



IN THE HIGH COURT OF KENYA AT NAIROBI

MILIMANI LAW COURTS

COMMERCIAL AND TAX DIVISION

CORAM: D. S. MAJANJA J.

COMM. CASE NO. 47 OF 2020

BETWEEN

IKO SOLUTIONS LIMITED.....PLAINTIFF

AND

MOBILE DECISIONING AFRICA LIMITED..... DEFENDANT

RULING

The Application

1. The Plaintiff's claim against the Defendant is for copyright infringement and breach of contract.
2. The Defendant is a company incorporated in Kenya. It is also part of a group of companies known as MODE trading across Africa and the Middle East. It finances the provisions of airtime to the customers of various telecommunications companies in those countries. It gets paid by the telecommunications companies once their customers pay for the airtime.
3. In order to ascertain what is to be paid by the telecommunications companies, the Defendant and the telecommunications companies have systems that record the lending and recovery transactions. The data in their systems is compared and verified and payment made by the telecommunications companies. In 2018, the Defendant realized that in some instances, its internal records did not tally with the telecommunications companies' records. In order to resolve this problem, it engaged the Plaintiff to provide consultancy services and to assist it develop a verification and reconciliation tool which came to be known as the *Cubes Solution* software.
4. The relationship between the parties collapsed and the Defendant terminated the agreement and disconnected the Plaintiff from the Virtual Private Network (VPN) access to the servers thus terminating its ability to provide the service and disabling its capacity to disconnect the tool from being used by the Defendant thus precipitating this suit.
5. At the heart of this dispute is the ownership of the intellectual property in the *Cubes Solution* software. Both parties agree that a draft Consultancy Services Agreement ("the Draft Agreement") was prepared but never executed by the parties.

The Application

6. The Plaintiff filed a Notice of Motion dated 26th June 2020 seeking the following the following reliefs against the Defendant:

i. Spent

ii. Spent

iii. *THAT pending hearing and determination of the instant suit, a temporary injunction and/or order of prohibition does issue against the Defendant, its affiliate companies, employees, officers, servants and/or agents, from utilizing, applying, running, or in any other way, benefitting from, or otherwise reverse engineer the Cubes Solutions software deployed by the Plaintiff and hosted in the Defendant's 20 servers.*

iv. *THAT pending the hearing and determination of the Application interpartes, an order be issued directing the Defendant to grant the Plaintiff virtual private network (VPN) access to all its servers, for purposes of uninstalling or disabling the Cubes Solutions software deployed by the Plaintiff.*

v. *THAT this Honourable Tribunal be pleased to issue any other order that it may deem just, expedient and in the interests of justice.*

7. The application is supported the affidavits sworn by its Managing Director and Head Technology Director, Charles Waweru Mutuga. It is opposed by the Defendant through Grounds of opposition dated 14th July 2020 and the affidavit of Paul Weber, its General Manager, sworn on 29th July 2020. The parties filed written submissions which were supplemented by brief oral highlights by their advocates.

Plaintiff's Case

8. The Plaintiff states that in June 2018, the Defendant contracted it to provide a redesign of its systems and provide Data Reconciliation and Reporting services, which were to be rolled out in all the Defendant's operations/markets. At the time, the Defendant had 35 live operations in various countries across Africa and Middle East where it provided mobile based digital lending services to numerous mobile network operators. The Plaintiff proceeded to gradually deploy and install the *Cubes Solution* in the Defendant's servers based in 21 markets; Chad, Oman, Ivory Coast, Uganda, Liberia, Niger, Indonesia, Kenya, South Africa, Ghana, Congo Brazzaville, Cameroon, Rwanda, Seychelles, Swaziland, South Sudan, Kuwait, Guinea Bissau, Guinea Conakry, and Iran, Dubai.

9. Beyond the initial set up and deployment of the *Cubes Solution*, the Plaintiff was also providing monthly maintenance, support services and reporting services until March 2020 when the Defendant terminated the engagement. It asserts that they had agreed that deployment and installation of the *Cubes Solution* software was on a one off Deployment and Installation fee of USD 4,640/= per market and a monthly Support and Maintenance fee of USD 1160/= per market; with the Plaintiff running the software through the Defendant's servers and maintaining its own personnel to provide the services. The Plaintiff contended that the rights to own the intellectual property thereof would lie only with the Plaintiff.

10. In January 2020, the Defendant informed the Plaintiff that it was working on an internal tool/software that would address the data reconciliation and reporting, and that would prefer to disengage the services being offered by it. The Plaintiff complained that instead of working on its own tool/software, the Defendant started harassing its officers to provide the source code for the *Cubes Solution* software with the aim of reverse engineering it to suit their own purposes. When the Plaintiff raised objection, the Defendant withheld the outstanding payments and disconnected the Plaintiff from the VPN access to the servers. The Plaintiff states that in effect, the Defendant continues to benefit from the software without paying for it and giving it an opportunity to reverse engineer the software uninterrupted.

11. The Plaintiff further states that at the date of termination, the Defendant owed license fees in the form of monthly maintenance, support and reporting amounting to USD. 56,501.00 which continues to accumulate by USD 1 160/= per month from March 2020 as it is still using the *Cubes Solution* software to access monthly reports.

12. The Plaintiff also complains that it has been denied physical and virtual access to the Defendant's premises and servers, thereby ensuring that they cannot physically disconnect/delete the software from the servers, ultimately allowing the Defendant unfettered access and usage of the *Cubes Solution* software without permission and without the necessity of paying for it.

13. The Plaintiff contends that the continued infringement of its software by the Defendant has led to the loss of business and income, the irreversible loss of its rights to its intellectual property and a high chance of having its software illegally copied/replicated and distributed.

Defendant's Case

14. The Defendant's case is that it engaged the Plaintiff to provide consultancy services in assisting it develop the *Cubes Solution* software. It further states the Draft Agreement reflected the parties' understanding which included Clause 12 dealing with intellectual property ownership. The Defendant relied on Clause 12.2 which states as follows;

12.2 The Consultant acknowledges that all copyright, trademarks, patents and other Intellectual Property rights deriving from the Consultancy Services shall belong to Mode, including any documents, reports or other works prepared by the Consultant its staff and any substitutes and subcontractors. Accordingly, the Consultant shall (and shall procure that any relevant member of its staff and any substitutes and sub-contractors) execute all such documents and do all such acts at its own cost as Mode shall from time to time require in order to give effect to its rights pursuant to this clause.

15. In light of the aforesaid clause, the Defendant contends that the intellectual property, including copyright, derived from the consultancy services belong to it. Moreover, it states that the Plaintiff was engaged to provide consultancy services as an independent contractor to meet the Defendant's need under the draft Agreement hence the *Cubes Solution* software and the intellectual property therein was always intended to be owned by it upon development. The Defendant contends that the Draft Agreement was for the development of the *Cubes Solution* software, among other services and that it engaged the Plaintiff to help it develop a software to meet its own needs. It further refers to Clause 4.2 of the Draft Agreement, the Plaintiff was required to ensure that suitably experienced staff are available to be trained on the maintenance of the system after installation and deployment. It points out that it was therefore the parties' intention that once the *Cubes Solution* software is developed for the Defendant, its staff, when ready, would take full control of the software and the Plaintiff would no longer be required to provide maintenance services. In addition, it states that the *Cubes Solution* software contains its information including customer data hence it could not have intended that the Software or intellectual property therein would be owned by it.

16. The Defendant submits that the Plaintiff has not established any basis for the court to stop it from using the *Cubes Solution* software which belongs to it. Further that it has not laid any basis for the court to grant the Plaintiff, VPN access to its servers to uninstall or disable the *Cubes Solution* software. It contends that its servers in which the *Cubes Solution* software is deployed, are in various jurisdictions and that the *Cubes Solution* software and servers contain the Defendant's customers' data, which is protected by the data protection laws of the various jurisdictions. It therefore submits that granting the Plaintiff VPN access at this stage would lead to breach of data protection laws in various jurisdictions thus exposing it to risk of enforcement action and other punishment from regulators as well as law suits from its customers. It adds that the Plaintiff may also interfere with this data as well as its operations if VPN access is granted as requested.

17. The Defendant also contends that the Plaintiff seeks an order against the its "affiliates". It argues that these affiliates are not in any way defined and are not parties to this suit and that the court cannot make an order against entities that are not defined and are not parties to the suit.

Jurisdiction

18. Before I deal with the substance of the application, I propose to dispose of the preliminary issue of jurisdiction raised by the Defendant. Indeed, the established principle well enunciated by Nyarangi JA., in *Owners of the Motor Vessel "Lillian S" v Caltex Oil (Kenya) Ltd [1989] KLR 1*, "*Jurisdiction is everything. Without it, a court has no power to make one more step. Where a court has no jurisdiction, there would be no basis for a continuation of proceedings pending other evidence. A court of law downs tools in respect of the matter before it the moment it holds the opinion that it is without jurisdiction.*"

19. The Defendant argued that this court lacks jurisdiction to grant the orders sought by the Plaintiff to the extent that it seeks orders to protect its alleged intellectual property rights outside the jurisdiction of the Kenyan court. It submitted that intellectual property rights are territorial in nature and Kenyan courts do not have jurisdiction to enforce those rights in other jurisdictions.

20. The Defendant asserted that the court does not have jurisdiction to issue relief in the 20 countries which cannot issue injunctions

to be executed in those countries and that it should not act in vain as it neither has the power nor capacity to enforce such orders in foreign jurisdictions.

21. In its submissions, the Plaintiff rebuffs the Defendant's arguments and contends that the court would not act in vain in issuing the orders. It states that the servers upon which the main deployment and management of all markets is undertaken are located at the Defendant's Kenyan offices, which serve as the company's worldwide headquarters. The subject matter is therefore squarely within this court's jurisdiction and any order for uninstallation of the software can be legally enforced in Kenya. It adds that uninstalling of the software from the Defendant's servers does not require physical action at all 21 markets as this can be undertaken remotely from the servers at the Kenyan headquarters, through the VPN access.

22. I do not hear the Defendant argue that the court lacks jurisdiction to hear the substance of the suit. As a matter of fact, and assuming that the Draft Agreement is applicable to the relationship between the parties, the parties intended that despite the contract being performed in various jurisdictions, the Law of Kenya would be the governing law. Further, both parties are incorporated and have their principal offices in Kenya and a substantial part of the agreement, as evidenced by the parties exchange of correspondence, was performed in Kenya.

23. What is in issue is whether the court has jurisdiction to issue an injunction. An injunction is an equitable remedy and it is well settled that an injunction is a remedy *in personam*. This means as long as the person is within the court's jurisdiction, the court can compel the person to do a thing or restrain that person from doing something (*Penn v Lord Baltimore* 27 ER 1132 and *Orr Ewing and Others v Orr Ewing's Trustees* [1883] UKHL 911). In this case, the Defendant is within the court's jurisdiction and therefore subject to the court's orders. If it fails to obey such orders, it is liable for contempt and other enforcement action. This, of course, is a different issue from whether in fact the court will issue an injunction and it is to this issue I now turn.

Whether the Court should grant an injunction

24. In order to succeed in an application for an interlocutory injunction, the Plaintiff has to satisfy the conditions established in the case of *Giella v Cassman Brown* [1973] EA 348 where the court held that a plaintiff must demonstrate that it has a prima facie case with a probability of success, demonstrate irreparable injury which cannot be compensated by an award of damages if a temporary injunction is not granted, and if the court is in doubt show that the balance of convenience is in its favour. In *Nguruman Limited v Jan Bone Nielsen and 2 Others* NRB CA Civil Appeal No. 77 of 2012 [2014] eKLR, the Court of Appeal added that the three conditions are to be applied as separate, distinct and logical hurdles which an applicant is expected to surmount sequentially.

25. As to what constitutes a prima facie case, the Court of Appeal in *Mrao Ltd v First American Bank of Kenya Limited and 2 Others* [2003] eKLR explained that it is, "a case in which on the material presented to the Court, a tribunal properly directing itself will conclude that there exists a right which has apparently been infringed by the opposite party to call for an explanation or rebuttal from the latter." The Plaintiff contends that it has a prima facie case on the basis that it is the owner of the *Cubes Solution* software.

26. As I pointed out earlier, the parties did not enter into a formal agreement. There was a Draft Agreement which dealt with the issues of intellectual property at Clause 12 as follows:

12.1 Any Intellectual Property Rights of the Consultant which are in existence at the date of this Contract and which are comprised in or necessary for or arising from the performance of the Consultancy Services owned by the Consultant shall remain in the ownership of the Consultant.

12.2 The Consultant acknowledges that all copyright, trademarks, patents and other Intellectual Property rights deriving from the Consultancy Services shall belong to Mode, including any documents, reports or other works prepared by the Consultant its staff and any substitutes and subcontractors. Accordingly, the Consultant shall (and shall procure that any relevant member of its staff and any substitutes and sub-contractors) execute all such documents and do all such acts at its own cost as Mode shall from time to time require in order to give effect to its rights pursuant to this clause.

26. The fact of intellectual property was also alluded to in the Mutual Confidentiality and Non-Disclosure Agreement entered into and executed by both parties. Paragraphs 5 and 6, which are germane, provide as follows;

5. Confidential Information is and shall remain the sole property of the Discloser. Recipient acknowledges and agrees that nothing contained in this Agreement will be construed as granting any intellectual property rights to it.

6. No party acquires any intellectual property rights under this agreement except the limited rights necessary to use the Confidential Information for the Purpose.

27. The Plaintiff argues that *Cubes Solution* software existed long before parties entered into the contract for provision of consultancy services in 2018. That it was created by the Plaintiff and in accordance with **section 22(5)** of the *Copyright Act, 2001*

Rights protected by copyright shall accrue to the author automatically on affixation of a work subject to copyright in a material form, and non-registration of any copyright work or absence of either formalities shall not bar any claim from the author.

28. The Plaintiff asserts that it is common ground that the parties herein entered into an agreement for the deployment and management of the software on the Defendant's servers, which the Plaintiff was contracted to perform. That there is no dispute that the Plaintiff developed the software and was paid, albeit not fully, license fees for the management of the software. Emails attached to the Plaintiff's Supporting and Further Affidavits show admission of debt on the part of the Defendant and which debt is not denied. What is also undisputed is that the arrangement/agreement between parties herein was terminated and that the Defendant, despite this termination, is still using the Plaintiff's software. That no consent for such use has been provided, which automatically raises the issue of infringement by the Defendant. Purely on this ground, the existence of a prima facie case with probability of success is automatically established.

29. It points out that the only issue raised by the Defendant, albeit late in the day, is the argument that the software actually belongs to the latter since it was developed during the period that the Plaintiff was hired by the Defendant. It is contended that the argument is a non-starter since no contract was executed for development of a software by the Plaintiff since it was only contracted to deploy and manage the software in various markets. That in the absence of tangible proof backing up the Defendant's averments, that the allegations are baseless.

30. The Defendant on the other hand argues that it is the owner of the intellectual property based on the terms of Clause 12.2 of the Draft Agreement. It argues that the Plaintiff was but a consultant called in to assist it and all the intellectual property derived from performance of the consultancy belongs to it.

31. I am aware that at this stage the court is not required to make conclusive findings of fact particularly where the terms of the parties' engagement were not captured in a single document but in series of transactions, activities and correspondence which need to be reconciled in order to ascertain the parties' intent. It is clear that though, from the Draft Agreement and the Non-disclosure and Confidentiality Agreement, that both sides acknowledged the existence of intellectual property before and after engagement.

32. What is decisive for this determination, in my view, is the intent of the Defendant in engaging in the Plaintiff. This intention is crystallized in the Memorandum dated 16th July 2018 from the Defendant's Head of IT to the Defendant Group CEO and CFO regarding, "*Reconciliation Architecture Redesign and Deployment Plan for Mode Markets.*" After setting out the nature of the problem experienced by the Defendant, Mr Waweru, the Defendant's Head of IT, introduced the Plaintiff and stated as follows:

Iko Solutions Ltd is pleased to offer this IT Service Proposal for your review and approval. The solution detailed in the proposal has been created with your needs in mind and we are confident you'll find that it offers great value to your organization.

Iko Solutions Ltd has managed IT Services are designed to support upcoming companies by offering fully managed technology solutions at affordable cost. Our approach is to implement a lean, scalable solution with a proactive approach to problem solving that keeps your system operating at peak performance at >99% rate.

The Solution includes 24/7 offsite support. A member of our team will be available anytime 7 days a week to accept and address inbound support issues. [Emphasis mine]

33. The Memorandum was signed off by the Defendant's management and formed the basis of the Plaintiff's engagement. Though the parties intended to execute a formal agreement, this did not come to be. What is clear though from the internal memorandum is that the Defendant intended to purchase a solution created by the Plaintiff with the Defendant's business in mind. The

Memorandum also acknowledges that the Plaintiff created a solution to meet the Defendant's requirements. Although the Defendant relies on Draft Agreement, I think its own Memorandum clarifies its intention in respect of the relationship it was entering into with the Plaintiff.

34. The position I have taken, is further fortified by an email dated, 13th February 2020, in which Charles Waweru on behalf of the Plaintiff re-emphasized its position to the Plaintiff and expressed its concern that the Defendant was developing its own software, in part, as follows;

In 2018 MODE engaged Iko Solutions Ltd to provide recon solution and monthly support services. During this period MODE was experiencing Recon Issues in it's market. Iko Solutions deployed its Cubes Solutions and has been providing Recon sevices to MODE now DTOne ever since. In the engagement MODE was to provide the Hardware required and Iko Solution to provide the Recon Software to tackle the issue. The issues in the market have been tackled and sanity restored in the markets.

I would like to register my official concern in regards to this approach taken in developing a new RA tool. If DTOne is working on a new Recon Solution we are glad to assist but not to the level where we are being forced to give our source code without our consent. Ethically speaking you do not take what belongs to someone else by force and present it as your own and especially now that you are planning to replace cubes recon solution. I therefore would like your intervention in this matter before it escalates out of hand.

Note that we have not refused to assist but the approach being used is of concern

35. In the response to the Plaintiff's assertion, the Defendant, in subsequent emails, did not at any time assert that it was entitled to the *Cubes Solution* software although it now asserts that it is entitled to copyright based on the Draft Agreement. The fact that the Defendant was in the process of developing its own software is a tacit admission that the *Cubes Solution* software belongs to the Plaintiff. On the basis of the material place before me, I find and hold that the Plaintiff has made out a prima facie case with a probability of success that it owns the *Cube Solutions* software.

36. Before I consider the other grounds for granting an interlocutory injunction, I note that the Plaintiff sought a mandatory injunction in prayer (iv) of the application. A reading of the prayer shows that it was intended to operate pending the hearing and determination of the application. I decline to issue the order since it is mandatory in nature and since the application is exhausted by delivery of this ruling, then the order cannot be granted as prayed. This therefore leaves prayer (iii) as the only one for consideration.

37. Having held that the Plaintiff has established a prima facie case with a probability of success, the next consideration is whether the Plaintiff will suffer irreparable harm which cannot be compensated by an award of damages. The Plaintiff submits that compensation by way of damages cannot be adequate reparations, as usage of the software without the Plaintiff's knowledge and consent may lead to third party liabilities being levelled against the Plaintiff. It further submits that the Defendant has been indebted to it for quite some time now and has been unable to pay hence its financial health is in doubt with the possibility of future damages not guaranteed as the company is currently unable to settle its admitted liabilities.

38. The Defendant submits that the Plaintiff has neither alleged nor demonstrated that if the injunctions sought are not granted then it would suffer loss that cannot be compensated by an award of damages. It submits that the Plaintiff has in the Plaintiff gone to great length to quantify the value of the *Cubes Solution* software and made monetary claims of USD 1160 per month for the usage of the *Cubes Solution* software by the Defendant. In its view therefore, the Plaintiff is capable of being fully compensated by an award of damages if it is successful in the suit.

39. There is clear correspondence between the parties that the Defendant owes the Plaintiff fees. The Plaintiff has claimed USD 264,770.00 which includes on account of monthly support fees which accrues from March 2020 and software support costs. The fact that the Plaintiff has claimed and quantified damages does not alone disentitle it to an injunction. The Plaintiff produced several emails from 2019 and 2020 which show that it demanded payment for services rendered. There is no evidence that this money has been paid to date. Further and having found, that the Plaintiff has established a prima facie case in respect of ownership of the software, it would be inequitable to allow the Defendant to continue benefiting from it without payment. Lastly and most important, the Plaintiff's case is that its software may be reverse engineered to the detriment of the Plaintiff.

40. The Defendant has argued that the injunction sought cannot be granted in the manner prayed for as it is directed to amorphous third parties. As I stated earlier, the Defendant is subject to the jurisdiction of this court. It is the one in possession of the *Cubes Solution* software. It is the one that must comply with any court order that may be issued by the court.

41. For the reasons I have set out above, I allow the Notice of Motion dated 26th June 2020 on the following terms:

(a) *Pending hearing and determination of this suit or until further orders of this court, the Defendants whether by itself, employee or agents, be and is hereby restrained from utilizing, applying, running, or in any other way, benefitting from, or otherwise reverse engineering the Cubes Solution software deployed by the Plaintiff and hosted in the Defendant's 20 servers.*

(b) *The Defendant shall pay costs of the application.*

DATED and DELIVERED at NAIROBI this 15th day of JANUARY 2021.

D. S. MAJANJA

JUDGE

Court of Assistant: Mr M. Onyango

Mr Alosa instructed by Alosa and Company Advocates for the Plaintiff.

Mr Tugee instructed by Hamilton, Harrison and Mathews Advocates for the Defendant.



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