

**IN THE COURT OF APPEAL
AT NAIROBI**

(CORAM: MUSINGA (P), NAMBUYE & J. MOHAMMED, JJ.A.)

CIVIL APPLICATION NO. E092 OF 2021

BETWEEN

**KENAFRIC MATCHES LTD..... APPLICANT
AND**

**MATCH MASTERS LIMITED 1ST RESPONDENT
ANTI-COUNTERFEIT AGENCY..... 2ND RESPONDENT**

*(An application for stay of execution of the ruling and orders of
the High Court of Kenya (Commercial & Admiralty Division) at
Nairobi (**Tuiyott, J.**) dated 8th March, 2021*

in

ELC Cause No. E250 of 2020)

RULING OF THE COURT

Background

1) Before us is a notice of motion dated 23rd March, 2021 in which

Kenafric Matches Limited (the applicant) prays for orders in the main:

- a) that pending the hearing and determination of the applicant's intended appeal, this Court be pleased to grant an order of stay of execution of the impugned ruling and order;
- b) that pending the hearing and determination of the applicant's intended appeal, this Court be pleased to grant an

order of stay of proceedings in High Court Commercial Case No. E250 of 2020; and

c) that the costs of this application be provided for.

2) **Match Masters Limited & Anti-Counterfeit Agency** are the 1st and 2nd respondents respectively.

3) The application is brought under **rule 5(2) (b)** of the **Court of Appeal Rules** (this Court's Rules) and is premised *inter alia* on the grounds:

- a) that the 1st respondent filed suit in High Court Commercial Case No. E250 of 2020 by way of a plaint dated 10th July 2020 seeking, *inter alia*, to restrain the applicant from selling the alleged counterfeit safety matches trading in the applicant's "BIG FIVE", and "BIG 5" marks (the "Products").
- b) that by the impugned ruling, the Court granted the 1st respondent a temporary injunction restraining the applicant from continued sale of its products in the applicant's "BIG FIVE" and "BIG 5" marks and further production and marketing of its products pending hearing and determination of the main suit ("the ruling").
- c) that by the said impugned ruling, the learned Judge also directed that the first respondent issues an undertaking to the applicant as damages in the sum of Kshs 10 million within 14 days of the ruling.
- d) that the applicant sought and was granted an interim order of stay of execution of the ruling which lapsed on 30th April, 2021.

- e) that the applicant intends to lodge an appeal against part of the ruling and the entire order arising therefrom. The grounds for the appeal raise several triable and arguable grounds of appeal as set out in the supporting affidavit of **Lorna Solopian** and the annexed draft memorandum of appeal; and
 - f) that unless this Court intervenes and grants the orders sought, the applicant's right to pursue an appeal against the ruling will be rendered nugatory as the applicant will be constrained to immediately cease the entire chain of production of its products before the determination of the intended appeal and eventually the substantive suit at the High Court.
- 4) The application was supported by the affidavit of **Ms Lorna Solopian (Ms Solopian)**, the applicant's Head of Legal & Compliance. **Ms Solopian** deposed that the applicant is a leading and highly reputable company engaged in, *inter alia*, the manufacture, sale and distribution of safety matches, smokers' articles and other goods for trade both locally and within the East and Central Africa region; that it employs over 60 people and has a turnover of over Kshs. 80 million; that the basis of the 1st respondent's complaint against the applicant was that it was selling counterfeit products in the form of the applicant's products; that the applicant opposed the 1st respondent's injunction application; and that the learned Judge granted a temporary injunction restraining the applicant from the

continued sale, production and marketing of the applicant's products pending hearing and determination of the main suit.

5) **Ms Solopian** further deposed that the applicant was aggrieved by part of the ruling and filed a notice of appeal, and the instant application; that the appeal is arguable, *inter alia*, on the grounds that the High Court having held by its own ruling that there was no evidence that the applicant's products were counterfeit, went ahead and made orders against the applicant; that despite acknowledging that the matters raised before the High Court were the same issues for determination before the Registrar of Trademarks, the High Court made determination with respect to matters pending before the Registrar of Trademarks; and that the High Court in ordering the applicant to stop production and sale of its products has in essence granted a mandatory injunction at an interlocutory stage of the proceedings whose effects is grave and substantial to the applicant.

6) **Ms Solopian** deposed that the appeal will be rendered nugatory if the orders sought are not granted as the effect of the impugned ruling is the inevitable shutdown of the applicant's products in dispute as the applicant is required to immediately cease the entire

chain of production of its products before the intended appeal is determined; that the stoppage in the production and sale of the applicant's products will lead to serious financial losses resulting from inter alia; expenses already incurred in the manufacturing and promoting of its products; investments in the trade channel of the products; inventories in stock; and investments in respect of the packaging material and get up of the products totaling Kshs. 378 million over a period of 4 months; breaches of contracts with third parties by reason of pending orders that the applicant already had with them; and job losses for the applicant's employees as the applicant would be constrained to reduce and/or shut down its operations for the time that the impugned order is in place.

7) **Ms Solopian** further deposed that the consequences of the impugned ruling and order are far reaching and irreversible and as such the 1st respondent's undertaking as to damages of Kshs. 10 million as ordered by the High Court would not be sufficient to compensate the applicant in the event that the intended appeal is successful or the suit in the High Court is dismissed.

Submissions

- 8) The application was heard by way of written submissions due to the Covid-19 Pandemic. The applicant filed written submissions reiterating the issues both on the face of the application and averments in the supporting affidavit and urged us to allow the appeal with costs.
- 9) Counsel for the respondent filed written submissions and submitted that the applicant herein has not demonstrated that it has an arguable appeal; and that the applicant has not proposed to challenge the impugned ruling on the ground that the learned Judge applied the wrong principles of the law in granting the injunction or that the learned Judge was unreasonable and outrageous in exercise of his discretion. Counsel submitted that the learned Judge made it clear that the Registrar of Trademarks was free to make his or her own finding and it is therefore manifest that the learned Judge did not interfere with the pending opposition proceedings; and that the learned Judge evaluated the evidence and facts before arriving at a balanced decision.
- 10) On the nugatory aspect, counsel submitted that the applicant has not shown in which way its intended appeal will be rendered

nugatory; that there is no order by the High Court ordering the applicant to close its plant and cease production of safety matches; that the applicant continues to produce and sell safety matches under many other brands; and that the applicant's factory will therefore not close down and the appeal will therefore not be rendered nugatory.

11) Counsel further submitted that public policy is an important consideration in this matter as it is in line with public policy that dispute resolution mechanisms under the Trademarks Act are supported, protected and promoted; that it is in the public interest that the stay sought should be denied; that the applicant has not shown that the proceedings pending before the High Court are being conducted in a manner that violates its rights or rules of natural justice; and that the applicant has not pointed out any prejudice that it will suffer if the High Court proceedings or proceedings before the Registrar of Trademarks are pursued to their logical conclusions. Counsel urged us to dismiss the application with costs.

Determination

12) We have considered the application, the grounds in support thereof, the submissions, the authorities cited and the law. The jurisdiction of

this Court under **rule 5(2)(b)** of this **Court's Rules** is discretionary and guided by the interests of justice.

13) The principles for granting a stay of execution, injunction or stay of proceedings under that rule are well settled as was observed by this Court in the case of **Trust Bank Limited and Another v. Investech Bank Limited and 3 Others [2000] eKLR** where the Court delineated the jurisdiction of this Court in such an application as follows:

“The jurisdiction of the Court under Rule 5(2)(b) is original and discretionary and it is trite law that to succeed an applicant has to show firstly that his appeal or intended appeal is arguable, to put another way, it is not frivolous and secondly that unless he is granted a stay the appeal or intended appeal, if successful will be rendered nugatory. These are the guiding principles but these principles must be considered against facts and circumstances of each case...”

14) On the first principle, as to whether the appeal is arguable, we have to consider whether there is a single *bona fide* arguable ground that has been raised by the applicant in order to warrant ventilation before this Court. In **Stanley Kang'ethe Kinyanjui v Tony Ketter & 5 Others [2013] eKLR** this Court described an arguable appeal in the following terms:

“vii). An arguable appeal is not one which must necessarily succeed, but one which ought to be argued fully before the court; one which is not frivolous.

viii). In considering an application brought under Rule 5 (2) (b) the court must not make definitive or final findings of either fact or law at that stage as doing so may embarrass the ultimate hearing of the main appeal.”

15) We have carefully considered the grounds set out in the motion and the draft memorandum of appeal. In our view, it is arguable, *inter alia*, whether the High Court erred in granting a mandatory injunction at an interlocutory stage. An arguable point is not necessarily one that must succeed, but merely one that is deserving of consideration by the Court. Secondly, one that warrants a response from the opposite party. Without saying more lest we embarrass the bench that will be seized of the main appeal, we are satisfied that the intended appeal is arguable.

16) On the nugatory aspect, which is whether the appeal, should it succeed, would be rendered nugatory if we decline to grant the orders sought and the intended appeal succeeds, in **Stanley Kang’ethe Kinyanjui v Tony Ketter & 5 Others** (*supra*) this Court stated that:

“ix). The term “nugatory” has to be given its full meaning. It does not only mean worthless, futile or invalid. It also means trifling.

x). Whether or not an appeal will be rendered nugatory depends on whether or not what is sought to be stayed if allowed to happen is reversible; or if it is not reversible whether damages will reasonably compensate the party aggrieved.

17) In determining whether an appeal will be rendered nugatory the Court has to consider the conflicting claims of both parties and each case has to be considered on its merits. We find that in the circumstances of the instant application, the appeal will be rendered nugatory as the applicant stands to lose about Ksh. 378,000,000 over a period of four (4) months; the applicant would also suffer substantial losses that cannot be compensated by way of damages including breach of trust with its stakeholders and suppliers; and loss of livelihoods for its employees who may lose their jobs.

18) In the circumstances of the instant application, we are persuaded that the applicant has demonstrated an arguable appeal which will be rendered nugatory if the orders sought are not granted.

19) From the circumstances of the application before us, we are satisfied that the applicant has satisfied the twin principles for the grant of an injunction pending the hearing and determination of the intended appeal in accordance with the jurisprudence underlying the

consideration of the twin principles summarized by this Court in the case of **Stanley Kange'the Kinyanjui (supra)**.

20) The upshot is that the application dated 23rd March, 2021 is allowed. Costs shall abide by the outcome of the intended appeal.

Dated and delivered at Nairobi this 19th day of November, 2021.

D. MUSINGA (P)

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JUDGE OF APPEAL

R. N. NAMBUYE

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JUDGE OF APPEAL

J. MOHAMMED

.....

JUDGE OF APPEAL

I certify that this is a true copy of the original

SIGNED

DEPUTY REGISTRAR