeanor will forfeit all chattels and articles to which any such trade mark or counterfeit trade mark is applied.

It is worth noting that the penalty of counterfeiting is not specifically stated in section 381 of the Penal Code, however since it considers counterfeiting as a misdemeanor, section 36 of the Penal

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<sup>135</sup>*Republic v. Durran Investment Limited & Arleen Mburu* Criminal Case No. 1132 of 2010.

<sup>136</sup>*Republic v. The Minister for Trade and 3 others ex parte Credible Sounds* [2011]eKLR.

Code applies as it provides for a blanket penalty for misdemeanor offence which is incarceration for a term not exceeding two years and /or an unspecified fine.

This penalty is not sufficient as it is lenient to the counterfeiter. A maximum of two years imprisonment is a very lenient penalty considering the magnitude of the offence of counterfeiting. It is also noted that the fine is unspecified which gives the court a lot of discretion which can be easily abused.

Other criminal measures are provided for under the Anti-Counterfeit Act, 2008. Section 32 of the Anti-counterfeit Act provides that it is a criminal offence to first, have in your possession or control in the course of trade any counterfeit goods, manufacture, or produce in the course of trade any counterfeit products. Secondly, sell, hire out or barter in counterfeit goods. Thirdly, expose or exhibit for the purpose of trade counterfeit goods. Fourth, distribute counterfeit goods. Fifth and lastly, import or export counterfeit goods and dispose of counterfeit goods in the course of trade.

Section 35 of the Anti-counterfeit Act provides for the penalties in case of the said criminal acts. It stipulates that in the case of a first conviction the offender will be jailed for a term not exceeding five years or a fine of not less than three times the prevailing retail price of the genuine product or both. In the case of a second/subsequent conviction, imprisonment for a term not exceeding fifteen years or a fine not less than five times the prevailing retail price of the genuine goods or both.

These penalties are not appropriate. The Anti-counterfeit Act does not provide for a mandatory custodial sentence irrespective of the flagrancy of the counterfeiting offence neither does it provides for minimum penalties. As a result too much discretion is left in the hands of the court. Currently, it is quite possible for a habitual offender to be sentenced to a lesser fine or jail term than a first offender.

Criminal remedies are intended to deter rather than to compensate thus discouraging most of the intellectual property owners from reporting the cases as they feel they cannot be awarded damages for the loss suffered. This has also rendered the criminal remedies inadequate.

#### 4.5 Judicial Authority for Anti-counterfeit in Kenya

In Kenya, the anti- counterfeit laws are enforced by the courts and tribunals. Whether the courts and tribunals to a good job as far as combating counterfeit trade is concerned is a matter to be discussed hereunder.

Article 159 (1) of the Constitution of Kenya 2010 provides that judicial authority is derived from the people and is exercised by, the courts and tribunals. Accordingly, courts and tribunals are responsible for the civil and criminal enforcement of the anti-counterfeit laws in Kenya.

Both the superior courts and lower courts<sup>137</sup> in Kenya exercise general criminal and civil jurisdiction over various anti-counterfeit laws. By dint of the High Court's original and unlimited jurisdiction<sup>138</sup> any person has the *prima facie* right to commence proceedings in the High Court for the enforcement of anti-counterfeit laws. Nevertheless, the High Court's practice in Kenya is that all available remedies must be exhausted before resort is had to it. Thus where the anti-counterfeit law expressly creates a specialized tribunal to handle any counterfeit matter, the tribunals will adjudicate over them.

It should also be noted that the High Court has appellate jurisdiction conferred on it by various statutes to hear appeals from the tribunals. To this end, the High Court exercises appellate jurisdiction over the decisions of the Registrar of Trade Marks under the Trade Marks Act,<sup>139</sup> the Industrial Property Tribunal under the Industrial Property Act,<sup>140</sup> the Seeds and Plants Tribunal under the Seeds and Plant Varieties Act albeit on questions of law only.<sup>141</sup>

The High Court has rendered several land mark decisions that have crystallized jurisprudence on various principles on anti- counterfeit laws. The following decisions summarize some of the key principles of anti- counterfeit laws developed and crystallized by the High Court of Kenya.

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<sup>137</sup> Article 163 of the Constitution of Kenya, 2010 identifies the Supreme Court, court of appeal and high court to be the superior court. Subordinate courts include among others the magistrate courts. This is as provided under Article 169 of the Constitution of Kenya.

<sup>138</sup> Article 165 (3) of the Constitution of Kenya.

<sup>139</sup> Section 21(6) of the Trade Marks Act Cap 506 Laws of Kenya. In addition to its appellate jurisdiction, the High Court also has powers under section 51 of the Act to review any decision of the Registrar relating to the rectification of an entry in the register.

<sup>140</sup> Section 115 of the Industrial Property Act No3 of 2001.

<sup>141</sup> Section 29(3) of the Seeds and Plant Varieties Act.

In the case of *AnielloGiellav. Cassman Brown & Co. Limited*,<sup>142</sup> the court addressed itself on the rights to trade dress. Justice Spry stated that an employer is entitled to have his trade secrets protected and he is entitled not to have his old customers enticed away from him. He is entitled to restrain such acts as are necessary for the protection of his rights.

Further, the High Court can and has already heard and determined a number of criminal counterfeiting cases filed before it under the Anti-counterfeit Act. A case in point is the case of *Jivanjiv. Sanyo Electrical Company Ltd.*,<sup>143</sup> the High Court found the defendant guilty of counterfeiting and condemned it to pay over ten million Kenya shillings in damages. The finding of guilt was later upheld by the Court of Appeal. Under the Penal Code, the jurisdiction of Courts in criminal matters generally extends to offences committed wholly or partly in Kenya and another country.<sup>144</sup>

In its appellate jurisdiction, the Court of Appeal has also rendered several landmark decisions. The most significant one being a patent infringement case between *Sanitam Services (E.A) Ltd v. Rentokil (K) and Kentainers (K)*<sup>145</sup> the Court of Appeal made it clear that damages for infringement of industrial property must be strictly proven if any substantial award is to be made. The Court restated the long standing principle on damages in counterfeiting matters that the most natural relief against infringement of a lawful patent is an injunction. In addition, the owner of the patent ought in his pleading, to make an election as to the nature of damages he desires to obtain. It is improper to seek damages and at the same time for an account of the profits made by the person in breach.

It is my argument that courts as a body bestowed with the power to enforce anti-counterfeit law are not sufficient enough. The courts lack expertise. Whereas they are run by judges of general legal expertise, the technical nature of anti-counterfeit law sometimes requires expert handling. This means that judges handling the matters should be knowledgeable and experts in the field of intellectual property so as to avoid any misunderstanding. It has been noted that judges tend to employ other principles of law while dealing with purely intellectual property matters. In the

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<sup>142</sup>*AnielloGiellav. Cassman Brown & Co. Limited* HCCC No. 559 of 2002.

<sup>143</sup>*Jivanjiv. Sanyo Electrical Company Ltd* Civil Appeal No.225 of 2001.

<sup>144</sup>Sections, 5 & 6 of the Penal Code Cap 63 Laws of Kenya.

<sup>145</sup>*Sanitam Services (E.A) Ltd v. Rentokil (K) and Kentainers (K)* Civil Appeal No. 228 of 2004.

case of *Pharmaceutical Manufacturing Company v. Novelty Manufacturing Limited*,<sup>146</sup> the learned judge employed law of torts while presiding over case on infringement of trade mark. Similarly in the case of *Patricia AseroOchieng and 2 others v. the Attorney General & Another*, the debate on the right to health was seen to take precedence over the issues of yet the main issue of consideration was intellectual property law.

## **5.0 Conclusion on Judicial enforcement mechanisms of anti-counterfeit laws in Kenya.**

This chapter discussed the judicial enforcement of anti-counterfeit laws. In Kenya the judicial enforcement of anti-counterfeit laws takes two approaches: criminal or civil. The difference between the two lies in the remedies available. Civil remedies include Anton Piller Order, injunction, damages and delivery up. In criminal the penalties are fines and imprisonment. These two modes of judicial enforcement are faced by various challenges. The major challenge facing civil enforcement is the cost involved.<sup>147</sup> Moreover, the remedies available are not adequate. Whereas injunction is preferred in counterfeit cases, for determined counterfeiter, they always close one business and open another.

The challenges facing criminal enforcement of anti-counterfeit law is the penalties provided for. The Penal Code provides for a maximum of two years and unspecified fine. The Anti-Counterfeit Act does not provide for a minimum penalty thus leaving too much discretion to the court which can easily be abused. Indeed this answers the third research question by indicating the various challenges faced by both civil and criminal enforcement of anti-counterfeit laws. Chapter 5 presents a summary of the findings and recommendation. It is set to demonstrate whether the objective of the study was achieved. It also approves or disapproves the interrelated hypotheses: inadequate legal framework for IPRs offers a thriving environment for counterfeit trade and secondly, poor enforcement mechanism of the anti-counterfeit laws accelerates counterfeit trade.

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<sup>146</sup>*Pharmaceutical Manufacturing Company v. Novelty Manufacturing Limited* [2001] 2 EA 521

<sup>147</sup> See Chapter 4.3 to this study.

## CHAPTER 5

### SUMMARY OF FINDINGS CONCLUSION AND RECOMMENDATIONS ON THE EFFICACY OF ANTI-COUNTERFEIT LAWS IN KENYA

This chapter is the last part of this study. It revisits the research objectives, research questions, hypotheses, arguments and claims identified in Chapter 1 and as addressed in the Chapter 1-4. It further outlines the findings of the research questions under each chapter after which recommendations are proposed.

#### **5.1 Research Objective of the study on the Efficacy of Anti-Counterfeit Laws in Kenya**

This study dealt with both general and specific objectives on the efficacy of anti-counterfeit laws in Kenya.<sup>148</sup> The general objective of the study is to analyse the efficacy of the anti-counterfeit laws in Kenya.

The specific objectives of this study are first, to identify the legal framework put forth to curb counterfeit trade in Kenya.

Secondly, to examine the enforcement mechanism of the anti-counterfeit laws in Kenya.

#### **5.2 Hypotheses, Assumption and Argument on Efficacy of Anti-counterfeit Laws in Kenya**

This study proceeded on the assumption that effective laws and proper enforcement mechanism are vital ways in which counterfeit trade can be combated. This is as discussed in the background to this study.<sup>149</sup> The study tested has two interrelated hypotheses. These hypotheses were to be either approved or disapproved by the completion of the study.

The following two closely interrelated hypotheses have been tested. First, inadequate legal framework for the IPRs offers a thriving environment for counterfeit trade. Secondly, poor enforcement mechanism of the anti-counterfeit laws accelerates counterfeit trade.

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<sup>148</sup> Ben Sihanya (forthcoming 2014) *Sihanya Mentoring Guidelines on LLM Research Projects*, Innovative Lawyering & Sihanya Mentoring, Nairobi & Siaya; Kate L. Turabian (2007) *A Manual for writers of Research Papers, theses and Dissertations*, The University of Chicago Press, Chicago 7<sup>th</sup> ed.

<sup>149</sup> See Chapter 1.2 of this study.

### **5.3 Research Questions on the Efficacy of Anti-counterfeit Laws in Kenya**

This study revolves around four interrelated research questions. These research questions lay the basis for the claims, arguments, designs, approach and framework of my chapter outline in this study.<sup>150</sup> These research questions are:

first, what are the laws put forth to curb counterfeit trade in Kenya? Secondly, are these laws achieving their intended purpose? Third, are administrative measures employed to combat counterfeit trade in Kenya adequate? Fourth and lastly, what are the challenges facing criminal and civil enforcement of anti-counterfeit laws?

### **5.4 Findings on the Efficacy of Anti-counterfeit Laws in Kenya**

As discussed below are the findings of the study:

#### **5.4.1 Findings on the Anti-Counterfeit Laws in Kenya**

The study found out that in Kenya there exist anti-counterfeit law. These laws are derived from the various intellectual property doctrines which are relevant to counterfeit trade. These includes: Trade Mark Act, Copyright Act and Industrial Property Act and the Anti-Counterfeit Act.

It was also the research finding that the Constitution of Kenya, 2010 constitutionalizes the intellectual property norm. It bestows upon the state the responsibility to support, promote and protect intellectual property right.

Additionally the study also found out that in the bid to combat counterfeit trade, in Kenya, Kenya has ratified various international instruments which also form part of the anti-counterfeit laws in Kenya. Indeed Kenya has an elaborate legal framework to combat counterfeit trade in Kenya.

#### **5.4.2 Findings on the Administrative Enforcement of Anti-Counterfeit Laws in Kenya**

This study has established that administrative measures are employed in Kenya to enforce anti-counterfeit trade. These are exercised by the Managing Director of KIPI, Registrar of Trade Marks and the Anti-Counterfeit Agency (ACA).<sup>151</sup> It was clearly noted that the Registrar of Trade Marks has a duty to the public to ensure that they are not deceived into buying products erroneously believing them to be what they are actually not.

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<sup>150</sup> Ben Sihanya (2014) “Sihanya Mentoring Guidelines on LLM Research Paper Writing: Chapters 1-5” *op cit*.

<sup>151</sup> See Chapter 3 of this Study.

As far as the Anti-Counterfeit Agency, it was established that powers given to the inspectors are limited as they have to seek the court's directions in counterfeiting disputes. In addition, they do not have the ability to prosecute cases that they have initiated. Under Section 30(1) of the Anti-Counterfeit Act, 2008 the Attorney-General appoints public prosecutors for the purposes of counterfeiting cases. Consequently, Anti-Counterfeit Agency does not have powers to settle counterfeiting disputes out of court.<sup>152</sup>

The study further established that border measures are employed in Kenya as an administrative enforcement mechanism to combat counterfeit trade. Section 34 of Anti-Counterfeit Act, 2008, provides for border enforcement mechanisms. It provides that the owner of an intellectual property right may apply to the Commissioner only when he has valid grounds for suspecting that the importation of counterfeit goods may take place. The study found out that this provision does not establish a solid scheme for border enforcement procedures. The law is silent on border enforcement measures as far as exports and goods in transit are concerned thus creating a loophole for counterfeiting trade in exports and goods in transit.<sup>153</sup>

The study also points out Industrial Property Tribunal as a quasi-judicial body charged with the responsibility of enforcing anti-counterfeit laws. The tribunal faces weaknesses in its operations. The main challenge is its location which is not favorable to right owners outside Nairobi. Additionally, the lack of a systemic law reporting system mainly hinges on the poor resource allocation to the institute and negatively impacts on the certainty of the law and affects the confidence of litigants who litigate before it.

#### **5.4.3 Findings on the Judicial Enforcement of Anti-Counterfeit Laws in Kenya**

The study has also established that in Kenya, intellectual property rights are judicially safeguarded. These judicial procedures can either be civil or criminal. Both civil and criminal enforcement procedures have challenges. Civil remedies are sufficient though costly. The civil process is inefficient too. Criminal remedies are not sufficient.<sup>154</sup>

The study also found out that courts as a body bestowed with the power to enforce anti-counterfeit law are not sufficient enough. The courts have limited expertise. Whereas they are

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<sup>152</sup> See Chapter 3.4.3 of this Study.

<sup>153</sup> See Chapter 3.4.4 of this study.

<sup>154</sup> See chapter 4 of this study.

run by judges of general legal expertise, the technical nature of anti-counterfeit law sometimes requires expert handling. This means that judges handling the matters should be knowledgeable and experts in the field of intellectual property so as to avoid any misunderstanding. Tribunals on the other hand, have specialization and technical expertise.

### **5.5 Recommendation on the Findings on Efficacy of Anti- counterfeit Laws in Kenya**

Following the findings and conclusions of my research, I make the following recommendations on administrative and judicial enforcement of anti-counterfeit laws.

#### **5.5.1 Recommendation on the Administrative Enforcement of Anti-Counterfeit Laws in Kenya**

The Anti-Counterfeit Agency should be given powers to compound matters out of court. This will provide for easier settling of cases. Currently the court cases are taking too long to be resolved.<sup>155</sup> A legal framework for disposing counterfeit cases will enhance the turnaround time, including saving on unnecessary costs when it comes to settling such cases. This is the position in Tanzania. The Fair Competition Commission is given powers to settle matters out of court, impose fines and destroy goods. Indeed most of the counterfeit cases in Tanzania are resolved through this administrative approach.<sup>156</sup>

Border enforcement procedures should be enhanced by effective sharing of information. Information shared with the competent customs authorities should include relevant information.<sup>157</sup> This relevant information is vital as it will assist in identifying shipments suspected of containing counterfeit goods. The information can be from the various institutions responsible for combating counterfeit trade, users or the owners of the intellectual property rights. We can also consider participation in the interface public members' database program of the World Customs Organization. This program will help facilitate communication and information exchange between right holders and Kenyan customs authorities.<sup>158</sup> It also offers access to training and product information on the 'genuine/fake' database.

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<sup>155</sup> A case can take ordinarily three years to be concluded.

<sup>156</sup> Micheal Ryan (2002) "Interim Report on Judicial Capacity Regarding Intellectual Property Enforcement and Dispute Settlement," *op cit*.

<sup>157</sup> Relevant information in this case includes information necessary to identify counterfeit products.

<sup>158</sup> See Chapter 3.4.4 of this study.

Custom risk assessment tools should be employed to enhance border measures.<sup>159</sup> For example, given the great differences in prices between authentic and counterfeit products, a system can be set up to flag up any imports of certain products that fall below a certain declared value. The custom's risk assessment approach has been employed by the U.S Government. This has enhanced their border and homeland security.<sup>160</sup>

To enhance the efficacy of administrative measures, an inter-agency approach be employed. As noted, various institutions are charged with the responsibility of administratively enforcing anti-counterfeit laws. What is largely lacking is coordination and information sharing among the various institutions. Inter-agency approach will enhance pre-seizure information sharing with right holders about samples of products and packaging. This will help in identifying infringing goods.<sup>161</sup>

There should be effective cooperation between private and public authorities. Whereas industry has the primary responsibility for protecting its intellectual property, government of Kenya should play a critical role in ensuring there is an effective IPR protection regime in place and enforcing the relevant laws and regulations. Some right holders have the technical expertise to distinguish counterfeits from original products. They know the supply chain involved in manufacturing, distributing and selling their products, and can assist government in investigations and enforcement actions. Partnerships between manufactures and government agencies will provide the technical expertise to enable authorities to intervene.

### **5.5.2 Recommendation on Judicial Enforcement of Anti-Counterfeit Laws in Kenya**

A division be created within the High court which will have the specialized judges to deal with intellectual property and counterfeiting matters. This will ensure that judges handling the counterfeit matters are knowledgeable in them.<sup>162</sup>

### **5.5.3 Recommendation on the Anti-counterfeit Laws in Kenya**

The penalties for counterfeiting in the Anti-counterfeit Act should be amended to include a custodial sentence. Currently, the Anti-counterfeit Act does not provide for a

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<sup>159</sup> See Chapter 3.4.4 of this study.

<sup>160</sup> U.S Customs and border protection (2012-2016) Border Patrol Strategic Plan at [http://www.cbp.gov/sites/default/files/documents/bp\\_strategic\\_plan.pdf](http://www.cbp.gov/sites/default/files/documents/bp_strategic_plan.pdf) (assessed on 4/9/2014)

<sup>161</sup> See Chapter 3.4.4 of this study.

<sup>162</sup> See Chapter 4.5 of this Study.

mandatory custodial sentence irrespective of the flagrancy of the counterfeiting offence neither does it provide for minimum penalties. As a result too much discretion is left in the hands of the court. It is quite possible for a habitual offender to be sentenced to a lesser fine or jail term than a first offender.<sup>163</sup>

The Penal Code should be amended to clearly specify a penalty for counterfeiting. Currently, the penalty is not specifically stated in section 381 of the Penal Code, however since it considers counterfeiting as a misdemeanor, section 36 of the Penal Code applies as it provides for a blanket penalty for misdemeanor offence which is incarceration for a term not exceeding two years and /or an unspecified fine.<sup>164</sup>

## **5.6 Conclusion on the Efficacy of Anti-counterfeit Laws in Kenya**

The specific objectives of this study were to identify the legal framework put forth to curb counterfeit trade in Kenya and to examine the enforcement mechanism of the said laws. To attain this objective, three research questions were formulated. The first research question was to identify the legal framework put forth to curb counterfeit trade. The second research question was to determine the adequacy of administrative measures put forth to curb counterfeit trade and the third research question addresses the challenges facing civil and criminal enforcement of the anti-counterfeit laws. The study found out that there is a legal framework put forth to curb counterfeit trade.<sup>165</sup> There are also administrative measures in place to curb counterfeit trade though not adequate as discussed in chapter 3 of this study. As indicated in chapter 4 to this study, there are various challenges facing both civil and criminal enforcement of anti-counterfeit laws in Kenya.

Indeed the lack of proper legal and enforcement mechanism in Kenya provides a thriving environment for counterfeit trade. Despite having proper legal and enforcement mechanism in place, public awareness is also necessary to combat counterfeit trade. The right owner's should be educated about their right so that they can be aggressive enough to protect them and report its infringement in the proper institution.

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<sup>163</sup> See Chapter 4.5 of this Study.

<sup>164</sup> *ibid.*

<sup>165</sup> See Chapter 2 to this study

The public at large should also be made aware of the genuine good so as not to be misled by the counterfeit. They should be educated on the dangers of counterfeit so as to avoid purchasing counterfeit trade. This will reduce the market for counterfeit trade thus assists in combating it. The ACA should be more aggressive to educate the public on counterfeit trade.

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