

UGANDA / JUDGMENT

Global Center Limited v Price Costco International Inc. (Miscellaneous Application 766 of 2023) [2024] UGCommC 81 (30 January 2024)

[2024] UGCommC 81

COURT

Commercial Court of Uganda

BEFORE

Mutesi, J

CASE / FILE NUMBER

Miscellaneous Application 766 of 2023

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THE REPUBLIC OF UGANDA

IN THE HIGH COURT OF UGANDA AT KAMPALA (COMMERCIAL DIVISION)

MISCELLANEOUS APPLICATION NO. 0766 OF 2023 ARISING FROM CIVIL SUIT NO. 784 OF 2023

GLOBAL CENTER LTD T/A COSTCO SUPERMARKET ::::::::::::::: APPLICANT

VERSUS

PRICE COSTCO INTERNATIONAL, INC. :::::::::::::::

(Before: Hon. Justice Patricia Mutesi)

RULING

Background

The applicant brought this application under Section 12(5) of the Trademarks Act, 2010, Section 98 of the Civil Procedure Act Cap 71, Regulation 91 of the Trademark Regulations, 2012 and Order 6 rules 29 and 30 of the Civil Procedure Rules S. I. 71-1 seeking orders that:

- 1. The plaint in Civil Suit No. 784 of 2022 filed in the High Court Registry on the 30th day of August 2022 by the respondent be struck out and/ dismissed for being premature, frivolous and vexatious.
- 2. That costs of the application be provided for.

Briefly, the grounds of this application are that:

- 1. Civil Suit No. 784 of 2022 (hereinafter "the main suit") is an abuse of court process as the matters therein are still before the Registrar of trademarks vide Application No. UG/T/2022/074345 (hereinafter "the opposition").
 - 2. The respondent ought to have waited for the decision of the Registrar of Trademarks and appealed to this Honourable Court.
 - 3. The question of ownership of the impugned "COSTCO" mark is still pending before the Registrar of trademarks and the question of passing off/infringement is premature.
 - 4. The main suit was an afterthought calculated to prejudice the applicant and to annoy and cause unnecessary financial loss to the applicant.
5. It is in the interest of justice that this application is allowed.

The application is supported by the affidavit of Letisha Jjingo, a director in the applicant. She averred that the applicant filed an application before the Registrar of trademarks to have its "COSTCO" mark registered as a trademark. That on 4th April 2022, the respondent opposed the registration but before the same could be settled, the respondent filed the main suit in this Court. Ms. Jjingo further stated that she believes that the respondent's claims in the opposition and in the main suit are relatively the same and that there is a likelihood of "colliding" judgments being made by this Court and by the Registrar of Trademarks due to the parallel proceedings.

The respondent opposed the application through an affidavit in reply sworn by Mr. Ntale Alex, an advocate from M/S MMAKS Advocates. He contested the competence of the application, and clarified that the opposition was intended to bar the registration of the impugned mark while the main suit was intended to protect the respondent's well-known marks. He stated that there is nothing in law which bars the respondent from filing a passing off action notwithstanding the pendency of its opposition to the registration. He emphasised that unlike the opposition which concerns whether or not the impugned mark should be registered, the main suit concerns reliefs, like compensation and injunctions, for passing off.

The applicant filed an affidavit in rejoinder also sworn by Ms. Letisha Jjingo. She contested the propriety of the affidavit in reply and asserted that it had been sworn by the counsel in personal conduct. She also contested MMAKS Advocates' instructions to represent the respondent. Furthermore, she stated that the respondent cannot halt the registration of a trademark and, at the same time, benefit from the same mark in a passing off action. She concluded that although the remedies sought in this Court and before the Registrar have been coined to appear different,

they are essentially the same.

Issues arising

- 1. Whether this application is competent.
- 2. Whether M/S MMAKS Advocates has instructions to represent the respondent in this application.
- 3. Whether the respondent's affidavit in reply is competent.
- 4. Whether the main suit is premature, frivolous and vexatious.

Representation and hearing

Although the application was drawn and filed by M/S Malik Advocates, neither the applicant nor his lawyers appeared at the hearing. On the other hand, Mr. Brian Kajubi of M/S MMAKS Advocates appeared for the respondent. Nevertheless both parties filed written submissions which I have considered together with the materials on record, and the laws and authorities cited.

Determination of the issues

Issue 1: Whether this application is competent.

This issue arises from a preliminary point of law raised against the application by the respondent. Counsel for the respondent contended that the application is incompetent because it is an abuse of court process. Counsel argued that the application does not demonstrate how frivolous and premature the main suit is and that the application has no good faith basis. In reply, counsel for the applicant disputed the said claim, maintaining that the application clearly demonstrates how the main suit is premature, frivolous and vexatious.

However it appears that in raising this point of law, counsel for the respondent was merely attempting to pre-empt Issue 4 which deals with whether or not the main suit is premature, frivolous and vexatious. Furthermore even if the Court finds in Issue 4 that the applicant failed to prove that the main suit is premature, frivolous and vexatious, this would not automatically imply that the applicant abused the court process in bringing this application. Abuse of court process arises only when court process is used for an improper purpose or for a purpose other than the one for which it was established (See Attorney General & Anor v James Mark Kamoga, SCCA No. 8 of 2008). In this case, I am convinced that the applicant was justified to be concerned that the respondent has filed 2 simultaneous actions over the same trade mark. The applicant is entitled, as a bare minimum, to seek the indulgence of this Court to settle what it considers to be a jurisdictional overlap. I therefore find that this application does not constitute abuse of the court process and that it is competent.

Issue 2: Whether M/S MMAKS Advocates has instructions to represent the respondent in this application.

Counsel for the applicant submitted that the powers of attorney relied upon by MMAKS Advocates as a basis for its instructions are invalid since they were neither notarised nor signed by either the donor or the donee. Counsel added that no stamp duty was ever paid for the powers and that they were never registered with the registrar of documents. Counsel concluded that all MMAKS Advocates presented is a mere paper that has no legal consequence. In reply, counsel for the respondent pointed out that the applicant did not annex the said powers of attorney to its pleadings in this case and maintained that MMAKS Advocates is the duly instructed law firm for the respondent.

I have examined the said powers of attorney which were actually annexed to the applicant's affidavit in rejoinder as annexure A. The said powers appoint Mathias V. Ssekatawa of MMAKS Advocates to be the respondent's agent for purposes of opposing the applicant's application for trademark registration. The applicant submitted that it has already raised this issue to the Registrar. In my view, that is where the issue belongs. The impugned powers of attorney deal with opposing the applicant's trademark application only. They do not relate to the main suit or the present application.

In any case, the powers of attorney in question deal with the appointment of an agent/a lawful attorney for the respondent. They do not deal with the question of instructions to an advocate or a law firm. Therefore, the applicant's attempt to use those powers as a basis for its argument that MMAKS Advocates as a law firm lacks instructions to represent the respondent is misconceived.

It is clear that MMAKS Advocates prepared and filed the respondent's affidavit in reply and submissions. In *Nabanjala Gorreti v Nabukalu Hellen*, HC Taxation Appeal No. 4 of 2018, this Court had to determine whether a law firm had had instructions to represent a litigant in a court case. The Court had this to say:

"... It is an undisputed fact that pleadings on behalf of the respondent were filed on court record pertaining to the civil suit by her counsel. In the case of *Hon. Abiku Jessica v Eriyo Jessica Osuna* Miscellaneous Civil **Application Nos. 4, 31 and 37 of 2015**, Hon. Justice Stephen Mubiru stated as follows ... "An advocate who files pleadings on behalf of a litigant or an unqualified notice of instructions will be deemed to have been retained to render full, extended representation of the litigant giving the **instructions**". The absence of a written agreement pointing to an advocate-client relationship could not per se imply that counsel had no instructions to act on the respondent's behalf. Filing of pleadings on her behalf was sufficient proof of the advocate-client relationship, an indication that counsel was under instructions ..." (Emphasis mine.)

I cite the above dictum with approval. In addition to their pleadings and submissions, MMAKS Advocates sent an advocate to appear before me for the hearing of the application. I also find it strange that a party who claims that an advocate is not duly instructed to represent another party would continue to serve its documents in the case on that advocate, as the applicant has done throughout the proceedings in this application. This objection appears to lack any merit or good

faith basis. Having received no evidence to the contrary, I find that MMAKS Advocates is duly instructed to represent the respondent in this application.

Issue 3: Whether the respondent's affidavit in reply is competent.

The applicant also challenged the competence of the respondent's affidavit in reply on grounds that it was deponed by counsel in personal conduct of this matter who had no personal knowledge of the facts deponed to and that it is argumentative. In reply, the respondent's counsel submitted that Mr. Ntale who deponed the affidavit in reply is not the advocate in personal conduct of its case in this application. They also contested the allegation that the affidavit in reply is argumentative.

However it is clear from the record that Mr. Brian Kajubi of M/S MMAKS Advocates appeared for the respondent when this application was called on for hearing. Mr. Ntale Alex never appeared in Court as respondent counsel and there is no basis for the applicant claims that he had personal conduct of the respondent's case in this application.

I am in agreement with the authorities submitted by the respondent regarding the competence of an advocate to depone an affidavit on behalf of a client of the firm where he or she practices. It is now settled law that an advocate is not prohibited from swearing an affidavit, where necessary, especially on matters that are well within his/her knowledge (See *Mbarara Municipal Council v Jetha Brothers Ltd*, SC Misc. Application No. 10 of 2021).

This implies that Mr. Ntale's affidavit in reply does not become inadmissible simply because he is employed for gain in the law firm representing the respondent. The primary guiding factor to its admissibility is whether or not the facts he swears to therein are within his knowledge. Although the applicant alleged that Mr. Ntale deponed to matters not within his knowledge, I am satisfied that the contents of his affidavit would be expected to come to his knowledge as a person employed in the law firm representing the respondent. It is strange that the applicant argues that Mr. Ntale has personal conduct of the respondent's case but in the same breath, contends that he lacks any personal knowledge of the facts of the case.

Finally, the applicant averred that the affidavit is argumentative. It is trite law that an affidavit is meant to adduce evidence to be relied on by the Court and not to argue the application by making legal averments and conclusions (See *Male Mbirizi v Attorney General*, SC Civil Application No. 7 of 2018). I have addressed my mind to the affidavit in reply and I agree that it has a number of legal arguments. The respondent's counsel conceded in their submissions that the affidavit in reply "simply enumerates positions of law and procedural events". However an affidavit is not supposed to enumerate positions of law. It is supposed to set out matters of fact only.

Nonetheless, there is now a general trend towards taking a liberal approach in dealing with defective affidavits. This is in line with the constitutional directive enacted in Article 126(2)(e) of the Constitution of the Republic of Uganda, 1995 that courts should administer substantive justice without undue regard to technicalities. Rules of procedure should be used as handmaidens of justice but they should not be used to defeat justice. (See Col. Dr. Kiiza Besigye v Yoweri K. Museveni & Anor, SC Presidential Election Petition No. 1 of 2001.)

In dealing with the affidavit in reply, I will reject and expunge the parts of the affidavit which are argumentative contrary to the law and only consider those parts which conform to the rules on affidavit evidence. In this regard, paragraphs \$4(f)\$, \$6(a)\$, \$6(b)\$ and \$6(c)\$ of the affidavit in reply are expunged from the affidavit in reply and will not be considered in determining the application.

Issue 4: Whether the main suit is premature, frivolous and vexatious.

In dealing with this issue, it is necessary to analyse the relevant provisions of the Trademarks Act, 2010. Section 12 of the Trademarks Act prescribes the procedure through which any person may object to the registration of a trademark. Section 35 of the Act also provides that:

"Nothing in this Act shall be taken to affect a right of action against a person for passing off goods or services as the goods or services of another or the remedies in respect of the right of action." (Emphasis \$mine.)\$

Section 1(1) of the Trademarks Act, 2010 defines "passing off" to mean "falsely" representing one's own product as that of another in an attempt to deceive potential buyers". Passing off is historically a common law action or tort that is now statutorily recognised in Section 35 of the Trademarks Act. Typically, it applies when a person uses an unregistered trademark to falsely represent to the general public that his or her products are those of another person. The main point to be proved in a passing off action is that good will has been established by one trader and that another trader is trying to take advantage of that goodwill to cash in on it to the detriment of the first trader. (See *Britania Allied Industries Ltd v Aya Biscuits (U) Ltd*, HCCS No. 24 of 2009.)

It is now well settled that statutes must be read as a whole. In *Farid Meghani v Uganda Revenue Authority*, HC Civil Appeal No. 6 of 2021, this Court had this to say:

"... One of the cardinal rules of statutory interpretation is that statutes are to be read as a whole in context, and if possible, the Court is to give effect to every word of the statute. The Court is bound to give consistent, harmonious and sensible effect to all the parts of the statute, to the extent possible. In cases involving statutory interpretation, Court is not permitted to consider only certain isolated parts of the statute in question. Court must consider and construe all parts of the statute together. It is the duty of the Court, as far as practicable, to reconcile the different provisions of the statute so as to make them consistent, **harmonious and sensible**." (Emphasis mine.)

When Sections 1(1), 12, 35, 57 and 79 of the Trademarks Act, 2010 are read as one harmonious whole, the result is that this application has no merit. The Trademarks Act clearly anticipates both opposition proceedings before the Registrar of trademarks and passing off actions before this Court. Under Section 12, the Act envisages proceedings in opposition to the registration of a trademark. Under Section 35 read together with Sections 1(1) and 79, the Act envisages a passing off action being brought before the High Court. Opposition proceedings deal with registration while passing off actions deal with infringement.

The import of the prefatory phrase "Nothing in this Act" in Section 35 of the Act is that nothing in the Act that can limit a person's right to institute a passing off action. Similarly, there is nothing in the Trademarks Act that can limit the High Court's jurisdiction to handle a passing off action.

In my view, Section 12 of the Trademarks Act assigns the Registrar of trademarks a very specific and limited quasi-judicial role to determine oppositions to trademark registration applications. The registrar can only make findings as to whether the mark in issue is to be registered with or without conditions, or if it should be registered at all. After making such a finding, Section 57 of the Trademarks Act also allows the Registrar discretion to award costs for the opposition proceedings.

On the other hand, Sections 1(1), 35 and 79 of the Trademarks Act allow the High Court to handle passing off actions, and to award damages and issue injunctions to prevent further infringement and abuse of well-known marks. Section 33 of the Judicature Act and Section 98 of the Civil Procedure Act also allow the High Court a wide discretion to issue any and all reliefs and orders necessary to ensure that the ends of justice are met. Since the legal mandates of the Registrar and the Court differ in this significant way, the pendency of opposition proceedings cannot hinder the prosecution of a passing off action even when the 2 actions are between the same parties over the same mark.

The gist of the applicant's complaint is that the respondent's conduct of instituting the main suit before the conclusion of the opposition proceedings was calculated to annoy, harass, unsettle and overwhelm the applicant with superfluous litigation. The applicant is also concerned that the subject matter of the two actions is the same since both of them concern the same mark. The applicant is, therefore, apprehensive that there is likely to be an embarrassment and a "collision" if this Court continues entertaining the main suit before the conclusion of the opposition proceedings and the Court reaches a different conclusion from that of the Registrar.

I reiterate that the import of Section 35 of the Trademarks Act is that nothing in the Act (including opposition proceedings under Section 12 thereof) can stop, limit or otherwise affect a person's right to file a passing off action. Thus opposition proceedings and a passing off action between the same parties and over the same mark can mutually subsist. If the Act had intended opposition proceedings to have priority over passing off actions, it would have said so expressly.

Secondly, the subject matters of passing off actions and oppositions are substantially distinct. As the respondent correctly submitted, the legal tests applied by the Registrar to determine an opposition are not the same as the tests applied by the Court in determining a passing off action.

An opposition focuses on the distinctiveness of a mark or its ability to distinguish the goods with which it is associated from those of another source. On the other hand, a passing off action focuses on the existence of goodwill, reputation and a clear track record for the mark in the market. As already highlighted above, the available reliefs in the 2 actions also differ significantly. It is therefore not true that the two actions deal with the same issues/concerns.

From the foregoing, there is unlikely to be any "collision" even if the Registrar eventually reaches a different conclusion in the opposition proceedings from the one this Court will reach in the main suit. It is not impossible for a mark that has accumulated good will in the market to lack "distinctiveness" or the ability to "distinguish" goods or services within the strict meaning of those words in Sections 9 and 10 of the Act. On the other hand, it is also not impossible for a mark that is distinctive or able to distinguish goods or services to have no goodwill, reputation or track record in the market. Therefore, the success of an opponent in opposition proceedings does not necessarily imply that he or she would succeed in a passing off action. Similarly, the failure of an opposition does not necessarily crush that opponent's chances in a passing off action.

For the above reasons, the application must fail. The respondent is entitled to prosecute its passing off action in this Court notwithstanding the pendency of opposition proceedings over the same impugned mark before the Registrar of trademarks. I do not find anything premature, frivolous or vexatious about the main suit.

Consequently, this application is disallowed and I make the following orders:

- This application is hereby dismissed. i.
- Costs of this application shall abide by the outcome of the main suit. $\mathbf{H}$

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Patricia Mutesi JUDGE \$(30/01/2024)\$

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