AUDITING KENYA'S ANTI-COUNTERFEITING LAWS: THE CASE FOR COMPLYING WITH INTERNATIONAL STANDARDS

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DECLARATION

I, **Paul Kipkosgei Rotich**, do hereby declare that this is my original work, and has not been submitted for the award of a degree in any other University.

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DEDICATION

This work is dedicated to my beloved wife and children who I dare not let down.

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ABBREVIATIONS AND ACRONYMS

AIDS	Acquired Immuno-deficiency Syndrome
ARIPO	African Regional Industrial Property Office
CBD	Customs Border Protection
GATT	General Agreement on Trade Tariffs
CCK	Communication Commission of Kenya
COC	Certificate of Conformity
EU	European Union
HIV	Human Immuno-deficiency Virus
ICT	Information and communication technology
IMPACT	International Anti-Counterfeiting Medical Taskforce
IP	Intellectual property
IPR	Intellectual property rights
ISM	Import Standardization Mark
KAM	Kenya Association of Manufactures
KEBS	Kenya Bureau of Standards
KIPI	Kenya Industrial Property Institute.
KRA	Kenya Revenue Authority
NTB	Non Tariff Barriers
OAPI	Organization Africaine Propriette Intellecuate
PvoC	Pre-export Verification of Conformity
STOP	Strategy Targeting Organized Piracy
TLT	WIPO Trade Mark Law
TRIPs	Agreement on Trade Related Aspects of Intellectual Property Rights
UCC	Universal Copyright Convention
UNDP	Nations Development Programme
UNESCO	United Nations Scientific and Cultural Organization
UN	United Nations
US	United States
WCO	World Customs Convention
WCT	WIPO Copyright Treaty
WHA	World Health Assembly
WHO	World Health Organization
WIPO	World Intellectual Property Organization
WPPT	WIPO Performance and Phonograms Treaty
WTO	World Trade Organization

LIST OF CASES

Alternative Media Limited v. *Safaricom Limited* Nairobi HCCC No.264 of 2004 (unreported)

Doshi Iron Mongers v. *Kenya Revenue Authority & 4 others* Nairobi HC Misc App No 406 of 2004 (unreported)

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Anti-Counterfeit Act No. 13 of 2008

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Kenya Communication (Amendment) Act, No 1 of 2009

Penal Code, Chapter 63

Sale of Goods Act, Chapter 31

Seeds and Plant Varieties Act, Chapter 326

Standards Act, Chapter 496

Trade Descriptions Act, Chapter 505

Trade Marks Act Chapter 506

Weights and Measures Act Chapter 513

CHAPTER ONE

INTRODUCTION AND RESEARCH METHODOLOGY

1.0 Background to the problem

Counterfeits are items unlawfully forged, copied or imitated from their originals with the intent to deceive or defraud buyers by presenting them as genuine.[1] Counterfeiters do not incur the costs of research and usually do not pay taxes.[2] In light of their limited overheads, they usually sell their products at rock bottom prices and undercut and undersell sell the genuine providers.[3] However, cheap is expensive.

Counterfeiting is a risk for public health and consumer's safety. Counterfeiters do not subject their products to health inspection and care little about health standards and consumer satisfaction.[4] Counterfeit drugs, for instance, will simply provide no health benefit at all where the active ingredient is absent or at very low levels, but where they contain far too much ingredient they become potentially harmful.[5]

In respect to the economy, counterfeiting has caused loss of jobs and income in particularly African countries, which may lead to greater poverty and social unrest.[6] In Kenya several pharmaceutical companies, for instance, have relocated to other destinations in the last few years while others have closed their production lines opting

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[1] Blacks Law Dictionary, 8th edition.
[2] Ben Sihanya, (2000) "Intellectual Property Confronts Counterfeiting in Africa: Protecting Innovators and Consumers in Cyber Society'', in Thomas Wilhemson *et al* (eds.) *Consumer Law in the Information Society,* Kluwer Law International 2000, the Netherlands, page 337 -339.
[3] See Charles Njeru, "Medicine go 'mitumba' way", *D*aily *Nation* 13th March 2008 Horizon magazine, page 1.*Mitumba* is Kiswahili word for second-hand items.
[4] See Ben Sihanya, "Intellectual Property Confronts Counterfeiting in Africa"; *supra* note 2, page 338.
[5] See Waikwa Maina, "Counterfeit medicine hit satellite towns" *Daily Nation* 28th February, 2008 Horizon magazine, page 14.
[6] See Ben Sihanya, "Intellectual Property Confronts Counterfeiting in Africa"; *supra* note 2, page 339.

for marketing and distribution stores only due to the strain of counterfeits.[7]Other companies have laid off their employees.[8]

The advent of the information society has made the problem of counterfeiting more difficult and brought about new products and technologies that can easily be pirated.[9] It is now possible, for instance, to reproduce copies of legitimate products and services in a matter of seconds by downloading the same from the Internet or by making copies in coloured photocopier or scanner which copies are identical to and sometimes even better that the originals.[10] Counterfeiters apply the same technology to pursue their trade.

Information and Communication technology (ICT) has brought forth e-commerce. In e-commerce traders need not give their names and physical or geographical addresses in order to transact. In some instances, electronic addresses and digital signature may suffice. It is therefore very difficult to trace counterfeiters engaged in e-commerce and for consumers, innovators and regulators to gather evidence to support counterfeiting suits against them.[11]

This study subscribes to the position that services and technologies are items that can be also counterfeited. It is true as Dr Sihanya, for instance, illustrates that computer software may be regarded as a good when it is packaged and sold off-the-shelf or as firmware in computerized equipment such as microwave ovens or calculators. On the other hand, he explains, designer, customized or tailor made software programs are regarded as services and the same can be counterfeited.[12]

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[7] See C. Njeru *supra* note 3, page 2.
[8] See Ken Opala, "Alarm as fake goods flood local market", *Daily Nation* 9th June 2008, page 4-5. In the article, Polycarp Igathe, the Managing Director of Haco Industries the company losses Kenya shillings 100 million every year due to imitation of Bic Cristal biro by counterfeiters and he confides, due this, the company lays off about 150 employee per year.
[9] See Ben Sihanya, "Intellectual Property Confronts Counterfeiting in Africa", *supra* note 2, page 332.
[10] *Ibid*, page 333.
[11] *Ibid*, page 334-335.
[12] *Ibid,* page 354.

A study done, has revealed that South Africa's Counterfeit Goods Act is limited in scope and exhibits service and technology deficit and may not protect innovators and consumers dealing with software, the internet, e-commerce and related IT products and services.[13] This study will seek to demonstrate that the same position obtains in respect to Kenya's anti-counterfeiting laws. The United States of America's State of Illinois has, however, dealt with this insufficiency. The State defines a counterfeit item in its Counterfeit Trade Mark Act as:

> "...goods, components of **goods or services** made, produced or knowingly distributed that use or display a trade mark identical with or service mark that is substantially indistinguishable from the registered trade mark as registered with the United States Patent and Trade Mark Office."[14]

Counterfeiters have invaded the Kenyan market with their products. It is estimated that Kenya losses about 30 billion Kenya shillings annually through trade in counterfeits and piracy.[15] Kenya being a member of the World Trade Organization (WTO) is obligated under the Agreement on Trade Related Aspects of Intellectual Property Rights (hereinafter referred as the TRIPs Agreement) to protect intellectual property of the citizens and corporations of member states and those of her own.[16] The Agreement sets out minimum IP protection standards which all member states have to comply and where necessary domesticate through their national regulations. These standards include formulating prompt and effective administrative and legislative anti-counterfeiting measures [17] and multilateral co-operation in the war against counterfeiting.[18]

This position above was echoed by Amos Kimunya, Kenya's former Minister for Finance who, in one of his budget speeches, said thus:

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[13] *Ibid*, page 360.
[14] Illinois Compiled Statutes at http: www.ilga.gov/ legislation/ilcs/ (last accessed on 16/4/2009).Emphasis mine.
[15] Amos Wako, address on *Promoting Better Legislation and Enforcement of Intellectual Property Rights in Kenya* at the International Conference Centre in Geneva, Switzerland, January 2007.Amos Wako is the Attorney General of Kenya located at http://www tradeandindustry.go.ke(last accessed on 16/4/2009).
[16] See List of WTO members at *http://*Kery /WTO members .html (last accessed on 22/9/2009)
[17] See TRIPS Article 41.
[18] See TRIPS Articles 63 and 69.

> "Mr. Speaker, counterfeits and trade in contraband products pose a threat to the future of the manufacturing and the trade sector in our country.To safeguard the sector against unfair competition from cheap and low quality counterfeit substitute goods, the Government will in 2007/08 introduce stringent administrative and legislative measures against trading in counterfeit and substandard goods. In this regard, I will be introducing shortly before this August House a Counterfeit Bill to stamp out dumping of counterfeit and substandard goods to safeguard our industrial and revenue base."[19]

The intentions of the Kenyan government as expressed in the minister's quotation above are informed by the fact that there has been no chief statute dealing with counterfeits within Kenya's legal framework. Ben Sihanya has, *inter alia*, analysed anti-counterfeiting law and enforcement in Africa in one of his publications.[20] In his research he developed a typology showing that Kenya, like many other African countries did not have a specific anti-counterfeiting legislation. He found that Kenya's anti-counterfeiting laws were housed in various statutes like the Penal Code,[21] the Copyright Act,[22] the Sale of Goods Act [23] and Trade Description Act.[24]

From a legal and to some extent practical standpoint, this glaring lacuna shown above has led to a gross failure on the part of Kenya to deal with the problem of counterfeits or counterfeiting generally or to comply with the applicable international standards. The recent enactment of a new law through debates on the Counterfeits Goods Bill of 2005, which had been proposed by the Ministry of Trade, is an attempt to consolidate these laws.[25] Against the background set above, I have audited Kenya's anti-counterfeiting laws and tested their prospects for embracing international standards.

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[19] Hon. Amos Kimunya, Kenyan Minister for Finance, Budget Speech for the fiscal year 2007/2008 delivered on 14th June 2007, page 21.Amos Kimunya is now the Minister for Trade.

[20] See Ben Sihanya, "Intellectual Property Confronts Counterfeiting in Africa"; *supra* note 2 pages 348-361.

[21] Chapter 63, Laws of Kenya.

[22] Act No.12 of 2001.

[23] Chapter 31, Laws of Kenya.

[24] Chapter 505, Laws of Kenya.

[25] The new law is titled 'The Anti-Counterfeit Act No. 13 of 2008.'The law was assented to on 24th December 2008 but its date of commencement is by notice. The notice has not yet been issued.

I.1 Statement of the problem

Intellectual Property (IP) has increasingly become a strong feature of international and regional trade arrangements and national legal instruments. From multilateral to regional and bilateral trade relations, Intellectual Property issues almost inevitably come to the fore as critical issues to be considered before business deals are struck.[26]

In this project paper the main issue addressed is whether Kenya's anti-counterfeiting laws make provisions that can effectively protect the economy and consumers from the adverse effects of counterfeit trade. The study explores and discusses these laws and tests their prospects for compliance with international standards.

To combat the menace of counterfeits trade Kenya needs an effective intellectual property rights regime. The implementation of intellectual property system requires a clear legal policy framework on these rights, a supportive framework on these rights, a supportive infrastructure for the implementation of the laws and policies which include trained personnel and office resources necessary to get the framework working.[27]

The general lesson history shows that countries have been able to adopt Intellectual Property rights regimes to facilitate technological learning and promote their own policy objectives. Because policies of in one country impinge on the interests of others, there has always been international dimension to debates on IP.[28]

Some people, however, argue that a growing economy needs counterfeiting so as to acquire technologies, goods and services, which may otherwise be inaccessible or

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[26] Patricia Kamere-Mbote, (April, 2004) *Intellectual Property in Africa: An Assessment of the Status of the Laws Research and Policy Analysis on Intellectual Property Rights in Kenya*, a paper for the Africa Centre for Technology Studies, page22.

[27] *Ibid*, page 24.

[28] John Burton, Daniel Alexander *et.al,*(London, September,2002) Integrating Intellectual Property Rights and Development Policy, *Report of the Commission on Intellectual Property Rights*, London September 2001 located at http://www .iprcommission.org page 20(last accessed on 9/6/08).

unaffordable.[29] Patented pharmaceuticals products such as AIDs drugs, for instance, are often too expensive and beyond the reach of poor parties because of royalties they attract.[30]

1.2 Research questions

I have pursued the following research questions in this project:

1. What are the international anti-counterfeiting standards?
2. How effective are Kenya's anti-counterfeiting laws in the fight against counterfeits?
3. How do these laws measure to international standards?
4. How can these laws be reformed to effectively combat counterfeiting and counterfeit products in Kenya?

It is hoped that in answering the above questions, the study will have identified the major issues arising out of the topic of study. The study has been focused and guided and the hope is that the research objectives have been met.

1.3 Research objectives

This study first seeks to establish the international standards on counterfeiting and how they influence trade relations. It also proclaims Kenya's position on these standards.

Secondly, the study explores Kenya's policies on trade in counterfeits and identifies the various laws against counterfeiting in Kenya. Using the international benchmarks, it will also analyze Kenya's anti-counterfeiting laws and assess their prospects for compliance.

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[29] Ben Sihanya, (2009) "Combating Trade in Counterfeit in Kenya " in Moni Wekesa and Ben Sihanya (eds)*Intellectual Property Rights in Kenya,* Konrad Adenauer Stiftung and Sports Link Limited, Nairobi page 241.
[30] *Ibid.*

Thirdly, the study investigates the anti-counterfeiting trends in South Africa and the United States of America. How do they deal with counterfeiting? How have they addressed the dilemma of fighting counterfeiting and allowing the trade on counterfeits to enable its people access and afford products, which are otherwise very expensive?

Finally, the study aims to find and appreciate Kenya's limitations on the fight against counterfeit trade. It considers whether Kenya needs to reform her anti-counterfeiting laws and policies. In this regard, change of policies and laws should serve the best interest of Kenya's economy.

1.4 Justification of the research

Kenya has a duty under international and constitutional law to protect its own citizens and all its residents from being defrauded by counterfeiters. In view of the fact that some counterfeit products like pharmaceuticals pose health risks and may cause deaths, the Government of Kenya must be on high alert to protect its people from being exposed to such dangerous products.[31]

Kenya must also protect its local manufacturers and traders dealing with genuine products from unfair competition and technological theft. Counterfeiters can create a parallel economy and cause the collapse of genuine local industries and businesses leading to loss of jobs, increased poverty and social unrest.[32] Generally, counterfeiters owe no obligation to anyone and reap where they have not sown and therefore the government must crack down on them.

The menace of counterfeiting in Kenya is further aggravated by the fact that ICT has now permeated every sector of life; political, social and economic. Counterfeiters have taken

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[31] See Ben Sihanya, "Intellectual Property Confronts Counterfeiting in Africa"; *supra,* note 2 page 339. Also Waikwa Maina, "Counterfeit medicine hit satellite towns" *Daily Nation* 28th February, 2008 Horizon magazine, *supra* note 5 page 14.

[32] See Ben Sihanya, "Intellectual Property Confronts Counterfeiting in Africa"; *supra* note 2, page 339, Charles Njeru, "Medicine go 'mitumba' way", *Daily Nation* 13th March 2008 Horizon magazine, *supra* note 3, page 1 and Ken Opala, "Alarm as fake goods flood local market", *Daily Nation* 9th June, 2008, *supra* note 8 page 4-5.

full advantage of this technology to create their products, market them, sell and distribute. Cyberspace is a very fertile ground for counterfeiters to transact their business and to hide. However, there is a bold attempt in Kenya to regulate the cyberspace and to combat crime therein through the Kenya Communication Act,[33] Industrial Property Act[34] and Kenya Communication (Amendment) Act of 2009.[35] The Kenya Communication (Amendment) Act in particular has *inter alia* elaborate provisions on e-commerce.

This study aims to asses the efficacy of Kenya's anti-counterfeiting laws and whether Kenya has effectively and comprehensively domesticated international standards on anti-counterfeiting.It is hoped that this research will contribute to the debate on the war against counterfeiting and counterfeit products and to shedding light on the legal and institutional constrains that Kenya may be facing in this area with a view to making proposals for reform. This study found that there is limited scholarly work done on the subject of anti-counterfeiting strategies in Kenya. Similarly it established that Kenya's jurisprudence on this particular area is scarce.

Having set out the basis for this research, attention now shifts to the theoretical framework within which the study is located.

1.5 Theoretical framework

To a lay person property is a physical thing. The Law, however, ascribes to property a conception of the mind. In this context, property is defined as that bundle of rights and expectations in a tangible or intangible thing that are enforceable against 3rd parties, to use, to exclude; allow others to use; sell, give away; dispose by will; recover from thief and compensation for damage.[36]

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[33] Act No.3 of 1998.
[34] Act No.3 of 2001.
[35] Act No.1 of 2009.
[36]Patricia Kamere-Mbote(2009) "Mansanto vs. Schmeiser:Implications for Land Rights of Farmers in Kenya" in Moni Wekesa and Ben Sihanya(eds)*Intellectual Property Rights in Kenya,* Konrad Adenauer Stiftung and Sports Link Limited,Nairobi page 112.

Two schools of thought inform the western philosophy to property ownership. These are the deontological or natural rights approach and the consequentalist or utilitarian approach. The deontological school teaches that a person has a natural right for a person's creation irrespective of the consequences. According to this theory an innovator is rewarded for working hard.[37]

John Locke (1632-1704) the father of the deontological school propounds that God gave the earth to mankind in common and that each individual has "property" in his/her own "person" and the "labour" of his/her hands.[38] In his two treaties of Government (1690) Locke says:

> Whatever, then, he removes out of the state that nature has provided and left it in, he has mixed his labour with it, and joined to it something that is his own, and thereby makes it his own property. It being removed from the common state nature placed it in, it has by his labour something annexed to it that excludes the common right of other men.[39]

The utilitarian theory is to the effect that government should enact laws that guarantee the happiness of the majority.[40] This theory was first propagated by Jeremy Bentham (1748-1832) who rubbished the natural approach of the law by saying:

> "Natural rights is simple nonsense and impresciptible rights, rhetorical nonsense – nonsense of stilt"[41]

Intellectual property rights (IPRs) are property rights in something intangible and protect innovations and reward innovative activity.[42] Allocating IPRs to the creator of a work

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[37] Moni Wekesa, (2009) "An Overview of the Intellectual Property Rights Regime in Kenya", in Moni Wekesa and Ben Sihanya , *Intellectual Property Right in Kenya*, Konrad Adenauer Stiftung and Sports Link Limited page 2.

[38] *Ibid* page 2 .Moni Wekesa quotes D.S. Chisum *et al ,Principles of Patent Law ,Cases and Materials ,3rd* eds,New York,Foundation Press.2004,page 39.

[39] *Ibid* page 2.Moni Wekesa quotes J.Locke,*Two Treaties of Government,, Civil Government*,7th edn,London ,Sweet and Maxwell Ltd 2001 page 148-150.

[40] *Ibid.*

[41] *Ibid.*Quotation extracted from J.Bentham , "An introduction to the principles of Moral and Legilation"(edited by J .H.Burns and HLA Hart(1970).

balances the private interests of the creator, by ensuring that she/he still has the incentive to create, against those of the society at large in having information available for its use.[43]

IP rights are primarily issued to encourage the creator to disclose his invention to the public and thereby promote progress of science and the useful arts.[44] The violation of IPRs may take the following form of copyright infringement, piracy, patent infringement or trade mark infringement.

Counterfeiting and trade in counterfeit products, as rightly pointed by Ben Sihanya, involves the falsification of the content, labels and/or packaging of genuine products by unscrupulous traders to deceive or confuse customers about their quality, origin and legitimacy.[45] Counterfeiters, therefore, infringe other persons' IP with impunity.

Basically, two schools of thought inform anti-counterfeiting laws. Some scholars argue that intellectual property contributes to poverty reduction by stimulating invention and new technologies that will increase agricultural and industrial production.[46] The proponents of anti-counterfeiting laws state that intellectual property is intended to recognize the human rights of innovators and reward them for expending money, skill, judgment, effort and time in research and development. This, they argue, gives them incentives to invest in various sectors of the economy.[47] This position traces its roots to the natural rights approach propounded by John Locke.

Others vehemently argue the opposite. They argue that that the rights limit the option of technological learning through imitation and do not benefit the poor because they will not

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[42] See Patricia Kamere- Mbote(2009) "Mansanto vs. Schmeiser:Implications for Land Rights of Farmers in Kenya, *supra* note 36 page 115

[43] *Ibid* page 116

[44]Evans Sikinyi,(2009) "Plant variety Protection (Plant Breeder's Rights) in Kenya " in Moni Wekesa and Ben Sihanya(eds)*Intellectual Property Rights in Kenya,* Konrad Adenauer Stiftung and Sports Link Limited,Nairobi page 14.

[45] See Ben Sihanya, " Intellectual Property Confronts Counterfeiting in Africa"; *supra* note 2, page 330.

[46]John Burton, Daniel Alexander *et.al,* (London, September, 2002) Integrating Intellectual Property Rights and Development Policy *supra* note 26, page 1.

[47] See Ben Sihanya, "Intellectual Property Confronts Counterfeiting in Africa"*; supra* note 2, page 337.

be able to afford genuine products.[48] Scholars opposed to the laws aver that intellectual property rights do little to stimulate invention and innovation in developing countries, because the necessary human and technical capacity may be absent.[49] These scholars belong to Jeremy Bentham positivist school.

This study endeavors to find out which of the two positions above inform the present anti-counterfeiting laws in Kenya and whether it should or not in my view.

1.7 Research methods and techniques

This research is qualitative. The research is mainly library based and involves to a great extent secondary data. It also employed analytical descriptive and prescriptive research methods.

The data for this research was collected mainly through the library as well as through internet searches. The Internet sources ware widely used particularly to find statistics of counterfeits in the market and to access the anti-counterfeiting laws and practises of South Africa and the United States of America for the purpose of comparative study.

The study also explored, analysed and critiqued scholarly books, journals, articles and reports, international conventions particularly the TRIPs agreement and the key anti-counterfeiting statutes of Kenya

The study did not undertake primary research owing to the time constrains and the limited resources that was available for the exercise.

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[48] *Ibid.*

[49] John Burton, Daniel Alexander *et.al,* (London, September, 2002) Integrating Intellectual Property Rights and Development Policy *supra* note 28, page 1.

1.8 Hypotheses

This project paper tested the following three hypotheses:

1. Kenya's anti-counterfeiting laws are obsolete and ineffective and thus are in dire need of reform.
2. Kenya's has not effectively domesticated international anti-counterfeiting standards.
3. The provisions of the new Anti-Counterfeit Act if effectively enforced will deter trade in counterfeits and related services in Kenya.

1.9 Literature review

Estelle and D'Amato state that developed countries advocate for strong intellectual property rights protection regimes as they suffer great losses through counterfeiting and contend that where sufficient protection is absent creators cannot recover their costs of research and development. This, they argue, result to lower production, few trading opportunities and higher costs to the consumer.[50]

The scholars, however, find that there is a developing demand that knowledge be treated as a common heritage of humanity and be made available free of charge to all nations as an act of development aid. They perceive IPRs as a means of exploiting the poor.[51]

Scholars like Peter Drahos and John Braithwate are also pro-counterfeiting. They argue that copying and imitation are central to our process of learning and acquisition of skills. The creator of innovation, in their submission, is always the borrower of ideas and information from others.[52]

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[50] Doris Estelle Long and Anthony D'Amato, (2000), *A Course Book on Intellectual Property Law*, West Group, St Paul Minn, page 11.
[51] *Ibid.*
[52] Peter Drahos and John Braithwate, (2002) *Information Feudalism: Who Owns the Knowledge*, Earthscan Publication, London, page 2.

The philosophical position propounded by the above scholars is antithetical to the basis of the present study. This study proceeds from the premise to ensure the economic growth IPRs ought to be enforced and protected hence the need for strong anti-counterfeiting laws in Kenya.

In his paper prepared for the United Nations Development Programme (UNDP), Dani Rodrik argues that the Eastern Asia tigers, South Korea and Taiwan have prospered due to reliance on trade with unorthodox policies as export subsidies, domestic content requirements, import-export linkages and copyright infringements, restrictions on capital flows, directed credit and so on that are either precluded by today's rules or highly frowned upon. He points out that in fact such policies were part of the arsenal of today's advanced countries until quite recently.[53]

This study argues to the contrary of Rodrick's position. It is argued herein that counterfeiting actually leads to economic retardation and loss in a country where the practice is prevalent. A strong anti-counterfeiting regime is, therefore, according to this study a catalyst for economic growth. The study is founded on the premise that Kenya subscribes to the international anti-counterfeiting standards set out in the WTO's TRIPs Agreement in the interest of harmonious trade relations.

While Rodrick grapples with the factors behind the economic prosperity of the Asian tigers, Maria Livanos Cattaui opines that the theft of intellectual property has become as serious in the society as the theft of physical property. She states that almost every successful product ranging from pharmaceuticals, toys, spare parts, cars and aircraft, software entertainment products to clothes, cosmetics and fashion accessories have been copied.[54]

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[53] Dani Rodrik, (April, 2001) *The Global Governance of Trade as If Development Really Mattered*, Harvard University, Cambridge.

[54] Maria Lavinos Cattaui, *"Counterfeiting is out of control"*, International Herald Tribune Friday, May 13,2005, http://www.iht.com/articles/2005/05/R/opinion/edcattavi.p (accessed 9/6/2008).

The pharmaceutical industry has always argued for stronger IPRs to enable it recoup costs incurred in research and development, and also to make a profit.[55] IPRs have therefore, been seen to be more favourable to multinationals of the west to the detriment of public health interests of third world countries. More, simply put, IPRs are viewed by some scholars as being an impediment to access affordable drugs in developing countries

Dr Sihanya argues that counterfeiters have sometimes been called Robin Hood of modern times who steal from IP have-gots (particularly Transnational corporations (TNCs) and western Industrialized countries) and allegedly give to IP-have-nots (poor consumers in developing countries).[56]

Robin Hood supporters argue that counterfeit trade has played a big role in the progress of many developing countries and that industries, household economies and individual consumers have prospered because or in spite of inadequate IP protection and promotion. They commonly cite India's and Pakistan's pharmaceutical Industries and argued these industries might never have developed fast as they did without support production and marketing of generic drugs, and do not look favourably upon drug patents.[57] The school posits that counterfeits offer competitive competition to legitimate traders forcing them to be creative and innovative leading to better products at reduced prices in an attempt to maintain their customers. They further argue that, inasmuch as counterfeits have been known to cause harmful effects on consumers as already discussed above, some counterfeits have no ill effects and will serve the consumer just as legitimate products would.[58]

Sihanya has analyzed the problem of counterfeiting in Africa including in cyberspace. He finds that anti-counterfeiting laws of many countries in Africa are weak and scattered in various statutes. He discloses that they do not have adequate laws regulating cyberspace and sometimes do not recognize technology as property that is capable of being counterfeited. His argument is that anti-counterfeiting is the better way to go as, in his

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[55] Linda Makutsa (2009) "Intellectual Property in Health Impact on Access to Drugs" in Moni Wekesa and Ben Sihanya (eds) in *Intellectual Property Rights in Kenya,* Konrad Adenauer Stiftung and Sports Link Limited, Nairobi page 113.

[56] See Ben Sihanya, "Combating Trade in Counterfeit in Kenya " *supra* note 29 page 219.Robin Hood is a medieval hero in English forklore who made a living by robbing rich travellers and sharing with the poor.

[57] Ibid page 220

[58] *Ibid.*

view, its long benefits outweigh its short term benefits that a country may realize from counterfeiting.[59]

Kenya's anti-counterfeiting laws are hinged on the Constitution[60] and can be gleaned from several statutes identified by Ben Sihanya in his typology of anti-counterfeiting laws in Africa. Apart from those already mentioned above, these statutes include the Standards Act[61], Seeds and Plant Varieties Act[62], Trade Marks Act,[63] and Weights and Measures Act.[64]

As stated above, case law on counterfeiting issues in Kenya is presently quite limited.[65] One typical anti-counterfeiting case heard in our courts is *Doshi Iron Mongers Limited & Another* vs. *The Kenya Revenue Authority & 4 Others* (unreported).[66] The case was a constitutional reference, filed on 10th September 2004 pursuant to section 84 of the Constitution. The parties to this case were Weights and Measures Department, Kenya Industrial Property Institute (KIPI), Kenya Bureau of Standards (KEBS), the Kenya Revenue Authority (KRA) and the Attorney General. It is evident the Respondents constituted basically all Kenya's Anti-counterfeiting agencies at the time.

The Applicants in this case sought numerous declarations. The courts determination of some of them exposed the weakness and ineffectiveness of Kenya's Anti-counterfeiting regime before the promulgation of the new Anti-counterfeit Act.

Some of the key declarations the Applicants sought in this case have since informed the reform of the anti-counterfeiting law in this country. These include firstly, the declaration that any act undertaken by the respondents jointly and or severally in seizing detaining

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[59] See Ben Sihanya, "Intellectual Property Confronts Counterfeiting in Africa"; *supra* note 2 page 329-364.
[60] The right to protection of property is provided under section 75 of the Constitution.
[61] Chapter 496, Laws of Kenya.
[62] Chapter 326, Laws of Kenya.
[63] Chapter 506, Laws of Kenya.
[64] Chapter 513, Laws of Kenya.
[65] See section 1.4 of this Chapter.
[66] Nairobi HC. Misc. Appl. No. 406 of 2004.

and/or destroying any product on the basis that such product is "counterfeit" was *ultra vires*, bad in law and/or illegal.

Secondly, the Applicant's sought a declaration that the raids carried out by the respondents either jointly or severally upon the Applicant's premises in search of purported "counterfeit" products were mala fides, null and void for having been done outside the law, arbitrarily, capriciously and in contravention of the Applicant's rights under section 77 and 82 of the constitution. Thirdly, a declaration that the seizures and detention of the Applicant's goods by the respondents were both unlawful and based in a misapprehension of the enabling statutes of the respondents

Fourthly, they sought a declaration that the actions of the respondent in carrying out raids searches, entries, seizures and detention of the Applicant's goods under the ambit of the anti-counterfeits secretariat based on 1st floor Times Tower, was illegal contrary to the provisions of the respondents parent Acts. That the said Anti-counterfeit" secretariat" is an illegal entity unknown to any law, and unconstitutional.

The Applicant's claim was that on 4/11/1996 raided the applicant's premises and seized 726 pockets of Bic ball pens purportedly for being counterfeit. Pursuant to the raid the 1st respondent Weights and Measures Department instituted a criminal case in the subordinate courts against the Applicants which dismissed for lack of evidence. On 23/8/2002 the 1st respondent officers again raided the applicant premises accompanied by police officers and officers from HACO Industries Ltd, the complainant. Subsequently the Applicants were charged with several grounds of supplying goods to which false trade description is applied contrary to section 3(b) as read with section 15 and 78 of the Trade Description Act in another criminal case. The particulars of the charges in the later case were that the Applicants supplied ball pens falsely implying the same were manufactured by HACO Industries Kenya Limited. The second case was, however, also dismissed for failure to prosecute.

On 28/8/2003 1st respondent Weights and Measures Department and 4th respondent KRA's officers again raided the same premises claiming that they were searching for

counterfeit produced. They seized 800 x 24 union locks, 300 dozen BAT lantern globes, 55 master knives, thermo vogue flasks, cutlery, Hyran jacks, tiger Head torches, bath mixers, pillar locks, shipers, clips, umbrellas, cell ball point pens, soup bowls, beverages sets etc, all alleged to be counterfeit. This provoked to file this suit seeking to have the respondents jointly and severally do pay the Applicant's special damages in the sum of Kshs 178,000,000 being the alleged value of the goods iilegally seized and detained by the respondents. They also sought to have the respondent be condemned to pay general damages and costs of the suit.

In this case, the 4th respondent argued through its counsel that it was empowered by the Constitution to seize and detail property and search premises of persons with the purpose of recovering taxes. It also stated that the constitution authorizes it to seize and take possession of property where it is necessary for public safety, public health and in order to protect the public from prohibited and restricted goods.

The court in 122 paged Judgment comprehensively analyzed the various Kenya's IPRs protection laws. The Courts main finding was that Customs and Excise Act Law relates to revenue collection and does not include detection, investigation or enforcement of counterfeit matters. It therefore ruled that Customs officers were not authorized to detect, investigate and enforce counterfeit matters and their action of impounding the Applicant goods were *ultra vires* the Customs and excise Act and hence unconstitutional. The further held that it was immaterial whether the goods were customed or unaccustomed. The court stated that every act of an investigative agency must be within the rule of law.

The court, however, found that no evidence of actual loss was advanced by the Applicants in respect to their claim to special damages and therefore dismissed the claim. In respect to the claim for general damages, the court awarded Kenya shillings 2,000,000 to the 1st applicant Doshi Iron Mongers and Kenya shillings 1,500,000 to the 2nd applicant Ashok Doshi against the 4th respondent. The court also ordered the respondents to return goods illegally seized and detained by the respondents that the respondents also be condemned to pay general damages exemplary damages and costs of the suit.

The Jugdement of the court in this case was delivered on 24th February, 2006.Its rationale was that there was no law empowering Kenya's custom officials to seize and impound counterfeit even if they stumble on them in the course of their duties. The outfit called Anti-Counterfeit taskforce based at Times towers purporting to co-ordinate other government departments in combating counterfeiting had *locus standi.* The legal inadequacies exposed by the court have now been settled with the enactment of Anti-Counterfeit Act. The Act creates the Anti-Counterfeiting which *inter alia* co-ordinates with other organizations in the national, regional and international front in combating counterfeiting. [67] It also specifically empowers custom officers to seize and detain suspected counterfeit goods being imported or entering into the country.[68]

In the next Chapter, this study will set the international anti-counterfeiting standards. It will also consider how these standards inform trade relations between nations and with multinationals.

[67] See section 3 of the Anti-Counterfeit Act, supra note 25.
[68] *Ibid* section 34.

CHAPTER TWO

INTERNATIONAL TRADE LAW AND ANTI-COUNTERFEITING STANDARDS

2.0 Introduction

International standards on anti-counterfeiting in the TRIPs Agreement were negotiated by member states of the World Trade Organization (WTO) in 1994 Uruguay Round of GATT negotiations. Combating counterfeiting and piracy, as well as the enforcement of IPRs generally, is one of the underlying purposes of the TRIPs Agreement .It forms part of the rights and obligations to which each WTO member has subscribed.

Concerns in the multilateral trading system about counterfeiting and piracy, however, predate the TRIPs Agreement. Rufus Yerxa, the Deputy Director of the WTO traces the anti-counterfeiting crusade to a proposal on trade in counterfeit goods submitted as early as 1978, as part of the Tokyo Round of trade negotiations.[69] Ben Sihanya argues that in the 1986, Uruguay Round of GATT negotiations:

> "...the US, Japan and European Community (EC) states emphasized the link between IP and transnational trade, arguing that non or weak protection of IP constitutes a non-tariff barrier to trade (NTB)."[70]

This position, he explains,

> "...was informed by policy shift instituted earlier by IMF, the World Bank and Africa's other bilateral development partners in the early and mid 1980's requiring that all states receiving and expecting Bretton Woods support would have to strengthen their IP regimes."

In recent years, intellectual property has attracted a lot of attention. Its importance for international trading relations was emphasized during negotiations that led to the

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[69] Rufus Yerxa, address (untitled) at the Third Global Conference on Combating Counterfeiting and Piracy 30-31 January 2007 at the International Conference Centre in Geneva Switzerland located at http://www.wipo.int/enforcement/en/global_congress/docs/rufus_yerxa.doc (last accessed on 16/04/2009).

[70] See B. Sihanya, "Intellectual Property Confronts Counterfeiting in Africa"; *supra* note 2, page 343.

successful conclusion of the 1994 GATT Uruguay Round of the world trading system. Paul Torremans discloses that the GATT's initiative that eventually led to the signing of the agreement on Trade Related aspects of Intellectual Property Rights by WTO members at Marrakesh was sparked off by a great desire to eradicate international counterfeiting and piracy.[71] The author gives the following account of what transpired in the negotiations:

> "... It became clear right from the early stage of the negotiations that the cure against fakes; a plague threatening (among other things) the worldwide exploitation of intellectual property rights required a harmonization of national intellectual property laws. It was felt that it was much easier to eradicate counterfeits at the source with a common set of minimum protection rules than afterwards at a national border once they are in circulation."[72]

From the foregoing, it is clear that ineffective anti-counterfeiting laws and the subsequent considerable increase in the production of and international trade in counterfeit goods were the principal motivation behind TRIPs Agreement.

This study will now closely look at the agreement with a view to setting out the key international anti-counterfeiting standards therein.

2.1 Anti-counterfeiting Standards in the WTO's TRIPs Agreement

TRIPs lays down the minimum standards for the protection of all main categories of IPRs. It seeks to address several concerns of states parties key among them being reducing distortions and impediments to international trade. This is done taking into account the need to promote effective and adequate protection of intellectual property rights, and to ensure that measures and procedures to enforce intellectual property rights do not themselves become barriers to legitimate trade.[73]

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[71] Paul Torremans (2001) *Intellectual Property Law*, Butterworths, London (3rd ed.) page 4.
[72] *Ibid.*
[73] See preamble to the TRIPs Agreement.

TRIPs does not define counterfeiting generally. However, it defines counterfeit trademark goods 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."[74]

A study conducted by John Dryden has suggested that to effectively combat trade in counterfeit goods and related services, governments work with the industry and move on five fronts.[75] First, their legal and administrative frameworks need to be sufficient to protect IPRs and their criminal and civil anti-counterfeiting remedies and sanctions be strong enough to be deterrent. Secondly, their anti-counterfeiting laws need to be adequately enforced and meaningful remedies and sanctions applied on consistent basis.

Thirdly, the research by Dryden found that there was need for governments to promote public awareness of the consequences and effects of counterfeiting on consumers, producers and society at large in the fight against counterfeiting. Fourthly, he found that co-operation between governments with affected industries needs to be pursued and fifthly, that a multilateral agreement with IPR enforcement, built upon TRIPs minimum standards could also potentially become a key instrument in combating counterfeiting.

In TRIPs, WTO members have recognized the need for a multilateral framework of principles, rules and disciplines dealing with international trade in counterfeit goods.[76] Part III of TRIPs is at the heart of the basic principles of the agreement. It lays down measures and procedures to be complied with by members in enforcing IPRs. It also obliges WTO members to make available procedures permitting effective action against acts of IPR infringement, including expeditious and deterrent remedies.[77] The said

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[74] See Article 51 of TRIPs.

[75] John Dryden, (2007) "Counting the Cost: The Economic Impacts of Counterfeiting and Piracy" presentation at the Third Global Congress on Combating Counterfeiting and Piracy 30-31st January 2007, International Conference Centre, Geneva available at www.oecd.org/sti/counterfeting (last accessed on 16/04/09). John Dryden is the Deputy Director for Science, Technology and Industry, OECD, Paris.

[76] See preamble to the TRIPs agreement *supra* note 66.

[77] See Article 41.1 of TRIPs.

procedures should also be fair and equitable and should not be unnecessarily complicated or costly, or entail unreasonable time limits or delays.[78] These safeguards are intended to ensure that the enforcement procedures do not constitute barriers to legitimate trade.[79] This is a core requirement of the TRIPs agreement set out in its preamble. Kenya being a signatory to the TRIPs Agreement is obligated to embrace these standards.[80]

TRIPs further specifies the civil and administrative procedures and remedies, including provisional measures, which must be available in respect of any act of infringement of IPRs.[81] It places emphasis on fair and equitable procedures relating to the availability of civil judicial procedures for right holders, adequate written notice for defendants, legal representation, personal appearance in proceedings, and evidence.[82] The remedies available for infringement include injunction, damages, payment of expenses including Attorney's fees, and order for recovery of profits and/or payment of pre-established damages.[83]

In 2000 Malaysia, for instance, amended its Copyrights and Trade Marks Act to bring it in line with the TRIPs obligations.[84] It is documented that between the year 2000 and the year 2007, counterfeits including falsely branded cigarettes and electrical goods worth over 60.8 million US dollars have been seized in various premises throughout that country.[85] This was done through the concerted efforts of Malaysia's Ministry of Domestic Trade and Consumer Affairs' Enforcement Division, Royal Customs Department and the Malaysian Port Authorities. Malaysia which ten years was placed on

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[78] See Article 41.2 of TRIPs Agreement.
[79] See Rufus Yerxa address at the Third Global Conference on Combating Counterfeiting and Piracy, *supra* note 69.
[80] *See* List of WTO members at *http://*Kery /WTO members .html (last accessed on 22/9/2009) *supra* note 16.
[81] See section 2 and 3 of TRIPs.
[82] Articles 41 and 42 of TRIPs
[83] See Articles 44 and 45 of TRIPs.
[84] Datuk Hj Mohd Shafie Bin Haj Apdal, Keynote address titled "Enhancing Coordination and Cooperation", at the Third Global Conference on Combating 30-31st January 2007, International Conference Centre, Geneva available at www.oecd.org/sti/counterfeting (last accessed on 16/04/09).Datuk Abdal is Malaysia's Minister for Domestic Trade and Consumer Affairs.
[85] *Ibid.*

"top priority" watch list with regard to protection of IPRs has now been placed on "watch list."[86]

The other remedies against infringement of IPRs set by TRIPs include disposal of infringing goods and materials and implements predominantly used for their creation outside the channels of commerce and destruction of infringing goods. Kenya's new Anti-Counterfeit Act provides for the destruction of imported counterfeit goods to keep them out of the channels of distribution.[87] Under the Act, Kenya's customs authorities have the option to order return of the goods to the country of origin if they are not in a position to destroy them.[88] Mariyln Krige, a South African trade mark attorney argues that this remedy can only be effective where there is co-operation between the different customs authorities and that if the same is not applied cautiously, it could be used simply to move the problem of the counterfeit goods to another jurisdiction.[89]

In awarding the above remedies, TRIPs provides that account must be taken of the need for proportionality between the seriousness of the infringement and the remedies ordered as well as the interests of third parties.[90] An infringer may also be ordered to inform the right holder of the identity of third persons involved in the production and distribution of the infringing goods or services and of their channels of distribution under the TRIPs agreement, unless this would be out of proportion to the seriousness of the infringement.[91] To curb abuse of its enforcement provisions, TRIPs provides for indemnification of the defendant victim of such abuse.[92]

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[86] *ibid.*
[87] See section 27 of the Anti-Counterfeit Act, *supra* note 25.
[88] *Ibid*
[89] Adams and Adams website; Marilyn Krige, "Kenyan Anti-Counterfeit Act new laws to fight counterfeiting," at *http://*www.adamsadams.com (last accessed on 28/10/2009).Marilyn Krige is a Trade Mark Attorney and a partner in the law firm of Adams and Adams based in Pretoria, South Africa. The firm is a leading Intellectual Property Rights law firm in the world.
[90] See Article 46 of TRIPs.
[91] See Article 47 of TRIPs.
[92] See Article 48 of TRIPs.

With regard to trademark counterfeiting, section 4 of TRIPs Agreement requires WTO members provide for border measures.[93] Under this section, states are specifically required to adopt procedures to enable a right holder, who has valid grounds for suspecting that the importation of counterfeit trademark goods may take place, to lodge an application in writing with competent authorities, administrative or judicial, for the suspension by the customs authorities of the release into free circulation of such goods.[94] The Agreement provides that the simple removal of the trade mark unlawfully affixed on the trademarked counterfeit goods is not sufficient, other than in exceptional cases, to permit release of the goods into the channels of commerce.[95]

In addition to the remedy of disposal or destruction of the infringing goods, competent authorities of WTO members are enjoined not to allow the re-exportation of counterfeit trademark goods in an altered state or to subject them to a different customs procedure except in exceptional circumstances.[96] Under Malaysia's Optical Discs Act, for instance, it is illegal to firstly, manufacture optical discs without a valid licence. Secondly, to manufacture optical discs without a manufacture's code is also illegal. Thirdly, failing to keep the records of the raw materials used, records of manufacturing output and records of suppliers and customers are also offences.[97]

TRIPs further provides that prompt and effective provisional measures may be ordered in order to prevent infringement of IPRs.[98] These measures are particularly employed to prevent entry into the channels of commerce of infringing goods, including counterfeit imported goods immediately after customs clearance to preserve evidence. These measures may be adopted *inaudita altera parte* meaning without hearing the accused.

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[93] See section 4 of TRIPs.
[94] See Article 51 of TRIPs.
[95] *Ibid.*
[96] Article 59 TRIPs.
[97] Datuk Hj Mohd Shafie Bin Haj Apdal, address titled "Enhancing Coordination and Cooperation", at the Third Global Conference on Combating Counterfeiting and Piracy on 30th-31st July 2007.
[98] See Article 50 of TRIPs.

Where trademark counterfeiting is done willfully and on a commercial scale, WTO member states are required to provide criminal procedures and sanctions.[99] The remedies available may include imprisonment, deterrent monetary fines, seizure, forfeiture, and destruction of any infringing goods and materials and implements predominantly used in the commission of the offence.[100]

In addition to the above enforcement provisions, TRIPs encourages WTO members to cooperate with each other to eliminate international trade in infringing goods. Under TRIPs member states request information from members on case-by-case basis in relation to specific judicial decisions or administrative rulings on protection of IPRs.[101] They are also required to ensure that they have established and notified contact points in their administrations to exchange information on such trade and are specifically called upon to promote the exchange of information and cooperation between customs authorities with regard to trade in counterfeit trademark goods.[102]

Developed countries came under the obligation to comply with TRIPs enforcement rules by 1996 and developing countries like Kenya and least-developed countries with effect from 2000. In the case of least-developed country members, the obligations kick off in 2013, or 2016 in the case of pharmaceutical products and test data. At the end of the transition period, the TRIPs Council reviews each member's implementing legislation. In this review, members in addition to notifying of their implementation legislation, reply to a checklist of question on their enforcement regime.[103] Kenya has so far attempted to domesticate the TRIPs agreement rules through the provisions of the Trade Marks Act, Industrial Property Act, Copyright Act and lately the Anti-Counterfeit Act.[104]

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[99] See Article 61 of TRIPs.
[100] *ibid.*
[101] See Article 63.2 of TRIPs.
[102] See Article 69 of TRIPs.
[103] See Rufus Yerxa address at the Third Global Conference on Combating Counterfeiting and Piracy, *supra* note 69.
[104] See Moni Wekesa,"An Overview of the Intellectual Property Rights Regime in Kenya" *supra* note 37 page 7-9. These statutes are Cap 506, Act No.3 of 2001, Act 12 of 2001 and Act No.13 of 2001, laws of Kenya respectively.

2.2 Anti-counterfeiting Standards of other International Agencies

Apart from TRIPs, there are other international anti-counterfeiting initiatives. A number of measures are evident especially at the international scene through the work of the World Intellectual Property Organization (WIPO), UN Educational Cultural Scientific Organization (UNESCO) World Health Organization (WHO) and some regional (sub) anti-counterfeiting regimes. As Dr Bernard Sihanya argues, African regional and sub-regional IP, IT and trade and investment regimes, however, have not evolved strong mechanisms to confront counterfeit trade.[105] I will now briefly set out some of the anti-counterfeiting initiatives carried out by these organizations.

2.2.1 WIPO's Anti-counterfeiting Standards

One of the oldest regimes on anti-counterfeiting and anti-piracy is embodied in WIPO. WIPO was established in 1967 by Stockholm Convention and became specialized agency of the UN in December 1974. Its mandate includes implementing the Paris Convention on the protection of industrial property of 20th March, 1883 (Paris union), the Berne Convention in the protection of literary and artistic works of 9th September, 1886 Berne Union; the Madrid Agreement on the registration of marks of 14th April, 1891 and the Rome Convention on protection of performers, products of photography and broadcasting organizations of October, 26th 1961.[106]

WIPO is at the heart of national, regional and international efforts to set the standards for the protection of IPRs and raise awareness of far-reaching impact of counterfeiting and piracy. It offers a forum for examining current intellectual property issues through its Advisory Committee on enforcement. It also responds to requests from countries for legal

[105] See B. Sihanya, "Intellectual Property Confronts Counterfeiting in Africa", *supra* note 2 page 361.
[106] ibid page 343.

advice on the protection and enforcement of IPRs and organizes a wide range of training programs for law enforcement agencies and administrative authorities.[107]

WIPO has been criticized for being weak and taking a narrow and traditional IP infringement law of counterfeit trade. As it applies to the UN system generally, Sihanya contends, WIPO has to work on a limited budget and rely on limited technical personnel knowledgeable or competent or interested in addressing counterfeit trade.[108] WIPO to its credit has, however, implemented a lot of reforms especially in the 1990s. It has promulgated a number of treaties such as WIPO Copyright Treaty (WCT) (20 December 1996); the WIPO Performances and Phonograms Treaty (WPPT) (20 December 1996) and the WIPO Trademark Law Treaty (TLT) (27 October 1994) and is now working with WTO on e-commerce and related issues.[109] These treaties cover the emergence of new technologies and Internet with some notable success.[110]

2.2.2 UNESCO's Anti-counterfeiting Standards

Sihanya documents that UNESCO has historically administered the Universal Copyright Convention (UCC) of 1952. UCC as promulgated, he notes, excludes moral rights in copyright protection and therefore brought the US within the transnational copyright regime.[111]

In recent times, UNESCO and World Customs Organization (WCO) have signed a memorandum of understanding (MOU) to determine and implement, each within its own field of competence, ways and means of enhancing co-operation WCO. The MOU is

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[107]Kamil Idris, Opening Address (untitled) at the third Global Congress on Combating Counterfeiting and Piracy, International Centre, Geneva 30-31January, 2007 at http://www.wipo.int/ (last accessed on 16/4/2009). Dr Kamil Idris is the Director General WIPO.

[108] See B. Sihanya, "Intellectual Property Confronts Counterfeiting in Africa"; *supra* note 2, page 343.

[109] *Ibid.*

[110]Eckart Guth, address (untitled) at the third Global Congress on Combating Counterfeiting and Piracy, International Centre, Geneva 30-31January, 2007 at http://www.wipo.int/ (last accessed on 16/4/2009). Eckart Guth is a European Union Ambassador.

[111]See B. Sihanya, " Intellectual Property Confronts Counterfeiting in Africa"; *supra* note 2, page 343

signed with a view to combating illicit traffic in culture property. This includes counterfeit cultural property.[112]

UNESCO also organizes the celebration of World Copyright Day every year on April 23. One of the main objectives of this day is to promote the protection of written works through the use of Copyright. This day also provides an opportunity for the general public to recognize the achievements and rights of authors who have contributed to social and cultural progress.[113] On such a day, counterfeiters are usually condemned.

WIPO and UNESCO have marked achievements on the protection of folklore, a critical area in the anti-counterfeiting discourse. They formulated, Sihanya discloses, the Model Provisions for National Law on the Protection of Expressions of Folklore Against Illicit Exploitation and Other Prejudicial Actions in 1982.[114]

2.2.3 WHO's Anti-counterfeiting Standards

The need for greater international cooperation in combating counterfeit medical products has been recognized by the World Health Assembly (WHA) in resolutions WHA 41.16 of 1988 and reiterated through resolutions WHA 47:13(1994), WHA52: 19(1999) and WHA 57:14(2004).[115] In February 2006, WHA proposed the establishment of International Medical Products Anti-counterfeiting Taskforce (IMPACT) at an international conference in Rome and was endorsed by 160 participants.[116]

The WHA Conference in Rome issued a set of principles and recommendations calling WHO to lead the establishment of IMPACT and set the conceptual framework for its work. The conference proposed that first, IMPACT will improve collaborations among government's organizations; agencies and associations engaged in combating counterfeit

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[112] See World Customs website at *http*:/www.wcoomd.org (last accessed on 22/9/2009)
[113] *ibid.*
[114] See B. Sihanya, "Intellectual Property Confronts Counterfeiting in Africa"; *supra* note 2, page 343.
[115] These resolutions are located WHA website at http://www.who.int/medicines/services (last accessed on 16/04/2009.)
[116] Preamble to the IMPACT terms of reference located at http://www.who.int/medicines/services.

medical products at the national, regional and/ or international level. Secondly, in light of the global dimension of counterfeiting, that IMPACT will raise awareness among international organizations and other stakeholders on the adverse effects of counterfeit medicine. Thirdly, that IMPACT will raise awareness among national and regional authorities and decision-makers with a view to calling for effective legislative measures in order to combat counterfeit medical products. Fourthly, IMPACT will develop technical and administrative tools to support the establishment or strengthening of international, regional and national strategies and fifthly, it will encourage and facilitate co-ordination among different anti-counterfeiting initiatives.[117]

This study will now briefly interrogate the major regional IP regimes in Africa and expose their anti-counterfeiting agenda.

2.3 Regional Anti -counterfeiting Standards in Africa

In Africa, the African Regional Industrial Property Office (ARIPO) established by Lusaka Agreement of 9th December 1976 represents the IP regime for English speaking African countries.[118] On the other hand, the Organization Africaine Propriette Intellectuate (OAPI) established by the Libreville Agreement of 1962 brings together Francophone Africa. OAPI is based in Yaounde, Cameroon.[119] These regimes seek to promote, harmonize and develop the industrial property system and in effect fight counterfeiting in their respective regions.[120] They make no particular provisions with regard to counterfeiting.

Kenya is a member state of the ARIPO protocol. An industrial design registered by African Regional Industrial Property Organization (ARIPO) shall have the same effect in Kenya as an industrial design registered under Kenya's Industrial Property Act. However, this position will not obtain where the Managing Director of KIPI has communicated to

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[117] *Ibid.*
[118] See, "About ARIPO'' at *http*://www.aripo.org/ (last accessed on 30/7/2007).
[119] See, "History of OAPI'' at *http*://www.oapi.wipo.net/en/OAPI/histirique.htm (last accessed on 30/7/2007).
[120] *Ibid*, note 118 and 119.

ARIPO a decision in accordance with the provisions of the Protocol that registration shall have no effect in Kenya.[121]

Sihanya rightly observes that the major regional trade blocks in Africa which include the Common Market for Eastern and Southern Africa (COMESA), the Southern African Development Community (SADC), the Economic Community for West Africa States (ECOWAS) and the Agreement for East African Co-operation (EAC) have not integrated IP and technology transfer questions in their policies and institutional measures.[122] He asserts they:

> "…. both (sub) regional economic initiatives and major IP regimes in Africa share noisy silence on consumer protection in the context of increased counterfeiting."[123]

This study is in agreement with this position.

2.4 Conclusion

Now more than ever, strong commitments from WTO member countries are required if counterfeiting is to be stamped out or at least minimized globally. TRIPs merely provides the basic minimum guidelines of compliance. With the increasing scope of sophistication and the increasing volume of criminal activity in the area of counterfeiting particularly in the Internet, nations need to promulgate ICT oriented anti-counterfeiting legislations to counter this assault. There is also need for greater international collaboration in fighting counterfeiting owing to its borderless and clandestine nature.

Having discussed the international anti-counterfeiting standards and how they relate to international trade, in the next chapter, I will give an overview of Kenya's anti-counterfeiting laws and practices and gauge them against these standards. The provisions of the new Anti-Counterfeit Act[124] in this regard will particularly come into sharp focus.

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[121] See Section 94 (1) of Kenya's Industrial Property Act No. 3 of 2001,*supra* note 29.
[122] See B. Sihanya, "Intellectual Property Confronts Counterfeiting in Africa"; *supra* note 2, page 361.
[123] *Ibid.*
[124] See Act No.13 of 2008, *supra* note 25.

CHAPTER THREE

AN OVERVEIW OF KENYA'S ANTI-COUNTERFEITING LAWS

3.0 Introduction

In Kenya, unscrupulous business persons trade in counterfeit medicine, motor vehicle components and lubricants, foodstuffs, seeds and chemicals, among other items. The products are not only substandard but also dangerous to use.[125] This illicit trade has occasioned Kenya and its people great losses.

However, in chapter one I found that for a long time, Kenya did not have an anti-counterfeiting statute. Her anti-counterfeiting laws were housed in several statutes.[126] In view of the devastating impact on the economy of trade in counterfeits, Kenya's Parliament recently passed a new legislation to comprehensively deal with the problem.[127] The new legislation is a strong attempt to consolidate Kenya's anti-counterfeiting laws and to make them compliant with the minimum standards set out in TRIPs.

In the old anti-counterfeiting regime, the general statutes of procedure mainly covered the procedural aspects governing the enforcement of Kenya's anti-counterfeiting laws. These are the Evidence Act,[128] the Criminal Procedure Code[129] and the Civil Procedure Act[130]

The new Anti-Counterfeit Act, however, provides for clear and detailed enforcement procedures. With regard to trade in counterfeits in the cyberspace, Kenya Communication

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[125] Mukhisa Kituyi speech delivered during a workshop on Counterfeits and Substandard Goods held on 13th July 2004. Mukhisa Kituyi is a former minister of Kenya for Trade and Industry located at http://www.tradeandindustry.go.ke/.

[126] These statutes include the Industrial Property Act *supra* note 34, the Copyright Act *supra* note 22, Seeds and Plant Varieties Act *supra* note 62, Trade Marks Act *supra* note 63, Weights and Measures Act *supra* note 64, Trade Descriptions Act note 24, the Penal Code *supra* note 21, the Standards Act *supra* note 61 and the Sale of Goods Act *supra* note 23.

[127] See the Anti-Counterfeit Act No. 13 of 2008", *supra* note 23.

[128] Chapter 80, Laws of Kenya.

[129] Chapter 75, Laws of Kenya.

[130] Chapter 21, Laws of Kenya.

(Amendment) Act,[131] another new legislation, provides a legal framework for the collection and presentation of evidence in suits filed in respect to them.

With regard to constitutional underpinnings of Kenya's anti-counterfeiting laws, Dr. Sihanya has found that remarkably, Kenya's constitution has not captured concerns on innovation and IP.[132] He observes that section 70 of the Constitution which encompasses the spectrum of the Bill of Rights and section 75 which provides substantive property guarantees are limited to real property as opposed to technological innovations, cultural innovations and IP.[133] It has, however, been argued that its spirit prohibits discrimination against illiterate innovators.[134]

Today, Sihanya argues, land plays less significant role in development and global competitiveness.[135] He contends the major sources of development include ICT like software, the internet and e-commerce; new materials like fibre optics and super conductors and biotechnology and environmentally sound technologies.[136] The ongoing constitutional review process, according to Sihanya, offers Kenya a unique opportunity to constitutionalize norms that promote innovation and to politically and financially strengthen IP regulators.[137]

In this chapter, this study will identify the key anti-counterfeiting statutes and probe the anti-counterfeiting laws in them. Counterfeiters mainly infringe other persons' patents industrial designs, utility models, trade marks and copyrights. Their goods usually do not meet the legally set standards and are inaccurate in weights and measures. However, these unscrupulous traders knowingly misrepresent to the public the nature, source and

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[131] Act No. 1 of 2009 *supra,* note 35.
[132]Ben Sihanya ,(2009) " Intellectual Property and Mentoring for Innovation and Industrialization in Kenya" in the Law Society of Kenya Journal Vol.5 Number 1 2009 page 57.
[133]*Ibid.*
[134] Ben Sihanya , (2005) "Copyright Law, Teaching and Research in Kenya", East Africa Law Journal Vol.2 2005 page 34.The argument has been by Richard Kuloba in his book *Principles of Injunctions*,(Nairobi, Oxford University Press,1987) pages 124-134.
[135] Ben Sihanya, *How can we constutitionalise innovation, Intellectual property and Technology Transfer in Kenya?* Published by ATPS in 2001, page 13.
[136] *Ibid.*
[137] *Ibid,* page 22

quality of their goods and services for their selfish gain. I will discuss the anti-counterfeiting laws promulgated in Kenya to counter these breaches.

3.1 Patents Law and Counterfeiting in Kenya

In Kenya the Industrial Property Act makes specific provisions for patent protection. This legislation was enacted in 2001 to bring Kenya's industrial property laws in compliance with TRIPs. The Act creates the Kenya Industrial Property Institute (KIPI) to consider applications for and grant industrial property rights, promote inventiveness and innovativeness in Kenya, screen technology transfer agreements and licences and to provide the public with industrial property information for technological and economic development.[138]

Applications for the registration of trademarks, patents and industrial designs are filed at the KIPI. The institute is governed by a Board of Directors and headed by a Managing Director appointed by the Board.[139] The Board of Directors of the institute, although heavy with Government representatives, has representation from other stakeholders among them representatives of the Kenya Industrial Research Development Institute (KIRDI), Kenya Association of Manufacturers (KAM), the Law Society of Kenya (LSK), Kenya Medical Research Institute (KEMRI), the public universities, Institution of Kenya Engineers (ISK) and Jua Kali Association.[140]

The representation of the KAM in the board is a positive move towards protecting manufacturers' IP interests. These interests include fighting the proliferation of counterfeit merchandise in the market, which occasion huge losses to the genuine manufactures.[141] There is, however, no representation of consumer interests in the board. As discussed in chapter one of this paper, consumers also suffer loss of value for their

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[138] See Act No. 3 of 2001 *supra* note 34, section 3 and 5.
[139] *Ibid,* section 7.
[140] *Ibid*, section 11.
[141] See Ken Opala, "Alarm as fake goods flood the local market"; *supra,* note 8.

money by purchasing inferior counterfeit goods and worse still counterfeit may cause serious health problems to them.[142]

To qualify for patent protection under the Act an alleged invention must be novel, display an inventive step, have industrial application and finally, exhibit patentable subject matter.[143] Upon registration of patent, the Act grants a patent owner the right to preclude any person from exploiting the protected product or process by making, importing, offering for sale, selling, using or stocking the product or process.[144] Although this right is exclusive, it has certain limitations. A patent, for example, shall have no effect against any person who uses an invention in good faith for the purposes of his enterprise or business before the patent is filed.[145] KIPI closely works with WIPO and ARIPO in conducting training of its personnel and conducting novelty searches.[146]

In Kenya, it is documented that about 90% of patent applications are made by foreign companies like Samsung and Nokia.[147] On the other hand, local investors who are mainly in the engaged in the *Jua Kali* industry are keen on imitation and copying.[148] They rarely utilize information in the patent office, which could give more information on technology and fail to sufficiently brand their products.[149]

Infringement of patents under the Act may arise either from counterfeiting of patented product or process or the outright exploitation of the patented invention without the permission of the patent owner.[150] Civil remedies available to the patent owner include an injunction to prevent infringement where infringement is imminent or to prohibit the

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[142] See Waigwa Kamau, "Counterfeit medicine hit satellite towns"; *supra* note 5.
[143] See Act No. 3 of 2001 *supra* note 34 sections 24, 25 and 26.
[144] *Ibid,* sections 54 and 92.
[145] *Ibid,* section 56.
[146] Ben Sihanya , "Intellectual Property and Innovation in Kenya: Legal and Regulatory Issues in Business Incubation" *in Prof .Bernard Aduda* (ed) *Science and technology Park Development for Sustainable Industrial Growth: Proceedings of the National Workshop in commemoration of the Scientific Revival Day of Africa June 2004* page 46.
[147] See Ben Sihanya, ""Intellectual Property and Mentoring for Innovation and Industrialization in Kenya", *supra* note 127 page 45.
[148] *Ibid.*
[149] *Ibid*, page 48.
[150] See Act No.3 of 2001, section *supra* note 34, section 105.

continuation of the infringement if started, damages depending on the loss suffered by patent owners, account for profit, delivery up and destruction of infringing articles.[151]

One example of a patent infringement case in Kenya is the case of *Sanitam services (EA) Limited* v. *Rentokil (K) Limited & Another.*[152] In this case the Plaintiff claimed the Defendants by using the foot operated litter/sanitary bin and/or holding to customers its use was calculated to confuse the goods as those being goods manufactured or provided by and on behalf of the Plaintiff. It sought orders of damages for passing off, an account of profits, delivery up, repossession and destruction on oath of the sanitary bins in issue, general damages and costs against the defendant. It also sought to have the defendants jointly and severally to be restrained from manufacturing and/or using the foot operated litter/sanitary bin and/or holding to customers the use of that litter/sanitary bin.

The defendants' defence in said case was that its parent Rentokil Singapore PTE Ltd had already obtained a patent of the alleged Plaintiff's invention in the UK and Malaysia and further that the device has been in the market for years. The court dismissed the claim stating that the plaintiff called no customers called to prove the Defendants interfered with them and that the items in issue were already in the market .The court also found that the alleged invention was an improvement of existing foot pedals bins.

The Act has a mechanism to prevent abuse of infringement proceedings. Any person threatened with infringement proceedings without basis may seek an injunction to prohibit such threats and to award damages for loss resulting from the threats.[153] The claimant, however, must have proof that the acts performed or to be performed by him do not constitute infringement.[154] The jurisdiction to grant the aforesaid orders is vested on a tribunal established under the Act.[155]

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[151] *Ibid,* section 106.
[152] Nairobi HCCC No. 58 of 1997 (unreported).
[153] See Act No. 3 of 2001 *supra* note 34, section 108.
[154] *Ibid.*
[155] *Ibid.*

It is also a criminal offence under the Act to infringe on others patents, registered utility models or industrial designs. The penalty for this offence is a fine of between Kenya 10,000 thousands to Kenya shillings 50,000 and/or imprisonment of between three to five years.[156]

Apart from the Industrial Property Act, the other statute dealing with patent protection in Kenya is the Seeds and Plant Varieties Act. The Act specifically provides for the protection of patented seeds. The main objective of the Act is to provide guidelines for the testing and certification of seeds, to control the importation of seeds and to provide for the grant of proprietary rights to persons breeding or discovering new varieties.[157]

The Act also grants plant breeders in a plant variety exclusive right to produce reproductive material of the variety for commercial purposes.[158]Any infringement thereof is actionable and the owner of the right who is entitled damages, injunction, and account for profits.[159]

It also is an offence under the Act to make false representation or give false information regarding the exercise of plant breeders' rights. This attracts either a fine not exceeding 20,000 thousands shillings or imprisonment of up to six months.[160] A body corporate is liable too for any offences committed by or attributable to its officers in this regard. [161]

In Kenya plant breeders' rights (PBRs) are administered by Kenya Plant Inspectorate Service (KEPHIS) under the Ministry of Agriculture.[162] KEPHIS receives applications for PBRs and conducts tests to satisfy itself that the variety qualifies for patent protection as per the criteria of novelty, distinctiveness and uniformity.[163] KEPHIS carries out the

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[156] *Ibid,* section 109.
[157] See Preamble to Cap 326, supra note 62.
[158] *Ibid,* section 3.
[159] *Ibid*, section 20 (1).
[160] *Ibid,* sections 25 and 33.
[161] *Ibid*, section 32.
[162] Patricia Kamere-Mbote, "Intellectual Property in Africa: An Assessment of the Status of the Laws Research and Policy Analysis on Intellectual Property Rights in Kenya," *supra* note 26 page 27.
[163]

variety tests itself or may take over the results of other plant variety protection offices under the International Convention for the Protection of New Varieties of Plants (UPOV).[164]

KEPHIS was established in 1996 and according to Dr Evans Sikinyi KEPHIS has played a leading role in spearheading plant variety protection in Africa, placing Kenya second to South Africa.[165] It has also trained manpower and put in infrastructure to carry out plant variety testing.[166]

Authorized officers under the Act have powers to enter any premises, other than premises used exclusively as private dwellings to enforce the Act.[167] The Act also establishes a Seeds and Plants Tribunal whose function include hearing appeals among disputing parties and provides for the suspension of or the operation of any related activity pending the determination of the appeal.[168] Where false particulars concerning matters that are to be ascertained by seed tests are included in a statutory statement, section 31 of the Act prescribes criminal proceedings against an accused.

From the foregoing findings, it is evident the provisions of Seeds and Plants Varieties Act can be used to effectively fight counterfeiting of protected seeds and plant varieties. However, the sanction of less than twenty thousand Kenya shillings fine or imprisonment of six months provided therein for breach of plant breeders' rights, in my view, is too lenient to deter counterfeiters who are usually rich and well connected.

Another key IP protection statute in Kenya is the Trade Marks Act.[169] According to Professor Patricia Kameri-Mbote the law is the most frequently used IP legislation in Kenya.[170] Like patents most trade mark applications in Kenya are, however, made by

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[164] *Ibid.*
[165] See Evans Sikinyi, "Plant variety Protection (Plant Breeder's Rights) in Kenya", *supra* note 44 page 100.
[166] *Ibid.*
[167] See Act No. 3 of 2001 *supra* note 34, section 30.
[168] *Ibid,* sections 28 and 29.
[169] Trade Marks Act 506, *supra* note 63.
[170] Patricia Kamere-Mbote, "Intellectual Property in Africa: An Assessment of the Status of the Laws Research and Policy Analysis on Intellectual Property Rights in Kenya," *supra* note 26 page 29.

foreign investors.[171] Trade marks in Kenya are registered by KIPI and administered by its Managing Director but the substantive law protecting trade mark owners in Kenya is the Trade Mark Act.[172] The Act has elaborate provisions against the infringement of trade marks. This study will now examine some and show how they are applicable in fighting counterfeiting.

3.2 Trade Marks Law and Counterfeiting in Kenya

Counterfeiters often use trade marks to misrepresent the quality and sources of their goods by faking and applying on them or their packaging the trade mark of a reputable brand. Under the Trade Marks Act only registered trade marks are accorded protection although it is still unlawful for any one to pass off his goods as the goods of another.[173] According Dr Sihanya, counterfeiting is therefore the highest and most blatant form of trade mark infringement and passing off.[174]

The main criteria for registration of trade marks and service marks are distinctiveness and originality.[175] A trade mark does not have to be a name. Sihanya explains that olfactory marks or scents like chanel No.5,poeme, JLO or Jadore ;symbols, colours such as orange for telephone companies in Kenya and Europe and shapes like the coca cola bottle are trademarked.[176] Sections 7 and 8 of the Trade Marks Act outlaw the use of a registered trade mark by any other person other than the proprietor or a registered user of the trade ma rk. Acts of infringement under these sections include the use of an identical or similar mark so as to deceive or cause confusion in relation to any goods subject to the trade mark and in the process passing off the goods as subject to the trade mark or importing a reference to some person having the right either as proprietor or as licenced user.

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[171] *Ibid.*
[172] See the Trade Marks Act 506; *supra* note 60, Section 7.
[173] See section 5 of the Trade Marks Act 506, *supra* note 63.
[174] See Ben Sihanya, "Combating Trade in Counterfeits in Kenya" *supra* note 29 page 231.
[175] Patricia Kamere-Mbote, "Intellectual Property in Africa: An Assessment of the Status of the Laws Research and Policy Analysis on Intellectual Property Rights in Kenya," *supra* note 26 page 28.
[176] Ben Sihanya, "Intellectual Property and Innovation in Kenya: Legal and Regulatory Issues in Business Incubation", *supra* note 137 page 50.

Sihanya argues that trade marks constitute the interface between invention and packaging or marketing.[177] He further contents that Trade mark law has developed from passing off and unfair competition law that seeks to ensure that no person passes off her or its services or technologies as another's.[178] These arguments are captured in some provisions of the Trade Marks Act. The Act, for example, provides that a purchaser or owner of the goods will be infringing on the trade mark if he applies the trade mark upon the goods after they have suffered alteration in any manner specified in the sale contract.[179] On the other hand, if he removes a trademark from the goods without removing any other matter that is on the goods indicating a connection in the course of trade between the proprietors or the registered user and the goods, he also commits a breach.[180]

The Act, further, provides that the application of any other trade mark other than the genuine one or addition of any other goods to the goods subject of the trade mark in a manner likely to injure the reputation of the trade mark constitutes an infringement.[181] Counterfeiting, which includes interference of goods in a way that lowers their value and selling them under another's trade mark also constitutes an infringement of the Trade Marks Act.

In all legal proceedings relating to a registered trade mark, the fact that a person is a registered as a proprietor of a trademark shall be prima facie evidence of the validity of the original registration of the trademark and all subsequent assignments and transmissions thereof.[182] The civil remedies for trade mark infringement are the usual ones in civil action, which are damages, injunction and an order for account. The only remedy, which is peculiar to IP, is an order for delivery up and destruction of infringing articles.[183]

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[177] See Ben Sihanya, "Combating Trade in Counterfeit in Kenya" *supra* note 29, page 231.
[178] *Ibid.*
[179] See section 5 of the Trade Marks Act 506, *supra* note 63.
[180] *Ibid.*
[181] *Ibid.*
[182] *Ibid*, section 46.
[183] David Kitchen et al, (200I), *Kerly Law on Trademarks and Trade Names,* Sweet and Maxwell London page 18-01-18-195

Before commencing infringement proceedings the trade mark owner may address "cease and desist" letter to the infringer warning him that his actions constitute infringement and that he should stop. The letter also requires him to withdraw all infringing articles from the market and account to the trade mark owner for the profits made through the use of the mark.[184] If the defendant has maliciously and deliberately infringed the plaintiff's trademark even after due warning of the prosecution the court may award exemplary or punitive damages.[185] The court may also order the defendant to account to the plaintiff for the profits made on the sale of goods infringing trademarks and to pay over such profits to the plaintiff.[186]

In Nairobi HCCC (Milimani Commercial Court) *Premier Food Industries Limited* v. *AL-Mahra Limited* (unreported)[187], for instance, the plaintiff sought for an interlocutory injunction to restrain the Defendant directors, employees, servants and/or agents from using the trade name "PET-TOP" or any other name similar to those of the Plaintiff. The use, in issue, was particularly packing, selling or offering or displaying for sale any product and /or goods bearing the name "PET-TOP".

The main ground of the claim is that the offending mark is a registered trade mark in respect of the Defendants tomato sauce which is identical with or strikingly similar to those of the Plaintiff's trade mark names PEP, "PEPTO" and PEPTANG so as to create confusion among the public as it can and is being passed off as that of the Plaintiff. The Plaintiff is a manufacturer of various consumer products including tomato sauce and ketchup with a well-known market in Kenya and East Africa.

On observing the Defendant's trade mark "PET-TOP" and the Plaintiff's mark "PEPTANG", the court found that their syllables are identical, against the same background and slant in the same manner. The Court was therefore satisfied that the

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[184] *Ibid.* As discussed in this chapter section 3.1 these remedies are also available in respect to breach of patents and industrial designs. See section 106 of the Industrial Property Act; *supra* note 34 and section 20 of the Seeds and Plant Varieties Act *supra,* note 62.
[185] *Ibid.*
[186] *Ibid.*
[187] See Nairobi HCCC No.661 of 2005.

Plaintiff had demonstrated a misrepresentation by the Defendant to the public that the goods or products or services offered by it are the goods or services of the Plaintiff. The court granted the plaintiff the injunction sought on the undertaking that it will pay damages in the event that the court on substantive hearing finds that the injunction ought not to have been issued.

Under the Trade Marks Act any person who trades on forged or falsely applied registered trade mark shall be guilty of an offence punishable by a fine not exceeding Kenya shillings10, 000 or imprisonment for a term not exceeding five years or both.[188] It is also an offence attracting the same penalty to procure, counsel, aid, abet or to be accessory within Kenya to the commission of an act outside Kenya, which would be infringement of trade mark if committed in Kenya.[189] Any goods in respect which or by means which trade mark has been infringed may be forfeited to the Government unless a court orders otherwise.[190] These would include counterfeit goods.

Trade marks which are not registered under the Trade Marks Act are protected by the Penal Code.[191]The Act provides that counterfeiting under such trade marks is a misdemeanour attracting the general fine or imprisonment provided for misdemeanors.[192] However, the Act provides that any person found guilty of counterfeiting a trade mark may be ordered to forfeit the goods or materials used in the counterfeiting.[193]

Unlike patents and trade marks, copyright in Kenya is not acquired through registration. Copyright rests automatically on the author and qualifies for protection under the Act. This system is advantageous because securing copyright through it is not restrictive. Its drawback, however, is that IP creators and users or consumers do not have a good account and record of IP innovations and products.[194] Sihanya contrasts this situation with that in the US where copyrightable works and publications are invariably registered

[188] See sections 58D and 58E of the Trade Marks Act Cap. 506 *supra* note 54.
[189] *Ibid*, section 58F.
[190] *Ibid* section 58H.
[191] See Cap 63, Laws of Kenya, *supra* note 21 section 380.
[192] *Ibid,* section 381.
[193] *Ibid.*
[194] See Ben Sihanya , "Copyright Law, Teaching and Research in Kenya", *supra* note 135 page 50.

deposited and stored in a library of the Congress in a manner generally accessible to the public.[195] The Copyright Act[196], however, provides strong reliefs to counter breach of copyright. I will now study some of its provisions and determine how they may be applied to combat counterfeiting of copyrighted materials.

3.3 Copyright Law and Counterfeiting in Kenya

In Kenya, copyright law is substantially provided in the Copyright Act. The Act establishes the Kenya Copyright Board whose mandate is to administer all matters of copyright and related rights in Kenya.[197] The board is under the Office of the Attorney General but enjoys semi-autonomous status.[198]

The Act outlaws certain activities that in their effect promote counterfeiting of copyrighted materials. For instance, under the Act it is a civil wrong to import pirated copies. It is also wrong to circumvent technological devices used to protect copyright rights, remove or alter electronic rights management systems and to distribute, import and broadcast copyright works without the consent of the owner.[199] The remedies provided for under the Act include damages, injunction, and delivery up. The Act also provides for *Anton Pillar* orders to secure evidence before it is hidden or destroyed by the accused party.[200]

In the case of *Alternative Media Ltd* v. *Safaricom Limited* [201], for example, the Plaintiff brought an action for breach of copyright artistic work. The plaintiff's artistic work in issue was in the words "WE DECLARE TOTAL WAR ON AIDS" against the background of a picture of a smiling lady to create AIDS awareness. It sought to have the have the defendant permanently restrained from further infringement of its artistic works and to forfeit and deliver up to the Plaintiff, the copies of infringing marks as well as

[195] Act No.12 of 2001, *supra* note 22.
[196] *Ibid.*
[197] See Act No.12 of 2001; *supra* note 22 sections 3 and 5.
[198] See Kenya Gazette of 22nd July 2006.
[199] See Act No.12 of 2001; *supra* note 22 section 35.
[200] *Ibid,* section 35(4) and 37.
[201] See Nairobi HCCC No.264 of 2004.

articles specifically designed or adopted for making infringing copies. In the alternative, that the infringing copies be destroyed, damages for alleged infringement or an account for profits and to be paid the money due plus costs and interests.

On the other hand, the Defendant *inter alia* denied the plaintiff owned any copyright and stated its own designers designed the scratch cards in issue. The defendant asserted that the plaintiff's effort of creating the picture of a smiling lady alongside AIDS message was not uniquely artistic. The court, however, found that the Defendant did infringe the Plaintiff's copyright and was injuncted it from further utilizing any of the Aids awareness messages created by the Plaintiff. The Plaintiff claim for damages was premised on an anticipated donor funded project, which failed to take off. The court, therefore, found that the defendant was not entitled to the same, as they were merely speculative. The plaintiff's claim for breach of moral rights also failed as the Plaintiff, according to the court, failed to prove the Defendant had mutilated, modified or otherwise treated its copyright works as required by section 32 of the Copyright Act.

According to Dr Sihanya, more recently the discourse on the role of copyright in trade and the nature and adverse consequence of infringement, piracy and trade in counterfeiting has cast copyright law and the trade in counterfeit products, into sharper relief.[202] In Kenya the dynamics, Sihanya argues, are changing somewhat partly because local Kenyan enterprises and individuals are creating copyrightable literally, musical and other works.[203]

Kenya, however, has not sufficiently defined cultural and creative industries in the IP context. The industries protected are those protected under TRIPS with a meager attempt at the protection of folklore by the Copyright Act.[204] Sihanya argues that Maasai artifacts, *ciondos* and Akamba handicrafts are not sufficiently protected.[205] Recently, however, the UN and WIPO initiated a project that could see the Maasai digitally record their native

[202] See Ben Sihanya , "Copyright Law, Teaching and Research in Kenya", *supra* 135 page 47
[203] *Ibid.*
[204] Ibid, page 55.
[205] Ibid.

music and oral histories. This initiative could help the community to use their world-renowned rich culture to generate income.[206] If the project succeeds counterfeiters of Maasai culture would be warded off.

Copyright contributes to socio-economic development at least through royalty payments to creators and generation of revenue to the government through taxation of copyright products and related fees such as registration fees.[207] In addition, employment is created in the production of copyrighted products. Similarly copyright and trade mark are crucial in the advertising industry which is a major income earner in Kenya.[208] It is an offence under the Copyright Act to sell, hire, distribute, manufacture or import copyrighted materials in a manner that constitutes an infringement of the owners' right under the Act.[209] Kenya losses a great amount of revenue through copyright infringement and piracy.

The penalties provided under the Act are more punitive than those provided by the IPA. They range from a maximum fine of Kenya shillings I00, 000 and/or imprisonment for up to two years for possession for use other than private and domestic of a pirated copy to a maximum fine of Kenya shillings 800,000 and/or ten years imprisonment for sale, hire, distribution or manufacture of a pirated copy.[210] Sihanya contends the penalties provided for copyright infringement are not sufficient to control infringement. He argues:

> "For a copyright infringer who expects to earn Kshs. 4 million from a school book, a fine of Kshs.800, 000 is like loose change, petty cash or operational expenses and would not dater him from infringing the copyright."[211]

Inspectors who have powers to enter premises, ship or aircraft to ascertain whether any infringement of the law is being committed therein enforce the Act.[212] Police officers and

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[206] Kipchumba Kemei, "Maasai to sing, dance into banking halls", *The Standard* 29th September 2009 page 18.
[207] See Ben Sihanya , "Copyright Law, Teaching and Research in Kenya", *supra* 135 page 50.
[208] *Ibid.*
[209] See Act No.12 of 2001; *supra* note 19, section 38.
[210] *Ibid.*
[211] See Ben Sihanya , "Copyright Law, Teaching and Research in Kenya", *supra* 135 page 51.
[212] See Act No.12 of 2001; *supra* note 22, sections 39 and 40.

officers of the board also have powers of arrest under the Act.[213] Prosecution of cases filed in respect to crimes in committed in contravention of the Act is governed by the Criminal Procedure Code, and may be conducted by a public prosecutor or the Board.[214]

Apart from the Intellectual property laws, industrial and trade standards laws also are key in the war against counterfeiting in Kenya. Kenya's industrial and trade standards statutes include the Weights and Measures Act, the Trade Description Act, Standards Act and the Sale of Goods Act. I will now consider some of the provisions of these statutes and their application in the anti-counterfeiting crusade.

3.4 Standards Laws and Counterfeiting in Kenya

The mark of counterfeit goods is that they are usually substandard and inaccurate in measurement. Counterfeiting and trade in counterfeit goods therefore do not thrive where there is strict enforcement of standards laws. Industrial and trade standards laws provide the mechanism for setting the standards of goods allowed into Kenya's market, keeping them and prescribe sanctions for failure thereof.

The Weights and Measures department also known as the legal metrology department regulates the use, manufacture and sale of weights and measures in Kenya.[215] Under the Weights and Measures Act the base units of measurement are the kilogram, metre, second, ampere, kelvin, candela and mole.[216] These standards are based upon the units of the International System of Units and are procured by the minister responsible.[217] The Kilogram, for example, represents the base value for weight whereas the metre represents the base value of length. These measurements are recognized and accepted all over the world. Counterfeit goods can, therefore, be identified from their weight or length by verifying the relevant measurement from the genuine manufacturer or dealers. A genuine

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[213] *Ibid*, section 42.
[214] *Ibid*, Section 43.
[215] See preamble to Cap 513, supra note 64.
[216] *Ibid*, sections 4-10.
[217] *Ibid*, sections 3 and 12.

brand of a "Sony" stereo radio, for instance, could weigh heavier than a counterfeit model bearing exactly the same descriptions outside.

To enforce the Weights and Measures Act, the Minister in charge of industrial standards who is currently the Minister for Industrialization appoints inspectors, whose duty is to verify weights, measures, weighing or weighing instruments used to measure goods for trade.[218] The inspectors are empowered to, *inter alia,* enter premises, inspect and take samples of goods, inspect any processes or other operations therein. They may require any book, notice or record to be produced, examine and copy any part thereof, require any information and to seize and detain for the purpose of testing any goods or documents in respect of which they have reasonable cause to believe that an offence has been committed and may be required as evidence for any offence under this Act.[219]

Wherever the inspector verifies any weight, measure, weighing or measuring instrument and finds that it is correct, he shall issue to the person bringing or submitting the same a certificate in respect thereof in such form as may be prescribed.[220] It is illegal to sell any weighing instruments, which have not been examined and verified.[221]

The Act is specific that any person, who forges counterfeits, alters or defaces any stamp in respect of any weight, measure or weighing or measuring instrument used or intended to be used shall have committed an offence.[222] It is also an offence for any person to use for trade any weight, measure or weighing or measuring instrument knowing the same to bear a stamp which is a forgery, counterfeit, false or unjust.[223] These offences attract a penalty of a fine not exceeding Kenya shillings 20,000 or to imprisonment not exceeding 3 years or both.[224]

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[218] *Ibid*, sections 27 and 54.The Minister for Industrialization in Kenya's Coalition Government is currently Henry Kosgei. Presidential circular No.1/2008 dated 25th April, 2008 and signed by Francis Muthaura Kenya's Head of the Civil Service and Secretary to the Cabinet outlining the organization of the Kenya's government.
[219] Cap 513; supra note 64 sections 56, 57 and 58.
[220] *Ibid,* section 27(7).
[221] *Ibid*, section 27(8).
[222] *Ibid* section 26(1).
[223] *Ibid*, section 26(2).
[224] *Ibid,* section 63.

The government recently promised to intensify the crackdown on those who sells underweight goods to unsuspecting consumers. Kenya's Trade minister Amos Kimunya in his opening address at the International Committee of Legal Metrology (CIML) conference in Mombasa said:

> "We have equipped the weights and measures department with vehicles to assist in the crackdowns."[225]

The Minister expressed concern over reports that some maize flour millers have been selling underweight packets and urged consumer networks to be more vigilant. He said his ministry would team up with the Kenya Bureau of Standards to fight the influx of counterfeits.[226]

The Director of Weights and Measures is responsible for the custody and maintenance of the standards provided under the Act and generally for operations to give effect to the purposes of the Act and general supervision of inspectors. The Director may delegate all or any of his powers, duties to a Deputy Director or to an Assistant Director.[227]

In Kenya, the descriptions of the quality of goods and services are regulated through the Trade Descriptions Act. The main objective of the Act is to prohibit misdescriptions of goods, services, accommodation and facilities provided in the course of trade.[228] To achieve this, the Act confers powers to require information or instructions relating to goods be marked on or accompany the goods or be included in advertisements in respect to them.[229]

The Act provides that any person who in the course of trade applies a false description to any goods or supplies or offers to supply any goods to which false description is applied

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[225] Patrick Beja, "State boosts inspection of Weights and Measures", *The Standard* 27th October, 2009 located at *http*//www.standardmedia.y ahoo.co.ke(last accessed on 4/11/2009).
[226] Ibid.
[227] See Cap 513; supra note 64, section 55(2).
[228] See the preamble to the Trade Description Act, *supra* note 24.
[229] *Ibid.*

shall be guilty of an offence.[230] A person is taken to have applied a trade description to goods if he affixes it on the goods themselves or on anything that is supplied together with the goods; or he places them on anything on which the trade description has been affixed or uses the trade description in a manner likely to be taken as referring to the goods.[231]

The Trade Descriptions Act does not provide for an implementing agency. It is, however, administered by the Department of Weights and Measures' inspectors.[232] The inspectors have powers under the Act to inspect goods, or enter any premises, other than premises used only as dwellings where it is suspected that the offence is being committed.[233] They may also seize and detain goods and documents, or order any person having authority to do so, to break open a container or a vending machine, or if the person refuses, they may do so themselves.[234] An inspector may enter the premises by force, after being issued with a warrant by a magistrate authorizing such entry, where the occupier of the premises may refuse gaining entry.[235] Obstructing an inspector from performing his duties under the Act is an offence.[236]

The Weights and Measures Department has played a crucial role in the fight against in the fight against counterfeits through the enforcement of the Trade Description Act. The Department has twenty (20) field offices scattered all over the country tackling this problem at their zonal levels.[237] Most unscrupulous importers and suppliers of counterfeit goods target unsuspecting consumers in the rural areas. This year the Department has conducted a total of 38 raids in Nairobi, Mombasa, Nakuru, Kericho, Kisii, Busia, Bungoma, Nyeri, Nanyuki, Meru, Embu, Thika and Eldoret.[238] Some of the goods

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[230] Section 3 of Cap 505, supra note 24.
[231] *Ibid,* Section 10(1).
[232] *Ibid*, section 2
[233] *Ibid*, section 21.
[234] *Ibid.*
[235] *Ibid*, section 2.
[236] *Ibid*, section 22.
[237] See "About the Trade Descriptions Act" at Ministry of Trade website located at http://www.trade.go.ke. (last accessed on 5/11/2009)
[238] *Ibid.*

targeted by counterfeiters include popular food brands, locks, torches, dry cell batteries, sewing machines, wines and spirits, shoe polish, pens and thermos flasks.[239]

Where goods are supplied pursuant to a request made by reference to a trade description appearing in any sign, advertisement, invoice, business letter, business paper or other commercial communication, such goods are deemed to be goods to which the trade description is applied.[240] It is an offence under the Act for any person to provide false representation relating to goods or services supplied,[241] to make false or misleading statements about services, accommodation and facilities provided in the ordinary course of trade,[242] or to import goods bearing false indication of origin.[243] Counterfeiters normally give misleading information with regard to the description of their goods. The above provisions of the Trade Descriptions Act can, therefore, be appropriately applied against them.

The Trade Descriptions Act goes a step further than most of the Acts in dealing with the menace of counterfeits by providing a very punitive penalty of Kenya shillings 2,000,000 and/or imprisonment of up to two years for offences committed under it.[244] To prevent counterfeiting by corporations, the Act provides that a body corporate is liable for an offence it may commit under the Act. [245]

The Minister for Trade has been empowered under the Act to make regulations, where it is necessary, imposing requirements that goods are marked with information or instruction relating to them and to regulate or prohibit supply of such goods if the requirements are not met.[246] Failure to comply with the Minister's requirements is an offence under the Act.[247] Any order made by the Minister may make should not be

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[239] *Ibid.*
[240] See the Trade Description Act Cap 505, *supra* note 24 Section 10.
[241] *Ibid,* section 5.
[242] *Ibid,* sections 6.
[243] *Ibid,* Section 7.
[244] *Ibid,* section 15.
[245] *Ibid,* section 16.
[246] *ibid, section* 11
[247] *Ibid,* section 13.

confined to goods manufactured or produced in any one country, or any one of a number of countries. This position obtains unless the Minister is satisfied that the interest of persons in Kenya to whom goods of that description are supplied will be sufficiently protected and that the order is compatible with Kenya's international obligations.[248]

Another anti-counterfeiting statute premised on quality of goods is the Sale of Goods Act. The Act also provides that where a contract for sale of goods is by description, there is an implied condition that the goods shall correspond with the description.[249] Where the seller delivers to the buyer goods of a description not included in the contract, the buyer may accept the goods, which are in accordance with the contract and reject the rest, or may reject the whole.[250]

Under the Act, a buyer who is aggrieved by the sale of misdescribed goods may repudiate the contract of sale and seek for damages.[251] A buyer aggrieved by the sale of misdescribed counterfeit goods in a sale of goods contract in Kenya can therefore seek relief using these provision. However, a major limitation to the application of the Act is that a contract of the sale of goods of the value of Kenya shillings 200 hundred shillings or upwards is not enforceable under the Act unless the buyer accepts part of the goods so sold, and actually receives, or gives part payment, or unless some note or memorandum in writing of the contract is made and signed.[252] Most sale of goods transaction are usually oral and do not require prior commitment.

The Kenya Bureau of Standards (KEBS) also plays a leading role in the fight against counterfeits in Kenya. Its mandate is primarily to check substandard goods in the Kenya's market. KEBS is established under section 3 of the Standards Act. The Act was primarily enacted to promote the standardization of the specification of commodities, to provide for

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[248] *Ibid*, section 14.
[249] See section 15 of Cap 31 *supra* note 23.
[250] *Ibid,* section 31(3).
[251] *Ibid,* section 13(2).
[252] *Ibid,* section 6(1).

the standardization of commodities and to establish a Kenya Bureau of Standards (KEBS).[253]

The functions of KEBS as set out under the Act. These are firstly; to promote standardization in industry and commerce. Secondly, to provide facilities for testing and calibration of precision instruments, gauges and scientific apparatus. Thirdly, to make arrangements or provide facilities for the examination and testing of commodities and any material or substance from or with which and the manner in which they may be manufactured, produced, processed or treated. Fourthly, to control the use of standardization marks and distinctive mark and fifthly, to provide for the testing of locally manufactured and imported commodities with a view to determining whether such commodities comply with the law dealing with standards of quality or description.[254]

KEBS, for instance, carries out inspection and testing of locally and imported manufactured goods based on local standards or approved specification in accordance with its mandate to keep away counterfeit and substandard goods out of Kenya's market.[255] In carrying out this task, it employs both the pre-export verification of conformity (PVoC) and destination inspection regimes. Destination inspection is carried out at the port of discharge or entry of all the goods whereas; pre-inspection is carried out on goods with impact on health, safety and environment in the countries of supply by KEBS appointed inspection bodies.[256]

Under the pre-export verification of conformity scheme, Kenya has currently engaged the services of Messrs SGS, Intertek, China Certification and Inspection Company (CCIC) and Global Inspection.[257] The list of products subject to mandatory pre-export verification includes food, electrical and electronic products, cosmetics, toys and

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[253] See Preamble to the Cap 496, *supra* note 61.
[254] *Ibid*, section 4.
[255] KEBS, "The functions of KEBS" at http://www.Kebs.org/ (last accessed on 22/9/2009).
[256] *Ibid*.
[257] Patricia Kimanthi, "Hot" condoms banned from market"; *Daily Nation* 16th September 2009 page16.Patricia Kimanthi is KEBS Corporate Communication Manager.

condoms. The inspection agents undertake physical inspection, quality inspection review and testing of these goods and issue Certificates of Compliance (COC) in respect to the goods, which conform to the required standards. The compliant goods may then be shipped to Kenya.[258] However, in respect non-compliant or substandard, these agents issue a Non-Conformity Report in which case they are not allowed into the county.

According to KEBS, Cotempo brand "Hot" condoms test, for example, has been registered under route B of PvoC certification procedures on type examination by British Standards Institute.[259] The said condoms recently caused a furore among its customers in Kenya when the press exposed that they had failed "freedom from holes and leakages" test. KEBS explains that the latex rubber used in the condoms may have aged depending on handling and storage and if exposed to high humidity.[260] However, it cannot be ruled out, in my view, that these condoms were probably counterfeit.

The Standards Act also establishes the National Standards Council.[261] The Council is empowered by the Act to declare standards of goods that must be complied with in Kenya unless the Minister in-charge, currently the Minister for Industrialization,[262] for reasons of practicability and in public interest, grants an exemption.[263] KEBS mark scheme is provided under section 11 of the Act. Any person who has been issued with a standardization mark is required, if requested by the Council, to provide samples of the products and written information relating to their manufacture, production, processing or treatment.[264] Failure to comply with this requirement is an offence punishable with a fine not exceeding Kenya shillings 6000 or imprisonment for a term not exceeding six months or both.[265]

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[258] Cap 496, *supra* note 61 section 4.
[259] *Ibid.*
[260] *Ibid.*
[261] *Ibid*, sections 6.
[262] Presidential circular No.1/2008, *supra* note 218.
[263] *Ibid,* section 9.
[264] *Ibid*, section 12.
[265] *Ibid.*

KEBS operates a product certification scheme in line with its functions and controls the use of quality marks and other distinctive marks. Recently, KEBS has vigorously enforced this scheme. Firstly, with effect from 1st March, 2009 it became mandatory that a standardization mark should be registered and displayed in respect to all locally manufactured and imported products.[266] Secondly, KEBS also offer registration of Diamond Marks of quality for the products. These marks bear a testimony that the relevant products are certified and superior in quality. The scheme is voluntary but products bearing the mark automatically qualify for standardization mark.[267] Finally, the other service KEBS provides is the registration of Import Standardization Marks (ISM). Imported products bearing the ISM mark show that products conform to specific Kenyan and international standards.[268] The marks set out above are symbols of credibility of their products and serve to reinforce their intrinsic value. They are, therefore, not only very powerful marketing tool tools but also against counterfeiting and trade in counterfeits. Counterfeiters would ordinarily shy away from being subjected to standardization tests.

The Standards Act is enforced by inspectors.[269] The inspectors appointed under the Act have been given powers of inspection, entry into premises, seizure and detention.[270] They may also order for production of and examine relevant documents, and require any information deemed relevant.[271] The general penalties under the Act are imprisonment for up to twelve months or a fine of up to Kenya shillings 500,000 or both for first offenders. Second or subsequent offenders are liable to imprisonment not exceeding three years. Continuing offences attract a fine of up to Kenya shillings 20,000 for every day that the offence continues.[272] Additionally, confiscation or destruction of the infringing goods may also be ordered.[273]

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[266] KEBS, "About Standardization Mark", at http://www.Kebs.org/standardization-mark.php(last accessed on 22/9/2009).
[267] KEBS, "About Diamond Mark", at http://www.Kebs.org/diamond-mark (last accessed on 22/9/2009).
[268] KEBS "About International Standardization Mark" at http://www.Kebs.org/international - standardization mark (last accessed on 22/9/2009).
[269] See the Standards Act; *supra* note 61, section 13.
[270] *Ibid*, section 14.
[271] *Ibid.*
[272] *Ibid,* section 15.
[273] *Ibid.*

The court may also prohibit the sale or manufacture of the goods until there is compliance with the Act.[274] Where a complaint based on some evidence is or has been made that a person is manufacturing or selling a commodity, method or procedure which does not comply with the Act, a court may *ex parte* issue an interim order prohibiting the said manufacture or sale pending the earliest opportunity for hearing and determination of the complaint.[275]

The laws I have so far discussed could be said to represent the old anti-counterfeiting regime in Kenya. As stated at the beginning of this chapter, there are now very recent legislative initiatives in the anti-counterfeiting in place which if enforced could take the war against counterfeit to higher levels in this country. These laws are embodied in the new Anti-Counterfeiting Act[276] and the Kenya Communication (Amendment) Act No 1 of 2009.[277] I will now discuss these new anti-counterfeiting initiatives.

3.5 Recent Legislative Anti-Counterfeiting Initiatives in Kenya

The Anti-counterfeit Act assented to by the President on 24th December 2008 aims to prohibit trade in counterfeit goods and to establish the anti-counterfeit agency.[278] The Act is viewed as giving law enforcement agencies-"teeth to bite" in the fight against the proliferation of counterfeit products in Kenya.[279]

The Act provides the first statutory definition of counterfeiting in Kenya. It defines of counterfeiting thus:

> "...taking the following actions without the authority of the owner of any intellectual property right subsisting in Kenya or elsewhere in respect of protected goods:

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[274] *Ibid.*
[275] *Ibid.*
[276] Act No.13 of 2008; *supra* note 25.
[277] Act No. 1 of 2009; *supra* note 35
[278] See preamble to Act No.13 of 2008, supra note 25.
[279] See Betty Maina , "New law paves way against fakes," Business Daily(Nairobi) Africa, page 1 at http://www.bdaafrica.com (last accessed on 23/03/2009).Betty Maina is the Chief Executive Officer,of Kenya Association of Manufactures(KAM).

(a) the manufacture, production, packaging, re-packaging, labeling or making, whether in Kenya or elsewhere, of any goods whereby those protected goods are imitated in such manner and to such a degree that those other goods are identical or substantially similar copies of the protected goods;….."[280]

It further includes:

"…(b) the manufacture, production or making, whether in Kenya or elsewhere, the subject matter of that intellectual property, or a colourable imitation thereof so that the other goods are calculated to be confused with or to be taken as being the protected goods of the said owner or any goods manufactured, produced or made under his licence;

(c) the manufacturing, producing or making of copies, in Kenya or elsewhere, in violation of an author's rights or related rights."[281]

It is notable that this lengthy definition does not cover the counterfeiting of services and technology. The Act, however, has a broad description of counterfeit goods. "Counterfeit goods" in the Act mean:

"…goods that are as a result of counterfeiting and includes any means used for the purposes of counterfeiting."[282]

The intention of parliament in making these wide definitions is to enable the law enforcers not only to deal with counterfeits goods but to crackdown the counterfeiters themselves. However, the Act addresses counterfeits relating only to rights protected under the Copyrights Act,[283] Seeds and Plants Varieties Act[284] and Industrial Properties Act.[285]According to Amos Wako the Act seeks to augment all the existing laws in Kenya to fight against counterfeiting.[286]

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[280] See section 2 of Act No.13 of 2008, *supra* note 25.
[281] *Ibid.*
[282] *Ibid.*
[283] *Ibid.* The provisions of the Copyright Act are discussed in this chapter section 3.3 of this chapter.
[284] *Ibid.* The provisions of the Seeds and Plant Varieties Act are discussed in section 3.1 of this chapter.
[285] *Ibid.* The provisions of the industrial property Act are discussed in section 3.1 of this chapter.
[286] Ratio Magazine, "Kenya: Skepticism over Prospects for New Anti-Counterfeiting Agency" 16th March 2009 located at *http://*www.ratio-magazine.com page2

A specific Anti-Counterfeiting Agency is established under section 3(1) of the Act. Its function is not confined to combating trade in counterfeits only. It extends to creating awareness, training, and coordination with national, regional, and international organizations involved in anti-counterfeiting efforts.[287]

To complement the agency's efforts in combating trade in counterfeits, the Act provides for the appointment of inspectors who are mandated to enforce the provisions of the Act.[288] In performing their duties under the Act, the inspectors have, notably, been given massive powers including full police powers.[289] Their powers include authority at any reasonable time to enter and inspect and search any place, premises or vehicle on or in which they reasonably suspect to find counterfeit goods or where they suspect the goods are manufactured and to seize and detain suspected infringing products. They may also seize, detain and where applicable remove for detention, the goods in question.[290] Further, the inspectors have the power to search, detain and arrest, without a warrant, any person suspected of having committed any of the offences prohibited under the Act.[291]

Any person who willfully obstructs an inspector in the discharge of his duties under the Act commits an offence.[292] The said offence attracts imprisonment for a term not exceeding three (3) years or a fine not exceeding two million Kenya shillings.[293] Prosecutors to deal with the infringement cases under the Act are appointed by the Attorney-General.[294]

In early 2009, Sihanya reveals, the Kenya's Minister for industrialization appointed a taskforce comprising of intellectual property rights experts to advice on the appropriate date of gazettement of the Anti- Counterfeit Act.[295] Prof. Odek who is a member of the

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[287] *Ibid*, section 5.
[288] *Ibid,* section 22(1).
[289] *Ibid*, section 22(2).
[290] *Ibid*, section 23(1).
[291] *Ibid,* section 23(3).
[292] *Ibid*, section 24.
[293] *Ibid,* section 35(2).
[294] *Ibid,* section 30.
[295] Ben Sihanya, "Combating Trade in Counterfeit in Kenya" *supra* note 29 page 255.

minister's taskforce, has said preparations are under way to implement the Act. Further that KEBS and KRA have been directed by the government to identify a depot to keep seized counterfeit goods pending the determination of matters in court.[296] He has also said that the ministry of Industrialization has written to the Attorney General's Chambers to gazette prosecutors to prosecute cases under the Act. About 1000 prosecutors have already been gazetted to start inspecting goods suspected to be counterfeit once the new law is operationalised.[297]

The offences relating to counterfeit goods provided in the new Act are very broad. The Act seeks to prohibit the release of counterfeit goods into the channels of commerce. Under the Act, it is now an offence to be in possession or control of counterfeit goods. It is also an offence to manufacture, sell, hire out, barter or exchange, display for sale, exhibit, distribute, import into or export out of Kenya or transit through the Kenya counterfeit goods and to dispose them any other way.[298]

The penalties for these offences are punitive and they include a prison term of up to five years and/or to a fine not less than three times the value of the prevailing retail price of the goods in case of a first conviction. In case of a second or subsequent conviction, the prison term is 15 years and the fine is not less than five times the value of the prevailing retail price of the goods.[299] It is noteworthy that the fine is not pegged on a fixed amount but on the prevailing retail value of the legitimate goods.[300] 10% of the fines imposed by the court for offences under the Act shall award to the complainant, 40% to the government of Kenya and 50% to the agency. Sihanya argues that the idea that complainants share in the penalty is a novelty in Kenya's penal law and may make IP owners more vigilant and interested in the criminal process but cautions that it may also encourage rent-seeking.[301]

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[296] *Ibid*, page 256.
[297] *Ibid.*
[298] Act No.13 of 2008; *supra* note 25, section 32.
[299] *Ibid*, section 35.
[300] *Ibid.*
[301] Ben Sihanya ,"Combating Trade in Counterfeit in Kenya", *supra* note, 29 page 257.

The other deterrent measures the Act calls for include the destruction of seized counterfeit goods at the expense of either the importer or the local manufacturer as the case may be based on some environmental considerations and the capacity of the country to destroy the goods or have them reshipped.[302] When courts are determining counterfeit cases, they will be required to, when imposing penalty, take into account any risk to human or animal life, health or safety or danger to property, whether movable or immovable that may arise from the presence or use of the counterfeit goods in question.[303] These measures are intended to be a disincentive to counterfeit traders and prevent the circulation of their wares.[304]

Unlike the other anti-counterfeiting legislations in which the normal civil and criminal procedures are used in their enforcement,[305] the Anti-Counterfeit Act provides for its own clear and detailed enforcement procedures. The Act provides for a procedure to lodge complaints by an aggrieved party. [306] Like the Copyright Act, the Act also provides for *Anton Pillar* orders to secure evidence from an accused person.[307] The Act is evidently in favour of IP right holders. Where a person lays a complaint against some counterfeiting activity and the existence of an IP right becomes an issue, the Act requires that the complainant be presumed to be the owner of that right until the contrary is proved.[308]

Since counterfeiting is a cross border issue and affects several countries, the new law provides for border measures. It specifically empowers authorized customs officers to seize and detain goods that are suspected to be counterfeit being imported into Kenya on their own initiative.[309] In the same breath the Act has put in place safeguards against wrongful detention of goods by providing that any person who suffers damage or loss as

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[302] Act No.13 of 2008; *supra* note 25, section 32 section 27.
[303] *Ibid*, section 35.
[304] See, Betty Maina, "New law paves way against fakes"; *supra* note 279.
[305] The Evidence Act; supra note 128, the Criminal Procedure Code; *supra* note 129 and the Civil Procedure Code; *supra* note 130 mainly govern the aspects of the other anti-counterfeiting legislations already discussed above.
[306] See section 33 of Act No.13 of 2008, *supra* note 25.
[307] *Ibid.*
[308] *Ibid, section 26(5).*
[309] *Ibid,* section 34(4).

a result of false or negligent seizure is entitled to claim compensation.[310] Sihanya points out that rightly points out these measures, however, focus on goods and may not avail to consumers, innovators or traders who lose out because of fake services or technology.[311] In Kenya border measures, he says, are generally weak and more so in relation to high technology surveillance.[312]

As already stated in the last paragraph of Section 3.6 of this Chapter, the other Act housing recent legislative initiatives in Kenya is the Kenya Communication (Amendment) Act. The main purpose of the Act is to facilitate the development of the information and communications sector including broadcasting, multimedia, telecommunications and postal services and electronic commerce.[313] The Act defines electronic signature as data in electronic form affixed to or logically associated with other electronic data which may be used to identify the signatory in relation to data message.[314]

New technologies particularly, ICT have enhanced the capacity of individuals, corporations and states to communicate, conduct business and govern.[315] Though e-commerce offers exciting opportunities in development and distribution of services it creates significant challenges to IP protection and promotion.[316] In relation to music, for instance, e-commerce has made easier for pirates to copy, distribute and sell illegally copied musical works.[317]

The functions of the Communication Commission of Kenya (CCK) in relation to electronic transaction under the Act shall be to firstly; to facilitate electronic transactions

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[310] *Ibid,* section 34(7).
[311] Ben Sihanya, "Combating Trade in Counterfeit in Kenya" *supra* note 29 page 234.
[312] *Ibid.*
[313] See Act No. 1 of 2009; *supra* note 35, section 2.
[314] *Ibid*, section 4.
[315] See Ben Sihanya, "Intellectual Property and Mentoring for Innovation and Industrialization in Kenya", *supra* note 132 page 45.
[316] *Ben Sihanya, (2009) "Copyright in E-commerce and the Music Industry in Kenya", in Moni Wekesa* and Ben Sihanya (eds) *Intellectual Property Rights in Kenya,* Konrad Adenauer Stiftung and Sports Link Limited, Nairobi, page 172.
[317] *Ibid.*

by ensuring the use of reliable electronic records; secondly; to facilitate electronic commerce and eliminate barriers to electronic commerce such as those resulting from uncertainties over writing and signature requirements; thirdly, to promote public confidence in the integrity and reliability of electronic transactions; fourthly to foster development of electronic commerce through the use of electronic signature to lend authenticity and integrity to correspondence in any electronic medium; fifthly to promote and facilitate efficient delivery of public sector services by means of reliable electronic records; and finally; to develop sound frame works to minimize the incident of forged electronic records and paid in electronic commerce and other electronic transactions.[318]

As pointed out in Chapter one Section 1.1, counterfeiters engaged in e- commerce in the cyberspace conceal their identities making very difficult to trace them and to gather evidence for use in suits against them. Kenya, prior to the enactment of the Kenya Communication (Amendment) Act No.1 of 2009 Act, had no legal framework to collect and use such evidence. The only IPR protection legislation which had attempted to embrace ICT is the Copyright Act .The Act defines a "copy" as:

> "….. a reproduction of work in any manner or form and includes any sound or visual recording of and any permanent or transient storage of work in any medium, by computer technology or any other electronic means."[319]

The elaborate provisions of the Kenya Communication (Amendment) Act will now enable Kenya's law enforcers to un-mask and prosecute counterfeiters in the cyberspace. The Act facilitates e-commerce through the authentication of electronic records including electronic signatures.[320] Also a person who knowingly creates publishes or otherwise makes available an electronic signature certificate for any fraudulent or unlawful purpose commits an offence under the Act.[321]

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[318] See Act No. 1 of 2009; *supra* note 34, section 83 C.
[319] See the Copyright Act No.12 of 2001; *supra* note 22, section 2.
[320] See Act No. 1 of 2009, *supra* note 35, and section 84 B.
[321] *Ibid,* section 84 E.

In Chapter One section 1.0, I also established that counterfeiters use IT in their trade. They manipulate computer systems to generate counterfeit goods and services within seconds. However, under the new communication statute, any person who knowingly manufactures sells, procures for use, imports, distributes or otherwise makes available a computer system for the purposes of committing an offence is guilty of an offence.[322] A person who fraudulently causes loss of property to another person by alteration, deletion, or suppression of data or any other interference with the functioning of a computer system shall also commit an offence under the Act. These provisions, if effectively enforced will check counterfeiting in the cyber space in Kenya.

3.6Conclusion

Kenya anti-counterfeiting laws are generally pro-IP. Their philosophical position is founded on deontological school of thought who postulates that innovators should be rewarded for their effort and skill.[323] They are mainly geared towards protection of manufacturers' interests. They have very little regard to consumer interests. Firstly, this is evidenced in the composition of the KIPI Board of Directors where there is direct representation of consumers. Secondly, most of the anti-counterfeiting civil remedies and criminal penalties provided Kenya's anti-counterfeiting laws above like order for account and delivery of goods for trade marks infringement is clearly tailored to protect manufacturers.

In the new Anti-Counterfeit Act there is an attempt to protect consumers and the public at large from adverse effects of counterfeit goods through a provision that when courts are determining the penalty to impose in respect to IP infringing goods, they will take into account any risk to human or animal life, health or safety or danger to both movable and immovable property.[324] Howeve, the Act is not clear on the remedies available with regard to compensation of consumers with regard to infringing counterfeit goods and how to deal with poor people's access to cheap counterfeit goods.

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[322] *Ibid* section 84A.
[323] This theoretical position is discussed in *extenso* in Chapter one section 1.5 of this study.
[324] See section 35 of the Anti-Counterfeit Act, supra note 25.

In this chapter, this study sought to expose Kenya's anti-counterfeiting laws and practices. In the next chapter, the study will, albeit briefly, do comparative studies of other jurisdictions. The anti-counterfeiting regimes of South Africa and the United States of America will present case studies for the purpose of this project.

CHAPTER FOUR

COMPERATIVE STUDIES ON ANTI-COUNTERFEITING MEASURES IN SOUTH AFRICA AND THE UNITED STATES OF AMERICA

4.0 Introduction

In Chapter Two, I established the international anti-counterfeiting standards contained in the TRIPs Agreement and set out the anti-counterfeiting initiatives by WIPO, UNESCO and WHO. I also discussed Africa's regional and sub-regional organization's anti-counterfeiting regimes. In chapter 3, I waded through Kenya's intellectual property rights protection and standards laws and outlined the anti-counterfeiting laws and practises embedded in them. I also discussed the recent legislative anti-counterfeiting initiatives in Kenya. One common factor that has emerged is that counterfeiting is a current global problem that can be equalled to drug trafficking, international terrorism or the HIV/AIDs pandemic.

In this chapter, I have elected to study the anti-counterfeiting regimes of South Africa and the United States of America. My choice is informed by the fact that South Africa, a leading business hub in Africa, has during the past few years increasingly been targeted by unscrupulous businesses and organised crime syndicates as a dumping ground for counterfeit goods of well known brands. Counterfeiting and copying of famous brands has created real dangers for the individual purchaser, manufacturers and distributor in that country.[325]

The goods mostly counterfeited in South Africa range from fake Nike sneakers to designer Jeans with fraudulent labels sewn inside, tapes, DVDs, watches, batteries, cigarettes, sunglasses and to computer hardware.[326] In May 2005, a study showed South Africa piracy rate to stand at 37%, a figure that is not so far off from the world average. The study further showed that over the period of 2003-2005 alone, over 475,000

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[325] Bowman Gilfan Attorneys, South Africa, "Anti Counterfeiting at", http ://bowman .co.za/Anti-counterfeiting /index.asp (accessed 24th September, 2009).

[326] Free encyclopedia, "Property Crime -Counterfeit goods", at *http:* /Jrank.org/paper/1281/ html (last accessed on 22/9/2009).

counterfeit and pirated DVDs were seized in South Africa.[327] Kenya, which is a key commercial centre in East and Central Africa also suffers the same predicament. As stated in Chapter Three, unscrupulous business persons trade in counterfeit medicine, motor vehicle parts, food stuffs, seeds and chemicals among other items.[328]

On the other hand, the United States of America, a foremost world trade centre, boosting of some of the most progressive Commercial laws, also suffers from counterfeiting. George Bush, former US President, said the problem of counterfeiting has grown in recent years costing Americans hundreds of billions of dollars each year and harming the economy. In his own words, he lamented:

> "Counterfeiting hurts businesses. They lose the right to profit from their innovation. Counterfeiting hurts workers, because counterfeiting undercuts honest competition, rewards illegal competitors. Counterfeiting hurts consumers as fake products expose our people to serious health and safety risks. Counterfeiting hurts the government. We lose tax revenue. We have to use our resources of law enforcement to stop counterfeiting."[329]

I will therefore in this the chapter, consider the strategies employed by these by these nations to counter the menace of counterfeiting and whether Kenya may borrow or learn from some.

4.1 South Africa's Anti-Counterfeiting Law

South Africa has an elaborate and long established system of IPRs originating from its Patents, Designs, Trade Marks and Copyright Act No. 9 of 1916.[330] Presently, South Africa has joined the World Trade Organization (WTO) and has domesticated TRIPS

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[327] South African Institute of Intellectual Property news, "Counterfeiting Brochure" located at http: //www.saiipl.co.za (last accessed on 5/11/2009).

[328] See Chapter 3, section 3.0 of this study.

[329] CPV.gov.website, "President Bush signs the Stop Counterfeiting in Manufacturing Goods Act", at www.cbp.gov/xp/cgov/newsroom/news_releases/archives/2006_news_releases/042006/04032006_5.xml - 38k (last accessed on 24th September 2009).

[330] David Kaplan, " Intellectual property Rights in South Africa: A framework", in David Kaplan *at al* (eds) in *The Economics of Intellectual Property in South Africa World Intellectual Property Organization,* Geneva, June 2009 WIPO publication under the auspices of the Policy Research in International Services and Manufacturing (PRISM) at the University of Cape Town located at *http:/* www.kipo.nt (last accessed 22/9/2009) page 1. David Kaplan is a Professor of Business Government Relations, Department of Economics, University of Cape Town.

anti-counterfeiting standards through its enactment of Counterfeit Goods Act No.37 of 1997.[331] Kenya also has an established IPR regime. Her IPR legislations have been discussed in *ex tenso* in Chapter 3.Some of them like the Intellectual Property Act, the Copyright Act, the Trade Marks Act and the new Anti-Counterfeit Act are already TRIPs compliant.[332]

The scope of the South Africa's patent legislation as provided under section 25(1) of the South African Patent Act No. 57 of 1978 is particularly wide. The said provision specifies, "A patent may be granted for any new invention which involves an inventive step and which is used or applied in trade or industry or agriculture." In the international front, South Africa is also a member of the Paris Convention for the Protection of Industrial Property, the Patent Cooperation Treaty (PCT) and the Budapest Treaty on the International Recognition of the Deposit of Micro-organisms for the purposes of patent procedure.[333] In respect to Copyright and related rights, South Africa was a signatory to the Berne Convention for the protection of Literary and Artistic Works in 1928 and to the WIPO performances and Phonograms Treaty (WPPT) in December, 1997.[334] The Intellectual Property Act, Kenya's principal patent legislation, does not cover agricultural patents. As discussed in Chapter Three, in Kenya plant breeders rights are safeguarded under the Seeds and Plant Varieties Act.

The Companies and Intellectual Property Office (CIPRO) administers SA IPR regime. CIPRO was formed in 2002 by a merger of two directorates of South Africa's department of Trade and Industry (DTI), the South African Companies Registration Office and South African Patents and Trade Marks Office. CIPRO is the Registrar of Patents, Designs and Trademarks and custodian of existing rights.[335] CIPRO serves the same role as Kenya's KIPI but doubles up as South Africa's companies' registration office.

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[331] See List of WTO members at *http://*Kery /WTO members .html (last accessed on 22/9/2009). See also Bowman Gilfan Attorneys, South Africa, "Anti Counterfeiting", *supra* note 327.
[332] See Moni Wekesa, "An Overview of the Intellectual Property Rights Regime in Kenya", *supra* note 37 page 7-9.
[333] David Kaplan, "Intellectual property Rights in South Africa: A framework", *supra* note 260, page 2.
[334] *Ibid.*
[335] *Ibid.*

counterfeiting in very wide and bold terms.[339] If the Act is effectively enforced counterfeiters will have nowhere to hide in Kenya

South Africa's Patent regime is ranked highly among developing countries. In 2005, South Africa scored 4.25 on the Girarte Park Index, higher than many countries in comparables stages of development like Brazil and Chile and had an overall IP score of 22nd highest out of 115 countries in the Property Rights Alliance.[340] Despite this impressive record, South Africa uses the mechanism of compulsory licensing or parallel importation to limit patent rights in public interest. In 1999, it used this mechanism to allow parallel importation of cheaper generic HIV/AIDS drugs for use to manage the AIDS scourge attracting attacks from the US and US Trans-National Corporations (TNCs).[341]

As discussed in Chapter 1.0, one thing which is common between South Africa's Counterfeit Goods Act No. 37 of 1997 and Kenya's anti-counterfeiting laws including the new Anti-Counterfeit Act is that they all suffer "technological deficit" and are not service oriented.[342]

Having discussed South Africa's anti-counterfeiting laws and compared them with Kenya's, *I will now discuss the United States of America anti-counterfeiting laws and* practises. I will also, match them with Kenya's anti-counterfeiting laws.

4.2 The United States Anti-Counterfeiting Regime

In keeping with its position of being of a leading world trading centre, the United States of America has put in place very comprehensive and sophisticated anti-counterfeiting laws and strategies with international application. According to Dr Ben Sihanya:

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[339] See section 2 of the Anti-Counterfeit Act, *supra* note 25.
[340] David Kaplan, "Intellectual Property Rights in South Africa: A framework", *supra* note 260 page 2.
[341] See B. Sihanya, "Intellectual Property Confronts Counterfeiting in Africa", *supra* note 2 page 346.
[341] *Ibid.*
[342] *Ibid*, page 360.

> "The United States has used a four-pronged strategy to address the problem of counterfeiting in the context of a weak IP regime trans-nationally especially in developing countries. It has waged the anti-counterfeiting crusade through unilateral measures, bilateral trade and aid relations with developing countries, through multilateralism and through an appropriate cocktail of the foregoing."[343]

Dr Sihanya adds:

> "Pursuant to the above strategy, by 1988 the United States had enacted Section 30 under the Trade Act, 1974 through the Omnibus Trade and Competitiveness Act, 1988."[344]

This law, he explains:

> " ...obliges the US Trade Representative (USTR) to use unilateral policy and institutional mechanisms to penalize states and corporations, which are perceived to compromise US trade and IP interests."[345]

Apparently, the US anti-counterfeiting practices are mainly geared towards effectively protecting the IPRs of her multinationals who are massively engaged in the manufacturing sector. They have very little or nor regard to interests of the poor who may desire to access cheap counterfeit goods.

One of the key pieces of anti-counterfeiting legislations in the US law is the Anti-Counterfeiting Consumer Protection Act of 1996, signed into law by Bill Clinton, former President of the US on July 2, 1996.[346] Increased involvement of organized crime in counterfeiting activities and the adverse effects of counterfeiting upon intellectual property owners, consumers and the United States economy prompted the Act. The Act seeks to curtail further counterfeiting of merchandise.[347]

The aforesaid Anti-Counterfeiting Consumer Protection Act amended the Racketeer Influenced and Corrupt Organizations Act (RICO) to include criminal infringement of a

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[343] *Ibid*, page 344.
[344] *Ibid.*
[345] *Ibid.*
[346] Ladas and Parry LLP website, "Intellectual Property Law at *http*://wwww.ladas.com/BULLETINS/1986 (last accessed on 24th, September 2009).
[347] *Ibid.*

copyright and trafficking in goods or services bearing counterfeit marks. Such counterfeit marks are applied on phono records, computer programs, computer program documentation or packaging and copies of motion pictures or other audiovisual works. The law permits enforcement officials to seize, not only the counterfeit goods, but also the property, equipment and storage facilities associated with the criminal enterprise. Law enforcement officers may also now seize vehicles used to transport counterfeit merchandise, as they currently do with respect to counterfeit currency and securities.[348]

In Chapter Three, this research found that the enactment of Kenya's Anti-Counterfeit Act[349] was also motivated by increased counterfeiting, which has occasioned the country great loss.[350] Like enforcement officials under the US's Anti-Counterfeiting Consumer Protection Act, Inspectors appointed under the Act have wide powers.[351] These powers include the seizure and detention of any tools that may be used in the manufacturing, making or packaging of those goods or applying a trade mark or exclusive trade mark on such goods.[352] The scope of the Kenya's law does not cover the seizure of property, storage facilities and vehicles used to transport counterfeit goods. The provisions of the Act, however, bear a clear testimony that we are in right path with regard to fight against counterfeits and trade in counterfeit goods.

The US's Anti-Counterfeiting Consumer Protection Act also amended the United State's Lanham Act.[353] Previously, federal law enforcement officials could only carry out *ex parte* seizures of counterfeit goods. State and local law officials may now also seize counterfeit goods. As with the United State's Copyright Act, plaintiffs in counterfeit trade mark cases may now elect, at any time prior to entry of final judgment, statutory damages in lieu of actual damages and profits. Thus, a court in the US may award to a prevailing plaintiff between $500 and $100,000 "per counterfeit trade mark for each type of goods or services sold." Moreover, in cases where the court finds that the use of the counterfeit

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[348] *Ibid.*
[349] Act No.13 of 2008, *supra* note 25.
[350] See Mukhisa Kituyi speech delivered during a workshop on Counterfeits and Substandard Goods held on 13th July 2004.*supra* note 125.
[351] See Act No.13 of 2008; supra note 25, section 23.
[352] *Ibid.*
[353] See Ladas and Parry LLP, "Intellectual Property Law," *supra* note 347.

mark is willful, the court can award up to $1,000,000 "per counterfeit trademark per type of goods or services sold."[354]

The Anti-Counterfeiting Consumer Protection Act expands the authority of Customs officials in a variety of ways to combat counterfeiting activities. The United States Customs Service may now impose civil fines on any person who directs, assists financially or otherwise aids or abets the importation of counterfeit goods. The civil fine for a first offence may be no more than the value of the merchandise, according to the manufacturer's suggested retail price, had the goods been genuine. The civil fine may be no more than double for the second and each subsequent offence.[355]

Further, in the US the Customs is now required to destroy all merchandise, bearing a counterfeit trademark, which it seizes, unless the trade mark owner consents to some other disposition and the merchandise is not a health or safety threat. The Act also extends Customs Service disclosure requirements to shipments by aircraft, and requires Customs to issue regulations so that importers must disclose the identity of any trade marks appearing on imported goods.[356]

Like the Anti-Counterfeiting Consumer Protection Act, Kenya's Anti-Counterfeit Act now empowers custom officials to seize and detain counterfeit or suspected counterfeit goods entering into the country.[357] The Act, however, does not give the said officials to impose fines as in the case of the US. The penal system of awarding stiffer penalties for subsequent anti-counterfeiting offences by United States Custom Service is embraced in the Anti-Counterfeiting Act for use by the courts.[358] The provisions relating to health and safety precautions in the disposal of counterfeit merchandise provided under the US law is also captured in Kenya's new anti-counterfeiting legislation.[359]

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[354] *Ibid.*
[355] *ibid.*
[356] *Ibid.*
[357] See Act No.13 of 2008; *supra* note 25, section 34.
[358] *Ibid*, section 35.
[359] *Ibid.*

The US law enforcement's ability to combat the importation of goods that violate U.S. intellectual property rights laws and defraud American businesses of billions of dollars annually has been further strengthened through the passage of the Stop Counterfeiting in Manufactured Goods Act which was signed into law by former President of the US George Bush.[360] The law has led to dramatic increase of interception of infringing products at the US borders over the past few years. In the last five years, seizures of goods for intellectual property violations have increased by 125 percent. Seizures increased from 3,586 in 2001 to 8,022 in 2005 with a domestic value of more than $ 93 million.[361]

The new law is specifically designed to strengthen the American laws against trading in counterfeit labels and packaging. While it was already illegal to manufacture, ship, or sell counterfeit products, this legislation closes a loophole allowing the shipment of falsified labels or packaging, which counterfeiters could then attach to fake products in order to cheat consumers by passing off poorly made items as brand-name goods. This law also requires courts to order the destruction of all counterfeit products seized as part of a criminal investigation and requires convicted counterfeiters to turn over their profits and any equipment used in their operations. Finally, it requires those convicted of counterfeiting to reimburse the legitimate businesses they exploited.[362]

Unlike the US's Stop Counterfeiting in Manufactured Goods Act, the Kenya's Anti-Counterfeit Act does not provide that a court should mandatorily destroy all counterfeit or suspected counterfeit goods. The relevant section provides that where a person is convicted of a counterfeiting offence, the court may order any goods seized and detained in respect of the offence committed to be to be forfeited to the government.[363] The court may also order suspected counterfeit goods or tools intended to be used for making counterfeit goods be destroyed or otherwise dealt with as the court may deem

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[360]CPV.gov website, "President Bush signs the Stop Counterfeiting in Manufacturing Goods," *supra* note 259.

[361] *ibid.*
[362] *Ibid.*
[363]See Act No.13 of 2008,*supra* note 25, section 28(2).

appropriate.[364] The Act does not also require counterfeiters to turn over their profits and reimburse legitimate businesses for their exploitation.

In response to this growing problem, U.S. federal agencies are collaborating on the Strategy Targeting Organized Piracy (STOP!), a multi-agency effort to improve the protection of intellectual property rights. The United States Customs and Border Protection (CPB), a unified border agency charged with the management, control and protection of U.S. borders is a key player in STOP! As part of STOP! CBP is diversifying its IPR enforcement methods to complement its traditional examination of goods at the ports of entry to detect counterfeits.[365] CBP's new methods are geared towards identifying business practices linked to counterfeiting and piracies include risk modelling and IPR audits. Risk modelling is the use of innovative analytical methods to detect and seize counterfeit and pirated products. On the other hand, IPR involves using experts in corporate finance and internal controls to focus on businesses and their multi-national financial transactions involved in illicit trade in fakes.[366]So far these ingenious anti-counterfeiting initiatives are not available in Kenya. Kenya's IP proponents can learn from them.

[364] *Ibid*, section 28(3).
[365] *Ibid.*
[366] *Ibid.*

CHAPTER FIVE

CONCLUSION AND PROPOSALS FOR REFORM

5.0 Conclusion

In Chapter 3, I showed that Kenya's Penal Code[367] treats counterfeiting not as a felony but as a misdemeanor. It therefore attracts lenient punishment of imprisonment of less than three years.[368] In addition to the fines and imprisonment, that the Court may also order for forfeiture of the counterfeit goods and material and implement used in making them.[369]

The Trade marks Act also creates a criminal offence with respect to counterfeit trademarks. It is an offence for any one to forge a trademark or to sell or import any goods or performs any services to which a forged trademark is falsely applied or registered trademark is falsely applied. Aiding and abetting offences under the Act committed outside Kenya is also an offence. However, like the Penal Code, the penalties provided for are not punitive.[370] The maximum penalties provided for a fine of 200 000 shillings or imprisonment of up to five years.[371] Only the Trade Descriptions Act can be said to have provided relatively punitive sanctions and may have deterrent effect.[372]

TRIPs urges for deterrent criminal sanction with respect to counterfeiting particularly on a commercial scale. In recent times, there has been a strong attempt to bring Kenya's anti-counterfeiting laws in tandem with the provisions of TRIPs through the enactment of the new Anti-Counterfeit Act. As demonstrated above, the Act prescribes stiff penalties for counterfeiting offenders, which include a prison term of up to five years and/or to a fine, not less than three times the value of the prevailing retail price of the goods in case

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[367] Section 381of the Penal Code.
[368] *ibid.*
[369] *Ibid* Section 381(2).
[370] Sections 58(1) of Cap 506 *supra* note 60.
[371] *Ibid.*
[372] See section 15 of Cap 505 supra note 24. The Act provides for a penalty of Kenya Shillings 2,000,000 fine or two years imprisonment for the offences committed under it.

of a first conviction and a prison term of fifteen years and the fine is not less than five times the value of the prevailing retail price of the goods.[373] The other deterrent measures provided in the Act include the destruction of seized counterfeit goods at the expense of either the importer or the local manufacturer or reshipping of the same.[374]

Before the enactment of the Anti-Counterfeit Act of 2008, Kenya had not domesticated the anti-counterfeiting enforcement procedures and border measures proposed under TRIPs. The Kenya Revenue Authority (KRA) Customs officers had no powers to investigate and enforce infringement of IPRs. This position was confirmed by the High Court in *Doshi Iron Mongers* v. *Kenya Industrial Property Institute, Kenya Bureau of Standards and Others.*[375] The main issue in contention in this case was whether had powers to seize and detain counterfeit goods under the Customs and Excise Act. The found that they did not and held that they illegally impounded suspected counterfeit goods. The new law, however, empowers Customs officers to seize and detain suspected imported counterfeit goods on their own initiative.[376] It also provides for clear and detailed enforcement procedures and border measures unlike the present law. It also provides for provisional measures including *Anton Pillar* orders for preservation of evidence.[377]

From the foregoing, it is clear that with the recent enactment of the Anti-Counterfeit Act [378]and the Kenya Communication (Amendment) Act[379], Kenya has now substantially embraced the internationally acclaimed anti-counterfeiting standards. What remains now is the effective enforcement of the law, which IP proponents are keenly watching. I will now make some proposals for reform.

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[373]See Act No.13 of 2008 *supra* 25, section 35.
[374] *Ibid,* section 27.
[375] See Nairobi HC Misc Appl No 406 of 2004(unreported), *supra* note 58.
[376] See section 34(4) of Act No. 13 of 2008, *supra* note 22.
[377] *Ibid*, section 33.
[378] See Act No.13 of 2008, *supra* note 25.
[379] Act No. 1 of 2009, *supra* note 35.

5.1 Proposals for Reform

Counterfeiting poses a significant challenge to development in this country. Counterfeiters have invaded the Kenya market with their products. In Chapter one this study found that are Kenya losses about 30 billion Kenya shillings annually through trade in counterfeits and piracy. In Kenya, unscrupulous business persons trade in counterfeit medicine, motor vehicle components and lubricants, foodstuffs, seeds and chemicals, among other items which are not only substandard but also dangerous to use.[380]

As observed by this study in Chapter one to combat the menace of counterfeits trade Kenya needs an effective intellectual property rights regime. The implementation of intellectual property system requires a clear legal policy framework on these rights, a supportive framework on these rights, a supportive infrastructure for the implementation of the laws and policies which include trained personnel and office resources necessary to get the framework working.

The new law will open a new frontier in the war against counterfeits. It is, however, comforting but delusional to believe that once there is a legal framework in place, which complies with TRIPs, all is well. The answer lies in enforcement of the new laws. The laws have no value without the recognition of the value of IP at the political, administrative and judicial levels, without the will to enforce and without the capacity to enforce.

In light of the above challenges, this study will make some proposal in this Chapter with a view to reforming Kenya's anti-counterfeiting more effective in confronting counterfeiting for common good. The proposals have been structured around arguments on anti-counterfeiting already made by Dr Ben Sihanya in his leading publications on the

[380]See Mukhisa Kituyi speech delivered during a workshop on Counterfeits and Substandard Goods held on 13th July 2004 *supra* note 125.

subject. These are "Intellectual Property Confronts Counterfeiting in Africa"[381] and "Combating Counterfeit Trade in Kenya."[382]

The proposals made by this study are firm but not conclusive. On one hand, there is the need to stimulate research through IPRs protection, rewarding innovators for their labour and protecting the public from dangerous counterfeit products. On the other hand it is compelling to allow the populace in developing to access cheap counterfeit necessities like some generic drugs. These issues are sometimes controversial and even emotive. It was noted in Chapter One of the study so far there is little intellectual discourse on the subject of combating counterfeiting in Kenya. The study proposes further research to find ways to resolve these issues or to at least to mitigate them.

5.1.1 Gazettement of commencement date of the new anti-counterfeiting legislation

This new Anti Counterfeit Act as has been demonstrated in this paper will align the country's laws on anti-counterfeiting with international standards. It provides a very comprehensive anti-counterfeiting legislation, which has been lacking in Kenya. The President assented to the new on 24th December 2008 but to date no commencement date to bring it into force has been set yet. The delay could be due to political interests surrounding the provisions of the Act. Some commentators for example, have argued that its provision like the wide definition of counterfeiting the go beyond the commitments required of Kenya by the TRIPs Agreement. They say such "TRIPs-plus measures could hinder access to essential medicine to poor citizens.[383] The Minister in charge, currently the Minister of Industrialization, should set a commencement date for this Act as a matter of urgency. Any emerging difficulties that may arise in the implementation of Act will be dealt as and when they arise.

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[381] *Supra* note 2.
[382] *Supra* note 29.
[383] Dagi Kimani "Anti-fakes Bill threatens access to generics." *The East African* at http://www.theastafrican.co.ke/news page 2(last accessed on 29/5/09).TRIP-plus measures are those that go beyond the standards set out by TRIPs.

5.1.2 Harmonized administrative procedures, civil remedies and provisional measures

Anti-counterfeiting administrative procedures especially on complaints and redress mechanisms are all scattered in various statutes. In some cases these procedures are neither comprehensive nor detailed. Some of the anti-counterfeting legislations do not even provide for such mechanisms. Some of the legislation like the Copyright Act[384] and the new Anti-Counterfeit Act provide for *Anton Pillar* orders to secure evidence at the first instance before it is destroyed whereas other others like the Industrial Property Act and the Trade Marks do no have this provision. These administrative procedures and remedies should all be harmonized and aligned to those in the new Anti-counterfeit Act for fairness and equity.

5.1.3 Harmonization and enhancement of penalties for anti-counterfeiting offences

The different penalties provided for under the various anti-counterfeiting statutes like the Penal Code, the Trade Marks Act, and the Trade Descriptions Act should be harmonized with those in the new Anti Counterfeit Act to ensure that similar penalties are meted out for similar offences. The rationale for this is ensure predictability and fairness in the dispensation of justice. It is proposed that the penalties for all anti-counterfeiting offences be provided for under the new Anti-Counterfeiting Act.

5.1.4 Establishment of the National Anti-Counterfeiting Agency

At the moment the country does not have a central agency responsible for combating counterfeiting. This responsibility is shared between the Minister of Trade,[385] the Minister for Industrialization[386]different boards and authorities,[387]inspectors under

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[384] Section 35(3) of the Copyright Act, *supra* note 22 and section 33 of the Anti- Counterfeit Act *supra* note 25.
[385] See section 11 of the Trade Description Act, *supra* note 24.
[386] See 27 of the Weights and Measure Act and section 9 of the Standards Act.
[387]Section 11 of the Industrial Property Act, section 3 of the Copyright Act and section 6 of the Standards Act.

different legislations,[388] authorized officers,[389] and the police.[390] The efforts of these offices are usually disjointed and uncoordinated and their roles sometimes conflict and overlap. It is not even certain that most of the enforcement officers have adequate knowledge concerning the law that they are enforcing. The new Anti Counterfeit Act establishes the Anti Counterfeiting Agency to coordinate anti-counterfeiting efforts in the country.[391] When the commencement of the Act is fixed this body should be launched as a matter of priority and be staffed by people with the relevant academic and work experience in the field of IPR. It should also be allowed to recruit enforcement officers with the requisite skills and academic qualifications.

5.1.5 Formulation of the National Anti-counterfeiting Policy and Strategy

A clear national anti-counterfeiting policy and strategy is necessary to fill in the gaps in the legal framework. The policy should be broad enough to cover both the domestic and international dimension of counterfeiting. To demonstrate political-will the Government should issue a clear statement locally and internationally that it will cracks down on counterfeits. The statement should also set out the Government's intended course of action in the anti-counterfeiting crusade with specific time-lines. This will send a strong message and put counterfeiters on notice.

5.1.6 Training enforcement officers and judicial officers

There is limited number of qualified, motivated and sufficiently equipped inspectors who can competently detect arrest, prosecute and penalize counterfeiting in Kenya. Their general lack of knowledge and information on intellectual property laws in Kenya is a set back in ensuring the enforcement of the law is a success. Most IP administrators, lawyers and judicial officers are also not sufficiently trained and sensitized on IP matters to

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[388] See section 39 of the Trade Marks Act *supra* note 63 and section 54 of Weights and Measures Act *supra* note 64.
[389] See section 30 of Seeds and Plant Varieties Act *supra* note 62.
[390] See section 163 of the Copyright Act, *supra* note 22.
[391] See Act No.13 of 2008; *supra* note 25, section 3(1).

ensure effective interpretation and application of anti counterfeiting laws when disputes arise.

Dr Sihanya has proposed that IP law curricula in our universities and tertiary institutions should be strengthened to contain the problem of lack of training in the war against counterfeiting.[392] He further proposes that the appropriate anti-counterfeiting skills can also be imparted on relevant officers, innovators, investors, traders, counsmers and the general public in seminars, workshops and effective or through the media.[393] I agree with this proposal and adopt the same.

[392] See B.Sihanya, "Intellectual property Confronts Counterfeiting in Africa," supra note 2, page 364.
[393] *Ibid.*

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