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THE TRADE MARKS ACT CAP 506 OF THE LAWS OF KENYA

AND

TMA NUMBER 55052 "AMUL PURE BUTTER" IN THE NAME OF HOUSE OF SPICES (EA) LIMITED AND EXPUNGEMENT PROCEEDINGS THERETO BY KAIRA DISTRICT CO-OPERATIVE MILK PRODUCERS UNION LIMITED

Background

On 18th September 2003, the Registrar of Trade Marks received an application for registration of trade mark number 55052 "AMUL PURE BUTTER" in the name of House of Spices Limited. The application was duly approved and published in the Industrial Property Journal of 30th August 2004. Upon expiry of the sixty (60) day statutory period, the mark was entered in the Register of Trade Marks and a Certificate of Registration was issued to the registered proprietors of the mark (the Proprietors). On 12th July 2010, Kaira District Co-operative Milk Producers Union Limited (the Applicants) filed expungement proceedings against the mark. Pleadings were duly exchanged between the parties and hearing dates agreed upon. On 19th April 2013, the Proprietors filed an application for security for costs. The application was supported by the Affidavit of Rasik Shah, a Director of the Proprietors. The grounds of the application were as follows, *inter alia*:

1. That the Applicants do not reside or carry on business in Kenya and have no assets in Kenya;
2. That if the application herein fails and the costs are awarded to the Proprietors against the Applicants, it would not be possible to recover the costs from the latter; and
3. That it would therefore be just and proper that an order for security should be made as prayed by the Proprietors.

The application was duly forwarded to the Applicants who filed a Replying Affidavit on 30th May 2013. The Affidavit was sworn by Rahulkumar Srivastava, the Managing Director of the Applicants who stated as follows, *inter alia*:

1. The application is purely based on a misapprehension without any reasons that simply because the Objector does not have any tangible assets in Kenya, costs, if any awarded may not be recovered;
2. No evidence has been adduced before the Registrar to support the Applicants' apprehension that the objector is in a parlous state and cannot or will not be capable of paying adverse costs should the same be awarded to the Applicants;
3. The Objector is a statutory body in India established under the Ministry of Commerce, Government of India, with a very high turnover and as such it is readily traceable, available and capable of making any payment for costs in the unlikely event that the Registrar finds against the Applicants;

4. The Kenyan law, and in particular the Civil Procedure Act and the Rules made thereunder, has sufficient provisions on enforcement of foreign judgement; and
5. The Registrar should take into consideration the fact that there should be no discrimination between applicants appearing before the Registrar merely on the basis of the country of origin or the absence of residence in that country in which a party wishes to protect its intellectual property rights.

The Replying Affidavit was duly forwarded to the Proprietors who filed a Supplementary Affidavit on 30th January 2014. The Affidavit was sworn by Rasik Shah, a Director of the Proprietors who denied the contents of the Applicants' Replying Affidavit.

Thereafter, the parties agreed that the matter would proceed by way of written submissions.

Ruling

I have considered the application made herein together with the Supporting Affidavit, the Replying Affidavit, the Supplementary Affidavit as well as the written submissions filed by the parties herein. The issues to be determined are:

1. Should security for costs be ordered?
2. If the answer to issue number 1 is in the affirmative, what amount would be appropriate and in what form should the security for costs be provided?

1. Should security for costs be ordered?

Section 45 of the Trade Marks Act provides that the Registrar of Trade Marks has powers to award costs in opposition or expungement proceedings that may be filed at the Registry of Trade Marks. Rule 56 of the Trade Mark Rules provides that where a party to proceedings before the Registrar “neither resides nor carries on business in Kenya” an order for security for costs “in such form as the Registrar may deem sufficient” may be issued before the decision in the proceedings is issued.

The Proprietors have applied for an order for security for costs for the reason that they are apprehensive that if the Applicants were not successful in the expungement proceedings and costs were awarded against them, it would not be possible to recover the costs from the Applicants that neither reside nor carry on business in Kenya. The Proprietors also state that the Applicants have no assets in Kenya.

On the other hand, the Applicants object to the order for security for costs for the reason that the mere fact that they are Kenyan non-residents should not be used against them. The Applicants state that this application is based on a mere misapprehension that the Applicants may not be able to pay costs just because they do not reside in Kenya.

According to rule 56 of the Trade Mark Rules, there are two grounds for grant of an order for security for costs by the Registrar in proceedings that are filed at the Registry of Trade Marks. The said grounds are as follows:

- (a) Where the parties do not reside in Kenya; or
- (b) Where the parties do not carry on business in Kenya.

This is similar to the provisions of Order XLI rule 9 of the Civil Procedure Rules, which states as follows:

“(1) At any time after the memorandum of appeal has been served, the court, in its discretion, may order the appellant to give security for the whole or any part of the costs of such appeal.

(2) If the appellant is not ordinarily resident in Kenya and has no sufficient property in Kenya (other than property to which the appeal relates) the court shall order the giving of security for the whole or part of the costs of the appeal within a time to be limited in the order.”

It is apparent that the Applicants herein do not reside in Kenya. In their application for expungement of trade mark number 55052, “AMUL PURE BUTTER” that was filed with the Registrar of Trade Marks on 2nd December 2010, the Applicants described themselves as an Indian cooperative union duly registered under the Bombay Co-operative Societies Act, 1925. The Applicants’ registered office was indicated as Anand - 388 061, Gujarat, India. That information is repeated in all the documents filed on behalf of the Applicants in the proceedings before the Registrar of Trade Marks.

In the case of *Shah V Shah* KLR 95, the court stated as follows:

“The general rule is that security is normally required from plaintiffs resident outside the jurisdiction; however, a court has jurisdiction, to be exercised judiciously, to refuse to order that security be given. It cannot be said that the judge exercised his discretion unreasonably or injudiciously in refusing to order security. “

In the case of Parmex Limited V Austin & Partners Limited [2006] KLR, the court stated that “in general, plaintiffs who are resident outside jurisdiction

should ordinarily provide security for costs, even though the court may decide otherwise”.

In the case of *Yash Plastomet (PVT) Ltd. v Friendship Container Manufacturers Ltd* [2010] KLR, that was in the Proprietors’ list of authorities, the Court stated as follows:

“Having given due consideration to this application, I do note that this court has discretion under Order XLI Rule 9 of the Civil Procedure Rules, to order the appellant to provide security for the whole or any part of the costs of the appeal. In this case, it is not disputed that the appellant is a company, which is neither incorporated in Kenya, nor does it carry on business in Kenya, nor does any of its directors reside in Kenya. The applicant’s apprehension that it may have difficulties recovering its costs in the event that the appeal is unsuccessful is not unfounded.”

Apart from the fact that the Applicants do not reside in Kenya, there is no indication that the Applicants carry on any business in Kenya or that they have any assets in Kenya.

In the case of *Farrab Incorporated V Brian Johnson Robson* that was quoted by the Applicants, the learned judge stated as follows on page 442:

“ I have looked into other cases where security is not required as a matter of practice, though a plaintiff is resident or registered abroad: they are contained in the commentary in the White Book at page 1501: the commentary states:

‘Security will not be required from a person permanently residing out of the jurisdiction, if he has substantial property, whether real or personal, within it. The leading case is *RE Apollinaris Company’s Trade Marks* (2), [1891] 1 Ch.1. Lord Halsbury there said, “ His being so resident (i.e. abroad) makes a prima facie case for requiring him to give security; but it is subject to a well known

ordinary exception that if there are goods and chattels of his in this country, which are sufficient to answer the possible claim of the other litigant, and which would be available for execution, the court would not order him to give security for costs.’

Further, the aforementioned Order XLI rule 9 provides that security should be provided where the appellant is not ordinarily resident in Kenya and has no sufficient property in Kenya. In the case of *Adela Rwabudariko & Another V Farmers Choice Limited* Civil Appeal 476 of 2005 at page 2, the judge stated as follows:

“Order XLI rule 9 of the Civil Procedure Rules provides that if the appellant is not ordinarily resident in Kenya and has no sufficient property in Kenya (other than the property to which the appeal relates) the court shall order the giving of security for the whole or part of the costs of appeal within a time limit to be limited in the order.

It is common knowledge that the appellants are Rwandese nationals. However, notwithstanding that, they have been residents in Kenya for 38 years and they have no intention of leaving the country.

The main reason for the application for the security is that the Appellants do not have sufficient property in Kenya, in the event that the appeal does not succeed and the Respondents have to trace the Appellants.”

In response to the Proprietors’ application, the Applicants have stated that they are a stable going concern which is capable of paying costs in the event that the Registrar so orders. They also aver that the Proprietors have on several occasions stated the Applicants’ address in their pleadings meaning that the latter’s permanent address is known to the Proprietors and that the Applicants are readily available for purposes of enforcement of any order of

the Registrar. The Applicants assert that the costs likely to be awarded in the expungement proceedings would be in the range of Kshs. 150,000.00 which sum would be easily affordable to the Applicants.

I agree with the Proprietors that the Applicants should provide security for costs since it has been established that the Applicants are not residents in Kenya. It has also been established that although the Applicants are a reputable co-operative society duly registered under the laws of India, they do not carry on business in Kenya. In their pleadings herein, the Applicants do not claim to have any property in the country. They only assert that they are capable of paying the costs, if ordered to do so, without tendering any evidence as to how that would be put into effect. This means that in the event that the Applicants were to be unsuccessful and costs were awarded against them by the Registrar of Trade Marks, it would not be possible for the Proprietors to enforce the order of the Registrar owing to issues of jurisdiction.

Following the above cases and the provisions of the Trade Mark Rules as well as the Civil Procedure Rules, I am of the view that since the Applicants do not reside in Kenya and do not indicate that they have any property, leave alone sufficient property, in Kenya, it is appropriate that the Applicants provide security for costs to the Proprietors.

For the above reasons, I hold that the Applicants should provide security for costs to the Proprietors in the manner indicated in item 2 below.

2. What amount would be appropriate and in what form should the security for costs be provided?

As earlier indicated, Rule 56 of the Trade Mark Rules empowers the Registrar of Trade Marks to make an order for security for costs “in such form as the Registrar may deem sufficient”.

In their Notice of Motion, the Proprietors made an application for an order for security for costs against the Applicants in the sum of “at least Kshs. 375,680.00 to be either deposited with the Registrar or an interest earning bank account in the joint names of the advocates for the parties herein.”

In their Replying Affidavit, the Applicants aver that if the Registrar of Trade Marks issues an order for security for costs in favour of the Proprietors, it “should be in the form of a bank guarantee to the Registrar by either the Applicants or their Agents”. Although it is not pleaded, the Applicants state in their written submissions that the claim by the Proprietors is too high, the attendances claimed are exaggerated, the claim for Value Added Tax is erroneous since this is not payable in party to party costs and that if at all an order for security is made, then it should be in the sum of Kshs. 75,000.00 being one half of the prescribed instructions fees in accordance with Paragraph 9(a), Schedule IV of the Advocates Remuneration Order, 2009.

While I agree with the Proprietors regarding some of the items comprising the sum of Kshs 375,680.00, I also agree with the Applicants in their opposition of a number of items and how the sum thereof was arrived at. As far as the instructions fee is concerned, it is my view that the fee should be allowed as is since it is the minimum as provided for under paragraph 9(a), Schedule IV of the Advocates Remuneration Order, 2009. I do not see the reason for allowing only one half of the prescribed instructions fee as asserted by the Applicants. I agree with the Applicants that Value Added Tax is not ordinarily included in claims for party to party costs and I therefore disallow this claim. The receiving and perusing claim of Kshs 126,000.00 is grossly exaggerated. The expungement proceedings do not disclose a total of 2,000 folios of the pleadings that were filed by the Applicants and the fee provided for under Schedule IV of the Advocates Remuneration Order, 2009 is Kshs 50.00 per folio and not Kshs 63.00. I therefore allow a receiving and perusing claim of 1,000 folios at a total cost of Kshs 50,000.00. It is my view that the claim of Kshs 20,000.00 for court

attendances is reasonable and is therefore allowed as made. The claim of Kshs 2,000.00 for drawing pleadings is also reasonable and is therefore allowed. It is my view that the court fees and disbursements claim of Kshs 30,000.00 is exaggerated since the only statutory fees payable to the Registrar of Trade Marks is Kshs 8,000.00 made up of Kshs 4,000.00 being the prescribed fee for a Counter-Statement and Kshs 4,000.00 being the prescribed fee for filing Form TM 8, the Hearing Notice. For this claim, I allow Kshs. 15,000.00.

In conclusion, the Proprietors' claim for security for costs is approved as follows:

Item	<u>Particulars</u>	Amount Claimed (Kshs)	Amount allowed(Kshs)
1.	Instructions fees	150,000.00	150,000.00
2.	Receiving and perusing pleadings (2,000 folios) @ KShs.63.00 per folio	126,000.00	50,000.00
3.	Court attendances - approximately	20,000.00	20,000.00
4.	Drawing pleadings	2,000.00	2,000.00
5.	16% VAT on all the above	47,680.00	NIL
6.	Court fees and disbursements approximately	30,000.00	15,000.00
Total		375,680.00	237,000.00

I hold that a sum of Kshs.237, 000.00 would be appropriate security for costs for the expungement proceedings in respect of TMA NO. 55052 “AMUL PURE BUTTER”. As regards the form that the security for costs would take, the Proprietors stated that it should be in the form of cash to be “either deposited

with the Registrar or in an interest earning Bank Account in the joint names of the Advocates for the Parties herein”. On the other hand, the Applicants state that in the event that an order for security for costs was granted, then “the same should only be in the form of a Bank Guarantee to the Registrar by either the Objector or its agents”. The practice at the Registry of Trade Marks is provision for security for costs by way of a bank guarantee as suggested by the Applicants.

Accordingly, I hold as follows:

- (a) That the Applicants do provide to the Proprietors a sum of Kshs.237, 000.00 being the security for costs for the expungement proceedings filed by the Applicants in respect of TMA NO. 55052 “AMUL PURE BUTTER”;
- (b) That the security for costs shall be provided by way of a Kenyan-based-bank guarantee made to the Registrar of Trade Marks within the next sixty (60) days from the date hereof; and
- (c) That I make no order as to costs.

Eunice Njuguna

Assistant Registrar of Trade Marks

5th Day of January 2015

I certify that this is a true copy of the original

A handwritten signature in black ink, appearing to be 'Eunice Njuguna', written in a cursive style.

Eunice Njuguna

Assistant Registrar of Trade Marks

5th Day of January 2015