

REPUBLIC OF KENYA

IN THE CHIEF MAGISTRATE'S COURT MILIMANI

CRIMINAL CASE NO 1159 OF 2019

REPUBLIC.....PROSECUTION

VERSUS

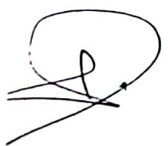
CHEN XIANZHONG.....ACCUSED

JUDGEMENT

CHEN XIAZHONG is charged with three counts of Having in Possession in the course of trade counterfeit goods contrary to Section 32 (a) as read with Section 35 (1) (a) of the Anti- Counterfeit Act NO. 13 OF 2008 on three (3) counts.

On the first count particulars are that on the 29th day of May 2018 at around 10.00 hours, at Go-down No. B2, Property LR NO. 209/10633. East Gate off Mombasa Road, within Nairobi County in the Republic of Kenya, in the course of trade was found in possession of counterfeit goods to wit 9,744 pairs of shoes with total value of Kshs.146,111,280 without the authority of Caterpillar Inc. the registered owner of CAT, registered under Trade Mark No. KE/T/1997/046524 class 25 which goods imitated the protected goods in such manner and to such a degree that those counterfeit goods are substantially similar copies of the protected goods.

On the second count particulars are that on the 29th day of May 2018 at around 10.00hours at Go-down NO. B2, Property LR. NO.209/10633, East



Gate off Mombasa Road, within Nairobi County in the Republic of Kenya, in the course of trade was found in possession of counterfeit goods to wit 240 pairs of Clarks shoes with a total value of Kshs. 1,800,000/= without the authority of C & J. Clark International Ltd the registered Clarks trade mark which goods imitated the protected goods in such a manner and to such a degree that those counterfeit goods are substantially similar to the protected goods.

On the third count particulars are that on the 29th day of May 2018 at around 10.00 hours, at Go-down NO.B2, Property LR NO.209/10633, East Gate off Mombasa Road, within Nairobi County in the Republic of Kenya in the course of trade was found in possession of counterfeit goods to wit 180 pairs of Polo shoes with a total value of Ksh.1,422,000/= without authority of Ralph Lauren Corporation the owner of the registered Polo trade mark which goods imitated the protected goods in such manner and to such a degree that those counterfeit goods are substantially similar copies of the protected goods.

He is charged with three other counts of Importing to Kenya Counterfeit Goods contrary to Section 32 (f) as read with Section 35 (1) (a) of the Anti-Counterfeit Act No.13 of 2008.

Particulars of the fourth count are that on diverse dates on or before the 29th day of May 2018 in the Republic of Kenya, in the course of trade imported into Kenya counterfeit goods to wit 9,744 pairs of shoes with a total value of Ksh146,111,280 without the authority of caterpillar Inc. the registered owner of CAT, registered under Trade Mark No.KE/T/1997/046524 class 25 which goods imitated the protected goods in such manner and to such a degree that those counterfeit goods are substantially similar copies of the protected goods.



On the fifth count particulars are that on diverse dates on or before the 29th day of May 2018 in the course of trade imported into Kenya counterfeit goods to wit 240 pairs of Clarks shoes with a total value of Ksh.1,800,000 without the authority of C & J Clark international Ltd the owner of the registered Carls Trade mark which goods imitated the protected goods in such manner and to such a degree that those counterfeit goods imitated the protected goods in such manner and to such a degree that those counterfeit goods are substantially similar copies of the protected goods.

On the 6th count particulars are that on diverse dates on or before the 29th day of May 2018 in the Republic of Kenya, in the course of trade imported into Kenya counterfeit goods to wit 180 pairs of Polo shoes with a total value of Ksh1,422,000 without the authority of Ralph Lauren Corporation the owner of the registered Polo Trade mark which goods imitated the protected goods in such manner and to such a degree that those counterfeit goods are substantially similar copies of the protected goods.

The Accused person denied this charge, and a bid to prove its case the Prosecution called a total of four (4) witnesses.

LEON SCHO JOHNS (PW1) is the Managing Director J.O Global Ventures which does brand protection internationally for Caterpillar Inc. USA, protecting the intellectual property like trademarks and patents. They examine and analyse goods and identify infringement of design and trademarks in Kenya, and for that he holds a Power of Attorney donated by Caterpillar Inc. USA. (Exhibit No.1 (a) and (b). That in that respect he also holds a Caterpillar brand training certificate (Exhibit 2)



He testified that in this case he was shown goods seized by the Kenya Anti-Counterfeit Authority (Hereinafter referred to as "ACA"), suspected to be counterfeit/imitation of Caterpillar brand open sandal with 3 straps shoes (Exhibit 5). That Caterpillar makes open shoes-sandals and Kenya is its market. He showed the court an original Caterpillar open 3 straps shoe (Exhibit 6) pointing out the similarities with the seized product being:

- 3 strap open shoes
- Brown in colour
- Black sole
- CAT logo on the original and GHT with a yellow triangle copying the original letters likely to confuse the public
- -The font style of the logo

He testified that the original product should be in a box stamped QC for quality testing and with the address, date of the product with a tracking barcode and can be traced to production and the supplier, yet the counterfeit was just packed in polythene paper. He also pointed out that the original had packaging support to protect the product during shopping and the product itself had the trade mark sign CAT in the innersole and also at the bottom, while the counterfeit had logo GH terpillar. He produced before court a report he made after analysis (Exhibit 12)

LORNA KHAMUSA MIIMA (PW2) is an Inspector with the ACA based at JKIA. Her evidence was that she was in a multi-agency Unit tasked with inspecting and detecting offences when on 28th May 2018 they came across



Go-down No. B2 LR. NO.209/10633 East Gate off Mombasa Road. While they had inspected all other go downs, the owner of this specific go-down was not in. He was conducted and agreed with the team to be available the following day, the 29th May 2018.

When the team arrived on the 29th May 2018 Accused person was present and allowed them to access the warehouse which they searched. He signed as owner/agent. Upon inspection they found shoes that that they reasonably suspected to be counterfeits Caterpillar foot ware, Polo foot ware and Clark foot ware. They seized 1624 counterfeit Caterpillar shoes, 240 pairs Polo shoes and 180 pairs Clarks shoes. They all signed an inventory of the recovery (Exhibit (13) (b)

WILLIAM OLALO ONYANGO (PW3) testified as Director in Charge of Brand Protection Research and Enforcement J.O Global Ventures. He said that among his duties is to liaise with local authorities in carrying out enforcement activities and also carrying out market research for clients on counterfeits. That as a product expert for their client Caterpillar he holds a Power of Attorney, (Exhibit1 a) to identify infringement of their products.

That in that capacity he was called by Mr. Abdi Fattah Aden of ACA and informed of a multi-agency operation on 28th May 2018. He was told of goods seized and asked to confirm infringement and sent images of the products through WhatsApp platform. That when he confirmed that the products did not originate from Caterpillar, he was asked to file a complaint which he did to the ACA (Exhibit No.3), and also applied to be given samples of the seized goods for inspection (Exhibit 5). That analysis was done and a report made (Exhibit 19). That the products were counterfeit because the

brand GHTER PILLAR is a clear attempt to copy the CATERPILLAR name with adjustment of two letters GH in place of CA and also the use of the registered CAT triangle logo. That the aim was to confuse customers into believing that the product is either genuine Caterpillar, related to Caterpillar and/or endorsed by Caterpillar.

He produced as exhibits the original Caterpillar shoes (EX 6), its packaging (EX7), the support (EX9), the tag (EX10) and the shipping label (EX11).

The witness denied knowing about registration of GHT as a trade mark in Kenya and also knowing any legal issues connected because it was a matter being handled by their legal team though when shown copy of his letter dated the 20th November 2018, the witness admitted that he wrote to the Executive Director ACA stating that Caterpillar had was not contesting the local registration of GHT trade mark in Kenya and therefore was therefore not opposed to release of goods bearing the GHT trade mark. However, he clarified When called for the defence that this was in relation to other products seized at Baba Ndogo, and not the shoes seized in this case.

ABDI FATAH ADEN (PW4) is an Inspector with the ACA. He told the court that on 28th May 2018 he was in the multi-agency team that visited Go-down No. B2 LR. 209/10633 East Gate off Mombasa. It is the Accused that opened up the go-down for them. On inspecting they recovered 812 boxes of suspected Caterpillar counterfeit shoes, 10 boxes of Polo shoes and 10 boxes of Clark shoes which were seized (inventory Ex 13) and the Accused person arrested. That he notified J.O Global Enterprises, the local representatives of Caterpillar and instructed them to lodge a complaint. That after the complaint and analysis of a sample of the seized goods Caterpillar through J.O Global

ventures availed a report showing that the seized goods were counterfeits(EX19). The witness produced in evidence;

- PW1's Power of Attorney;
- Complaint form by Caterpillar;
- Affidavit in support of complaint;
- Application for samples by J.O Global Ventures from ACA;
- Receipts for payment for samples by Global Ventures;
- Certificate for use in legal proceedings by Caterpillar;
- Notice of seizure of the counterfeit goods addressed to J.O Global Ventures;
- Application for inspection form;
- Indemnity form by Caterpillar;
- Witness' Certificate of authority;
- Certificate of incorporation of J.O Global Ventures;
- 1788 pairs of suspected counterfeit Caterpillar shoes;
- Sample pair of suspected counterfeit caterpillar shoes;
- 9 boxes Polo shoes;
- 9 boxes Clarks shoes.

The witness denied knowing that GHT is a registered trade mark in Kenya. He also denied seeing a letter from Global Ventures (D EX 2) that was asking the ACA to release some goods seized.



At the close of the Prosecution case the court found that the Accused person had a case to answer in respect of counts 1 and 4 and put him on his defence. At the same time the court acquitted him of counts 2, 3, 5 and 6 relating to suspected counterfeit goods infringing the trademarks of C & J Clark International Ltd and Ralph Lauren Corporation (Clarks and Polo shoes), for lack of sufficient evidence, under Section 210 of the Criminal Procedure Code.

The Accused person made an unsworn statement and called two other witnesses in defence.

He told the court that he is an employee of Yuhang Investments Ltd and produced copy of the company records (DEX4). He said that the company director is Yuhang Hu Yuhang and he is the one that signed the inventory when the multi-agency team went to inspect and seize, and not him. He said that he showed police the trademark for GHT and told them that he was not the proprietor of the goods, but they still arrested him.

WILLIAM ONYANGO, the director Global Ventures (DW2) testified that he indeed wrote to the Chief Executive Officer ACA a letter dated 20th November 2019 (DEX2). He said that he was writing concerning seizure in file number ACA/HQ/ENF/CON/201/19 concerning goods that had been seized from Baba dogo and that Caterpillar confirmed that they were not contesting registration of GHT trademark. He added that the shoes in question had the logo GHT but without the triangle and were therefore not infringing the Caterpillar trade mark.



Questioned he told the court that the shoes seized in this case had the triangle with change of design of letters which looked at from a distance looked like CAT

EUNICE NJUGUNA (DW3) is Registrar of trademarks at Kenya Industrial Property Institute (KIPI).

Her evidence was that they register trademarks upon application and that they usually check in their database and approve if there is no similar trademark. She added that registration is usually made after advertisement in the KIPI monthly Journal for six months and no objection is raised.

Concerning certificate of registration of GHT as a trade mark she told the court that it was a genuine certificate which she signed, and that it was a true reflection of the registered mark, which she produced as exhibit (DEX1). She said that it was registered in respect of clothing, head gear, and foot gear and therefore goods bearing the mark cannot be counterfeit goods in Kenya and an earlier mark does not render it counterfeit so long as it is being used for goods that it was registered in respect of.

Cross-examined the witness admitted that letters GHT are not the same with letters CAT. When shown image of shoe strap with logo GHTE PILLAR in the photograph of the alleged counterfeit shoes produced herein the witness said that that was not the trade mark captured in the certificate of registration of GHT as a trademark. She added that it was a new mark.



I have considered all evidence adduced and submissions by learned counsel.

In criminal cases the onus is always on the Prosecution to prove the charge beyond reasonable doubt. The case of **PURITY NYAKIO WACHIRA V REPUBLIC [2020] e KLR** points out what the court should look out for in considering whether the prosecution has proved a charge of this nature. There must be proof that the Accused was in possession, that the goods were counterfeit goods and that it was in the course of trade

ISSUES FOR DETERMINATION

- (1) Whether the goods seized were counterfeit goods
- (2) Whether the Accused had possession of the goods and in the course of trade
- (3) Whether Accused imported the goods to Kenya in the course of trade

Whether the goods seized were counterfeit goods

Section 2 of the Anti- Counterfeit Act No. 13 of 2008 defines Counterfeiting as follows:

“...taking the following actions without the authority of the owner of intellectual property right subsisting in Kenya or outside Kenya in respect of protected goods—

- (a) the manufacture, production, packaging, re-packaging, labelling or making, whether in Kenya, 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; ...”

Counterfeit goods is defined under the same section as “goods that are the result of counterfeiting any item that bears an intellectual property right, and includes any means used for purposes of counterfeiting.

In proving the charges herein, the Prosecution must prove first that the goods in question are counterfeit goods. There must be a subsisting intellectual property right, which the offender was infringing or imitating and without authority of the registered owner.

In this case it was demonstrated that CATERPILLAR INC.USA is registered in Kenya as a trade mark to deal in among other goods foot ware since 5th February 1999 since. Its logo is three letters CAT with a triangle facing upwards beneath letter A.

The court was shown the alleged counterfeit shoes. The contention that they imitate the Caterpillar shoes was in the fact that just like Caterpillar which has its logo on its Brown open sandals, these shoes too carry a logo GHT with a similar triangle beneath letter H. That just like the Caterpillar sandals these too are 3 strap sandals and with a Black sole. It was shown that the contentious sandals have clear branding GHTERPILLAR GHT almost similar to the Caterpillar branded shoes which are branded CATERPILLAR CAT.

It was the contention of the defence that because GHT is also a registered trade mark in Kenya and allowed to deal in foot ware among other products, that so long as the logo GHT appeared on products, there was no infringement. A letter written by Director Global Ventures to the CEO Anti-



Counterfeit Authority to the effect that Caterpillar was not contesting release of seized exhibits because GHT is registered as a trade mark (DEX2) was explained by the witness. That the letter referred to goods seized in Babadogo which had only the logo GHT unlike the goods in this case which had many marks of imitating the Caterpillar brand. The Registrar Trade marks said in evidence that the additional use of the word GHTERPILLAR was beyond the GHT trade mark registered. It was submitted that there is no registered trademark GHTERPILLAR and that the director Yuhang Yang Xiangjun should have been called by the prosecution to contest use of his trademark. The case of **WANJIRU MWANGI V REPUBLIC IJRENE** [2020] e KLR was cited. The court had the opportunity to view the genuine and contested shoes and noted the name which one could easily mistake for CATERPILLAR, the known brand owner of CAT brand considering many other similarities. Failure to call this director did not affect the prosecution evidence in my view.

It came out after viewing the exhibits that unless a buyer was very keen the goods appeared to be genuine products of Caterpillar. Even with a keen buyer, one could assume that they are closely related to Caterpillar products. The fear that they could confuse the customers and even expose them to low quality products is real. I am satisfied that these are counterfeit goods.

Whether Accused had possession of the goods in the course of trade.

The issue of possession was discussed in the case of **PETER MWANGI KARIUKI V R (2015)** e KLR where Mativo J. stated that:

In my view, possession includes two elements; namely being in physical control of the item and knowledge of having the item. To be guilty of



possession, an accused person must be shown to have knowledge of two things, namely, that the accused knew the item was in his custody and secondly he knew that the item in question was prohibited. A person has possession of something if the person knows of its presence and has physical control of it, or has the power and intention to control it.

It was the defence that Accused was not the owner of the goods. His evidence was that the director of Yuhang Investment is Yang Xianjun and was present at the time of arrest, but the police arrested him instead. This fact was brought up during his unsworn statement in defence. It did not feature when prosecution witnesses, in particular, those involved in arrests **LORNA KHAMUSA MIIMA (PW2)** and **ABDI FATAH ADEN (PW4)**, testified.

Both testified that when they went to the premises on 29th May 2018 it is Accused who opened and gave them access to the go-down. He even signed the Inventory of goods seized. It was submitted for the state that his conduct made him assume management of the company and that his claim that he was an employee shows that he had knowledge of activities of the company in dealing with the seized goods and benefitted financially from the illegal trade and cannot depart from culpability of having possession. It was further pointed out that despite the claim, the Accused did not adduce any evidence to show that he was an employee of the company though he confirmed that he was aware of and dealing in the counterfeit goods by his act of having control of the keys to the premises where they were. I am satisfied that the issue of possession is proved.

Whether Accused was dealing with these goods in the course of trade



Section 26 (8) of the Anti-Counterfeit Act No.13 of 2008 creates a rebuttable presumption that one is in possession of goods suspected to be counterfeits for purposes of trade if the quantity is more than what may reasonably be required for his private or domestic use. The Accused had 9744 pairs of shoes suspected to be counterfeits.

This was a company registered to deal in many products including shoes. No explanation has been given for keeping so many shoes except that it was for business. Though Accused is not required to prove anything, it is obvious that the goods were being kept in the course of business/trade.

I have considered submissions that there was no objection to registration of trade mark GHT when it was registered. The use of Brand name GHT would have no problem if the product was not made to appear to be related to a similar product by the Caterpillar with a similar triangle in the brand name and with the name GHTERPILLAR.

I note the issue of production of "Certificate for use in Legal Proceedings" for Caterpillar Inc. From the proceedings PW4 had already produced the document on 3rd February 2022 during his testimony (EX 17) though the Prosecution sought to produce it again the second time on 22nd April 2022 when the defence opposed and the court made a Ruling. The same document having been produced earlier could not again be the subject for production.

The Anti- Counterfeit Act No 13 of 2008 states in its preamble that it is "An Act of Parliament to prohibit trade in counterfeit goods". The gist of it all is protection of the public from dangers of such trade. It is not just about a scramble for market by businesses and manufacturers which can be resolved

in the arena of civil courts. It is to ensure that the public gets the right thing from the market. The rest is secondary. It is enough that the public could be misled by the way the products herein appeared and were branded. The genuine brand owners stand to suffer when their quality appears compromised. The offence is within the criminal law realm in which to prove a crime it must be demonstrated that there was *actus reus* or conduct consistent with crime, and *mensrea*, the intention, knowingly doing wrong. It has been clearly demonstrated through the evidence of prosecution witnesses and these elements are proved.

The 4th count denotes that Accused imported the infringing shoes into Kenya. For this it is my considered view that evidence of importation must be there. There has to be an overt act showing that the goods were imported into Kenya, probably shipping documents or any documents to show that. Failing this the evidence is insufficient. There is no clear evidence in this case on that count.

For reasons stated I find that the prosecution has proved the charge against the Accused on the first count. I find him guilty as charged and convict him under Section 215 of the Criminal Procedure Code. For reasons stated I find him not guilty on the 4th count and I acquit him under Section 215 of the Criminal Procedure Code.

DATED SIGNED AND DELIVERED THIS 31ST DAY OF MAY 2023



S M SHITUBI

CHIEF MAGISTRATE

IN THE PRESENCE OF:

PROSECUTING

COUNSEL.....MS NYAKIRA

COURT ASSISTANT.....MS EDDAH MBURU

ACCUSED.....PRESENT

COUNSEL FOR ACCUSED.....MR.EREDI

I Certify that this is a true copy
of the Original

~~14/6/23~~ 14/6/23
CHIEF MAGISTRATE

MILIMANI LAW COURTS

ORIGINAL COPY