WHY PROPOSED CHANGES TO ANTI-COUNTERFEIT LAW WILL HURT BRAND OWNERS MORE THAN COUNTERFEITERS

By William Maema*

The Statute Law (Miscellaneous Amendment) Bill, 2018 which seeks to amend the Anti-Counterfeit Act, 2008, is an ill thought out legislation which, if passed, will hurt brand owners more than the counterfeiters that it is seeking to rein in. It is a perfect illustration of throwing out the baby with the bathwater.

There is no denying the fact that Kenya is the Wimbledon Stadium of counterfeiters. Despite the country having had an anti-counterfeiting law for the last 10 years, selling and consuming counterfeits appears to be the new normal. Counterfeit trade is a multi-billion shilling industry spanning across all sectors of the economy from medicines to building materials, car spare parts to baby foods, clothes to cosmetics, alcoholic beverages to electrical appliances, anti-retroviral drugs to water. Practically no fast moving mass market product is safe from counterfeiters.

In general, counterfeit trade thrives at the intersection of two factors- weak legislation or enforcement (which ensure easy availability of counterfeit goods) and low purchasing power. Contrary to common assumption, ignorance is not a major factor. Most consumers purchase counterfeit goods with full knowledge that they are counterfeit but justify the purchase on grounds that genuine products are too expensive, obviously oblivious of the risks involved in the consumption of counterfeit goods.

Apart from the vainglorious step of christening the Anti-Counterfeit Agency (ACA) by renaming it the Anti-Counterfeit Authority ostensibly to raise its profile to that of premier parastatals such as the Kenya Revenue Authority, Kenya Airports Authority and Communications Authority of Kenya, the new proposals achieve little else that is praiseworthy.

The Bill seeks to create new offences that will not only hurt business (including e-commerce) but also criminalise doing legitimate business. It also creates another layer of registration of intellectual property rights which is totally unnecessary in light of existing laws.

The Bill makes it an offence to import goods into Kenya goods which bear brands that have not been recorded by the ACA. This means, for instance, that a brand owner whose trade marks are already registered under the Trade Marks Act will be committing an offence by importing those same goods unless the brand has been recorded with the ACA. This focus on the brand owner begs the question whether the current widespread counterfeiting in Kenya is attributable to genuine brand owners or counterfeiters who own no brands at all.

Since the Trade Marks Act already provides for the registration of brands and the Kenya Industrial Property Institute (KIPI) is the only statutory body mandated by law and equipped with resources to examine and register brands, the ACA should only be requiring the brand owner to furnish it with evidence of the protection of the relevant the intellectual property right

being infringed as a condition for enforcement. There should be no need for a second registration of the brand by the ACA.
The proposed changes will not only increase the cost of brand protection but also dilute the sanctity of trade mark registration in Kenya. Upon registration, the owner of a registered mark acquires exclusive rights over the mark and is entitled to the protection of that mark by the State against infringers and counterfeiters. To require him to undertake a second registration by the ACA as a condition for enforcement of the registered rights is to indirectly impugn the registration conferred under the Trade Marks Act.
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The proposed requirement also overlooks the fact that based on international conventions to which Kenya is a party, the enjoyment of copyright cannot be subjected to any form of restrictions such as the proposed recordal.

The proposed law makes it extremely difficult for brand owners to successfully lodge complaints with the ACA against counterfeiters. The additional registration requirement provides counterfeiters with a lethal defence against counterfeit claims.

The Bill also seeks to make the importation of unbranded goods illegal except for raw materials. This is a curious and oppressive provision which is going to stifle business in many goods that are generally imported and sold unbranded such as shoes, clothes, utensils, ornaments, etc.

The proposal also overlooks the fact that intellectual property rights are private rights and no one can be forced to use or register a brand in order to trade in any kind of goods. Unbranded goods do not infringe anybody's intellectual property rights. Furthermore, some trade marks may have expired or may simply be unregistrable for any number of reasons. Copyright may also have fallen into the public domain and become unprotectable. It is therefore not sensible to require all goods to bear registered brands in order to be imported into Kenya.

The Bill empowers the ACA to reject an application for recordal of a brand irrespective of whether the brand is already a validly registered trade mark. This begs the question whether the ACA has better technical resources and personnel than KIPI to examine the registrability of brands, considering that most of the applications will comprise marks that are already registered by KIPI.

The Bill also provides that the recordal of brands by the ACA will only be valid for 12 months from the date of approval of the application. Brand owners will therefore be required to renew the registration each year or risk prosecution if they import goods bearing the brand after the expiry of the recordal period. In contrast, the validity of registration under the Trade Marks Act is 10 years, renewable indefinitely.

Brand owners will be required to lodge applications for renewal at least 30 days before the expiry of the 12 month validity period. The poignant implication here is that brand owners will constantly be at the risk of being prosecuted since such frequent renewals are not practically feasible.

Finally, the Bill requires brand owners to purchase authentication devices from the ACA to affix to their goods prior to importation. Failure to affix such a device constitutes a criminal offence. This is an additional cost of doing business and undermines the role of trade marks in commerce.

If the intention is to curb the importation of counterfeit goods, the best approach, which is also the international best practice, is to introduce what is called Customs Recordal system. Under this system, brand owners are required to furnish the Customs authorities with the particulars of their brands, attaching evidence of protection of the relevant IP in Kenya. This one off process enables the Customs authorities to identify, seize and impound any suspect consignments bearing similar branding and notify the brand owner to confirm if the consignment is genuine or counterfeit. This may be a better approach than introducing more legislative hurdles to the ease of doing business when the country is making admirable strides in improving its ranking in the World Bank Doing Business index. This Bill, if passed, will constitute a giant step backwards in this endeavour.

Various stakeholders including the former Managing Director of KIPI, Dr. Henry Mutai, a renowned IP expert in Kenya, have expressed their reservations about this proposed law. Hopefully the Parliamentary Justice & Legal affairs Committee will reconsider this Bill before clearing it for enactment.

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