

Passing off - COMMERCIAL CASE NO. 132 OF 2018: Kenafric Industries Limited (Plaintiff) vs. Lakairo Industries Group Co. Ltd. (1st Defendant) & Others

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The Case

On the 30th of May 2022, the High Court considered the principle of passing off in the judgement of *COMMERCIAL CASE NO. 132 OF 2018 Kenafric Industries Limited vs. Lakairo Industries Group Co. Ltd., Lakairo Investments Co. Ltd., Lameck Okam Bo Airo, Registrar of Trade and Service Marks and Attorney General.*

The principle of passing off refers to when a trader makes a direct or indirect misrepresentation to the public that their business is that of a competitor or is associated with a competitor's business. Passing off is a common law tort, much similar to trademark infringement although in this case can be used to enforce unregistered trademark rights.

The Plaintiff's Arguments

This case was initiated after Kenafric Industries Limited, the plaintiff, asserted that she was the rightful owner of the three trademarks. These included Trademark No. 26501 (KI) Pipi Kifua for sweets, Trademark No. AP/M/2017/003153 KI Special Veve for bubble gums and Trademark No. 26501 KI Orange Drops for hard boiled sweets. The plaintiff also stated that the 1st, 2nd and 3rd defendants had infringed on these three trademarks and had passed off the same products. As a result, Kenafric Industries was seeking the following court orders:

1. an order directing the 1st, 2nd and 3rd defendants to cease infringing the three trademarks;
2. an order for the infringing marks to be removed from the Register of Trade and Service Marks;
3. an order directing the 1st, 2nd and 3rd defendants to withdraw from the market and to destroy the products they had passed off;
4. an order for payment of special damages of TZS 3,971,392,942; and
5. an order for general damages.

The plaintiff brought forth three witnesses to advance her arguments. The witnesses submitted that the plaintiff had applied for the trademarks of "Orange Drops" and "Special Veve" on 25 November 2017 and that these were granted on 18 February 2019. The witnesses also stated that the plaintiff was the registered proprietor of the "Pipi Kifua" trademark since 5 January 1999. Moreover, it was stated that the plaintiff had a business relationship with the 2nd defendant who was distributing the sweets in Tanzania. This business relationship proceeded well until 2018 when the plaintiff discovered that the 1st, 2nd and 3rd defendants were infringing on her trademarks and passing off her products by introducing their own products branded as "Super Veve", "Special Veve", "Orange drops" and "Pipi Kifua" into the market. These products were allegedly cheaper and of a lower quality in comparison to the products of the plaintiff. Furthermore, in 2021 the plaintiff discovered that the 3rd defendant had obtained a trademark for "Pipi Kifua" despite the 4th defendant (the Registrar of Trade and Service Marks) issuing the plaintiff with a Certificate of Registration with regards to the same products at a prior date.

The Defendants' Arguments

The defence, however, refuted all the plaintiff's claims and relied on the testimonies of two witnesses to advance their arguments. These testimonies submitted that since 24 August 2018, the 3rd defendant was the

registered owner of Trademark No. TZ/T/2018/1616 for LAKAIRO Pipi Kifua. It was also submitted that the 1st defendant was the proprietor of Trademark No. TZ/T/2017/1407 Special Veve since 27 July 2017 and that there were no similar marks in the Registry at that date. The registration certificates in respect of the trademark "Super Veve" were also tendered in court. Furthermore, the witness testimonies also denied the existence of a distributorship agreement between the plaintiff and the 2nd defendant.

The Court's Decision

After the above arguments were made, the Court was required to decide on five issues:

1) The first issue was whether the defendants infringed on the plaintiff's trademark rights.

On this issue the Court found that the 1st, 2nd and 3rd defendants infringed upon trademarks rights of the plaintiff in respect of Trademark No. AP/M/ 2017/003161 KI Orange Drops and Trademark No. 26501 (KI) Pipi Kifua. However, there was no infringement on the trademark, AP/M/ 2017/003153 KI Special Veve as the defendant's trademark, TZ/T/2017/1407 Special Veve preceded in law and therefore, deserved priority.

2) The second issue was whether the defendants passed off any of the plaintiff's goods.

On this issue the Court was guided by the case of *Reckitt & Colman Ltd v Borden Inc* [1990] 1 ALL E.R. 873 which established a "three-part test" for passing off; a test requiring reputation and goodwill, misrepresentation, and damage. With regards to the first part of the test, it was clear to the court that the plaintiff's trademarks and products had acquired reputation and good will. Secondly, it was concluded that the defendant intentionally created a misrepresentation to consumers of the products. Lastly, it was found that the plaintiff lost market for her goods after similar products were introduced into the market by the defendants, as such it was presumed that she must have suffered damages. Therefore, the three-part test was satisfied, and the Court concluded the 1st, 2nd and 3rd defendants deliberately passed off the plaintiff's goods in respect of all three products.

In determining this issue, the court went a step further in considering the validity of the trademark registration of the Defendant's mark "Special Veve". The court took the stance that although it was proved that the mark was registered before the registration of the Plaintiff's mark "KI Special Veve", thereby evidencing that, there was no trademark infringement. It was clear from the facts on the record that the Defendants passed off the Plaintiff's goods. In light of this, it is a settled position in the law that, the fact that the Defendant's mark was registered before the Plaintiff's mark does not afford them a good defence in an action of passing off. The court further established that the Defendant's prior registration of the mark was for the sole intent of passing off the Plaintiff's goods, which it knew through prior business dealings. Taking the aforementioned into consideration the court held that, it was permitted, in certain cases dealing with a claim relating to passing off brought by a prior user, to go into issues related to the validity of registration of the Defendant's mark. The court emphasized that in deserving cases, it may even grant an order of injunction in favour of the person whose mark is not registered, against the person whose mark is registered. The court thus held that the defendant's "Special Veve" was not validly registered as the proprietor made an application for registration with a hidden intent of passing off the goods of the plaintiff. The court ultimately ordered the expungement of the Defendant's mark from the Register of Trade and Service marks.

This conclusion was also supported by the case of *Sabuni Detergents Limited vs. Murzah Oil Mills Limited*, Commercial Case No. 256 of 2001 which concerned defendants who were using resembling packages for

their products and confusing consumers. On this matter Bwana, J. found that this act of passing off was prohibited by Section 31 of the Trade and Service Marks Act, 1986.

3) The third issue was whether there was any distributorship agreement between the parties.

On this matter the Court found that there was no distributorship agreement and that the plaintiff had not produced any evidence to that effect.

4) The fourth issue concerned whether the plaintiff suffered damages and to what extent.

On this issue the Court decided that the plaintiff was not entitled to special damages as special damages must be specifically proven according to the rule in the case of *Zuberi Augustino vs. Anicet Mugae* (1992) T. L. R. 137. Since the plaintiff failed to adduce evidence of what she actually suffered as a result of the defendant's actions, she was not entitled to special damages and only general damages were awardable which are within the court's discretion to award.

5) Lastly, the fifth issue which the Court decided upon concerned with what reliefs the parties were entitled to.

With regards to this issue Mkeha, J made several orders:

1. an order to the 1st, 2nd and 3rd defendants to cease and desist from infringing upon the plaintiff's trademarks and passing off the goods;
2. an order to the 4th defendant to remove Trademark No. TZ/T/2017/1407 Special Veve and Trademark No. TZ/T/2018/1616 LAKAIRO Pipi Kifua from the Register of Trademarks;
3. an order to the 1st, 2nd and 3rd defendants to withdraw from the market and destroy all the products they had passed off;
4. an order to the 1st, 2nd and 3rd defendants to pay general damages of TZS 200,000,000/- to the plaintiff;
5. an order for the 1st, 2nd and 3rd defendants to pay the plaintiff an interest of 7% per annum on the decretal sum from the date of judgement to the date of payment in full; and
6. an order to the 1st, 2nd and 3rd defendants to pay costs of the suit.

Conclusion

The court's decision emphasizes the fact that prior registration of a trademark in Tanzania takes precedence over an Aripo registration at a later date, as far as claims of Trademark infringement are concerned. However, the court's decision signifies that the court is reluctant to allow a proprietor of a prior registered trademark, to benefit from the prior registration of the mark, once it has been proved that the registration was for the sole intent of passing off the goods belonging to another. In such circumstances, the court has the discretion to question the validity of the registration of the registered mark. In deserving cases, the court may order an injunction in favour of the person whose mark is not registered against the person whose mark is registered, and can further order that the registered mark be expunged from the Register of Trade and Service Marks on the basis that it was registered with the hidden intent of passing off the goods belonging to another person.

The court's decision also emphasizes the need for parties to produce relevant documentation to prove the existence of a distributorship agreement. The decision underscores the fact that the mere existence of a



business relationship between the parties cannot constitute a distributorship agreement in the absence of an express agreement providing for the same or conducts from which implied agreement could be inferred.

Lastly, concerning damages parties' are entitled to in cases of passing off. It is clear that for a plaintiff's claim for special damages to succeed, the claim must be substantiated and supported with relevant documentation and evidence e.g., evidence showing a drop in sales in the market, if any, and /or failure to reach sales targets when the goods passed off were introduced into the market. However, the colossal sum of TSH 200,000,000 that was awarded by the court in the form of general damages is encouraging, as not only does it serve as a deterrence to passing off competitor's goods, it demonstrates that the court appreciates the value of reputation and goodwill associated with a person's trademark and products in the market.