



**University of Nairobi**

**School of Law**

**Master of Laws**

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**RESEARCH PROJECT PAPER**

**(GPR 699)**

**COUNTERFEITING IN KENYA:  
ENHANCING THE LEGAL AND INSTITUTIONAL REGIME**

**BY**

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**G62/79614/2012**

**A THESIS SUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR  
THE DEGREE OF MASTER OF LAWS (LL.M) OF THE UNIVERSITY OF NAIROBI**

**March, 2015**

## **DECLARATION**

I, **JOHN W. KHAYEGA CHIVAI**, do hereby declare that this is my original work and has not been submitted and is not currently being submitted for a degree in any other University.

Signed

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

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## **LIST OF ABBREVIATIONS**

ACA	-	Anti-Counterfeit Agency
ACC	-	Anti-Counterfeiting Collaboration
ACTA	-	Anti-counterfeiting Trade Agreement
CA	-	The Communications Authority of Kenya
CAK	-	Competition Authority of Kenya
CCK	-	Communications Commission of Kenya
EU	-	European Union
GATT	-	General Agreement on Tariffs and Trade
KICA	-	Kenya Information & Communications Act, cap 411A
IP	-	Intellectual Property
IPRs	-	Intellectual Property Rights
KAM	-	Kenya Association of Manufacturers
KEBS	-	Kenya Bureau of Standards
KECOBO	-	Kenya Copyright Board
KIPPRA	-	Kenya Institute for Public Policy Research and Analysis
TRIPS	-	Trade Related Aspects of Intellectual Property Law
WIPO	-	World Intellectual Property Organization
WTO	-	World Trade Organization

**CHAPTER ONE**  
**COUNTERFEITING IN KENYA:**  
**ENHANCING THE LEGAL AND INSTITUTIONAL REGIME**

**1. Proposal for research**

**1.1.Introduction and background to the problem**

It has been stated<sup>1</sup> that over the last decade, counterfeiting and piracy has been growing at a fast pace, and is estimated reach a global value of 1.7 trillion dollars by 2015. This shows that counterfeiting is a big problem globally. The major losers to counterfeiters and innovators and brand owners. Efforts should therefore be made to ensure that trade in counterfeit goods and technologies is curtailed.

Intellectual Property Rights (IPRs) have traditionally been more inclined towards protecting innovation and rewarding innovative activity.<sup>2</sup> Intellectual Property (IP) has come to the fore in international trade, regional trade arrangements and in formulation of domestic legal instruments and policies. As a result of the central role that IP plays in development, it is imperative to ensure that these rights are harnessed.

IP has increasingly become part of the policy and legal tools that Kenya may utilize to ensure that products imported into the country or produced by our industry are of the set standards and quality. This then contributes to innovation, technology transfer and development.<sup>3</sup>

It has been posited that a properly functioning IP regime ought to do two things: firstly, it ought to be able to recognize, reward, promote and protect creativity through incentives and secondly; it ought to provide legal mechanisms for enforcement and vindication of protected rights in cases

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<sup>1</sup> The World Trademark Review, Anticounterfeiting 2014, A Global Guide.

<<http://www.worldtrademarkreview.com/Intelligence/Anti-Counterfeiting/2014>> [26 October 2014].

<sup>2</sup> P Kameri-Mbote 'Intellectual Property Protection in Africa: An Assessment of the Status of Laws, Research and Policy Analysis on the Intellectual Property Rights in Kenya' (2005-2) *International Environmental Law Research Centre Working Paper* 1.

<sup>3</sup>B Sihanya 'Intellectual property quality assurance and ISO in Kenyan universities' (2008) Vol 4 *Law Society of Kenya Journal* 35.

where they are infringed.<sup>4</sup> As our laws are reformed to keep up with the changing times, these are some of the issues that ought to be kept in mind.

IPRs are primarily intended to benefit the innovator. As a result of protection, innovative activity gathers momentum and the whole community, particularly the end users, reap benefits. IPRs ought therefore to be protected because they are not only a private good, but a public good too. It is in the public interest to protect IPRs because innovators pay taxes and hence contribute to Kenya's development. IP has the capacity to create wealth for Kenyan innovators, and in so doing, uplift the economy generally. Counterfeits therefore tend to negate this.

However, much as the foregoing should be appreciated, it is self evident that some of the innovations that are sought to be protected from counterfeiting are foreign owned. This is especially the case with regards to pharmaceutical and technological goods. It has been argued<sup>5</sup> that the IP system is one of the impediments to social and technological progress in developing countries such as Kenya. Therefore, as we fight counterfeiting, we would, in some way, be fighting on the side of the multinational companies that manufacture and own rights to these products.

The argument that is sometimes advanced<sup>6</sup> to further the foregoing position is that a growing economy needs less stringent application of the law to fight counterfeiting, so as to acquire otherwise inaccessible goods, technologies and services. This may sound good at first glance, but it is not necessarily a trend that would augur well for the country in the long run, for various reasons. Kenya is a signatory to various international instruments that require it to enact legislation to protect and enforce IPRs. One of the main ways of this protection and enforcement of these laws is through prevention of counterfeiting. It is therefore necessary for the country to honour these bilateral, multilateral and international obligations with regards to protection of IPRs. Protection of IPRs without discrimination will nurture a culture of respect for Intellectual Property and hence spur innovation.

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<sup>4</sup> Ibid.

<sup>5</sup> P Kameri-Mbote 'Patents & Development' in Yash Vyas et al. (eds) *Law and Development in the Third World* (University of Nairobi 1994) 412.

<sup>6</sup> B Sihanya "Combating Counterfeit Trade in Kenya" in M Wekesa & B Sihanya (eds) *Intellectual Property Rights in Kenya* 207.



Kenya has taken steps to ensure that IPRs are protected for the benefit of investors and innovators, as well as to accord with obligations under bilateral, multilateral & international agreements. The mechanism through which this is sought to be achieved is majorly the enactment of legislation.

The enactments that are central to protection, enforcement and policing of IPRs are the Industrial Property Act,<sup>7</sup> Copyright Act,<sup>8</sup> Standards Act,<sup>9</sup> Competition Act,<sup>10</sup> Trade Description Act,<sup>11</sup> Trade Marks Act,<sup>12</sup> Disputes Convention Act<sup>13</sup> and the Anti-Counterfeit Act.<sup>14</sup>

Of the enactments listed, the principal ones that are central to this paper are these three: Copyright Act, Trade Marks Act and Anti-Counterfeit Act because they deal centrally with counterfeiting.

Apart from these, there are several international treaties, which provide the minimum standards for IP regulation and protection<sup>15</sup>, as well as for IP rights enforcement<sup>16</sup>. Further, the United Nations, through the World Trade Organization (hereinafter called the WTO) has established a specialized agency for the promotion of intellectual property and encouragement of creative activity.<sup>17</sup>

The fact that there is an extensive legal framework for the protection of IPRs appears not to have been effective in preventing the entry of counterfeit products and technologies into the market.

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<sup>7</sup> Industrial Property Act Cap 509.

<sup>8</sup> Copyright Act no. 12 of 2001.

<sup>9</sup> Standards Act Cap 496. This Act, insofar as it seeks to promote the standardization of commodities, is relevant here, though it is not part of the mainstream IPR laws.

<sup>10</sup> Competition Act Cap 504.

<sup>11</sup> Trade Description Act Cap 505.

<sup>12</sup> Trade Marks Act Cap 506.

<sup>13</sup> Disputes Convention Act Cap 522.

<sup>14</sup> Anti-Counterfeit Act no. 13 of 2008.

<sup>15</sup> The most notable one is the Trade Related Aspects of Intellectual Property Rights (TRIPS).

<sup>16</sup> For example, the Anti-Counterfeit Trade Agreement (ACTA) which seeks to achieve the following: (i) international cooperation between enforcement authorities in intellectual property enforcement; (ii) the adoption of best enforcement practices by parties; and (iii) establishing an enhanced legal framework on intellectual property rights enforcement.

<sup>17</sup> WIPO was established in 1967 to "to encourage creative activity, to promote the protection of intellectual property throughout the world."

Neither has it prevented locally made counterfeit products from being passed off as the genuine goods. This could be a failure of law enforcement and policing, or deficient legal provisions or a mixture of both. In this paper, it is intended to assess the legal regime under the principal legal enactments that deal with IP, and how they may be made more effective in the fight against counterfeits.

Much as it may not be mainstream IP legislation, the Standards Act is quite important, and could play a role in preventing counterfeits from accessing the market. For this reason, it too merits investigation to see if it can be reinforced to buttress the mainstream IP statutes.

In some instances, innovators may lack the requisite resources to address infringement of their IPRs. An innovator whose IPRs are threatened with infringement may move to court for injunctive relief. If the IPRs have been infringed he may file a suit for damages as well as permanent injunction. This involves litigation, which may be expensive and therefore out of reach for the innovator. It is therefore incumbent upon the state to enact legislation to govern IPRs and aspects of its infringement to provide for criminal sanctions.<sup>18</sup> Where these have been enacted, they should be periodically be reviewed so that they do not fall out of consonance with the prevailing social circumstances.

Counterfeit trade is the production and sale of products, goods and services that are similar or substantially identical to protected ones without the authorization of the owner or licensee of the IPRs.<sup>19</sup> This trade happens mostly through the pirating or copying of the trade mark of the genuine product, or the general presentation or make up thereof or both; or with reference to copyrighted goods, the making of copies in violation of the rights of the copyright holder. Counterfeiting violates trademarks, copyrights and related rights, industrial designs as well as geographical indications.

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<sup>18</sup>B Sihanya 'Digital Copyright in Kenya' (2012) 8 Law Society of Kenya Journal 147.

<sup>19</sup> B Sihanya 'Intellectual Property Confronts Counterfeiting in Africa: Protecting innovators and Consumers in Cybersociety' in Professor Thomas Wilhelmsson et al. (eds) "*Consumer Law in the Information Society*" (Kluwer Law International London 2001) 329-364.

The main aim of the counterfeiters is to mislead the consumers that the product they are purchasing is genuine, and is manufactured by or sold by the owner of the IPRs. The effect of the foregoing is that the genuine IPRs holder is shortchanged, and needs a mechanism to protect his/her rights. Enforcement of IPRs is therefore important because it is the way the innovator realizes the advantages that attach to his innovation.<sup>20</sup>

Counterfeiters replicate branded items, which they pass off as genuine ones. In so doing, they are riding on the goodwill and name recognition of the brand they are imitating. In many instances, especially with regards to technological goods, the brand will have been developed through extensive research and development, and the innovator will hope to get a return on his investment. With regards to trademarks, what the counterfeiter is riding on is the goodwill. Secondly, because there is no research and development that has gone into the counterfeit product, this will damage the reputation of the genuine product, which will lead to devaluation of the brand. In the case of trademarks, the counterfeit product will not be of as good a quality as the genuine one, which will erode the reputation of the trademark.

In Kenya, apart from the institutions set up under the law, such as the Anti-Counterfeit Agency (the ACA), industry lobbies such as the Kenya Association of Manufacturers (KAM) usually take steps to sensitize the public on counterfeits. The Communications Authority (formerly the Communications Commission of Kenya, the CCK) also has a mandate carry out this task. This mandate is derived from Part VIII of the Kenya Information & Communications Act (KICA).<sup>21</sup> This law deals specifically with communication equipment. It provides that all such equipment shall be submitted to the commission<sup>22</sup> for type – approval. The commission therefore has a duty to inform the public what to look out for so as to avoid purchasing counterfeit telecommunication equipment. This information is available at their website.<sup>23</sup>

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<sup>20</sup> Ibid 132.

<sup>21</sup> The Kenya Information & Communications Act, Cap 411A.

<sup>22</sup> Ibid section 51(3)a.

<sup>23</sup> <http://www.cck.co.ke>.

There are other institutions on the lookout for counterfeit products too. In the Pharmaceutical sector, the Pharmacy and Poisons Board<sup>24</sup> has the role of regulating the manufacture of drugs and poisons. It implements regulatory measures to achieve safety for drugs and medical devices, whether they are locally manufactured or imported into the country. Their mandate is to protect the consumer.<sup>25</sup> In undertaking their consumer protection role, they ensure that counterfeit drugs and medical devices do not circulate in the country. Thus there are benefits to the IPRs owners.

The Kenya Copyright Board (KECOBO)<sup>26</sup> is another institution that has a wide mandate under the Copyright Act to ensure that the objectives of the Act are achieved. For the purposes of this research, the main mandate of KECOBO that is concern is the fight against piracy.

Such bodies can only do so much, though. For instance, the CA is only able to order the mobile telephone service providers<sup>27</sup> to disconnect all users whose telephone handsets do not meet the type-approval (i.e. are counterfeits). Counterfeiting therefore affects the IPRs owners as well as the users of products, services and technologies.

In Kenya, the problem of counterfeiting has been of great concern and has formed the subject of constant studies by industry lobbies like the KAM, public institutions like the Kenya Institute for Public Policy Research and Analysis (KIPPRA) and government entities like the Anti-Counterfeit Agency. Ultimately, government entities have a mandate to ensure that protection and enforcement measures are put in place to ensure that IPRs are not abused to the detriment of innovators and IPR holders.

The Trade Marks Act<sup>28</sup> protects from infringement any marks that are registered at the Kenya Industrial Property Institute,<sup>29</sup> under the Banjul Protocol (under African Industrial Property Office) or under the World Intellectual Property Office.<sup>30</sup> However, marks that are not registered are still afforded protection through the common law action of passing off, which is recognized

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<sup>24</sup> Established under the Pharmacy and Poisons Act, cap 244 Laws of Kenya.

<sup>25</sup> <http://www.pharmacyboardkenya.org>.

<sup>26</sup> s 5 Copyright Act No. 12 of 2001.

<sup>27</sup> Safaricom Kenya Ltd, Airtel Kenya Ltd, Essar Telecom (Kenya) Ltd and Telkom Kenya Ltd (Orange).

<sup>28</sup> Trade Marks Act Cap 506.

<sup>29</sup> S 3 Industrial Property Act Cap 509.

<sup>30</sup> <http://www.wipo.int/portal/en/index.html>[28 October 2014].

under the Trade Marks Act.<sup>31</sup> It is prohibited under the Trade Marks Act to sell or import goods with forged registered trademarks or whose trademarks are falsely applied.

The Copyright Act, in so far as is relevant to this paper, protects original literary, dramatic, musical and artistic works and cinematograph films and sound recordings from unauthorized use. Copyright law allows the copyright holder to control certain uses of his work such as reproducing, distributing, renting, broadcasting, and translating or adapting the work. In the context of this thesis, it has provisions that are intended to prevent counterfeiters from copying copyrighted films, music, authorial works, computer software programs, paintings and selling them at lower prices in direct competition with the IPR holder.

The Anti-counterfeit Act is a parliamentary enactment whose primary intention is to prevent trade in counterfeit goods. This Act became operational in the year 2008, and its enactment is recognition of the fact that the laws that existed were inadequate. It has a wider mandate than the legal framework that existed prior to its enactment.

Regardless of the enhanced legal framework, counterfeiting still afflicts the country. Take for example, the former CCK has in the past still needed to resort to drastic measures to prevent counterfeit communication equipment from accessing the networks, notwithstanding the fact that there is already a law to prevent trade in these equipments.

In addition, the KAM still complains that its members are afflicted by availability of counterfeits in the market. Take for example the fact the Eveready East Africa Limited has failed to sustain its business and has had to close down its manufacturing plant due to stiff competition from counterfeit products.

Does this suggest that the IPRs enforcement regime has failed? The view in this research is that the complaints by the manufacturer's lobbies and government agencies can be reduced drastically if the legal framework is enhanced. It would appear as though the enforcement mechanisms that currently exist are not as effective as envisaged.

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<sup>31</sup> s 5 Trade Marks Act Cap 506.

Looking outside of legislation intended for IP protection shows that the state has a mechanism and the legal framework to determine that all commodities imported or manufactured in Kenya comply with certain standards. This is through the Standards Act. Section 4 of this Act establishes the Kenya Bureau of Standards (KEBS) whose functions are to, inter alia “*to provide for the testing ...of... commodities with a view of determining whether such commodities comply with the provisions of this act or any other law dealing with standards of quality or description.*”

The Kenya Bureau of Standards is mandated to set standards for Kenya in conjunction with other government institutions. Would it be feasible for it (KEBS) to consider the infringement of IPRs in the commodities that it tests as one of the conditions that need to be satisfied before the product being tested is declared to be compliant of the standards? This is a plausible question that should be explored. This is especially so in view of the fact that a product, good or service may be counterfeit, but will still pass the quality standards set by the KEBS and be allowed into the open market.

## **1.2 Statement of the problem**

Intellectual Property is a “fundamental form of the property”<sup>32</sup> and therefore ought to be protected by the law just as much the laws protected the other factors of production.<sup>33</sup> However, this should not necessarily mean that the property in intangibles should be treated the same manner as property in tangibles, because, as this would amount to “a fundamental misapplication of the economic theory of property”.<sup>34</sup>

Counterfeiting as defined under the Anti-Counterfeit Act<sup>35</sup> is the manufacture, production, packaging or fraudulent mislabeling (in relation to medicine) of protected goods without the authority of the IPRs owner. The Anti-Counterfeit Act has extensive provisions that aim to tackle this problem, but is it sufficiently supported by other legislation in related fields? For instance,

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<sup>32</sup>D Bainbridge *Legal Protection of Computer Software* (5<sup>th</sup> edn Tottel Publishing 2008) 3.

<sup>33</sup>Ben Sihanya ‘Intellectual Property for Innovation & Industrialization in Kenya’ (2009) Vol.5 Law Society of Kenya Journal 30.

<sup>34</sup>M A Lemley *Ex Ante versus Ex Post Justifications for Intellectual Property* University of California – Berkeley Public Law and Legal Theory Research Paper Series, Paper No. 144 <<http://ssrn.com/abstract=494424>> [4August 2014].

<sup>35</sup> S 2 Anti-Counterfeit Act No.13 of 2010.

would the fight against counterfeits not be more effective if the Standards Act, which contains the legal framework for dealing with the quality of goods, commodities and products in Kenya, contained some provisions with regards to control of imported goods? The Standards Act deals with control of standards over manufacture, production, processing or treatment of commodities,<sup>36</sup> but leaves out controls over imported goods, products or commodities.

The Anti-Counterfeit Act also has some weaknesses that lead to counterfeit trade not being curtailed completely. It provides<sup>37</sup> that it is a holder of an intellectual property right (IPR), successor in title, licensee or agent who may report a suspected offence under the Anti-Counterfeit Act.<sup>38</sup> This means that an aggrieved party, for instance a consumer, lacks any *locus standi* to complain if he buys goods that turn out to be counterfeit.

IPRs protection leads to quality assurance, because protected goods are of better quality than counterfeit goods of the same genre. The Standards Act, which is enacted to, inter alia, “provide for the standardization of commodities and codes of practice,”<sup>39</sup> may help if it contains a provision that requires the bureau to consider IPRs infringement.

The Anti-Counterfeit Act deals with breach of IPRs while the Standards Act deals with standardization of commodities. The two statutes could therefore complement each other, and not be so compartmentalized as is presently the case. This is a gap which has resulted in insufficient legal infrastructure to control the entry of counterfeit goods into the country. These two are good laws, but the fact that they are not complementary leads to inefficiency in the enforcement mechanisms. The intended purpose of having standardized commodities and eliminating counterfeit trade ends up not being achieved.

The effect of this, with particular reference to technological goods, such as mobile telephone handsets, is that the regulator has to step in. In Kenya, the former CCK has in the past had to order that the mobile service providers switch off counterfeit telephone handsets. The CCK had

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<sup>36</sup> S 4 Standards Act Cap 496.

<sup>37</sup> S 33 Anti-Counterfeit Act No. 10 of 2010.

<sup>38</sup> The offences are set out under section 32 of the Act.

<sup>39</sup> This is contained in the preamble to the statute.

the legal mandate to take such action, but that is symptomatic of a failure to stop counterfeiting at an early stage. This strategy would only be effective in controlled goods and services, such as telecoms.

Among the IPRs that are infringed by counterfeiting are trademark rights. In Kenya, trademarks are registered, regulated and enforced under Trade Marks Act.<sup>40</sup> The Trade Marks Act has created the offence of forgery for falsification of trademarks and prescribed penalties<sup>41</sup> for breach. These provisions are in my view not deterrent enough. The effect of this is that prospective offenders are not afraid of the consequences of going against the law. This is specially the case where the returns from forging and falsifying a mark are higher than the prescribed penalties under the Trade Marks Act.

In this thesis, therefore, it is proposed to examine how the enforcement mechanisms under the IPRs legal regime can be reviewed so as to tackle counterfeit goods in the market. This would include enactment of more punitive as well as facilitative provisions. The facilitative provisions should make it easier to report offences. The punitive provisions should make the law sufficiently deterrent or punitive enough to discourage counterfeiting. It is proposed to assess the efficacy of incorporating other legislation that is not mainstream IPR legislation, for instance the Standards Act, so as to better combat counterfeits.

Further, in view of the fact that the counterfeiters thrive on the ignorance on the part of the end users, how can the agency formed under the Anti-counterfeit Act be enabled to better carry out its public education mandate? Should the traders and innovators be more proactive in ensuring that the characteristics of their products are well known?

### **1.3 Hypotheses**

This research is based on the following assumptions, which we propose to test:

1. The Trade Marks Act and the Anti-Counterfeit Act are deficient in countering counterfeit trade;

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<sup>40</sup> Trade Marks Act Cap 506.

<sup>41</sup> Ibid part XI.



2. A review of particular provisions in the Trade Marks Act and the Anti-Counterfeit Act can enhance the ability of the statutes to counter counterfeit trade;
3. The framework under the Standards Act can be useful to combat trade in counterfeit goods.

#### **1.4 Research questions**

The research endeavors to answer the following questions:

1. How effective are the provisions of the Trade Marks Act and the Anti-Counterfeit Act in countering counterfeit trade?
2. How can the Trade Marks Act and the Anti-counterfeit Act be reviewed to make them more effective in curbing counterfeit trade?
3. Can the Standards Act bolster the enforcement of IPRs in Kenya?

#### **1.5 Conceptual and Theoretical Framework**

IPRs protection is anchored on various justifications, depending on whether the subject property is industrial property or copyright. Counterfeiting afflicts both industrial property as well as copyright. Therefore it is possible to place reliance on the whole spectrum of theories that undergird intellectual property protection.

IPRs protection has justifications that are underpinned by economic explanations.<sup>42</sup> Protection is granted so that people are encouraged to be innovative and creative of new technologies. What this would prevent, therefore, is a situation where people just copy other's work. This copying leads to inefficiency because there is a lack of incentive, hence few ideas are created.

Protection is also necessary to encourage the IPR owner to make further investment in the improvement, maintenance or commercialization of the product. allocation and protection of

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<sup>42</sup> B Sihanya 'Intellectual Property for Innovation & Industrialization in Kenya' (n 33) 31.

IPRs spurs innovation by ensuring that inventions are protected. Counterfeiting erodes innovators' IPRs, which leads to economic losses. There are negative effects on the economy as a result of counterfeiting, as I shall discuss later. The state therefore has a duty to ensure that laws are enacted and institutions are set up that can be used to curtail counterfeits and help to increase innovative activity.

The laws and the enforcement mechanisms created by the state ought to be effective so as to fight counterfeit products. The penal sanctions enacted into the law should mete out deterrent punishment to the counterfeiters strongly. The study shall therefore be underpinned by two principal theories: utilitarianism (which encompasses the economic theory of law and consequentialism) and the social contract theory.

### **1.5.1 Utilitarian/Economic Theory of Law**

The theory of utilitarianism puts forth the proposition that the actions of mankind are motivated by a choice between pain and pleasure. Therefore, all rational actions are motivated by a desire to maximize pleasure and reduce pain. The economic theory of law is therefore a modern form of utilitarianism which proposes that man will always choose the options that leads to more satisfaction.<sup>43</sup>

It has been argued<sup>44</sup> that there is a sense in which economics has replaced justice as the dominant basis for law reform and regulation of behavior, especially in the United States.<sup>45</sup> It is necessary to bring to fore these economic considerations in the course of enactment and interpretation of the law and formulation of policy in Kenya.

Currently, legal reform discourse is more couched in terms of how a proposal will contribute to efficiency and the generation of wealth. This calls for an economic analysis of law. In this regard, it is proposed to analyze how, if at all, low fines will lead to the offence of counterfeiting being more widespread. The counter argument is whether, or how, higher fines will deter the

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<sup>43</sup> R Wacks, *Understanding Jurisprudence: An Introduction to Legal Theory* (Oxford University Press 2005) 249.

<sup>44</sup> A Barron (ed) *Introduction to Jurisprudence and Legal Theory: Commentary and Materials* (Oxford University Press, 2005) 857.

<sup>45</sup> JA Otieno-Odek, 'Normative Framework for Patent & Plant Breeders' Protection: Trade Theory and Development Policy' (2005) Vol. 3 the University of Nairobi Law Journal 15.

offensive practice. If a counterfeiter feels that the fine an infringing act is likely to attract is lower than the returns from that act, he will not be deterred from committing the offence. The law will therefore be rendered ineffective.

Further, the economic theory hypothesis is that unless innovation attracts returns for the innovator at full market value, there will be a lack of incentive to create.<sup>46</sup> In Kenya currently, it can be argued that unless counterfeiting is curtailed, it will lead to reduced foreign direct investment and jeopardize transfer of technologies. As a result, the country will be unable to meet its economic objectives.

With regards to locally produced copyrighted works, lack of effective protection will lead to increased piracy. This will have a negative effect on the creators of the works. They will not get a return on their investment.

Economic theory of law uses economic analysis to analyze individual behaviour, and is therefore an appropriate theory to use in addressing important questions of legal regulation.<sup>47</sup>

### **1.5.2 Utilitarianism/consequentialism**

From the foregoing discussion, it emerges that utilitarianism looks to the future. The actions of a person have consequences; either maximization of pleasure or of pain. It is these consequences of deliberate acts that the law is concerned with in this regard.

It is proposed to, among other things, evaluate the penal sanctions of the law for persons who engage in counterfeiting. It shall therefore be necessary to theorize the parameters within which any action taken against them is justifiable.

Focusing on achieving both particular deterrence and general deterrence<sup>48</sup> I shall use the theory of consequentialism. This theory is underlined by the belief that options should be evaluated by their consequences,<sup>49</sup> so that a choice is made based on whether it maximizes pleasure or pain.

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<sup>46</sup> Ibid 15.

<sup>47</sup> A Barron (ed), *Introduction to Jurisprudence and Legal Theory: Commentary and Materials* ( n 44) 865.

### **1.5.3 Social Contract Theory**

Under this theory, IPRs protection constitutes a contract between society and innovators whereby society avails to itself the benefits of an innovation in exchange for protection. An innovator needs to be rewarded for innovations that benefit the society. In IP, the underlying idea is commonly available to everybody, and it is only once the innovator puts it into expression (by creating something tangible out of the intangible) that it is turned into property, hence becomes protectable. Because the underlying idea is intangible, the innovator may have difficulty being rewarded for the innovation. Inventive activity may reduce and as a result, society loses out. The IP system is therefore designed to prevent the lose-lose situation and turn it into a win-win situation.

The law protects ideas and the expression of those ideas under the principle of natural law. Under this principle, a person's idea is his natural right. Therefore, human creativity should be protected from unfair exploitation.

With regards to creative works (copyright) the rights of the author derive from natural law, and are inherent in the author by virtue of authorship. These rights are not granted by statute. This is different from the rights of publishers, who have not created the published work, and their claim to it is grounded in economics. To this latter extent, even authorial works can be protected by having regard to the utilitarian economic theory of intellectual property protection.

Whereas utilitarianism and economic theories of law generally lean more towards industrial property, social contract theory is more inclined towards protection of creative works.

### **1.6 Objectives of the research**

Counterfeiting is deleterious to innovation. In technological as well as medical products, counterfeiting brings about challenges in security and safety. In general goods, it leads to devaluation of brands and to losses to manufacturers and to the economy. It is therefore proposed

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<sup>48</sup>B Bix, *Jurisprudence: Theory and Context* (Sweet & Maxwell, 2006) 127.

<sup>49</sup> *Ibid* 128.

to carry out several assessments, and based on the outcome, to propose changes in the relevant laws that we shall have reviewed.

The objectives of the research that we propose to carry out are as follows:

1. To assess the extent to which the regime of IPRs protection and enforcement as contained in the Trade Marks Act and the Anti-Counterfeit Act is sufficient to curb counterfeiting.
2. To assess the extent to which the enforcement mechanisms under the Trademarks Act are deterrent to people engaged in counterfeit trade;
3. To assess the extent to which the Standards Act, though not a mainstream IP legislation, can be facilitated so as to help to bolster the mainstream IP laws and help curb importation, manufacture and trading in counterfeit goods;
4. To propose possible reforms to the Trade Marks Act, the Anti-counterfeit Act and the Standards Act, in order to cure any limitations identified in the research and enhance the legal framework.

## **1.7 Literature review**

Intellectual Property rights protection is an area that has attracted the attention of a considerable number of eminent authors worldwide. Literature on legal issues related to counterfeiting is limited within the Kenyan jurisdiction. The available local literature focuses on other areas of specialization and not directly related to counterfeit products. There is therefore a lack of a robust legal commentary on domestic regulation and legislation that curbs counterfeiting. However various foundations can be drawn from various authors who have laid out fundamental principles akin to counterfeiting which this study profits immensely there from.

Professor Ben Sihanya<sup>50</sup> a local eminent scholars has widely authored in the area of IP including counterfeiting acknowledges that in all systems of IP, matters that pertain to definitions, registration procedures and the duration of registration/protection are important. However these can only be useful if built upon “a foundation of enforcement”.<sup>51</sup>

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<sup>50</sup> B Sihanya, ‘Digital Copyright in Kenya’ (n 18) 132.

<sup>51</sup> Ibid 132.

The author lists some of the modes of controlling infringement of digital copyright as legislative strategies,<sup>52</sup> litigation strategies,<sup>53</sup> public awareness<sup>54</sup> and criminal sanctions.<sup>55</sup> In this article<sup>56</sup> The author deals more particularly with copyright in the digital arena. It recognizes the need to protect IPRs including by way of bringing IPRs protection into the purview of public law,<sup>57</sup> emphasizing the need for IPR protection for the benefit of the general public.<sup>58</sup>

Sihanya discusses digital copyright infringement and how the problem can be tackled. Sihanya's discussion is relevant to this study because copyright infringement falls within the realm of counterfeiting.

The focus of this study will be to examine how the legal and institutional framework in this area is deficient in tackling the problem of counterfeiting.

Another eminent local scholar in the area of IP is Professor Patricia Kameri-Mbote who has authored intensely about patents and development.<sup>59</sup> The author's analysis is applicable across the board to IPRs in general.

The author addresses the effect of patent protection on development, highlighting both the negative (especially to the developing nations) and positive (to the developed world) aspects. The author discusses the attempts made by the developing world to change the patent system so as to make it more relevant to its peculiar needs and circumstances.

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<sup>52</sup> Ibid 136,140.

<sup>53</sup> Ibid 136, 146.

<sup>54</sup> Ibid 135, 141.

<sup>55</sup> Ibid 147.

<sup>56</sup> Ibid.

<sup>57</sup> Ibid.

<sup>58</sup> Ibid.

<sup>59</sup> P Kameri-Mbote 'Patents & Development' in Yash Vyas et al. (eds) *Law and Development in the Third World* (University of Nairobi 1994) 412.

The author concentrates on the international regime of IPRS vis a vis the one in the developing countries. In this research, it is intend to address mainly the Kenyan legal regime of IPRs protection, with a bias towards prevention of trade in counterfeit goods.

Professor Ben Sihanya<sup>60</sup> writes about IP and quality assurance in Kenyan Universities. This article recognizes the place of IP protection in institutions of higher learning and puts forth the idea that some institutions of higher learning in Kenya have developed IP policies, established IP or technology transfer offices and other methods of IP harnessing.<sup>61</sup>

Most importantly the article states that in these institutions IP is an appropriate regulatory and policy instrument that can be used to achieve quality assurance.<sup>62</sup>

This study intends to delve into the issue of how the law and statutory enactments have helped or impeded the protection of IP rights protection.

Sandro Sideri<sup>63</sup> discusses the need to protect IPRs as was conceived by GATT. He states that there needs to be some institutional arrangement on how technological information, which is a resource, is to be protected. That is how the protection of IPRs was conceived. He states that IPRs are protected irrespective of the fact that they are in effect private monopolies that enable inventors to collect fees for the use of their works by others.

The author says that when infringement of IPRs became widespread and moved from locally consumed products to exports, the developed countries started to lose their competitive advantage and had to seek for protection of IPRs.

The author deals generally with why developed countries resolved to ensure that IPRs are protection by an international legal framework and formal international legal instruments. he does not indicate how this protection may be achieved effectively, be it on the domestic scene or

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<sup>60</sup> B Sihanya 'Intellectual property quality assurance and ISO in Kenyan universities' (2008) Vol 4 *Law Society of Kenya Journal* 35.

<sup>61</sup> Ibid 52.

<sup>62</sup> Ibid.

<sup>63</sup> S. Sideri 'GATT and the Theory of Intellectual Property' in *Multilateralism versus Regionalism: Trade Issues after the Uruguay Round*, 1996, Meine Pieter van Dijk & Sandro Sideri, eds133.

on the international scene. The author does not delve deep into the ingredients of what an IP law should have so as to better protect innovators as well as users of the protected innovations. That is what I intent to deal with in this thesis.

Professor Ben Sihanya has in another article<sup>64</sup> stated that there is need to increase the protection and promotion of innovation and innovators<sup>65</sup> but he has not stated how this can be done in the current legal framework in Kenya.

David Bainbridge<sup>66</sup> advocates for the protection of IP. He rationalizes that because IP is the result of the exercise of human intellect, it is a fundamental form of property that should be closely guarded.<sup>67</sup> Protection will ensure that the innovator is able to reap economic rewards from his work, to which he has a bond by virtue of having created it. Further, protection and promotion encourages innovation and creativity.<sup>68</sup>

However the Bainbridge writes for a worldwide audience and in as much as his work has relevance to our local IP circumstances, our intention in the proposed research is to have an in-depth look at the identified local laws and see how effective they are, or they can be in combating counterfeiting.

Professor Ben Sihanya<sup>69</sup> assesses the state of IP laws, policies in Africa and enforcement the institutional and legal mechanisms of enforcement of these rights. The article has a wide scope because it addresses counterfeiting in goods and services generally.

This study zeroes in on existing legislation and their efficacy in confronting the problem of counterfeit goods. Therefore, this study is restricted to counterfeiting in Kenya and the efficacy of the laws to curtail counterfeits.

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<sup>64</sup> Sihanya 'Intellectual Property for Innovation & Industrialization in Kenya' (n 33) 57.

<sup>65</sup> Ibid.

<sup>66</sup> Bainbridge *Legal Protection of Computer Software* (n 32).

<sup>67</sup> Ibid 3.

<sup>68</sup> Ibid 4.

<sup>69</sup> Sihanya 'Intellectual Property for Innovation & Industrialization in Kenya' (n 33) 17.



Professor Moni Wekesa reviews the legislative and institutional framework of IPRs protection in Kenya.<sup>70</sup> In reviewing the legislative and institutional framework of IPRS in Kenya, the author touches on the Anti-Counterfeit Act, 2008. He also deals with the Trade Marks Act.<sup>71</sup>

Wekesa does not however discuss the Standards Act, which has provisions that in my view are immensely significant in combating counterfeit trade and will form part of the legal framework for this study.

This research is aimed at assessing the three statutes and identifying the changes and improvements to the legal and institutional framework, as well as to policy that will help in the fight against counterfeit goods.

In an article entitled Combating Counterfeit Trade in Kenya,<sup>72</sup> Professor Ben Sihanya zeroes in on counterfeiting. Sihanya discusses the legal and institutional framework of Kenya's intellectual property protection, but does not critique the effectiveness thereof in countering trade in counterfeits.

The difference between his article and this research is that this research intends to go further and critique how legislation has created institutions, and how these institutions as well as the enabling legislation have been deficient in facilitating the war against counterfeit goods.

Isabella Alexander, in her book<sup>73</sup> deals with concepts relevant to copyright law such as infringement and the principle that some works will not be protectable under copyright because the public interest for non-protection far outweighs the private interest of the creator of the work.

Of central relevance to this thesis, the book also deals with the aspect of infringement of copyright right from the Statute of Anne to the 19th century.<sup>74</sup> However, the author confines

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<sup>70</sup> M Wekesa, "An Overview of the Intellectual Property Rights (IPRs) Regime in Kenya" in M Wekesa & B Sihanya (eds) *Intellectual Property Rights in Kenya* 1.

<sup>71</sup> Trade Marks Act Cap 506.

<sup>72</sup> B Sihanya, "Combating Counterfeit Trade in Kenya" in *Intellectual Property Rights in Kenya* (n 6).

<sup>73</sup> I Alexander, *Copyright Law and Public Interest in the Nineteenth Century* (Hart Publishing, 2010).

<sup>74</sup> *Ibid*, 155.

herself to infringement of literary works, musical works, dramatic works and lectures. The intention in this thesis is to deal with the infringement of IPRs generally, without drawing any boundaries.

In an article published in the *Minnesota Intellectual Property Review*, Professor Laurence L. Helfer<sup>75</sup> discusses the emerging confluence between human rights law and intellectual property law. He analyses whether IP protection and protection of human rights are compatible. On the one hand, IP protection tends to infringe on the enjoyment of and access to economic, social and cultural rights. The second approach proposes that there is mutual coexistence between human rights and intellectual property because both areas of law are concerned with "the same fundamental question: defining the appropriate scope of private monopoly power that gives authors and inventors a sufficient incentive to create and innovate, while ensuring that the consuming public has adequate access to the fruits of their efforts."<sup>76</sup>

This article addresses the question of whether or not it is beneficial to protect IPRs, and if indeed it is, then to what extent should they be protected. However, the article does not take a step further to discuss how these rights may be protected through both legal and institutional reform. This is what I intend to discuss.

Kameri-Mbote has made an assessment of the status of laws, research & policy analysis on IPRs in Kenya.<sup>77</sup> Kameri-Mbote provides a general treatise on the IPR regime in Kenya which does not deal with the peculiar problem of counterfeiting. That is what this research seeks to do.

Professor Mark A. Lemley<sup>78</sup> tackles the theoretical basis of IPR protection. The thesis by the author is that IPRs should not be likened to real property because that would be a misapplication of the economic theory of property. The author's position is that too much protection is just as

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<sup>75</sup> L L Helfer, *Human Rights and Intellectual Property: Conflict or Coexistence?* 5 *Minn. Intell. Prop. Rev.* 47 (2003) available at <http://mipr.umn.edu/archive/v5n1/Helfer.pdf>.

<sup>76</sup> *Ibid.*, 48.

<sup>77</sup> P Kameri-Mbote, *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, 2005-2 <<http://www.ielrc.org/content/w0502.pdf>> [15 January 2014].

<sup>78</sup> M A Lemley, *Property, Intellectual Property, and Free Riding*, Stanford Law School, John M. Olin Program in Law and Economics, Working Paper No. 291 <<http://ssrn.com/abstract=582602>> [10 May 2014].

bad as no protection at all. The author advocates for a balance between seeking some measure between free riding on IPRs and protection of IPRs.

## **1.8 Methodology**

It is proposed to conduct this research in the library, through the internet and through accessing reports by industry players.

At the library, it is intended to look at primary legal sources. These are decided cases in Kenya and other jurisdictions, the statutes that deal with IPRs in Kenya, statutes that may assist in preventing counterfeit goods from accessing Kenya. It is also intended to look at the anti-counterfeit laws and policies of other jurisdictions.

The secondary sources of data that I shall engage at the library will be text books, journal articles as well as regulations of other trading blocs to assess how they prevent cross border counterfeit goods.

It is intended to visit the Anti-Counterfeit Agency to ascertain the challenges that they encounter in the fight against counterfeits. I will also visit the Kenya Association of Manufacturers to study any reports that they may have regarding studies carried out in the fight against counterfeits.

## **1.9 Scope and Limitation**

The scope of this paper is to analyze the laws that deal with enforcement of IPRs in Kenya, how they have been applied and their deficiency, if any.

The limitations expected are the lack of access to the most recent decided case law in Kenya because law reporting is inefficient. Law reporting is virtually nonexistent in the subordinate courts where the penal provisions of the law are enforced.

## **1.10 Chapter Breakdown**

### **Chapter One:-**

Chapter one will introduce the problem; lay out the objectives of the research, the hypotheses, the theories that underpin the research, the literature review and the research methods to be used.

### **Chapter Two:-**

This chapter will deal generally with the jurisprudential issues that should be considered in a law that is expected to fight counterfeits as well as issues that emerge with regards to protection and enforcement of IPRs in Kenya.

It is proposed to evaluate the provisions of the law as regards protection of IPRs in Kenya, especially at the provisions that confer jurisdiction, the process of enforcement and the penal as well as facilitative provisions.

### **Chapter Three:-**

This chapter will evaluate the material that will have been gathered from the various sources, both library and internet.

It is also proposed to examine how other jurisdictions have dealt with the problem of counterfeiting to see if Kenyan laws need to be amended to accord with best practices elsewhere in the world.

### **Chapter Four:-**

This chapter will contain the conclusion; propose possible reforms to the statutes that shall have been reviewed in order to cure any limitations identified in the research and recommend the actions that need to be undertaken to make the law responsive to the needs of the present needs of the economy, IP users and innovators.

## CHAPTER TWO

### 2. Characteristics of an institutional and legal framework to combat counterfeiting

In order for an IP legal regime to adequately protect rights of innovators, it ought to incorporate various salient features. The law does not operate in a vacuum, hence it ought to be cognizant of the society for which it is meant. There ought to be a balance between the desire to protect creative content and invigorate innovative activity on the one hand; and the need to ensure that economic growth is not stifled on the other hand.

The law ought to be practical and friendly so that it is easily accepted. For instance, a law that provides very lenient sanctions that are not in keeping with the gravity of the infringement may not be effective. Such a law will not receive acceptance from those designed to benefit from its application.

Further, and most important, the law ought to be anchored in the supreme law of the land, it ought to be in consonance with international treaties and conventions and it ought to set up institutions that will ensure that the letter of the law is applied as required.

#### 2.1 The law needs to strive for a balance in IPRs protection

The competing interests regarding whether or not there should be protection for IPRs call for a tradeoff. There needs to be a balance based on the market conditions and the need to spur growth. A stringently protective system of IPRs reduces the social gains from inventions, especially where the consumers may not be able to afford access without much expense. That would mean that there are good inventions in the market, but they are not utilized to improve the society because they are too expensive. On the other hand an excessively weak system is harmful because it could reduce innovation by failing to provide an adequate return on investments.<sup>79</sup> This would mean that innovators see no reason to engage their minds, expend their resources (time, labour and money) in creating inventions because there will be no monetary return anyway.

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<sup>79</sup> Keith E. Maskus, *Intellectual Property Rights & Economic Development*, University of Colorado, Boulder, <<http://www.colorado.edu/economics/mcguire>; accessed on 24.05.2013> [3 June 2014].

This need for a balance based on the unique conditions of the market is evident in international instruments of IPRs protection. There are several pointers to this. The TRIPS Agreement sets only the minimum standards regarding the grant of rights to the IPRs holder, the requirements for enforcement in the municipal legal enactments and the remedies for infringements and dispute settlement.<sup>80</sup> This allows individual countries to enact laws suited to their peculiar circumstances, because what are set are the minimum standards. It is envisaged that laws will become more stringent as the particular state's circumstances change.

The TRIPS Agreement came into force on 1<sup>st</sup> January 1995 but different member nations were allowed varying periods within which to align their laws to accord to the conditions of the agreement. The reasoning would appear to be the same as above; that countries are given time to consolidate their situation so that the laws, once enacted, are applied without adverse effects.

This is an indicator that right from the international level, there is a recognition that a balance needs to be maintained on the application of IPRs to avoid having laws that are out of keeping with social realities. This balance bears in mind the disparate economic and social conditions in which the various laws will be designed to operate.

Kenya has moved from the infancy stage in innovation and there is local creative content. This is more pronounced in digital copyright than in the other arenas. There is therefore need to ensure that the gains that come from these innovations are protected. This comes about by ensuring that innovators are protected.

To ensure that there is protection of IPRs, it is necessary to have a legal and institutional framework that will cater for the constantly evolving nature of IPRs.

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<sup>80</sup> For example, with regards to the terms for protection of works, inventions and trademarks respectively, the TRIPS Agreement provides for minimums of 50 years (Art.12) 20 years (Art. 33) and 7 years (Art. 18) respectively.

## 2.2 The law needs to be comprehensive so as to capture most forms of counterfeit trade

Trade in counterfeit goods takes various forms.<sup>81</sup> Unless the law recognizes most of these forms, then it is unlikely to be effective.

The counterfeiters may make a fake product, which they will pass off as the genuine one. In this case, what is produced is legitimate low quality generic merchandise that mimic the genuine product, but whose quality is nowhere near the real protected product. This type of counterfeiting is an infringement of the patent rights of the innovator. They could also be construed as an infringement of industrial design rights of the innovator. The purpose of patents/industrial designs is to protect innovations;<sup>82</sup> hence this type of counterfeiting has the effect of cheating the makers of patented merchandise or protected industrial designs. This may also erode the reputation of genuine merchandise, because a consumer who purchases a product that he eventually finds is of poor quality may not identify it as a counterfeit. He may attribute its paucity in performance to poor innovation or poor manufacturing. The effect of this confusion is that the reputation of the IPR holder is tarnished.<sup>83</sup>

This type of counterfeiting is found at section 2(a) of the Anti-Counterfeit Act. Here, counterfeiting is defined, inter alia, as the making of goods that imitate the protected goods.

Under section 54 of the Industrial Property Act<sup>84</sup> the owners of a patent have exclusive rights to exploit the protected invention through making, importing and selling. It is only after the expiry of the patent (20 years, as provided for at section 60 of the Industrial Property Act) that third parties may apply to the Kenya Industrial Property Institute (KIPI, or the Institute) to be registered to commercialize the product or the process.

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<sup>81</sup> Ibid 332.

<sup>82</sup> EA Wayne “Why Protecting Intellectual Property Rights Matters” <<http://www.iipdigital.usembassy.gov/st/english/publication/2008/04/20080429213909myleen0.2809259.html> > [20 April 2014].

<sup>83</sup> G M Grossman & C Shapiro ‘*Counterfeit Product Trade*’ NBER Working Paper Series, working paper no. 1876, National Bureau of Economic Research (Cambridge 1986) [SSRN - id 341830] 3.

<sup>84</sup> Industrial Property Act Cap 509.

Section 92 of the Industrial Property Act confers upon the registered proprietor of an industrial design the exclusive right to reproduce the design in the manufacture of products, importing or selling a product reproducing the protected design or even having such product in stock for purposes of offering it for sale.

Therefore, any person engaging in the activities that are the exclusive domain of the registered owner of a patent or an industrial design is deemed to be infringing on the rights of the holder. Any product produced by third parties without license or authorization of the holder of the IPR are therefore counterfeit.

On the other hand, one can counterfeit the registered (or well known, even if not registered) trade mark or service mark or trade name of the product and in that way mislead unsuspecting users. The other way is through counterfeiting the packaging of the product, such as brand names, marks or labels. These latter two amount to infringement of trademark rights or geographical indications as the case may be.

Trademarks are traditionally known to be the anchors of consumer protection.<sup>85</sup> This, though not the primary concern of trademark law, is achieved by default. This happens through the identification of an owner of a trademark, which serves as an assurance of the quality of goods. For instance, when one buys the genuine KETEPA tea, they will be assured of the quality of the merchandise. This assurance is therefore totally lost when counterfeiters illegally use a trademark and mislead consumers that what they are purchasing is the genuine trademarked product when it is not.

Traditionally, counterfeiting targeted luxury consumer goods such as designer clothing, other wearing apparel, watches, perfumes and leather items.<sup>86</sup> Counterfeiting has evolved and the counterfeiters in the present age have moved to counterfeiting not only the aforesaid goods, but also higher technology consumer goods such as electronic products, telephones, computers and stereo equipment.

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<sup>85</sup> B Sihanya 'Intellectual Property Confronts Counterfeiting in Africa' (n 19) 330.

<sup>86</sup> G M Grossman & C Shapiro '*Counterfeit Product Trade*', (n 83).



Pharmaceutical products, industrial products, such as medical devices, motor vehicle spare parts and other hardware have been counterfeited.<sup>87</sup> In relation to medicine, the Anti-Counterfeit Act at section 2 (d) defines counterfeiting to be the deliberate and fraudulent mislabeling of medicine so as to mislead the public as to its identity and source. It is irrelevant for the purposes of this section that the products mislabeled have the correct ingredients.

The wording of the section shows that the concern with the law is (in this particular section) concerned only with trade mark protection, and not the patent. This is evident from the emphasis on 'identity and source', which are pointers towards trademark protection.

Counterfeiting in copyrights, on the other hand, is defined at section 2 (c) of the Anti-Counterfeit Act as the manufacture, production or the making of copies in violation of the author's rights or related rights. What counterfeiters do in this regard would be a breach of section 38 of the Copyright Act.<sup>88</sup> Whereas the Anti-Counterfeit Act is silent on whether it is permitted to make copies of protected works for personal use, the Copyright Act explicitly allows making copies for personal use as well as for research and educational purposes.

There is however no conflict in this regard between the Anti-Counterfeit Act and the Copyright Act. What the law prohibits is the benefitting from a protected work at the expense of the owner of the IPR. The spirit of the Anti-Counterfeit Act, as is evident from the preamble thereof, is prohibition of trade in counterfeit goods. The making of copies for personal use, for research or for education would therefore not be a contravention of either the Anti-Counterfeit Act or the Copyright Act.

### **2.3 The rationale for IPRs protection should be evident**

Much as protection of IPRs has been actively promoted by some quarters, other commentators have raised doubts and openly questioned their rationale.

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<sup>87</sup> M Forzley '*Counterfeit Goods and the Public's Health and Safety*,' International Intellectual Property Institute, 2005 pg. 1 <<http://ssrn.com/abstract=1347007>> [20 August 2014].

<sup>88</sup> Copyright Act No. 12 of 2001.

Intellectual Property, by definition, is proprietorship over intangibles: ideas, inventions, signs and information.<sup>89</sup> What is protected by IP law or by the grant of IPRs is the exploitation of mental or creative labour. Therefore, if one were to make use of an inventor's idea, the inventor, or any other person for that matter is not thereby deprived of the use. That is why it has been said<sup>90</sup> that a most important characteristic of knowledge is its "non-rival" possession. This means that knowledge or the product thereof can be owned and enjoyed jointly or simultaneously by different users at the same time.

Under the economic theory of IPRs protection,<sup>91</sup> it should therefore follow that such inventions and ideas being inherently non-rivalrous, should be made widely available. It should be for the good of society generally that information that is useful be made easily available to a majority of the people who need it. The cost of preventing others from using such inventions, ideas and information may be quite high and therefore socially inefficient.<sup>92</sup> For example, why set up elaborate structures and institutions at such great cost, and yet the information and technology sought to be protected can be used non-rivally?

On the other hand, the costs of allowing unfettered access to already developed technologies would be marginal because all that such access would entail would be, for example, copying an already available blue print. This would be cheaper and faster, hence representing a saving on resources.

There is a downside to this proposition that becomes immediately evident. The information that is protected is economically viable; and the inventions that become subject to IPRs protection will have entailed the innovators incurring costs of investment. Therefore, to allow unrestricted access, without compensation would create a "negative dynamic externality."<sup>93</sup> It then follows that in order to promote investment in inventive activity, knowledge creation and business innovation, IPRs should be strengthened.

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<sup>89</sup> L Bentley & B Sherman *Intellectual Property Law* (2<sup>nd</sup> edn Oxford 2004) 3.

<sup>90</sup> S Sideri, 'GATT and the Theory of Intellectual Property' in M P van Dijk & S Sideri (eds) *Multilateralism versus Regionalism: Trade Issues after the Uruguay Round* (EADI 1966) 133.

<sup>91</sup> Keith E. Maskus, *Intellectual Property Rights & Economic Development*, University of Colorado, Boulder, <<http://www.colorado.edu/economics/mcguire>; accessed on 24.05.2013> [3 June 2014].

<sup>92</sup> Ibid.

<sup>93</sup> K E Maskus *Intellectual Property Rights & Economic Development* (n 91).

Among the reasons for the protection of IPRs generally is that the production and distribution of scientific knowledge, technological information and inventive activity including authorial works, entails the absorption of resources. There ought, therefore, to be some institutional framework for the allocation of these resources.<sup>94</sup> Hence there is need for the state to create institutions to oversee the grant, protection and enforcement of IPRs.

With regards to trademarks, it has been said<sup>95</sup> that their main function is

“to guarantee the identity of origin of the marked goods or services to the consumer or end user by enabling him, without any possibility of confusion, to distinguish the goods or services from others which have another origin”.<sup>96</sup>

When firms are encouraged, through legal protection, to invest in name recognition, they are thereby more likely to ensure that they produce quality products. This results in benefits to the consumer because firstly, the consumer is assured that goods that bear a particular mark, if genuine, are of good quality. Secondly, the elimination of confusion reduces consumer search<sup>97</sup> and thereby leads to optimal utilization of resources. Thirdly, licensees are induced to protect the value of the marks by selling goods of guaranteed quality levels.

Let us take the example of the electronics market. A consumer purchases an electronic gadget believing that it is a genuine brand. All that such a consumer needs to do is look out for the name of the brand name that he wants to purchase and once he purchases, he is assured of the quality of the product. There is no need to expend resources on searching. To safeguard their goodwill the electronics goods makers who have a good reputation will maintain their good quality.

This means that although IPRs protection is aimed principally at protecting innovations, there is by default a benefit to the consumer or end user of the product.

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<sup>94</sup> S Sideri 'GATT and the Theory of Intellectual Property' (n 90) 133.

<sup>95</sup> By the European Court of Justice in Arsenal F.C. versus Mathew Reed [2003] ETMR 19.

<sup>96</sup> Arsenal F.C. versus Mathew Reed [2003] ETMR 19 [48-50].

<sup>97</sup> K E Maskus ' *Intellectual Property Rights & Economic Development*' (n 91).

In the protection of innovators and traders from infringement of their trademarks, the courts will issue injunctive orders even in cases where there is no actual loss proved. It is sufficient that the plaintiff demonstrates that there is a likelihood of confusion between his goods and the goods of the defendant, which has led to an apprehension that he will suffer economic loss.

This was the court's reasoning in *Premier Food Industries Limited vs Al Mahra Limited*<sup>98</sup> when the judge said as follows:

"I have already found that the similarities between the defendant's Trade Mark **"PEP TOP"** and the plaintiff's marks raise a real probability of confusion to customers. Such confusion is likely to cause damage to the plaintiff. The plaintiff's apprehension that it will suffer irreparable loss and damages is therefore not without basis. Actual loss in my view need not be proved. In *Baume & Co. Ltd -vs- A.H. Moore Ltd (2) [1958] 2 All E.R. 113* it was held:

*"no man was entitled even by the honest use of his own name, so to describe or mark his goods as in fact to represent that they were the goods of another person."*

I respectfully adopt these wise words and hold in the case at hand that the plaintiff has shown on a prima facie basis that to it is likely to suffer damage by reason of the erroneous belief engendered by the defendant's misrepresentation that the source of its goods is the same as the source of those of the plaintiff."

Economic theory of intellectual property protection comes into play in this regard because the plaintiff, who has invested in the brand, should reap a reward. Therefore, he should be compensated for actual loss (hence the award of damages). Likewise, he protected not only from actual loss, but also from anticipated loss.

This protection has several effects:<sup>99</sup> It stimulates ideas and therefore drives people to be more creative. Further, according to utilitarian classical economists, the prospect of reward provided

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<sup>98</sup> High Court of Kenya Civil Case Number 651 of 2005 <<http://www.kenyalaw.org/caselaw/cases/view/102751>> [20 August 2014].

<sup>99</sup> B Andersen, *The Rationales for Intellectual Property Rights: The Twenty-First Century Controversies*, University of London (Paper to be presented at the DRUID Summer Conference 2003 on CREATING, SHARING AND TRANSFERRING KNOWLEDGE. The role of Geography, Institutions and Organizations, Copenhagen June 12-14, 2003) < [http://www.druid.dk/uploads/tx\\_picturedb/ds2003-889.pdf](http://www.druid.dk/uploads/tx_picturedb/ds2003-889.pdf)> [01.09.2014].

by IPRs encourages technological advancement. This is usually achieved through encouragement of inventors. IPRs protection serves a political role by affecting economic behaviour and operates as a mechanism for the state to achieve social welfare goals.

Copyright law, which deals with ideas expressed in tangible form, is underpinned by principles of natural law. The main thesis in this regard is that somebody's idea is his natural right. Therefore, human creativity and personality, which is embodied in copyrighted works, should not be exploited unfairly.

This protection of a person's moral rights informed the High Court's decision in *John Boniface Maina vs Safaricom Ltd & 4 third parties*.<sup>100</sup> In this case, the Defendant converted the Plaintiff's songs into ring tones which he sold to its customers, at an alleged value of Kshs.60 million. In granting Anton Piller orders in the Plaintiff's favour, the Court said as follows:

"I find further as follows. It is common ground that the plaintiff is the author of the *gikuyu* musical recordings that I set out in the opening paragraphs. He has copyright to them. He is thus entitled to assert his moral rights to that intellectual property under sections 32, 35 and 37 of the Copyright Act."

## **2.4 The legal and institutional regime against counterfeiting in Kenya**

The legal and institutional framework that governs IPRs generally, and counterfeiting in particular can be divided into the international framework and the Kenyan framework.

### **2.4.1. International legal framework on IPRs**

Kenya is a signatory of international treaties and multilateral agreements governing IP. These legal instruments obligate Kenya to put in place policies that govern the allocation, protection and enforcement of IPRs generally, without discrimination between local and foreign innovations. Some of these treaties are the discussed hereafter.

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<sup>100</sup> High Court of Kenya Civil Case Number 808 of 2010 <<http://www.kenyalaw.org/caselaw/cases/view/88606>> [20 August 2014].

#### **2.4.1.1 Agreement on Trade-Related Aspects of Intellectual Property Rights**

This agreement is famously known as the TRIPS Agreement. The agreement covers all aspects of IPRs, except plant breeders rights.

Of the most importance to this thesis, the TRIPS Agreement gives a comprehensive definition of what counterfeiting entails.

Counterfeiting is defined in Article 51 of the Trade Related Aspects of Intellectual Property (the TRIPs Agreement), where counterfeit goods are defined as

“any goods, including packaging, bearing without authorization a trademark which is identical to the 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.”

With regards to copyrights and related rights, section 1 of the TRIPS Agreement, Article 9 requires members to comply with Articles 1 through to 21 of the Berne Convention of 1971. It provides that Copyright protection shall extend to expressions and not to ideas, procedures, and methods of operation or mathematical concepts.

The Agreement provides for protection of computer programs, protection of performers, producers of phonograms (sound recordings) and broadcasting organizations under copyright. This has been incorporated into the Copyright Act as part of the Laws of Kenya

With regards to trademarks section 2, Article 15 of the TRIPS Agreement contains a definition of trademark as

“Any sign, or any combination of signs, capable of distinguishing the goods or services of one undertaking from those of other undertakings, shall be capable of constituting a trademark. Such

signs, in particular words including personal names, letters, numerals, figurative elements and combinations of colours as well as any combination of such signs, shall be eligible for registration as trademarks.”

Under the same Article, it is provided that in instances where signs are not inherently capable of distinguishing the relevant goods or services, member countries may make registrability dependent on distinctiveness acquired through use. Members countries are not obliged to, but they may require, as a condition of registration, that signs be visually perceptible.

Kenya, being a WTO member, is governed by the TRIPS. In the case where there lacks a definition of trademark, as in the case of the Trademarks Act of the Laws of Kenya, then regard shall be had to this Article of the TRIPS Agreement.

The same applies to Geographical Indications which are covered under section 3, Article 15 of the TRIPS Agreement, and are defined as

“indications which identify a good as originating in the territory of a Member, or a region or locality in that territory, where a given quality, reputation or other characteristic of the good is essentially attributable to its geographical origin.”

Under the Agreement, members are required to take legal measures to prevent unfair competition through mislabeling, contrary to the provisions of the Paris Convention. For instance, it would be prohibited under TRIPs for some unscrupulous trader from China for instance to market his locally brewed beer as Cognac or Champagne as these are well known geographical indications. Such brew would fall within the realm of counterfeits.

Under the Agreement, a trademark which consists of a geographical indication with respect to goods not originating in the territory indicated shall be of such a nature as to mislead the public as to the true place of origin, and may therefore not be registrable.

Under Kenyan law, GIs are administered under the Trade Marks Act. The Trade Marks Act however does not have a definition of what encompasses GIs, and that is one instance where the TRIPS agreement would come in as a reference point.

The same would apply to Industrial Designs<sup>101</sup> and Patents<sup>102</sup>. With regards to layout designs of integrated circuits, the TRIPS Agreement recognizes and applies the provisions of Articles 2 through 7 (other than paragraph 3 of Article 6), Article 12 and paragraph 3 of Article 16 of the Treaty on Intellectual Property in Respect of Integrated Circuits.<sup>103</sup> The Agreement provides for establishment of legal measures to prohibit the importing, selling, or otherwise distributing for commercial purposes a protected layout-design, an integrated circuit in which a protected layout-design is incorporated, or an article incorporating such an integrated circuit only in so far as it continues to contain an unlawfully reproduced layout-design.

In this case, the only recourse that a Kenyan innovator would have would be the international treaty, because there is as yet no local law on this type of IPR.

In Kenya, protection of undisclosed information (trade secrets) is governed largely by the common law of England, particularly the law of contract. This may not be ideal where the type of information sought to be protected is intellectual property. Application of the TRIPS agreement would cure this inadequacy.

The TRIPS Agreement applies the Paris Convention and requires that persons, whether natural or legal to prevent information lawfully within their control from being disclosed to, acquired by, or used by others without their consent in a manner contrary to honest commercial practices.

Information is protectable if it is not generally known among or readily accessible to persons within the circles that normally deal with the kind of information in question, has commercial value because it is secret and has been kept secret by the person lawfully in control of the information.

The Agreement therefore is supplemental to the other treaties and conventions that deal with IPRs. It places additional obligations on the member countries, over and above those already availed.

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<sup>101</sup> Section 4, Article 25 of the TRIPS Agreement.

<sup>102</sup> Section 5 Article 27 of the TRIPS Agreement.

<sup>103</sup> Adopted at Washington, on May 26, 1989.



The treaties that are supplemented are the following:

#### **2.4.1.2 The Rome Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations, 1961**

This convention was intended to bring copyright protection up to the current times then. It was a response to technologies like tape recorders that had made the production of sounds and images easier and cheaper. The effect of this ease of reproduction was that piracy was made much easier, and the earlier conventions and treaties had not envisaged such forms of infringement. The Berne Convention had governed the regulation of printed materials, but under this Convention, performers, producers and broadcasters were protected against infringement of the copyright embodied in their literary or artistic works.

#### **2.4.1.3 Berne Convention for the Protection of Literary and Artistic Works**

This Convention, under Article 2, protects literary and artistic works, which include “every production in the literary, scientific and artistic domain, whatever may be the mode or form of its expression,” for the benefit of authors and their successors in title.

#### **2.4.1.4 The Paris Convention for the Protection of Industrial Property**

This Convention deals with patents, trademarks, unfair competition of whatever nature in the realm of intellectual property including trade secrets, the industrial property of industrial designs, utility models, geographical indications and trade names.<sup>104</sup> This convention is so wide that the only IPR that it does not deal with is Copyrights.

It secures for nationals, those domiciled, and those having a real and effective industrial or commercial establishment within a country party to the Convention, the important procedural advantages of national treatment and priority rights in respect of patents and trademarks.<sup>105</sup>

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<sup>104</sup> S M Reiss 'Commentary on the Paris Convention for the Protection of Industrial Property' <<http://www.lex-ip.com/Paris.pdf>> 1[26 October 2014].

<sup>105</sup> Ibid.

#### **2.4.1.5 Treaty on Intellectual Property in Respect of Integrated Circuits, 1989**

Under this treaty, members have an obligation to secure intellectual property protection in respect of layout-designs (topographies) within their respective jurisdictions. Each member is supposed to take adequate legal measures to ensure the prevention of acts considered unlawful reproduction as well as importing and selling commercially without authorization and appropriate legal remedies should be availed where such acts have been committed.

All the foregoing treaties, conventions and international instruments apply to Kenya either directly, or they have been incorporated into our Kenyan laws. Even where they have not been specifically incorporated into Kenyan statutes, they would still form part of the law of Kenya if the treaties have been ratified.<sup>106</sup>

#### **2.4.2 The Kenyan Legal Regime against Counterfeiting**

The legal regime that governs IP law in Kenya has evolved from the time Kenya became British protectorate in 1897 up to now. The 1897 East Africa Order in Council extended to the new colony the application of the substance of the British Common Law, the doctrines of equity and the statutes of general application in Britain at that time. For instance, very early IP related cases such as *East African Tobacco Co. Ltd. v. Colonial Tobacco Co. Ltd*<sup>107</sup> were determined on the basis of the laws promulgated by virtue of the 1897 Order in Council.

The legal and institutional regime of IP law continues to evolve to keep up with changes in the Kenyan society and on the international scene. With specific reference to confronting trade in counterfeit goods, IPRs in Kenya are directly governed by the following legislations:

- (a) the Constitution of Kenya 2010.
- (b) the Industrial Property Act, cap 509 of the Laws of Kenya, enacted in 2001 and has been in operation from 1<sup>st</sup> May 2002;
- (c) the Trade Marks Act, cap 506 of the Laws of Kenya, which has been in operation since 1<sup>st</sup> January 1957, but has undergone periodic reviews so as to align it with international treaties;

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<sup>106</sup> Art 2(6) of the Constitution of Kenya 2010.

<sup>107</sup> [1938] 5 EACA 6.

- (d) the Copyright Act, No. 12 of 2001, enacted in 2001 but its commencement date was 1<sup>st</sup> February 2003;
- (e) the Anti-Counterfeit Act, No. 13 of 2008, enacted in 2008 and commenced on 7<sup>th</sup> July 2009.

#### **2.4.2.1 The Constitution of Kenya 2010**

Since the promulgation of the Constitution of Kenya in 2010, the state has a constitutional obligation to support, promote and protect the intellectual property rights of the people of Kenya.<sup>108</sup> This is a realization by the people that IPRs are just as important as property in tangibles, which had been given quite robust protection in the independence constitution and the subsequent amended versions thereof.

The Constitution refers to the property rights of the Kenyan people, but this does not mean that the IPRs policy framework should ignore the inventions of foreign firms and innovators. As has been seen,<sup>109</sup> protection of IPRs without discrimination is said to nurture a good culture of respect of IPRs generally. Once the consumers of protected technologies learn to respect IPRs regardless of the nationality of the owner thereof, they will learn to respect innovations generally and Kenyan citizens will benefit as a result.

The fact that the Constitution refers to Kenyan people suggests that only citizens would have the *locus standi* to move the High Court for enforcement of this obligation against the government. However in enacting legislation or formulating policy in furtherance of this constitutional obligation, there would be no discrimination between the IPRs of the Kenyan people and those of foreigners.

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<sup>108</sup> Art 40 (5) of the Constitution of Kenya 2010.

<sup>109</sup> B Sihanya, "Combating Counterfeit Trade in Kenya" in *Intellectual Property Rights in Kenya*, (n 6).

## 2.4.2.2 Trademark Law and Counterfeiting

### 2.4.2.2.1 What counterfeiting entails under trademark law

A trademark is defined<sup>110</sup> as any sign which is capable of being represented graphically and shapes, smells, colours and sounds have been held to constitute signs capable of registration, at least in theory. The general conditions that connote infringement of a trademark are<sup>111</sup> the use of a sign without the consent of the proprietor in the course of trade in relation to goods and services, where the use is liable to affect the functioning of the trademark.

Under the Anti-Counterfeit Act, counterfeiting refers to an attempt by an infringer to confuse purchasers/users of goods as to the origin and source of those goods. As has been seen earlier,<sup>112</sup> the purpose of trademarks is to guarantee the identity of the marketed goods. This then enables the consumer to distinguish the goods from others which are from a different source.

In Kenya, this has been an area of protection and enforcement of IPRs that has been substantially litigated. The disputes are essentially with regards to trademarks or trade names that are so similar as to cause confusion. There has however been no attempt by the courts to set the limits of the definition of the term “counterfeiting” as set out under the Anti-Counterfeit Act. The decided cases that I have seen proceed on the premise that there is no dispute as to the meaning of counterfeit; and that the word denotes an intention to mislead.

In *Republic vs The Registrar of Kenya Industrial Property Institute, ex parte Peter Waite Magua*,<sup>113</sup> Nairobi, the ex parte applicant who was applying judicial review orders, had been charged with the offence of “forging and/or counterfeiting” a trademark.

Even in other jurisdictions, such as the United Kingdom, the definition found in judicial decisions is as set out in the enabling statute. For instance, in *Nokia Corporation vs Her Majesty's Commissioner of Revenues & Customs*,<sup>114</sup> goods infringing IPRs means counterfeit

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<sup>110</sup> J Mellor 'Kerly's Law of Trademarks and Trade Names' (15<sup>th</sup> edn, Sweet and Maxwell) 438 [14-010].

<sup>111</sup> Ibid [14-009].

<sup>112</sup> Arsenal F.C. versus Mathew Reed [2003] ETMR 19 [48-50].

<sup>113</sup> High Court of Kenya Miscellaneous Case Number 273 of 2008  
<<http://www.kenyalaw.org/caselaw/cases/view/77716>> [20 August 2014].

<sup>114</sup> [2009] EWHC 1903(Ch).

goods, pirated goods and goods infringing a patent right. The court did not attempt to define the meaning of “counterfeit goods” but just reproduced the description set out in the Council Regulation of the European Union.<sup>115</sup>

In the East African region, the burden of proof with regards to infringement of trademarks, and what the party bearing the burden is supposed to prove was laid down by Sir Udo Udoma in *Aktiebolaget Jonkoping vs East Africa Match Co. Ltd*<sup>116</sup> as follows:

“As a general proposition of law, I think I am right in stating that the burden of satisfying the court that there has been an infringement of its trademark is on the Plaintiff Company. It is for the Plaintiff Company to prove that there is a resemblance between the two marks; and that such resemblance is deceptive. It is also a well established principle of law that it is the duty of the judge to decide whether the trade mark complained of does so nearly resemble the registered trade mark as to be likely to deceive or cause confusion in the minds of the public.”

In the case of *Pastificio Lucio Garofalo S.P.A vs Debenham & Fear Ltd*,<sup>117</sup> the dispute was over the names Santa Lucia and Santa Maria. The Plaintiff’s complaint was that the Defendant had packaged its pasta products called Santa Maria in a manner so similar to those of the Plaintiff, Santa Lucia, as to cause confusion among the purchasing public, to the detriment of the Plaintiff. The court found that the Plaintiff had proved on a balance of probabilities that the get up and presentation of the two products was too similar as to cause confusion among purchasers of the products.

From the decisions above, it appears as though Kenyan courts have treated the infringement of registered trademarks in the same way as passing off. Strictly, passing off is relevant where the trade symbol alleged to be infringed is not registered, hence the basis of the cause of action is the goodwill in the trade symbol in favour of the Plaintiff. On the other hand, the basis of the action

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<sup>115</sup> Regulations are the most direct form of EU law - as soon as they are passed, they have binding legal force throughout every Member State, on a par with national laws of the member countries. Council Regulations are passed by the EU Council. [http://www. http://ec.europa.eu/eu\\_law/introduction/what\\_regulation\\_en.htm](http://www.ec.europa.eu/eu_law/introduction/what_regulation_en.htm). accessed on 26.10.2014.

<sup>116</sup> [1964] EA 62.

<sup>117</sup> High Court of Kenya Civil Case No. 823 of 2010 <<http://www.kenyalaw.org/caselaw/cases/view/93464>> [20 August 2014].

in a case for infringement of a registered trade mark is the deception and confusion caused in the minds of the purchasing public, to the detriment of the Plaintiff.

#### **2.4.2.2.2 How counterfeiting is executed**

In so far as a counterfeit is an imitation of a genuine item, the counterfeiters design their products such a manner that it mimics most of the features of the product that is intended to be copied. In the mobile telephony arena, there telephones with labels indicating that they are called “SAMSNUG” or “NOKLA” intended to confuse the consumer into believing that the handset is the famous brands “SAMSUNG” and NOKIA” respectively. The physical outlook and get up of these counterfeit phones will be similar to the original products. In the electronics industry, there has been some low end televisions called “SQNY” intended to pass off as “SONY”, PANASONIG and PANASOANIC intended to dupe unsuspecting purchasers to imagine that what they are buying is a genuine popular Japanese electronics brand, PANASONIC. The counterfeit and genuine electronic devices, placed side by side, would look alike, until one looks at the name, or until one puts it to use.

A matter that has been litigated in our courts along these lines is in *Strategic Industries Limited vs Strategic Industries Limited Nairobi*.<sup>118</sup> In this case, the Plaintiff was the registered proprietor of the trademarks “CELEBRITY” and “MICHELLE”. The Plaintiff sued the Defendant for Anton Piller orders as well as prohibitory injunction orders. The complaint was that the Defendant was marketing weaves, wigs, artificial hair and hair extensions (the same products as the Plaintiff) bearing the names “CELEBRITY WIGS” and “CELEBRITY WEAVES – MICHEELE”

In granting prohibitory orders, the Court said as follows:

“... having seen the material used for packaging the Defendants products, which products are similar to those of the Plaintiff, I am satisfied that the Defendants marks or usage of the brand name “CELEBRITY” or “MICHELLE” is not only an infringement on the Plaintiff’s trademarks, but their usage is likely to deceive.”

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<sup>118</sup> High Court of Kenya Civil Case Number 333 of 2010 <<http://www.kenyalaw.org/caselaw/cases/view/79858>> [20 August 2014].

Another way of counterfeiting is where the get up, the physical outlook and even the registered name mark and the sign mark are the exact replica of the genuine product. However, the product is counterfeit because the actual software that runs it (in the case of electronics) is fake and therefore of low quality. This was the case in *Nokia Corporation vs Her Majesty's Commissioner of Revenues & Customs*<sup>119</sup> where the marks and the packaging indicated that the phones were made by Nokia Corporation when they were not.

Counterfeiting is therefore the highest and most blatant form of trademark infringement.

Trade mark law in Kenya is governed by the provisions of the Trade Mark Act, the common law of England as recognized under the trademarks Act<sup>120</sup> as well as the international instruments that govern trademark law as recognized under the Trade Marks Act.

The Trade Marks Act does not make any reference to the word counterfeiting. However, at sections 7, 8 and 9, reference is made to infringement of trademarks. Under the law generally, infringement connotes the violation of a right. Infringement is a term used especially with reference to invasions of the rights secured by patents, copyrights and trademarks.<sup>121</sup> With a specific reference to IP law, infringement of a trademark refers to the unauthorized use or colorable imitation of the trademark already appropriated by another, on goods of a similar class. The intention in this case being to confuse, deceive or mislead others.<sup>122</sup> Infringement of trademarks, as used under the Trade Marks Act, is therefore less elaborate than counterfeiting as described under the anti-counterfeit Act.<sup>123</sup> Counterfeiting is a concept that deals with IPRs infringement across the board. It deals with patents, trademarks and geographical indications as well as copyrights, whereas trademark infringement is limited in its scope to trademarks.

Under the Trade Marks Act, the offence closely related to counterfeiting is forgery of a registered trademark.<sup>124</sup> The description of forgery of trademarks under the Trade Marks Act is

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<sup>119</sup> [2009] EWHC 1903(Ch).

<sup>120</sup> Section 5 of the Act preserves the common law remedy of passing off.

<sup>121</sup> B Garner (editor in chief) *Black's Law Dictionary* (9<sup>th</sup> edn Thomson Reuters 2009) 537-538.

<sup>122</sup> *Ibid* 538.

<sup>123</sup> S 2 of the Anti-Counterfeit Act no. 13 of 2008.

<sup>124</sup> S 58 C of the Trade Marks Act.

couched in terms similar to those used in the definition of counterfeiting under Anti-Counterfeit Act. The key words that denote infringement of trademarks are used in the definition. The main words in this case are those that show the intention of the counterfeiter or infringer.<sup>125</sup>

The Trade Marks Act contains offences and the prescribed penalties in the event of breach.<sup>126</sup> The offences that amount to infringement are the forgery of trademarks as we have seen here, as well as aiding and abetting such forgery.<sup>127</sup> The elements that are encompassed in the forgery and abetment of forgery of trademarks have been described quite elaborately under the Trade Marks Act.<sup>128</sup>

For these offences, the penalty prescribed for persons found guilty is a Kshs.200,000.00 fine or imprisonment for a term not exceeding five years, or both.<sup>129</sup> There is no reference whatsoever to the quantity or value of goods on which the fines and sentence is pegged. It would be illogical to treat a small scale trader in counterfeit goods in the same manner as an importer/supplier. To the small scale trader, a fine of Kshs.200,000.00 would be sufficiently deterrent, but not so to the counterfeiter who supplies large volumes of counterfeit goods. This type of penalty is tantamount to letting off counterfeiters lightly, and does not help in the enforcement measures aimed at fighting counterfeits.

Further, the law provides<sup>130</sup> that upon the conviction of a person with an offence under Part XI of the Trade Marks Act, the goods declared counterfeit may be forfeited to the government. However, there is a rider that an owner of the infringing goods or any person acting on his behalf may show cause to the contrary. It is not quite clear how the goods would be disposed of once the infringer shows cause why they should not be forfeited to the government of Kenya. In any event, should it not be that all goods that infringe IPRs should be destroyed, so that the counterfeiting industry does not end up benefitting?

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<sup>125</sup> S 2(b) of the Anti-Counterfeit Act.

<sup>126</sup> Part XI of the Trade Marks Act.

<sup>127</sup> Ibid s 58F.

<sup>128</sup> Ibid s 58D.

<sup>129</sup> Ibid ss 58D and 58F.

<sup>130</sup> Ibid s 58H.



This notion that infringing goods could find their way back to the consumer defeats the whole premise of trademark law, which is the improvement of the quality of information in the market place, the reduction of search costs and providing assurance as to quality by virtue of the origin of goods.<sup>131</sup> The effect of some counterfeiter having to show cause and then having the goods returned to him, would be a violation of the theoretical foundations of trademark protection. It would defeat competition, because the goods found to be infringing would find their way back into the market place.

In Kenya, the few decided cases seem to point to the fact the consideration of the courts in determining whether or not a mark infringes another one is predicated on the need of trademarks to avoid confusion and deception and hence foster, and not stifle competition.

In *Glaxo Group Ltd -vs- Syner-Med Pharmaceuticals Ltd*,<sup>132</sup> the names in dispute were ZINACEF and SYNERCEF. The Name ZINACEF had been registered prior to the name SYNERCEF. When an application to registrar SYNERCEF was allowed by the registrar of trademarks in spite of the objections by the owner of the ZINACEF trademark, the Court, in overruling the registrar, found that the name SYNERCEF is so similar, phonetically and visually to the registered trademark of the Appellant “ZINACEF” to an extent that it will cause confusion and deception in the minds of the public.

There are other Kenyan High court decisions where the courts have given injunctions barring the use of names similar to registered trademarks. In the case of *Pharmaceutical Manufacturing Co v Novelty Manufacturing Ltd*<sup>133</sup> the Plaintiff sued the Defendant alleging, inter alia, that it (the Plaintiff) was the registered proprietor of a trade mark consisting of the word “Trihistamin”, which included the pharmaceutical and veterinary substances for that word, and set out the manner in which it was alleged that the Defendant was passing off its product “Tri-histina” as the Plaintiff’s “Trihistamin”, in particular with regard to the packaging.

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<sup>131</sup> MP McKenna 'Normative Foundations of Trade Mark Law' (Notre Dame Law Review 2007) Vol 82:5 [1839-1845].

<sup>132</sup> High Court of Kenya Miscellaneous Application No. 792 of 2009  
<<http://www.kenyalaw.org/caselaw/cases/view/65124>> [26 August 2014].

<sup>133</sup> [2001] KLR 392.

The court, after comparing the two words in contention, held that:

“The name of the Defendant’s product so nearly resembled the Plaintiff’s trade mark as to be likely to deceive or cause confusion in the course of trade in relation to the pharmaceutical and medical preparations and substances to which the trade mark was registered.”<sup>134</sup>

In other instances, even where the names are different, the courts have invoked the doctrine of passing off and found that the colours and general get up of the Defendant’s product infringe the Plaintiff’s registered trademark. This was the position in the case of *Mumias Sugar Company vs The Option Two Limited & James Ndungu Mboi & Serah Wambui Ndungu*.<sup>135</sup> The Defendants had packaged their (sugar) products in the same manner as the Plaintiff’s.

In court, the Plaintiff produced two packets of its packed sugar and two packets of the Defendant’s packed sugar. The court on visual examination of the packs made three conclusions: firstly that the packs bearing the sugar belonging to the Defendant, bore marks and features which were identical with or so nearly resembling those in the packs bearing the trade mark of the Plaintiff. Secondly that the resemblance was so similar and striking that it was likely to deceive or cause confusion in the course of trade on sugar. Such confusion would make a person buy the Defendant’s sugar erroneously believing it is the Plaintiff’s. Thirdly that the Defendant’s sugar would easily pass off as the Plaintiff’s.

The Court, applying the test set by the Court of Appeal in the case of *Haria Industries vs P.J. Products Ltd*,<sup>136</sup> found that an average customer acting with reasonable care would be likely to be confused by the article complained of, and granted *Anton Piller* orders and prohibitory injunction against the Defendant.

In other cases, courts have disagreed with the Plaintiff’s contentions of there being any resemblance that would confuse the public. An example is found in the decision in *Unilever PLC*

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<sup>134</sup> *Pharmaceutical Manufacturing Co v Novelty Manufacturing Ltd* [2001] KLR 392.

<sup>135</sup> High Court of Kenya Civil Case No. 463 of 2013 <<http://www.kenyalaw.org/caselaw/cases/view/99259>> [30 August 2014].

<sup>136</sup> [1970] EA 367.

*vs Bidco Oil Industries*<sup>137</sup> where the court considered what should be considered in determining whether a Plaintiff's mark had been infringed. The court held as follows:

“The trademark which was registered in the Plaintiff's name was ‘Blue Band’ and not ‘Band’. Since it was a combination of the words ‘Blue Band’ which was a trademark, there could be no property in the word ‘Band’ capable of being protected.”<sup>138</sup>

In the cases referred to, the courts have always sought refuge at Section 14 of the Trade Marks Act which states that the infringing names, if registered, would cause deception and confusion to the public. From the outset, it may look as though the consumer is being protected from deception and confusion by the traders. This may well be the undertone, but on other concern of trademark law in this regard is to avoid unfair competition. When there is no deception or confusion as to the origin and source of goods by virtue of the name or a mark fixed thereon, then the traders will compete fairly.

Further, section 58H of the Trade Marks Act provides that once an offender is convicted, the infringing merchandise is supposed to be forfeited to the government. The Trade Marks Act does not have guidelines to determine how the government will deal with the forfeited merchandise. This lack of guidelines may end up defeating the whole process of enforcement. There are no provisions, for instance, allowing other government agencies to deal with counterfeit goods. There is nothing under the law to suggest that there is a depot, legally established and gazetted, that would hold such goods. The government comprises of all types of persons, and the likelihood of the infringing merchandise finding their way back to the market cannot be discounted.

This fear that counterfeit goods may come back into circulation is made stronger because counterfeited goods are usually fast moving consumer products. As we have seen in the cases reviewed in this research, some of these products are food products such as sugar and rice. These products are essentially good for consumption, save that their packaging is misleading and infringes on IPRs of others. The same goes for medicines, where the complaints that have been

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<sup>137</sup> [ 2004] 1KLR 57.

<sup>138</sup> Ibid 57.

received are with regards to the names of the drugs, and not necessarily with regards to the active ingredients. Such goods would easily be repackaged and sold, hence defeating the enforcement process.

At section 3 of the Trade Marks Act, the office of the Registrar of Trade Marks is created. Under section 2 of the Trade Marks Act, the Registrar shall be the person for the time being the Director of KIPi.<sup>139</sup> The fact that the Director of KIPi is the Registrar of Trademarks shows that the Industrial Property Act complements the Trade Marks Act with regards to administrative functions. KIPi therefore has roles to play with regards to trademarks, especially the registration. This is seen at section 5 of the Industrial Property Act which indicates one of the functions of the “institute” (i.e. KIPi) to be to ‘consider applications for and grant industrial property rights’.

The registrar’s functions<sup>140</sup> are to advise applicants on whether or not a mark or sign or name is registrable. It is in the exercise of such powers that the registrar listens to objections and delivers rulings. An example is found in *Glaxo Group Ltd -vs- Syner-Med Pharmaceuticals Ltd*<sup>141</sup> where a registrar’s decision to allow the registration of a word mark was challenged and overruled by the High Court. The registrar, in such sittings of a quasi-judicial nature, also constitutes a tribunal under the Trade Marks Act.<sup>142</sup> The High Court too constitutes a tribunal under the Trade Marks Act.<sup>143</sup> This is in situations where an application is made to the Court in a matter pending before the registrar, or where the registrar makes a decision which is then appealed from.

#### **2.4.2.2.3 Counterfeiting as passing off**

Passing off is defined as a tort that is based entirely on the common law.<sup>144</sup> However, much as it has its foundations in the common law, it has since been codified and developed further by case law. With respect to counterfeit trade, passing off refers to the making of any goods that are identical or similar to a competitor’s goods without the authority of the competitor. A trader,

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<sup>139</sup> The Kenya Industrial Property Institute is established under Section 3 of the Industrial Property Act Cap 509.

<sup>140</sup> See s 43 of the Trade Marks Act.

<sup>141</sup> *Glaxo Group Limited* (n 132).

<sup>142</sup> See s 2 and 53 of the Trade Marks Act.

<sup>143</sup> See s 53 of the Trade Marks Act.

<sup>144</sup> WVH Rodgers, *Winfield & Jolowicz Tort* (18th edn Sweet & Maxwell 2010) 908.

who conducts himself in such manner, would be passing off his goods as those of another. The Trade Marks Act therefore incorporates the common law tort of passing off.<sup>145</sup>

The basis of an action for passing off is the existence of a misrepresentation by someone that “the goods and services they are selling are the goods and services of the claimant.”<sup>146</sup> The cause of action is supposed to curtail a trader who seeks

“to use names, marks, letters or other indicia by which he may induce purchasers to believe, that the goods which he is selling are the manufacture of another person.”<sup>147</sup>

In *Conorzio del Prosciutto di Parma vs Marks & Spencer Plc*<sup>148</sup> the court set out the necessary elements for an action for passing off as proof that goodwill subsists in favour of the Plaintiff; there has been misrepresentation by the Defendant and the Plaintiff has suffered loss as a result.

**Goodwill** - a claimant (Plaintiff) must prove that he has acquired goodwill in the goods, name or mark that has been infringed. Goodwill has been defined variously, depending on the character of the cause of action.

In *British Diabetic Association vs Diabetic Society Ltd*<sup>149</sup> it was defined as the attractive force in obtaining financial support. In *Reckitt & Coleman Products Ltd vs Borden*<sup>150</sup> the court defined goodwill to include any unusual or distinctive feature of packaging or shape of the article itself. Previously, the shape of the good itself could not amount to goodwill.<sup>151</sup>

For goodwill to subsist, it must be established that the name or mark has been in use<sup>152</sup> and the period of such use is usually a matter of fact. In *Stannard vs Reay*,<sup>153</sup> a period of 3 weeks was deemed sufficient to have created goodwill.

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<sup>145</sup> Trade Marks Act, cap 506, section 5.

<sup>146</sup> L Bentley & B Sherman *Intellectual Property Law* (2<sup>nd</sup> edn Oxford 2004) 706.

<sup>147</sup> As per Lord Langdale MR in *Perry v. Truefitt*, [1842] 6 Beav 66; 49 ER 749.

<sup>148</sup> [1991] RPC 351.

<sup>149</sup> [1995] 4 All ER 812.

<sup>150</sup> [1990] All ER 1873 HL.

<sup>151</sup> Anselm Bleakley & Watson, *Intellectual Property & Media Law* (3<sup>rd</sup> edition Blackstone Press 1999) 103.

<sup>152</sup> *Ibid* 104.

<sup>153</sup> [1967] RPC 589.

Further, goodwill only attaches to a particular geographical area. This is usually where the business is carried out using the distinguishing feature that is claimed to be infringed,<sup>154</sup> or where the goods are known.

**Misrepresentation** – a claimant must prove misrepresentation on the part of the infringer. He must demonstrate that there has been a misrepresentation made by the competitor in the course of trade that has led to confusion in the mind of the customer. For example, software called “Bizplan Building” was held to be a misrepresentation of a pre-existing software package called “Business Plan Builder”.<sup>155</sup>

For misrepresentation to be deemed to lead to confusion, the misrepresented product or service must in the same category as the product or service claiming misrepresentation.<sup>156</sup> For example, in the case of *Harrods Ltd vs Harrodian School*,<sup>157</sup> the Harrods department store was unable to claim passing off against Harrodian School because there was sufficient difference between the concerned fields of activity so as to avoid confusion in the mind of the public.

**Damage** – in civil process, a claimant would not successfully be granted relief under passing off unless there is proof that the conduct complained of has caused, or is likely to cause damage. In the case of passing off, the claimant must demonstrate one or several of at least 3 types of losses.<sup>158</sup> The first type is the loss of profit in an existing market, which occurs where a customer buys the goods of the competitor believing that it is the claimant’s goods. This is a direct loss. The second type is that occasioned by the claimant being prevented from venturing into a market because a competitor has already established a mark, product or service similar to his in that market. The third type of loss is that occasioned by loss of reputation by the claimant by virtue of the fact that the competitor’s goods are of an inferior quality to those of the claimant.

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<sup>154</sup> *Wombles vs Wombles Skip Hire* [1977] RPC 99.

<sup>155</sup> *Jian Tools for Sales Inc. vs Roderick Manhattan Group Ltd* [1995] FSR 924.

<sup>156</sup> *Intellectual Property & Media Law* (n 82) 105.

<sup>157</sup> *Ibid.*

<sup>158</sup> *Ibid* 106.

It has been held in various cases that once goodwill and misrepresentation is proved, damage is presumed to follow there from as a matter of course. In *Draper v Trist*<sup>159</sup> Lord Goddard said as follows:

“In passing off cases, however, the true basis of the action is that the passing off of the Defendant of his goods as the goods of the Plaintiff injures the right of the property in the Plaintiff, that right of property being his right to the goodwill of his business. The law assumes, or presumes, that, if the goodwill of a man’s business has been interfered with by the passing off of goods, damage results there from.”

The aforesaid considerations were brought out in the case of *Beirsdorf Ag v Emirchem Products Limited*<sup>160</sup> the judge said as follows at page 18 of the judgment:

“First, (the Plaintiff) must establish a goodwill or reputation attached to the goods or services which he supplies in the mind of the purchasing public by association with identifying “get up”. Secondly, he must demonstrate a misrepresentation by the defendant to the public (whether or not intentional) leading or likely to lead the public to believe that goods or services offered by him are the goods or services of the Plaintiff. Thirdly, he must demonstrate that he suffers or, in a *quia timet* action, that he is likely to suffer damages by reason of the erroneous belief engendered by the defendant’s misrepresentation that the source of the defendant’s goods or services is the same as the source of those offered by the Plaintiff”

Therefore, the common law regime of passing off is important in prevention of deception through unauthorized use of unregistered trade symbols. This may be principally a matter of trade and competition but it is worth considering in IP because these symbols acquire value due to continued use.

There have been legal disputes with regards to adoption of names that take advantage of the goodwill of competitors. In *Unilever PLC vs Bidco Oil Industries*,<sup>161</sup> the dispute was over the names Blue Band and Gold Band. The Plaintiff argued that the word “Band” had come to be

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<sup>159</sup> [1934] 3 All ER 513.

<sup>160</sup> [2002] 1KLR 876.

<sup>161</sup> [2004] 1KLR 57.

associated with the Plaintiff's products for over 50 years and hence substantial goodwill had been acquired in that name. The Defendant argued that no confusion arose between the words "Bidco Gold Band" and the words "Blue Band."

The court agreed with the Defendant and in dismissing the Plaintiff's suit, said that the whole phrase (Blue Band and Bidco Gold Band) should be looked at together. It was therefore wrong to base the complaint solely on the word "Band".

### **2.4.2.3 Copyright Law and Counterfeiting**

Copyright is a pertinent IPR insofar as it protects and preserves culture<sup>162</sup> as well as technology.<sup>163</sup> The law that governs copyright protection in Kenya is the Copyright Act, No. 12 of 2001.

#### **2.4.2.3.1 Counterfeiting as breach of copyright and related rights**

Under the Copyright Act, counterfeiting also refers to the infringement of copyright through violation of author's rights or related rights. Under section 2 of the Copyright Act, an author is defined variously, depending on the work that is being considered. For instance, when dealing with software, the definition of a computer programmer would be of relevance, and this refers to a person who exercised control over the working of the program. Therefore, if the software of a telephone is counterfeited, action can be taken under the Anti-Counterfeit Act against the infringer for "manufacturing the software in violation of an author's rights."

It is possible for a counterfeit item to infringe both trademark and copyright. A case in point is in the *Pastificio Lucio Garofalo S.P.A vs Debenham & Fear Ltd*,<sup>164</sup> where the Court agreed with the Plaintiff that the Defendant's use of the words "Santa Maria" amounted to infringement of the Plaintiff's copyright in the words "Santa Lucia".

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<sup>162</sup> Through folklore, musical, artistic and authorial works.

<sup>163</sup> Through protection of literary works, with particular reference to computer software, and to some extent, sound recordings.

<sup>164</sup> Ibid.



Therefore, it is evident that the way counterfeiting is defined under the Anti-Counterfeit Act, and enforced by our courts, is much wider than under the TRIPs Agreement. While TRIPs specifically refers to violation of trademarks, under the Anti-Counterfeit Act counterfeiting refers to violation of a wide spectrum of IPRs, with particular reference to trademarks and copyrights and related rights as well as geographical indications and industrial designs.

Professor Sihanya defines counterfeit trade as the production and sale of goods, technologies and services that are similar, or substantially identical, to legitimate products without the authorization of the owner or the licensee of the IP which protects the legitimate product.<sup>165</sup> This definition suggests that counterfeiting encompasses trade in both industrial property (protected technology) as well as copyright.

#### **2.4.3 The Anti-Counterfeit Act No. 13 of 2013**

The main legislative enactment that is meant to counter trade in counterfeit goods of all types in Kenya is the Anti counterfeit Act. In IP law, “counterfeiting” is in most cases limited to infringement of trademarks. The definition of the term under TRIPs specifically refers to trademark infringement. Further some commentators on IP law in general, and counterfeiting in particular, view counterfeiting in the same narrow prism as the TRIPs Agreement. An example is Gene M. Grossman and Carl Shapiro<sup>166</sup> who view counterfeiting as infringement of trademarks of brand name products. To these commentators, counterfeiting is therefore infringement of registered marks and names.

The reason for this narrow view appears to arise from the tendency to associate counterfeiting with trade. It is only with regards to public health that the discussion on counterfeiting tends to conflate three issues, namely counterfeit goods and medicines that infringe trademarks, medicines that infringe patents and thirdly, falsified medicines which contain the wrong or insufficient active ingredients.<sup>167</sup>

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<sup>165</sup> B Sihanya ‘Intellectual Property Confronts Counterfeiting in Africa (n 19) 330.

<sup>166</sup> G M Grossman & C Shapiro ‘*Counterfeit Product Trade*’, (n 83).

<sup>167</sup> D Mathews ‘*Counterfeiting and Public Health*’ Queen Mary University of London School of Legal Studies Research Paper No. 86/2011 <[http://www.ssrn\\_id1935512](http://www.ssrn_id1935512)> [ 28 June 2014].

In the technological goods industry, a typology has not emerged, in the same way that it has in counterfeiting of medicines. Telephones (for example), like medicines, embody both a goods element and a technology element. Counterfeiting in these devices would result in infringement of trademarks and either copyright or patents or both. Software is protectable as patent and as well as copyright under our regime.<sup>168</sup>

As has been seen earlier, the Anti-Counterfeit Act is quite far reaching insofar as it incorporates aspects of infringement of patents and industrial designs, infringement of trademarks and geographical indications, infringement of copyright and related rights and even the common law offence of passing off.

The Anti-Counterfeit Act is even more far reaching than South African legislation. The Counterfeit Goods Act 1997<sup>169</sup> of South Africa has a limited scope insofar as it focuses solely on goods; hence it is not available to innovators and consumers dealing with ICT products and technologies. A comparison with South Africa is apt in this case because it is by far the biggest economy in Africa,<sup>170</sup> with a GDP of 350.6 billion US Dollars,<sup>171</sup> compared with Kenya's GDP of 44.10 billion US Dollars.<sup>172</sup>

The Anti-Counterfeit Act establishes an agency,<sup>173</sup> known as the Anti-Counterfeit Agency. The main mandate of the agency is three pronged: To enforce the provisions of the Anti-Counterfeit Act, to educate the public on counterfeiting issues and to combat counterfeiting in Kenya.<sup>174</sup> This is the main institutional mechanism through which counterfeits are fought in Kenya.

To commence the enforcement process under the Anti-Counterfeit Act, section 33 provides that the IPR owner, successor in title, agent or licensee who has reasonable cause to suspect that

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<sup>168</sup> See s 2 Copyright Act, No. 12 of 2001, which describes "literary works" as amongst other things, computer programs. Computer programs are further defined as instructions that can cause a computer to perform particular tasks.

<sup>169</sup> Act Number 37 of 1997.

<sup>170</sup> According to data by the World Bank < <http://data.worldbank.org/data-catalog/GDP-ranking-table> > 30 August 2014].

<sup>171</sup> <http://www.data.worldbank.org/country/south-africa> [30 August 2014].

<sup>172</sup> <http://www.data.worldbank.org/country/kenya>[30 August 2014].

<sup>173</sup> S 3.

<sup>174</sup> S 5 Anti-counterfeit Act No. 13 of 2008.

anyone is engaged in activities that amount to counterfeiting to lodge a complaint with the Executive Director of Anti- counterfeit agency.

According to a senior Anti-Counterfeit officer at the Agency,<sup>175</sup> the provision at section 33 of the Anti-Counterfeit Act, that it is only the holder of an IPR, his successor in title, licensee or agent who may lodge a complaint on counterfeits has disadvantages and contributes to undermining the fight against counterfeits. In the field of goods that embody technology, it has led to the low prosecution of counterfeiters.

Taking the example of the mobile telephones as well as the consumer electronics industry, the multinational companies that manufacture these products had for a long time viewed the Kenyan market as small, and therefore not worth spending resources on with regards to protection of IPRs. They therefore had no mechanisms in place to police the market and ensure that their products are not counterfeited. Insofar as the Anti-Counterfeit Act provides for inspection,<sup>176</sup> inspectors can only act on a complaint. The only people who would complain would be consumers who had purchased seemingly genuine electronic gadgets which turned out to be counterfeit. Consumers are not among the people who are recognized as potential complainants under section 33 of the Anti-Counterfeit Act.

Once a consumer discovered that the Sony television set or stereo, Nokia or Samsung phone had bought was a counterfeit, they would report to the Agency. The agency could not handle a complaint outside the purview of section 33 of the Anti-Counterfeit Act, and would instead refer the consumer to the police. The police do not have the capacity to determine a counterfeit electronic gadget from a genuine one. They would in turn refer the complaining consumer to the Kenya Bureau of Standards (KEBS). The KEBS would take custody of the gadget and dispatch it to the local accredited agent of local office dealing with the electronic gadget allegedly counterfeited.

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<sup>175</sup> Interview with Francis M. Kamau, Senior Anti-Counterfeit Inspector, ACA (Nairobi, Kenya, 11 July 2014).

<sup>176</sup> SS 22 & 23 Anti-Counterfeit Act.

If it turned out that the product was indeed counterfeit, KEBS would request that the agent refers the matter to the Agency and action would be taken as provided for under the Anti-Counterfeit Act. The agent's complaint would then be acted upon.<sup>177</sup>

However, the perceptions of the manufacturers of technology to the Kenyan market are changing. Such multinational telephone handsets manufacturers and consumer electronics manufacturers such as Sony, LG, Nokia and Samsung have local accredited agents and distributors that have the mandate to monitor the market and complain to the Agency in the event that there is infringement. However, a majority of the complaints still emanate from private individuals and the circuitous process involving the police and KEBS is usually followed.

The problem still remains unresolved in cases where the IPR owner whose rights suspected counterfeit goods infringe is a company that lacks a presence locally. In such cases, there is no mechanism for verifying whether the true character of the suspected infringing goods, or in the case of blatantly counterfeit handsets, there is unlikely to be a complainant. The agencies are dealing with an actual article alleged to be counterfeit. For any meaningful determination to be made on whether the article is counterfeit or not, the specialist manufacturers or their agents ought to inspect them. For manufacturers without any presence locally, this becomes a difficult task for the Agency and for KEBS.

This shows that the law can only go so far, if it is not supported by the owners of the IPRs that are infringed by the counterfeiters.

## **2.5 The institutional framework against counterfeiting in Kenya**

The institutional framework that is designed to fight counterfeits in Kenya is not centralized. Though in some instances it is anchored in law (such as the ACA and KECOBO), in others it is an incident of the general process of law enforcement in society (such as the police, the judiciary). The industry lobbies such as the KAM also play a very critical role in sensitizing their members on how to counter counterfeits, and they also lobby the government institutions to ensure that industry friendly policies and laws are enacted to fight the problem.

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<sup>177</sup> This information was obtained from the ACA (see note 175).

Further, it is noteworthy that counterfeiting is as much a trade problem as it is an IPRs problem. Much as this thesis is not about trade issues, it is fact that if counterfeiting is curtailed in the realm of trade, it shall cease to be a problem even in IPRs protection. To deal with the counterfeits that are imported into the country, the customs department is a critical player.

The whole problem of counterfeits would be effectively curtailed to a much greater extent if counterfeits were barred before release into the market, preferably at the point of entry. The Customs & Excise Act<sup>178</sup> empowers the officers of the Kenya Revenue Authority to control the entry of customed goods into the country.<sup>179</sup> It would however be unduly burdensome and out of sync with the intent of the legislature to require a customs officer to concern themselves with IPRs issues. It is worth noting that this is an act of parliament to provide for the management and administration of customs, for the assessment, charge and collection of customs and excise duties and for matters relating thereto and connected therewith. This Act and its institutions is therefore an instrument ill suited for the task of controlling counterfeits. This law would therefore be ill suited to fight counterfeits effectively as an IPR problem.

The main institution under the Copyright Act is the Kenya Copyright Board that is established under section 3 of the Act. The main role of the Board, with regards to the war against infringement of copyright, is contained in part V of the Copyright Act. Under this part, the Board has the power to appoint inspectors whose duty it shall be to enter any premises to ascertain if there are any merchandise or activity therein in contravention of the Copyright Act.

Right now, the Board has 11 inspectors all seconded from the Kenya Police.<sup>180</sup> These 11 inspectors are expected to police the whole country, which is a daunting task, and it is inconceivable how they can be effective in their work. The role of inspectors is to enforce the Copyright Act and safeguard against infringement. They do this through entry into premises,

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<sup>178</sup> Cap 472 Laws of Kenya.

<sup>179</sup> S 12.

<sup>180</sup> Lecture delivered by Miss Hellen Koki Maina, Deputy Chief Legal Counsel, the Kenya Copyright Board, Nairobi (University of Nairobi, Parklands Campus, 2 September 2013).

inspection thereof, and seizure of any infringing merchandise and prosecution of offenders. It is difficult for 11 people to undertake such a task across the country.

Further, police officers are not answerable to the Board. Under section 8 of the National Police Service Act<sup>181</sup> the overall command of the national police service is under the Inspector General of Police, who may delegate such command to officers under him. Insofar as he cannot delegate the functions to a civilian body (such as the Board), there is no mechanism for the Board to be in control of the police offices so seconded to it. This means that these inspectors may not always be available at short notice when called upon to enter any premises. This may compromise their effectiveness in combating infringement.

Further, the police in Kenya have been known as very corrupt,<sup>182</sup> and entrusting them with dealing with IP merchandise may be self defeating as they could easily be bribed. The purpose sought to be achieved by using them in this manner may not therefore be achieved.

In the realm of counterfeiting of technological goods, such as mobile telephone handsets in Kenya, the relevance of copyright law would be to protect the software that runs the handset. Under section 22 of the Copyright Act, literary works rank at the top of the works eligible for copyright protection. Under section 2 of the Copyright Act, literary works means, irrespective of literary quality, computer programs (among other works) or works similar thereto. It is therefore safe to conclude that the software that runs in a mobile handset is in fact a computer program or a work similar thereto and is protectable as a literary work under the Copyright Act.

How plausible is it for the creator of what is purported to be copyrightable software to sustain a claim for infringement under the Kenyan legal regime? For this claim to be sustainable, the software that is installed in the telephone handset ought to be an exact replica of the innovator's for there to be infringement. Copyright does not protect ideas or information or data per se, but rather the original expression of these ideas, information or data that has been embodied in a fixed, tangible form.

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<sup>181</sup> Cap 84 Laws of Kenya.

<sup>182</sup> <http://www.capitalfm.co.ke/news/2013/10/corruption-thrives-in-kenya-police-force/> [26October2014].

It is therefore quite possible that the device has a name that passes it off as that of a mainstream manufacturer of telephone devices, but the software that runs on the counterfeit device is not pirated, but is an original of very basic standards. It is worth noting that the Copyright Act specifically provides that the literary quality of the work is irrelevant when considering whether or not a work is protectable. Indeed, one of the reasons that the CCK gave for ordering the switching off of counterfeit phones was that “they are of poor quality and have a short life span.”<sup>183</sup>

For this reason, the likelihood that the counterfeit mobile handsets were switched off by the CCK because they had counterfeit software is quite remote. They may have had “original” software developed by the counterfeiters but of such poor quality that the devices on which it ran had short life spans, compromised the quality of service provided by the service providers and emitted high levels of radiation.

The most counterfeited works in Kenya, according to the Kenya Copyright Board,<sup>184</sup> are music and film piracy where CDs and DVDs are written and passed off as genuine ones; book piracy, which targets mostly fast moving books, especially secondary school set books; software piracy, mostly computer programs; broadcast piracy, in this case, the biggest victim is Multichoice, whose DSTV broadcasts are pirated by people who set up decoders and satellite dishes and then sell the broadcasts to unsuspecting consumers.

### **2.5.1 Counterfeit mobile telephones and the Anti-Counterfeit Act: A Case Study**

The provisions of section 33 of the Anti-Counterfeit Act are of particular relevance as regards mobile telephones in particular and electronic goods in general.

The lack of a complainant as prescribed by section 33 of the Anti-Counterfeit Act law leads to inaction by the agencies charged with legal enforcement and fighting counterfeiting. These

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<sup>183</sup> <http://www.cck.co.ke>.

<sup>184</sup> H K Maina (n 180).

agencies, if undiscerning, may then assume that there are no counterfeits in this particular sector of the economy. The assumption that a lack of complaints means that there are no counterfeits is erroneous.

When the CCK directed service providers to switch off counterfeit mobile phones, the Anti-Counterfeit Agency alleged that it did not have knowledge of availability of counterfeit mobile telephones in the country. Mr. John Akoten, the Anti-counterfeit Agency Deputy Director in charge of Research and Awareness at the time that the switch off was proposed by the CCK, said as follows:

“A manufacturer or agency of the genuine product has to produce the IPR form and then file the indemnity form, which many manufactures or agencies are unwilling to do.”<sup>185</sup>

He stated further that the indemnity form seeks forfeiture in case the product is not proved to be counterfeit and the complainant will pay damages, which seems to scare away the complainants.

This very wrong impression that a lack of complaints to the Agency automatically suggests that there are no counterfeits seems to have captivated the Agency. There was a tendency by Mr. Akoten (incidentally, he has since been elevated and is the Chief Executive Officer of ACA) to cling onto technicalities in a bid to deflect attention away from the Agency, especially when he said that

“No mobile phone manufacturer or distributor has complained of sale or distribution of counterfeits in the market; as such anyone talking of counterfeit phones in Kenya could only be engaging in hearsay...”<sup>186</sup>

It does not augur well for IPRs protection when two state agencies fail to agree on such a straight forward factual issue of whether or not there are counterfeit telephones in the market. This is an issue that can be empirically determined. The requirement of section 33 of the Anti-Counterfeit

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<sup>185</sup>TMC News, 30.08.2011, ‘Alarm sounded on bid to switch off fake phones’  
<http://www.tmcnet.com/usubmit/2011/08/30/5738788.htm> [ 28 August 2014].

<sup>186</sup> Ibid.



Act notwithstanding, a counterfeit telephone handset does not acquire genuineness just because it has not been flagged as infringing IPRs. The provision of the law only serves to set in motion the process of enforcement; it does not mean that all goods that have never been the subject of a complaint are necessarily not counterfeit.

However, whether or not a particular product or good is counterfeit is a matter of fact as well as of law. The government agencies have a duty to work together, because if they talk at each other instead of talking to each other, then it can only be counterfeiters who benefit.

When counterfeiters benefit, the IPR owners, the public and the government agencies end up on the opposite end of the spectrum. For instance, the availability of counterfeit mobile phones in the market directly impacts on the effectiveness of the Communication Authority of Kenya. That is the reason why it was the Authority, then known as the CCK that instructed telephone service providers to switch off counterfeit mobile phones.

The mandate of the CCK was derived from the provisions of Part VIII of the KICA, which regulates type approval of terminal equipment. Terminal equipment under the KICA includes telephone equipment, and the purpose of type approval is to “ensure that the connection of apparatus to the telecommunications networks does not damage or jeopardize the integrity of the telecommunications network”.<sup>187</sup> The procedure for type approval is also provided for under Part VIII of the KICA. There is a requirement that an application for type approval shall provide for among other things, the name of the manufacturer of the equipment for which type approval is sought.<sup>188</sup> This requirement ensures that counterfeit phones may not be approved.

A counterfeiter will unlikely be audacious enough to submit their counterfeit version of Nokia, Samsung, LG equipment or other telephone equipment for type approval. In any event, they will seek to exploit the fact that such equipment from Nokia, Samsung or LG will already have been type approved.

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<sup>187</sup> Part VIII rule 50 of the KICA.

<sup>188</sup> s 52 of the KICA.

The Communications Authority (CA) is the successor to the now defunct (CCK). Like its predecessor, the CA the custodian of the type approval process. However, it has no way of preventing non-type approved devices from accessing the networks; only the service provider can do this. Therefore, any mobile device whether type approved or not has capability to be connected to the networks. The work of the regulator is made even harder by the fact that the mobile service providers, being business people, are attracted by numbers. They would not unduly make a fuss about the gadget that the customer utilizes to access the network. The regulator therefore is left with a big burden.

The regulator has absolutely no way of controlling the entry of these counterfeit non-type approved gadgets into the market. That role ought to be played by other agencies of the government, such as customs department, whether through the Kenya Revenue Authority<sup>189</sup> for imports into the local market, or under the auspices of the East African Community Customs Management Act, 2004<sup>190</sup> for imports transiting through the country to Uganda or Rwanda and beyond.

Once the handsets are already on the market, the regulator cannot police them with a view of confiscation and punishing the people trading in them. That role falls within the mandate of the ACA, which has to ensure that people do not trade in counterfeit goods. The owners of the IPRs also have a legal duty to complain if their IPR protected goods are counterfeited. Further it is wrong for the telephone service providers to look the other way and conveniently ignore the fact that there is infringement of IPRs through their networks when they allow counterfeit, non-type approved equipment to access services.<sup>191</sup>

The consuming public is either gullible or just purchases counterfeits because they are cheaper. Most people cannot tell a counterfeit phone from a genuine one; while those who are able to differentiate fakes from the genuine buy the counterfeits because they are cheaper.

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<sup>189</sup> Established under s 3 Kenya Revenue Authority Act Cap 469 Laws of Kenya.

<sup>190</sup> This is surmised from its preamble, which says it is An Act of the Community to make provisions for the management and administration of Customs and for related matters.

<sup>191</sup> The Chief Executive Officer of Telkom Kenya at the time, Mr. Mickael Ghossein, is quoted as saying that “The suppliers should be controlled and the regulator should put in place strict measures to avoid the sale and distribution of counterfeit phones.” This shows that to him, the problem lies with the suppliers and the regulator, and the telephone service providers are blameless. See [www.tmcnet.com/usubmit/2011/08/30/5738788.htm](http://www.tmcnet.com/usubmit/2011/08/30/5738788.htm) (n 185).

The regulator has the mandate to move in especially through public education and sensitize people about the difference between genuine handsets and counterfeit ones. The Agency and the IPR owners, on the other hand, can collaborate to ensure that access to counterfeit telephone handsets is difficult.

On their website,<sup>192</sup> the regulator (i.e CA) has information about what a counterfeit phone is, how to tell a counterfeit phone from a genuine one, the hazards posed to a consumer by a counterfeit phone and how to purchase a genuine phone. However, a reading of these guidelines suggests that the same were promulgated after a decision had been reached to switch off counterfeit mobile phones, which then shows that there may have been no information about what amounts to a counterfeit telephone. However, at present, the information is available.

In the East African Region, there has been an attempt to switch off counterfeit phones in Tanzania, Rwanda and Uganda. However, those efforts have been hampered by a feeling among the stakeholders and consumers that a switch off would be tantamount to curing the symptoms while failing to address the root cause of the problem. There seems to be widespread consensus that the main problem is counterfeit phones being shipped into the countries.

A Tanzanian trader, quoted in Biztech Africa, said as follows:

“It is something to wonder, how the government is allowing businessmen to import fake phones into the country and then is preparing to switch them off. Why doesn’t it stop them from importing these phones?”<sup>193</sup>

In Uganda, the switch off had been scheduled for 1<sup>st</sup> November 2012, but it was postponed for 12 months to 1<sup>st</sup> July 2013. Explaining the postponement, the director of Uganda Communications Commission said as follows:

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<sup>192</sup> <http://www.cck.co.ke> [20August2014].

<sup>193</sup> [www.biztechafrika.com/article/tanania-worries-over-fake-phone-switch/4941/](http://www.biztechafrika.com/article/tanania-worries-over-fake-phone-switch/4941/) [28 June 2014].

“We want to sensitize people about the features of fake phones so that the public and businessmen importing phones know exactly what they are buying or importing”<sup>194</sup>

This approach seems to be the correct one, but it presumes, not quite accurately, that the traders are duped into importing counterfeit phones; or that customers necessarily buy counterfeit phones unknowingly. The majority of the counterfeiters know that what they are engaged in is illegal. In fact, most counterfeiting business is pushed by criminal syndicates. Further, some consumers know full well that what they are purchasing are counterfeits, but purchase them anyway because they are cheaper. In any event the item will work, albeit for a much shorter period than the genuine item.

## **2.6 Whether the Standards Act can be used to bolster the framework in the fight against counterfeits**

The Standards Act<sup>195</sup> is an enactment whose role is "to promote the standardization of the specification of commodities, and to provide for the standardization of commodities and codes of practice; to establish a Kenya Bureau of Standards, to define its functions and provide for its management and control; and for matters incidental to, and connected with, the foregoing."<sup>196</sup>

The Standards Act sets up a bureau<sup>197</sup> whose functions include the promotion of the standardization in industry and commerce, as well as the testing and provision of facilities to test or examine commodities.

The bureau is supervised by a council<sup>198</sup> whose other functions<sup>199</sup> include doing all things necessary to execute the functions of the Standards Act. This body is the main administrative organ set up under the Standards e Act and has a membership that comprises of a chair person, a secretary, seven ministerial appointees who shall be public officers and eight ministerial

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<sup>194</sup> [www.newvision.co.ug/news/636921-fake-mobile-phone-handsets-to-be-switched-off-next-year.html](http://www.newvision.co.ug/news/636921-fake-mobile-phone-handsets-to-be-switched-off-next-year.html) [28 August 2014].

<sup>195</sup> Cap 496 Laws of Kenya

<sup>196</sup> See the preamble to the Standards Act Cap 496 Laws of Kenya.

<sup>197</sup> S 3 Standards Act Cap 496 Laws of Kenya.

<sup>198</sup> Ibid s 6.

<sup>199</sup> Ibid s 7.

appointees knowledgeable in matters of industrial standards or other matters that the bureau may be concerned with.

The minister also has residual powers to appoint a further 5 people whose expertise may be called upon once in a while.<sup>200</sup>

The minister may appoint inspectors<sup>201</sup> who have far reaching powers.<sup>202</sup> The powers relevant for the purposes of this thesis include entry of premises for purposes of inspection. Upon such entry, the inspectors may take samples of any suspect commodities, require the production of any documents or any information relating to any commodities. The inspectors may also seize and detain goods suspected of not meeting the set standards. Once they have completed investigations relating to the goods, and depending on any findings that shall have been made, they may order that the goods be destroyed.<sup>203</sup>

Another organ that the Standards Act creates is the Standards Tribunal.<sup>204</sup> This tribunal is created in recognition of the fact that disputes will always arise in the course of administration of the various functions of the bureau. The tribunal therefore provides a mechanism for resolving such disputes speedily and cost effectively. Any person aggrieved by a decision of the tribunal may appeal to the High Court.<sup>205</sup>

In view of the elaborate institutional framework laid out therein, resort could therefore be had to the Standards Act. The principal role of the standards Act is to promote the standardization of the specification of commodities. A counterfeit commodity should not pass any standard, however minimal, that may be set under the Standards Act. This would suggest that the spirit of the Standards Act could be harnessed and resorted to in the fight against counterfeits. However the problem lies in the fact the functions of the Bureau do not specifically refer to considerations of

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<sup>200</sup> Ibid s 6(3).

<sup>201</sup> Ibid s 13.

<sup>202</sup> Ibid s 14.

<sup>203</sup> Ibid s 14A.

<sup>204</sup> See s 16A of Standards Act Cap 496 Laws of Kenya.

<sup>205</sup> ibid s 16D (3).

IPRS, let alone protection thereof. There is therefore absolutely no framework for consideration of such rights.

To require the Bureau to be involved in matters IPR would not be novel, and would be a way of widening the infrastructure that is already available in order to rein in counterfeits. All that needs be done, in the case of the Standards Act, is avail some enabling provisions.

Once the law is enabled, then the mechanisms under the Standards Act would be co-opted into confronting trade in counterfeit goods.

## CHAPTER THREE

### 3. Effects of trade in counterfeit goods – selected case studies

Counterfeiting afflicts goods, services and technologies. The problem of counterfeits straddles various sectors in the economy. Apart from being an intellectual property problem to innovators, it has political ramifications insofar as it may lead to uneasy relationships between nations. It is also a trade/economic problem and a public health problem.

#### 3.1 Counterfeiting: national, regional and international concerns

The grant of IPRs is underpinned by some theoretical and conceptual premises. The main aim of their grant is to safeguard innovations, and therefore innovative activity. This way, society will benefit, be it through a thriving economy, better health services (because of safe drugs and medical implements) or enhanced security.

Counterfeiting therefore raises concerns for the country because counterfeits pose problems to the economic sector, to the health sector and to the country's security. Among the reasons for the grant of these IP rights is to incentivize innovators so that they invest in the economy. In so doing, they reap benefits as a reward for their investment of money, skill, judgment, effort and time on research and development.<sup>206</sup>

To enable them reap a reward from the sweat of their brow, there should be a system of protection which ensures that their invention is not stolen by counterfeiters. If counterfeiting is not curtailed, there will be unfair competition, the entrepreneurs of genuine products, goods and services will lose revenue, this will lead to loss of jobs and reduced investments.

Where the entrepreneurs of genuine products choose to fight back, they will have to be more creative and innovative so as to outdo the competition from counterfeits. These resources that would have otherwise been utilized elsewhere will therefore have to be channeled into this endeavour. This will lead to increased costs; the entrepreneurs may become uncompetitive and

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<sup>206</sup> Ibid.

choose to relocate to other markets. The economy as well as the consumers will lose as a result.<sup>207</sup>

IPRs help foster quality assurance in the economy. Counterfeit goods are therefore dangerous because they are made by people whose concern is solely monetary. Such goods therefore put the health of users at risk. In case of motor vehicle spare parts, gas cylinders and drugs, the effects could lead to death or long term debilitating effects on health. The quality of goods so made is irrelevant to the counterfeiter. The conditions under which the goods are made are horrendous, and amount to serious breach of human rights. There are instances where the counterfeit goods are made with child labour, and the children used have been dehumanized.<sup>208</sup>

With regards to security, a good example in Kenya has been the use of mobile telephones for illegal activities such as terrorism and ordinary crimes. This has been facilitated by counterfeit mobile handsets whose identification cannot be ascertained. This has in the past led to the former CCK to switch off counterfeit gadgets from accessing the networks.

In the region, Kenya has not been spared from the dynamics of cross border counterfeiting. In cases where counterfeiters have found it difficult to ship counterfeit goods directly into Kenya, they first import them into Uganda then re-export them back into Kenya.

This is designed to take advantage of the fact that Uganda has inadequate structures to confront illicit trade. When Kenya seizes counterfeit goods that have been imported through Mombasa but are destined for the Uganda market, it is accused of overstepping its mandate. The establishment of a one stop border point that allows a trader to pay taxes in one port makes it difficult to trace a container once it leaves the port, therefore making dumping of counterfeit goods into the economy much easier for unscrupulous traders.

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<sup>207</sup> B Sihanya 'Intellectual Property Confronts Counterfeiting in Africa (n 19) 339.

<sup>208</sup> D Bukszpan 'Counterfeiting: Many Risks and Many Victims' < <http://www.cnbc.com/id/38229835>> [11September 2014].



This issue is captured in *Panyahululu Company Limited –versus- Anti-Counterfeit Agency (ACA) & the Director of the Public Prosecutions & Societe Bic* as an Interested Party.<sup>209</sup> A container imported through Mombasa port and destined for Uganda was impounded by the ACA and the importers (Applicants in the High Court) were charged with offences under the Anti-Counterfeit Act for importing counterfeit bic biro pens. They moved to the High Court to seek for the criminal charges in the subordinate court to be quashed on the grounds that the goods were destined for the Ugandan market, and Kenyan courts had no jurisdiction over them. The constitutional petition is still pending at the time of writing this paper. However, this case highlights the challenges that enforcement organs face in the face of integrating economic zones.

There is therefore a misfit between regional and sub-regional economic integration initiatives with national IP regimes.<sup>210</sup> Economic integration has made trade, movement of goods and people easier. The counterfeiters may take advantage of this to push their products across the borders. The trading partners ought to make concerted efforts to protect Intellectual Property Rights by all members of sub regional blocs so that counterfeiters do not have space to operate.

The international community is becoming more vigilant to ensure that IPRs are protected. It is increasingly being realized that the ability by industries to use the available technologies has made production better and cheaper, which has led to higher economic growth and development.<sup>211</sup> It would therefore be feasible to say that these technologies need to be protected so that their creators are incentivized to innovate more, apart from being recompensed for their creativity.

On the political front, protection of IPRs is an obligation that is governed by trans-boundary conventions, treaties and agreements, the TRIPs agreement being a case in point. Failure to safeguard IPRs could therefore lead to a strain in the relations between countries which produce

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<sup>209</sup> High Court of Kenya Miscellaneous 59 of 2013, pending at the High Court of Kenya in Mombasa.

<sup>210</sup> B Sihanya 'Intellectual Property Confronts Counterfeiting in Africa (n 19) 347.

<sup>211</sup> S Sideri 'GATT and the Theory of Intellectual Property' in *Multilateralism versus Regionalism: Trade Issues after the Uruguay Round* (n 90) 133.

protected products, technologies and services on the one hand and those that import these products etc but do not safeguard the IPRs.<sup>212</sup>

For a developing country like Kenya, most of the technology that runs the economy is imported. Fake goods prevent a country's economy from growing and diversifying effectively. The technology rich countries will be discouraged from investing in a country that is notorious for failure to protect IPRs. The effect of this is reduced foreign direct investment, which makes it hard for investors to transfer technologies that would create jobs for local citizens. This ends up being costly to the economy.<sup>213</sup>

The fact that protection of IPRs is as much a municipal concern as it is a cross border one requires political will and co-operation between governments. On the global scene, China has been accused of condoning counterfeiting and thereby threatening the IPRs of multi-national companies doing business in that country,<sup>214</sup> and in the developing world where the counterfeits are exported to. This problem has festered, and the lethargy in countering it is mainly blamed on protectionism of the government to counterfeiters and IPRs infringers on the basis that such economy activity is helpful to the local (Chinese) economy.<sup>215</sup>

Kenya is one of the countries to which these Chinese counterfeit products are exported to. Professor Bankole Sodipo of the African Intellectual Property Group is quoted as saying that African countries need to provide a united front against China in the war against counterfeits. He says as follows:

“A lot of counterfeits are from China, and are being assembled in African countries. Most African states have warmed up to China in doing business. This ‘friendship’ means that African countries cannot chide China for flooding African markets with counterfeits.”<sup>216</sup>

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<sup>212</sup> B Sihanya ‘Intellectual Property Confronts Counterfeiting in Africa (n 19) 339.

<sup>213</sup> In an article appearing in the “Daily Nation” Newspaper of 12.02.2013, titled ‘*Crack on counterfeits to woo US firms*’, American ambassador to Kenya, Mr. Robert Godec had the following to say:

“we work with US businesses daily at the embassy and most of them would enter the Kenyan market if they are sure that their intellectual property would be protected”.

<sup>214</sup> DCK Chow 'Counterfeiting in the People's Republic of China' <SSRN: <http://ssrn.com/abstract=236705>>

<sup>215</sup> Ibid.

<sup>216</sup> Standard on Sunday, 13.04.2014, *Counterfeiters go hi-tech, threatening genuine business*, pg.40.

Whether the concern is regional or international, all the countries concerned need to remain vigilant and apply the laws that are available to counter the problem of counterfeiting. These laws should be reviewed from time to time to ensure that they accord with the changing political and economic scene, both local, regional and international.

On the global scene, counterfeiting as a trade problem has attracted the attention of the World Trade Organization. The WTO decided to give great emphasis to IPRs, because violation of these rights was viewed by the developed nations as a barrier to trade.

As a member of the WTO hence a signatory to the TRIPs Agreement, Kenya has a legal duty to ensure that the IPRs of other members are protected within its territories. That has led to the enactment of legislation to protect IPRs. In the realm of combating counterfeiting, the principal legislation enacted is the Anti-Counterfeit Act,<sup>217</sup> although the Trade Marks Act<sup>218</sup> and the Copyright Act also have provisions and mechanisms to combat trade in counterfeit goods. However, insofar as it protects patents (as well as industrial designs), trademarks (as well as geographical indications) and copyrights, the Anti-counterfeit Act is an all-encompassing enactment that is meant to enforce the IPRs.

### **3.2 Counterfeiting as an economic/trade problem - Case study: Eveready East Africa Limited**

Counterfeit products, goods and services have a negative effect on a country's economy, on the society and even on relations with other countries. The losses to the economy are myriad and multifaceted.

Counterfeit goods compete against the legitimate products. Due to the fact that the counterfeiters will not have expended a lot of resources in research and development they are able to offer their products and goods at lower prices. This renders the legitimate traders uncompetitive and they therefore struggle to stay in business. Being unable to continue running as a viable profitable

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<sup>217</sup> Anti-Counterfeit Act No. 13 of 2008.

<sup>218</sup> Trade Marks Act Cap 406.

business results in downsizing, and hence job losses. The Government loses revenue through taxes that could have been collected and employees are rendered jobless which puts a strain on the economy.

A case in point is that of Eveready East Africa Limited. The company, which had a plant where is manufactured dry cells, has been forced to close down and turn the land where the factory was situated into real estate. The Managing Director of the company has been quoted as saying that the company was shut because 'the D-sized battery that is manufactured (at the plant) faced stiff competition from cheap illegal imports, particularly from the east.'<sup>219</sup> The economic implications of this action on the country are the loss of revenue by the government as well as the many people who are rendered jobless.

On the other hand, loss of reputation to counterfeits, especially with regards to end users who may not be able to distinguish fakes from genuine products leads to tarnishing of a firm's reputation, loss of market share which could eventually lead to companies ceasing to be profitable and they may thus be forced to close down.<sup>220</sup>

The economic problems brought about by counterfeiting ought to be an eye opener for those who belong to the school that thinks that some counterfeiting is beneficial to a growing economy like Kenya's. Liberalization and free market economies gradually lead to strong IP regimes. However, before this stage is arrived at, economy will suffer from some counterfeiting.<sup>221</sup> In fact it is posited that it is only as local industries grow and generate their own intellectual property, that the adverse effects of counterfeiting are felt closer home. This then leads to a realization that there is need for protection resulting in intense lobbying for strengthening of structures. The reason for this is the realization that protection of IPRs is beneficial.

For instance, in Kenya, there are few complaints raised by manufactures due to counterfeiting of imported technological goods and services, for example mobile telephones and others. The

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<sup>219</sup> <<http://www.bloomberg.com/news/2014-09-29/eveready-east-africa-to-shut-kenya-plant-in-strategy-move.html>> [26 October 2014].

<sup>220</sup> B Sihanya 'Intellectual Property Confronts Counterfeiting in Africa (n 19) 338.

<sup>221</sup> Ibid 336.

likely reason for this would be that since these goods are mostly manufactured outside of the country and shipped in, the erosion of values of these brands that arises from counterfeiting does not primarily affect the Kenyan innovator and trader.

However, there are complaints by Kenyan manufactures about counterfeit bottled drinking water, counterfeit/substandard batteries (dry-cells), and counterfeit alcoholic drinks and beverages and so on. These types of counterfeit goods generate more activity because they have a direct impact that is felt by the local innovators, manufacturers and traders.

Counterfeiting of such locally made goods leads to a direct loss of revenue for local companies; jobs and livelihoods are jeopardized and a large part of the society is affected. The manufacturer's industry lobby (the Kenya Association of Manufacturers) has been most vocal in defending their members' rights with regards to counterfeiting.

The Anti – Counterfeit Agency Chief Executive has been quoted as saying that some companies have almost had their market share eroded because of counterfeiting. The counterfeiters push sales figures that almost rival those of the genuine products. Traders in genuine products are surprised when their sales drastically (and inexplicably) drop, only to realize that counterfeits have eroded their market share.<sup>222</sup>

The fact that a company that produces consumer goods, and which has been operating in Kenya for a long time has had to shut down its operations because of stiff competition from substandard products is a pointer to the magnitude of the problem faced by the IPRs enforcement agencies.

### **3.3 Counterfeiting as a health problem**

Counterfeit products pose serious risks for the health of unsuspecting users. This is in reference mainly with regards to pharmaceutical products. However, much as my intention is to restrict myself to the pharmaceutical industry, the matter of health encompasses wellness of body, mind and spirit. Anything that interferes with this wellness is a health hazard. I shall therefore briefly mention counterfeits other than pharmaceuticals that pose a health hazard.

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<sup>222</sup> The Standard on Sunday, 13.04.2014, '*Counterfeiters go hi-tech, threatening genuine businesses*' pg.40.

### **3.3.1 Counterfeit Motor Vehicle Spare Parts and Gas Cylinders**

These spare parts are made by unauthorized people and are then embossed with logos so that they pass off as parts from the genuine manufacturers factories. These spare parts, once fitted onto motor vehicles, are prone to failure, leading to accidents. These accidents may lead to debilitating injuries and deaths.

Further, there have been cases of counterfeit gas cylinders that explode, leading to fires in peoples' homes leading to deaths and injuries as well. A walk around some city estates reveals posters warning people from buying gas from unauthorized outlets.

### **3.3.2 Counterfeit mobile telephones**

It is on record that when the Communication Commission of Kenya commenced the switch off of mobile handsets, the rationale that was given was partly anchored in matters to do with health. It was stated that counterfeit products, being untested and uncertified for safety, posed a hazard to health, mostly because they would emit higher radiation than recommended.<sup>223</sup>

There were also fears that these handsets were of poor quality and therefore had short life spans. This meant that they would have to be replaced at shorter intervals, hence posing a pollution problem for the country.

The Kenya Industrial Research and Development Institute has recently raised an alarm over hazardous electronic waste.<sup>224</sup> Research scientists at the institution found that Kenya does not have an elaborate disposal mechanism for this type of waste. The institute stated that

“this problem is growing in magnitude and many Kenyans are not aware of the risks. Inappropriate and unsafe management practices related to collection, handling, recycling and disposal of end of life e-wastes are doing great harm to people's health”.<sup>225</sup>

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<sup>223</sup> <http://www.cck.co.ke> [26 August 2010].

<sup>224</sup> The Standard Newspaper, 21.05.2014, '*Kenya has no elaborate e-waste disposal plan, study reveals*' pg.28.

<sup>225</sup> Ibid.

### **3.3.3 - Counterfeit pharmaceutical products - Case Study: Zidolam-N tablets**

Counterfeits are not subjected to the same stringent standards administered by the Kenya Bureau of Standards<sup>226</sup> as are the genuine products. This is more prevalent in the pharmaceutical industry where counterfeit drugs have very serious effects on people's health. These lead to resistance to ailments and deaths. The fact that such patients have had to pay more for a stronger dose to contain the disease means that the cost of public health care goes up, leading to a negative impact on the economy.

The most recent case of counterfeit medicine supplied to Kenya is that of Lamivudine, Zinovudine and Nevirapine (Zidolam-N) tablets. In September 2011, the World Health Organization confirmed that falsified samples of the antiretroviral drug known by the trade name Zidolam-N was circulating in Kenya.<sup>227</sup> The manufacturer of the drug has reported that much as none of the batch numbers of the drug that was on circulation had been released from its factory for the Kenyan Market, the drugs had been reported as being widely in circulation.

The World Health Organization asked the Pharmacy and Poisons Board<sup>228</sup> to confiscate all the falsified drugs and they were withdrawn from the market and submitted for testing by the National Drug Quality and Control Laboratory.

The definition of counterfeiting of medicine as defined under the Anti-Counterfeit Act is more concerned with 'deliberate and fraudulent mislabeling with respect to identity and source' whether or not the ingredients are correct.<sup>229</sup> In our law, as long as the manufacturer confirmed that the drugs were falsified, they were counterfeits. Even if investigations would eventually show that the ingredients were correct. A strict construction of the relevant section would suggest that even parallel imports are deemed counterfeit.

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<sup>226</sup> Established under section 3 of the Standards Act 496.

<sup>227</sup> [http://apps.who.int/prequal/info\\_press/documents/Falsified\\_ZidolamN\\_23September2011.pdf](http://apps.who.int/prequal/info_press/documents/Falsified_ZidolamN_23September2011.pdf) [26October2014].

<sup>228</sup> Established under the Pharmacy and Poisons Act Cap 244.

<sup>229</sup> S.2(d) of the Anti-Counterfeit Act No. 13 of 2008.

In this case, it was found that the medicines, though emanating from the mother factory, had been repackaged and relabeled. The motivation for this conduct was so that these medicines, which were donations, could be diverted to the commercial markets and sold for profit.<sup>230</sup>

The government, through, the Pharmacy and Poisons Board and the Kenya Medical Supplies Agency, is vigilant to ensure that the medical supplies channels are closely monitored and controlled. The reason for this is that like matters to do with security, health matters are quite sensitive and a proliferation of counterfeits would have disastrous results. The stake holders in the industry especially professional bodies like the Pharmaceutical Society of Kenya, the Kenya Medical Association are also vigilant to ensure that the source of drugs in the market is not questionable, as that would hinder their professional work.

In the case of Zidolam-N, quick action by the World Health Organization in conjunction with the government agencies ensured that the sampled were mopped up from the market and the public was notified.<sup>231</sup>

### **3.4 Counterfeiting as a security concern – Case Study: mobile telephone handsets**

In Kenya, the telecommunications sector offers an example where the effects of purchasing counterfeit goods are multiple and have been felt by the industry regulator, by the industry players and by the users of the affected counterfeit goods and technologies. The concerns of the CCK with regards to the counterfeit handsets were slightly different from the usual IPRs issues that would be the concern of an IP lawyer.<sup>232</sup> These were mainly with regards to safety (the risk that these phones would emit higher than permissible radiation); quality (the phones were substandard and had a short life span); security (the phones had duplicated identifier, which made them untraceable if used for criminal activity); counterfeiters cheat the government of revenue and that they compromised the quality of services on the networks.

Counterfeiting is, in a sense, reaction to enforcement of IPRs by the country's legal regime. Products that are protected by IPRs are in most instances not as cheap as counterfeits, because

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<sup>230</sup> [http://www.who.int/hiv/amds/kenya\\_oct2011.pdf](http://www.who.int/hiv/amds/kenya_oct2011.pdf) [26.10.2014].

<sup>231</sup> Ibid.

<sup>232</sup> <http://www.cck.go.ke/counterfeitcampaign> [12 March 2014].



there is a premium placed on innovation. The fact that research and development has gone into the production of these products means that they are of good quality, and therefore are accepted widely by end users. In markets where IPRs are enforced through the application of laws, counterfeiting is encountered at different scales. These varying scales are based on the ease with which the counterfeit is made. Counterfeiters are in the trade for a quick profit, and will not be interested in counterfeiting products that are expensive to produce. Counterfeiting therefore leads to deterioration in the standard of goods.

The case of mobile telephones captures this scenario accurately. Telephones are consumer goods on high demand, hence are a prime target for people who make counterfeits. This is especially the case in the developing countries because of various reasons.

The economies in these countries are not well developed hence the people have low purchasing power. As a result, they will be on the lookout for cheap merchandise. In most instances, cheap technological goods (comparative to similar goods in the same market) are usually counterfeit.

Further, the enforcement mechanisms in the developing countries are hampered by constrained resources. The laws may be in place, as are the institutions, but the finances to ensure that the market is policed and counterfeits eradicated are in short supply. An example in Kenya is the fact that the KECOBO has 11 inspectors<sup>233</sup> to police the whole country.

The people purchasing these goods may be ignorant, and unknowingly get duped into purchasing counterfeit products.

The problem of counterfeit mobile handsets accessing the telecommunication networks in Kenya dates back to the year 2012 when the CCK decided to order the network operators to switch off counterfeit telephone handsets.<sup>234</sup> According to the CCK, these handsets are copies of popular brands and models made from sub-standard materials. Usually, they will not have undergone

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<sup>233</sup> S 39 Copyright Act.

<sup>234</sup> [www.cck.go.ke/counterfeit-campaign](http://www.cck.go.ke/counterfeit-campaign) [17 December 2012]

testing and certification for safety, and will often have been made from sub-standard components by parties that are not the genuine brand owners.

One of the reasons for the order to switch off these counterfeits was because

“in some instances, counterfeit handsets come with duplicated IMEI, which makes it difficult for law enforcement agencies to track down criminals who use mobile handsets to commit crimes.”<sup>235</sup>

The action by the communications industry regulator shows how effective it is for the various government agencies to take action whose net effect would be eradication of counterfeit products to a large extent.

However, this only works in controlled commodities where the government feels there is a threat to security, for example. If criminals use counterfeit phones whose particulars cannot be captured by law enforcement agencies, the government is squarely to blame. That is why in such a scenario, a government agency such as the CA would feel compelled to take action. In instances where private business people are the ones that bear the brunt of counterfeits, through erosion of brands and of profits, the government may not be as quick to swing into action. This then leaves the industry lobbyists to engage government agencies with a view to having action taken.

### **3.5 The strategies that have been employed to combat counterfeit goods**

#### **3.5.1 The US and the EU**

In the United States of America, (the U.S.) the government has prioritized the war against counterfeits. Counterfeit trade is treated as seriously as drug trafficking, because they are used to fund organized crime. The United States Government has set up the U.S Customs & Border Protection, a security agency that is charged with protecting the integrity of the country’s borders and ports of entry.<sup>236</sup> To minimize the likelihood of counterfeit goods being imported into the United States from China, for example, the agency receives a manifest describing the contents of each of the of the containers onboard any ship before it arrives at the country’s shores. The

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<sup>235</sup> Ibid.

<sup>236</sup> <http://www.cbp.gov/about/history> [20 July 2014].

officers then scrutinize the container freight coming into the U.S. to make sure its contents are as per the documents.

Therefore, long before the cargo ship arrives in the US, the border protection officers will have gone through the shipping records, looking for anything that seems amiss and cross referencing the import manifests against familiar crime patterns.<sup>237</sup> This is an effective mechanism against importation of counterfeit goods into the country.

In the European Union (the EU), members adopt regulations<sup>238</sup> that contain conditions and procedures for action by the customs authorities when they detect goods suspected of infringing an intellectual property right that enters the EU. To prevent the importation or transit of infringing goods, regulation number 15 empowers customs officials to suspend the release of such goods, or even detain such goods. This suspension or detention will enable an IPR holder to apply for a determination on whether indeed his right has been infringed.

Kenya and the East African region may learn from these jurisdictions on how to reduce the rate at which counterfeit products access these markets.

### **3.5.2 Collaboration among stake holders in the fight against counterfeits:**

#### **How Nigeria has done it**

In my view, our legal framework for IPRs protection is far superior to that of the Federal Republic of Nigeria. However, the archaic legal framework has not prevented Nigeria's film industry, for instance, from being ranked third globally behind that of the United States of America and India.<sup>239</sup>

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<sup>237</sup> LAPD, US Customs Battle Counterfeit Goods Market, Multi-Billion Dollar Industry More Lucrative Than Drugs, accessed at <<http://abcnews.go.com/US/lapd-us-customs-battle-counterfeit-goods-market-multi/story?id=20639145>> [3September 2014].

<sup>238</sup> Regulation (EU) No 608/2013, of the European Parliament and of the Council of 12 June 2013, concerning customs enforcement of intellectual property rights (“Regulation 608/2013”) is the one in force currently, having repealed Council Regulation (EC) 1383/2003.

<sup>239</sup> <http://www.covafrika.com/2014/04/nollywood-intellectual-property-and-nigeria's-new-gdp> [25October2014].

The legal framework consists of the Trade Marks Act of 1965, the Design and Patents Act of 1970 and the Nigerian Copyright Act of 1988 (as amended in 1999). Nigeria is also signatory to the Berne Convention, Paris Convention, TRIPS, WIPO Copyright Treaty and Patent Cooperation Treaty.<sup>240</sup>

However, the ratification of these treaties without amendment of the law to conform is not helpful. This is because unlike the situation in Kenya, where a treaty, once ratified, forms part of the law of Kenya<sup>241</sup> in Nigeria, section 12 of the Federal Constitution of the Republic of Nigeria provides that "No treaty between the federation and any other country shall have the force of law except to the extent to which such treaty has been enacted into law by the national assembly."<sup>242</sup>

The Nigerian Trade Marks Act of 1965 is fashioned along the lines of the English Trade Marks Act of 1938. It is therefore so old and out of touch with the current trends, and therefore deficient. For instance, it does not have provisions for registration of service marks. This has made it necessary for the government to make an executive decision to register service marks regardless of a lack of enabling legal provisions.<sup>243</sup>

Regardless of the inadequate legal framework, the stake holders have come together and formed a body called Anti-Counterfeiting, Nigeria (ACC, Nigeria). According to its website, the ACC, Nigeria is a non-political, non-governmental, non-profit making coalition which was conceived in October 2006 with the aim of bringing brand owners, enforcement agencies and other interested parties together to form an effective 'opposition party' against counterfeiters, infringers and pirates in Nigeria.<sup>244</sup> These other stakeholders include law firms that are interested in intellectual property matters as well as representatives from the manufacturing sector.

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<sup>240</sup> U Nwokocha *Issues in the administration and adjudication of Intellectual Property* <[http://www.aca.go.ke/index.php?option=com\\_docman&task=doc\\_download&gid=73&Itemid=533](http://www.aca.go.ke/index.php?option=com_docman&task=doc_download&gid=73&Itemid=533)> [26 October 2014].

<sup>241</sup> Art 2(6) Constitution of Kenya.

<sup>242</sup> <http://www.mondaq.com/x/82368/Trademark/Intellectual-Property-A-Tool-For-Economic-Growth-In-Nigeria> [26 October 2014].

<sup>243</sup> *Ibid.*

<sup>244</sup> <http://www.anticounterfeiting.com.ng/site/> [26 October 2014].

The role that ACC, Nigeria plays is to educate the citizens on the dangers posed by counterfeit products. For instance, they usually have series and documentaries running on television showing the negative effects of counterfeiting. The ACC, Nigeria has been running a television series called 'Light Fingers' whose aim is to disseminate information on the ills and negative effects of counterfeiting, piracy and infringement of trademarks and brands, and to ensure the quality assurance of products at the market place.<sup>245</sup>

Kenya could learn a valuable lesson from the way Nigeria has gone about this aspect of public education. I believe that a collaboration between the ACA, KAM, brand owners, professional bodies like the Kenya Medical Association would, if they came together, really bolster the fight against counterfeits. The ACA alone, or the KAM alone may not register the same kind of success if they engage in the fight separately.

The ACC, Nigeria is also involved in lobbying the authorities to facilitate the reform of the laws, which are still lagging behind.

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<sup>245</sup> <http://www.mondaq.com/x/102586/Trademark/Anticounterfeiting-Collaboration-Nigeria> [26October2014].

## **CHAPTER FOUR**

### **4.0 Analyses, proposed amendments and reforms and conclusion**

It is quite evident that Kenya has a good legal and institutional infrastructure for fighting trade in counterfeit goods. However, this infrastructure can be improved upon. I have noted various deficiencies in the Anti-Counterfeit Act and in the Trade Marks Act that could be cured to a considerable extent through amendment.

As regards the Standards Act, my finding is that it is necessary to have the scope of this legislation expanded so that it caters for IPR protection.

I have dealt with the individual statutes and the suggestions more expansively in the next pages.

### **4.1 The Anti-Counterfeit Act**

This is the principle legislation intended to fight counterfeiting and trade in counterfeit goods and services. It is a relatively recent legislation, having been enacted in the year 2008. It has set up various organs to ensure that its objects are realized. However there are counterfeit goods still accessible in the market. This suggests that more needs to be done, be it through legal and institutional reform, or strengthening the available structures to enable the enforcement mechanisms be more effective.

#### **4.1.1 Section 33 of the Anti-Counterfeit Act**

This section is couched in restrictive terms. The effect of this section is to define a complainant with regards to IPRs infringement as “any holder of IPR, his successor in title, licensee or agent”.

This provision effectively is to lock out the person who, in effect, bears the brunt of the counterfeit product. The consumer and the agencies know the product is counterfeit, but their hands are tied by the law.

The fact that there could be an overt breach of a legal right and yet the person or persons injured lack recourse points to a weakness in the legal and institutional framework.

While this may not necessarily be a problem with regards to non – technological IPR protected goods whose manufacturers are local, it does pose a problem for electronic and electrical goods. The case becomes dire where the electronic goods are manufactured by companies that do not have a substantial presence in the local market. The wholesalers and retailers who stock the goods are able to tell the difference between genuine merchandise and counterfeit. The fact that they quietly pass counterfeit goods along the chain of supply shows that they are complicit in the trade.

Though Nokia, Samsung and LG have a presence in the local market, most of these are distributorships and dealerships. Their main duty is to ensure their products move in the market as well as offering after-sales service to their customers. There is no visible framework to police the market and ensure that their IPRS are not being infringed. Awareness campaigns attempting to sensitize the public on the features to look for so as not to buy counterfeit products are scarce; this is a failure on the part of the IPRs owners.

When there is no complainant, the Agency is unable to take a step on its own. There may be policing and IPRs enforcement structures but this does not help in this particular instance because the person recognized by the law as complainant is either not available or is available but not willing to take action.

IPRS can only be enforced and protected effectively with the cooperation between the IPR owners and the users of the technologies and goods that are IPR protected on the one hand and the government enforcement institutions on the other. The owners of the IPRS have a duty, which they owe to themselves, to protect their work from infringement, because any other scenario would lead to them incurring losses and their innovation being eroded. Hence they are duty-bound to be vigilant to ensure that infringement is detected and stopped.

The users of these technologies on the other hand ought to ensure that they are on the lookout so that they do not unwittingly buy counterfeit goods. They, just as the innovators, are major losers

in the event that they end up buying counterfeit goods. Counterfeit goods give scant value for money and are a hazard to the consumers and to the environment.<sup>246</sup>

The state on the other hand has a constitutional and legal duty to set up institutions and laws to ensure that private property is safeguarded.<sup>247</sup> In this regard, private property includes the IPRs of innovators, be they local or foreign.<sup>248</sup> The state also has a duty to ensure that the market place is clean, i.e. there are minimal counterfeit goods, so that the citizens do not lose the resources expended on purchasing goods that turn out to be counterfeit and therefore not fit for the purpose of which they are meant. Under the law currently,<sup>249</sup> it is feasible to sustain an action against the state where a consumer is injured or suffers loss, damage or injury as a result of purchasing goods that are unfit. This is more so where there is dereliction of the obligation, on the part of the state agencies, to ensure that harmful goods and technologies are not offered to consumers.

The bill of rights under chapter 4 of the Constitution of Kenya provides under Article 46 that consumers have the right to goods and services of reasonable quality, to information to enable them differentiate goods and services and to protection of health, safety and economic interests as well as to compensation for loss or injury brought about by defects in goods.

Therefore, this suggests that consumers or end users of products should be able to complain to the Anti-Counterfeit Agency in the event that they purchase products that turn out to be counterfeit. This would entail an amendment of the Ant-Counterfeit Act at section 33.

The Anti-Counterfeit Act should specifically provide that an inspector may act on the complaint of a consumer or a purchaser of goods who has reason to believe that the goods sold to him breach IPRs.

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<sup>246</sup> The Standard Newspaper, 21.05.2014, '*Kenya has no elaborate e-waste disposal plan, study reveals*' (n 93)

<sup>247</sup> Art 40 of the Constitution of Kenya.

<sup>248</sup> This is the case by virtue of obligations to abide by international treaties and agreements. This is amplified at Art 2(6) of the Constitution of Kenya 2010.

<sup>249</sup> Art 46 of the Constitution of Kenya.



## **4.2. The Trade Marks Act**

As has been seen in this study, most of the disputes that find their way to court in Kenya usually concern infringement of trade marks and passing off. The Trade Marks Act has been instrumental in guarding IPRs owners and traders against infringement of their rights.

On the other hand, the courts have not shied away from applying the Trade Marks Act as well as the common laws principles of passing off to safe guard against passing off and unfair trade practices. Plaintiffs who have proved their cases on a balance of probabilities have been granted injunctions, *Anton Piller* orders and even damages, as the case may be.

Intellectual Property is a specialized form of property rights. However, it appears as though this genre of property rights has not been taken as seriously as it merits. For example, whereas real property has been given its independent division,<sup>250</sup> intellectual property disputes are handled in the commercial division of the High Court. Therefore, there are no specialist judges to handle IP matters, which leads to some of the matters being handled in a manner that does not do justice to the parties before the court. This may erode the public's confidence in the ability of the judiciary to arbitrate well in disputes concerning IP.

Going back to the Trade Marks Act, I noted two weaknesses that need to be remedied for this law to work properly in favour of IPRs owners and brand owners.

### **4.2.1 Sections 58D and 58F of the Trade Marks Act**

Section 58 D of the Trade Marks Act prescribes the actions and omissions that are prohibited under the Act, and which would attract criminal sanctions. The following actions are prohibited: Forgery of trademarks and actions closely allied to forgery, making or importation of implements that may be used to apply a registered trademark to goods, and acts allied to that.

Goods to which such forged trademarks are applied will be counterfeit goods. These are goods that fetch the counterfeiters large profits at the expense of owners of IPRs as well as purchasers of counterfeit goods.

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<sup>250</sup> Art 162(2) b Constitution of Kenya 2010.

However, the punishment for the offences is quite lenient. Section 58E prescribes that a person found guilty of these offences shall be *‘liable to a fine not exceeding two hundred thousand shillings or to imprisonment for a term not exceeding five years or to both.’* No distinction is made between a first time offender and a habitual offender.

The legislature should evaluate the benefit that an offender is likely to get from these acts, and adjust the punishment accordingly. For example, the Anti-Counterfeit Act provides for penalties<sup>251</sup> based on the value of the counterfeit goods. A first offender will be jailed for at least 5 years or be liable to a fine three times the value of counterfeit goods. Any subsequent conviction will fetch a jail term of at least 15 years or be liable to a fine five times the value of counterfeit goods.

For punishment to be sufficiently deterrent, it should fit the crime. The punishment prescribed under the Trade Marks Act should be enhanced to reflect the economic realities with regards to counterfeiting. A fine pegged at a flat figure of Kshs.200,000.00 is too lenient.

#### **4.2.2 Section 58H of the Trade Marks Act**

Section 58H deals with forfeiture of any goods by virtue of which the offence was committed. The section provides that the goods may be forfeited to the government, unless the owner thereof or some other person interested in the goods shows cause why they should not be forfeited.

These are counterfeit goods, as well as implements used to forge trademarks and make counterfeit goods. It is in the interests of IPRs owners that these good and implements not be forfeited to the government, or worse still be given back to the offenders. There should be a provision that these goods be stored in a particular place, and upon conclusion of the proceedings, the goods be destroyed.

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<sup>251</sup> s 35 the Anti-Counterfeit Act.

Counterfeit goods are easy to dispose of in the usual channels of commerce, and hence they should be handled carefully lest they find their way back into the market. This eventuality would negate the work done in ensuring that counterfeit goods are snared in the first place.

### **4.3. The Standards Act**

The Standards Act has a very extensive framework to ensure that its objects are achieved. These objects, as has been noted, are mainly geared towards standardization of the specification of commodities. IPRs serve various purposes, the primary one being protection of innovators. As has been seen, IPRs also serve as a means of quality assurance. Therefore, there is a convergence of functions between the two statutes.

However, the Standards Act is not enabled to tackle counterfeiting. One does not see among its function any mention of IPRs. The occasional reference of counterfeit telephones to the Bureau by the police was informed not so much by the desire to protect IPRs, but by the fact that the telephone complained of was substandard. The circuitous nature of the process that was followed to reach a semblance of a solution shows that there is a disconnect between standardization of the specification of commodities on the one hand, and the protection of IPRs on the other hand.

One way to get around this problem would be simply to vest in the bureau a mandate to consider breach of IPRs in the course of inspecting commodities to ascertain whether the standards and specifications set are adhered to. This would entail a facilitative provision being inserted at section 4 of the Standards Act.

This way, the Bureau would act in conjunction with the ACA in the fight against counterfeiting.

### **4.4 Conclusion**

All the players have a role to play in order to ensure that counterfeiting is effectively fought. The most important player is the state, as the custodian of the enforcement mechanisms. The state ought to make adopt policies and make laws that are conducive for innovative activity to blossom.

In this regard, Kenya has not performed badly, but there is room for improvement on the available infrastructure, as has been outlined in the proposals in this chapter. There is no shortage of laws and institutions to fight counterfeits. However, in some instances, the laws need to be amended to conform to prevailing circumstances. In other cases, the funding of the agencies that are created under the law is inadequate. The result is that there is insufficient manpower to enforce these laws.

The other critical player is the owner of the IPRs, the innovator or, in the case of trademarks, the trader. These are the players that bear the brunt of infringement. They are affected directly; hence they have the most to lose in the event of infringement of their IPRs. These players should take steps to ensure that the end users are aware of the characteristics of their products, to avoid confusion. As has been seen, in some instances, people purchase counterfeit goods unknowingly. If there are awareness campaigns and advertisements to sensitize the end users of what to look out for to avoid being duped, then the war on counterfeits will be won. Leaving public education to the ACA alone is ineffective because this being a public institution, may have financial limitations. This may render the ACA unable to educate the public on all the IPRs likely to be infringed through counterfeiting.

Finally, the end users ought to be vigilant. They should do three things:<sup>252</sup> Firstly they should avoid buying goods that are offered at lower prices than would ordinarily be case. In most instances, cheap goods are fake goods. Secondly, they should take steps to know the characteristics of the genuine product that they wish to buy. If the products are packed in cheap looking packaging, have typographical errors etc, then they mostly likely are fake. Thirdly, they need to avoid purchasing trademarked goods on the streets or in suspicious places. They should as much as possible deal with the official dealers or established merchants with regards to the particular goods.

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<sup>252</sup> <http://www.iacc.org/counterfeiting-statistics.html> [ 11 September 2014].

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