REPUBLIC OF KENYA

IN THE MATTER OF INDUSTRIAL PROPERTY ACT, 2001

LAWS OF KENYA

IN THE MATTER OF TAXATION OF A BILL OF COSTS BETWEEN, MWENDWA MWONGELA AND THE MANAGING DIRECTOR KENYA INDUSTRIAL PROPERTY INSTITUTE

INDUSTRIAL PROPERTY APPEAL NUMBER 10 OF 2012

MWENDWA MWONGELA……APPELLANT

-VERSUS-

MANAGING DIRECTOR KIPI ……RESPONDENT

RULING

The matter before us revolves around the costs of the appeal, decision on the substantive appeal having been delivered, allowing the appeal with costs to the appellant, as against the Managing Director/the Institute on 13th January, 2014.

The Managing Director did not participate in the proceedings. In the view of the Tribunal the appeal proceeded unopposed.

The Tribunal showed its displeasure at page 13 of the ruling where it remarked and we quote;

"The Managing Director did not participate in these proceedings at the Tribunal and the appeal has gone on unopposed in our view. We abhor this state of affairs and we may be inclined to visit the Managing Director and the Industrial Property Institute by extension with costs as we are empowered to do so by virtue of section 114(2) of the Industrial Property Act."

And not surprisingly the Tribunal awarded costs to the appellant in the penultimate paragraph of the ruling saying "**As mentioned earlier in this ruling, we shall award costs as per section 114(2) of the Industrial Property Act to the appellant as against the Managing Director/the Institute. The successful party is at liberty to file a bill of costs as per the Law."**

The decision was communicated to the Managing Director vide letter dated 5th February, 2014 and drew a reaction from the Institute by a letter dated 14th February, 2014.

The Institute objected to the award of costs made against the Institute and requested for the Tribunal to review the ruling with regards to the issue of costs. The grounds upon which the Institute objected to the award of costs are set out in paragraph 2 of the Institute's letter dated 14th February, 2014.

It is in the following terms "The Institute objects to the award of costs against the Institute for the following reasons:

a) In making the decision dated 22nd August, 2012, the Managing Director acted bona fides in exercise of his quasi-judicial role and in accordance with his mandate, under the provisions of the Industrial Property Act, 2001;

b) The Tribunal's ruling is against all known principles of law and practice in Kenya. It is a kin to the High Court ordering a Lower Court or Tribunal to pay costs in an appeal filed by an aggrieved party at the High Court on appeal against a decision of the Tribunal, then, the High Court could order the Tribunal to pay costs if the aggrieved party was successful at the High Court, which would clearly be an absurdity; and

c) While ordering costs that should be borne by the Institute, the Tribunal should take into consideration the fact that Institute's funds are Public Funds, which should not be spent recklessly, and especially where the respective public officer did not act abusively, vexatiously or unreasonably but within the laws as aforementioned. Use of public funds in the manner ordered by the Tribunal would be contrary to the provision of Article 226(5) of the constitution of Kenya, 2010.

In circumstances, we are respectfully requesting you to review your ruling with regard to the issue of costs."

The letter was not copied to the appellant or his legal representative who on 25th February, 2014 lodged a bill of costs in which a sum of Ksh453, 601 is claimed in costs subject of course to taxation.

The Bill of Costs was Forwarded to the Institute/Managing Director via a letter dated 15th October, 2014 which where material reads as follows;

"Forwarded herewith is a copy of the appellant's Bill of Costs dated 25th February, 2014 for your necessary action." The Bill was received by the Respondent "in Protest" The reasons for the protest are set out in the respondent's letter to the Tribunal dated 28th November, 2014 which where material reads as follows:-

"The Institute acknowledges receipt of the Bill of Costs forwarded to the Institute for the latter to take "necessary action" in protest for the following reasons;

a) In a letter dated 14th February, 2014, the Institute objected to award of costs to the appellant in this matter for several reasons. The institute is not aware of the actions that the Tribunal took since the letter was not responded to; and

b) The institute wonders what the "necessary action" would entail. If it entails the Institute's comments, the Institute objects to the appellant's Bill of Costs in totality due to what is stated in paragraph (a) above. If it entails settlement of the Bill, the Institute is not aware as to whether or not the bill has been taxed by the Tribunal and the outcome of such taxation, if any. If taxation has occurred, this would be irregular since the Institute was not involved. Kindly note that the second supposition is on a without prejudice basis."

Both the letter of 14th February, 2014 and 28th November, 2014 were not responded to as the Tribunal had not been reconstituted and no directions there on had been given.

After the Tribunal was reconstituted the parties were invited to fix hearing dates by Notice in that regard dated 12th February, 2016.

The invitation drew a response from the Institute who in a letter dated 15th February, 2016 stated that **"The Institute is still awaiting to know what action the**

Tribunal took upon receipt of a letter dated 14th February, 2014 giving reasons for the Institute's objection to the award of costs to the appellant by the Tribunal."

The Secretary to the Tribunal responded to the Institute's letter by a letter dated 17th February, 2016, addressed to the Managing Director, in the terms following;

"The matter that is pending before the Tribunal is an application by the appellant/applicant for taxation of a bill of costs following the decision of the Tribunal dated 17th May, 2013.

The Tribunal has not ruled on the said Bill of Costs as this awaits the parties to represent their views before the Tribunal during the hearing of the Bill of Costs."

A hearing date for taxation of the Bill of Costs was fixed for 10th March, 2016 and communicated to the parties in a Notice in that regard dated 26th February, 2016.

When this matter came up in before us on 10th March, 2016, the respondent was not represented. We inquired from counsel for the appellant whether they had been served with the letter dated 14th February, 2014 from the Managing Director KIPI. Counsel said that they had not and upon a copy of the letter dated 14th February, 2014 being shown to her; she indicated that they needed time to respond to the said letter.

We then adjourned the matter to 31st March, 2016 and ordered the letter dated 14th February, 2014 from the Managing Director KIPI be served upon the appellant who was then to respond by way of written submissions within 7 days. The Managing Director or his representative was ordered to appear before the Tribunal on 31st March, 2016.

The order was extracted and served upon the Managing Director KIPI on 11th March, 2016, who in turn, in a letter dated 23rd March, 2016 indicated that he was not in a position to appear before the Tribunal, on 31st March, 2016, but would during the hearing scheduled for 31st March, 2016 fully rely on the contents of the letter dated 14th February, 2014 to the Tribunal and await a decision.

On 31st March, 2016, counsel for the appellant, highlighted the appellant's submissions, dated 15th March, 2016, and filed before the Tribunal, on 16th March, 2016. At the conclusion of the highlight we asked counsel to address us on the issue of whether we had jurisdiction to review the award of costs as

requested by the Managing Director in the letter dated 14th February, 2014. Counsel then sought time to file supplementary submissions; which we granted and stood over the matter to 28th April, 2016, when the highlights on the submissions were concluded, with the appellants praying for dismissal of the respondent's objection for lacking a basis in law and the taxation of the Bill of Costs as drawn.

Issues

The issues that arise for determination based on the respondent's objection to the award of costs and the bill of costs contained in the letters dated 14th February, 2014 and 28th November, 2014 and the submissions and supplementary submissions filed in response thereto by the appellant are as follows:-

1) Whether the Tribunal has jurisdiction to review the award of costs made in favour of the appellant against the Managing Director the Institute in the ruling dated 17th May, 2013 and delivered on 13th January, 2014.

2) Whether the objections, raised to the award of costs by the respondent in the letter dated, 14th February, 2014, are legitimate and valid. Whether the procedure adopted by the respondent to raise the objection is an appropriate procedure?

3) Whether the objections have any legal basis and or whether the objection should be dismissed and the Tribunal should proceed to tax the Bill of Costs as prayed by the respondent.

4) Whether the respondent's conduct specifically the non-attendance of the Managing Director or his representative before the Tribunal on 31st March, 2016 amounts to contempt of the Tribunal and whether the Tribunal should exercise its powers under section 114(1) of the Industrial Property Act to find that is contempt and impose a sanction or punishment upon the Respondent.

We would dispose the fourth issue summarily by stating that the jurisdiction to punish for contempt of court under section 114; has not been properly invoked.

Under Rule 36(1) an application for an order under section 114(1) of the Act shall be in Form IPT 22 and shall be filed with the Tribunal.

1) The application shall set out the order being sought and shall be accompanied by a statutory declaration or affidant setting out the facts being relied upon. The request to us to invoke the powers under section 114(1) was made through submissions in the present cause. As this is a matter where the rules clearly provide for the procedure to be followed the Tribunal cannot entertain it under Rule 37(1) of the Industrial Property Tribunal Rules 2002 which gives the Tribunal power to give directions with respect to the procedure to be followed in proceedings; where none have been provided by Act or the Rules.

Procedure and Jurisdiction to Review

The appellant made heavy weather of the procedure adopted by the respondent in objecting to the award of costs and seeking a review. It was argued that the procedure adapted was or is unknown to law and there is no provision for review of the decision of the Tribunal under the Industrial Property Act and rules, and the Tribunal being a creature of statute namely the Industrial Property Act 2001, can only exercise such powers as are conferred to it under section 114 of the said Act. It was added in good measure that section 114(2) confers the power to the Tribunal to grant costs and section 115(1) of the Act provides an avenue, by way of an appeal, to any party aggrieved by a decision of the Tribunal.

Neither the Industrial Property Act 2001, nor the Industrial Property Tribunal Rules 2002, makes provision for review by the Tribunal of its decisions. They are silent on that aspect. But, does this, then mean that the Tribunal is by this omission, deprived of the power to correct mistakes and errors in its own decisions, whether of a law or fact, even where such mistakes are clear or have been brought to the attention of the Tribunal or where there is an error of law apparent on the face of the record or where the Tribunal has acted without jurisdiction or for any other sufficient reason? Would the absence of an express provision for review deprive the Tribunal of the power to review its own decisions in appropriate cases? To our mind this is not the case because the power to review is a procedural power that is used by courts and Tribunals to correct errors and to serve the ends of justice.

This Tribunal is now not only a creature of the Statute (Industrial Property Act 2001) but is also a creature of the Constitution of Kenya 2010. See Article 169(d) of the Constitution of Kenya, which recognizes any other court or local Tribunal established by an Act of parliament, other than those established pursuant to Article 162(2) of the Constitution.

Article 159 (2) (d) of the constitution of Kenya 2010 enjoins and indeed obligates the Tribunal to administer justice without undue regard to procedural technicalities. Both the Industrial Property Act 2001 and the Industrial Property Tribunal Rules 2002 do not prescribe any procedure or form for making an application for review. However Rule 37(1) of the Industrial Property Tribunal Rule 2002 the Tribunal is empowered to give directions as to the procedure to be followed in any proceedings including directions with respect to the form to be used where no form is otherwise provided under the rules provided that the directions are not inconsistent with provisions of the Act or the Rules (See Rule 37(2).

We have not found anything in the Act or the rules that prohibits the exercise of jurisdiction to review or the form which the Managing Director/the Institute has chosen in making the request for review of the award of cost made in this matter on 13th January, 2014.

The power to review has been invoked by Election courts in appropriate cases or circumstances in Election petitions, where both the Election Act and Rules made there under did not expressly provide for review. See the cases of Major Rtd Godfrey Masasa VS IEBC AND 2 others (2013) EkLR and Nuh Nassir Abdi vs Ali Wario and 2 others (2013) EKLR EP No. 6 of 2013 where the Hon. Justice G. V. Odunga, posits that "A decision whether or not to vary, set aside or review earlier orders was an exercise of judicial discretion and the courts could only exercise such discretion if so to do would serve a useful purpose.."

Following the above judicial dicta and the dictates of Article 159(d), of the Constitution of Kenya 2010, we are minded to look beyond the procedural inadequacies of the objection and the request for review of the award of costs against the Managing Director and the Institute by extension and focus on the substance of those objections with a view to establishing whether the objections are valid and the reason set out in the letter of 14th February, 2014 are sufficient to warrant a review of the award of costs by this Tribunal.

In the letter of 14th February, 2014 the Institute objected to the award of costs and gave three reasons for the objection as follows:-

a) In making the decision dated 22nd August, 2012, the Managing Director acted bona fides, in the exercise of a quasi-judicial role and in accordance with his mandate under the provisions of the Industrial Property Act, 2001;
b) The Tribunal's ruling is against all known principles of law and practice in Kenya. It is a Kin to the High Court ordering a lower court or Tribunal to pay costs in an appeal, filed by an aggrieved party at the High Court of Kenya. It thus implies that if an aggrieved party were to move to the High Court on appeal against a decision of the Tribunal, then the High Court, could order the Tribunal to pay costs of the aggrieved party if he was successful at the High Court, which would clearly be an absurdity; and
c) While ordering costs, that should be borne by the Institute, the Tribunal should take into consideration the fact that Institutes funds are public funds, which should not be spent recklessly, and especially where the respective public officers did not act abusively, vexatiously or unreasonably but within the law as aforementioned. Use of public funds in the manner ordered by the Tribunal would be contrary to the provisions of Article 226(5) of the constitution of Kenya, 2010.

"Upon those reasons the letter concludes as follows:-

In the circumstances, we are requesting you to review your ruling with regard to the issue of costs."

The reasoning for the grant of costs is captured at page 13 in the ruling containing the order sought to be reviewed, where after setting out the background facts to the appeal the Tribunal states

"The Managing Director did not participate in these proceedings at the Tribunal and the appeal has gone on unopposed in our view. We abhor this state of affairs and we may be inclined to visit the Managing Director and the Kenya Industrial Property Institute by extension with costs as we are empowered to do so by virtue of section 114(2) of the Industrial Property Act."

That then was the curtain raiser, so to speak for the order for costs which comes at the tail end of the ruling at page 21 where the Tribunal renders itself as follows:-

"As mentioned earlier in this ruling, we shall award costs as per section 114(2) of the Industrial Property Act to the appellant as against the Managing Director/the Institute. The successful party is at liberty to file a bill of costs as per the law."

The Appellant had not sought costs either through its pleadings or in his submissions. In his notice of an appeal filed with the Tribunal on 16th October, 2012 the only relief sought by the appellant was **"that the ruling and order of the Managing Director made on 22nd August, 2012 be set aside and replaced with one allowing the appellants application No. KE/P/2011/001369."** The order for costs was made by the Tribunal *suo motto* without being moved by any of the parties to the appeal and without notice to the Respondent.

The reason/justification given in the ruling for the order of costs is the Tribunal's abhorrence to the Managing Directors failure to appear at the hearing.

The question that then arises is whether this is a proper and judicious exercise of judicial discretion. For the grant of an order of costs is not a matter of right, but rather of judicial discretion which must be exercised judiciously and not whimsically or capriciously. Is it proper for the Tribunal to impose an order of costs against the Managing Director and the Institute by extension on the basis that the Tribunal was upset by the Managing Director's failure to appear at the appeal proceedings?

It is to be noted that the Managing Director did not in fact ignore or spite the Tribunal. All that the Managing Director said in response to the appeal is that he would rely on the reasoning in the ruling dated 22nd August, 2012 which was being challenged. See the Managing Director's letter dated 2nd April, 2013 which where material states **"please note that I shall not be filing a formal reply but am requesting the Tribunal to make its determination based on the grounds set out in the ruling delivered on 22nd August, 2012."**

In these circumstances one may ask why did the Tribunal abhor that state of affairs? If the Managing Director relied on his ruling in answer to the appeal, doesn't this in itself show that the Managing Director had made his decision in good faith, and expected it to speak for itself, without much elaboration.

We note that the decision of the Managing Director was in fact found wanting and a re-examination ordered with the happy result that the applicants patent is now registered. (See the applicant's written submissions in these proceedings

page 1 paragraph 2, which, where material states "the Tribunal ordered for a fresh examination of the applicant's patent application, which exercise concluded in a successful re-examination and the applicant being granted a patent for his invention. With respect we do not therefore consider the award of cost in those circumstances as a judicious exercise of judicial discretion.

The award of costs was also expressed to be against both the Managing Director and the Industrial Property Institute. Now it is noteworthy that the Industrial Property Institute is not a party to these proceedings and the Managing Director is not a party to the proceedings as a matter of personal choice but rather by requirement of the law, specifically rule Rule 7(2) of the Industrial Property Tribunal Rules, 2002 which provides that **"The Managing Director shall be a party to an appeal from a decision of the Minister or the Managing Director, other than an appeal under regulation 49(20) of the Industrial Property Regulations, 2002."**

Under both the Act and the Rules the Managing Director and the Industrial Property Institute are treated separately and are not one and the same thing. It is therefore, an anomaly apparent on the face of the record that the order for costs is made against the Managing Director/The Industrial Property Institute.

This is so because under the Act there is a clear distinction between the Institute and the office of the Managing Director of the Institute is established as a body corporate under section 3 of the Industrial Property Act which provides as follows "There is established an institute to be known as the Kenya Industrial Property Institute which shall be a body corporate with perpetual succession and common seal and shall be capable, in its corporate name, of:-

a) Suing and being sued
b) taking, purchasing or otherwise acquiring, holding, charging or disposing of movable and immovable property;
c) borrowing and lending money; and
d) charging fees for services rendered by it;
e) entering into contracts
f) doing or performing all such other things or acts necessary for the proper performance of its functions under this Act which may lawfully be done by a corporate body.

The office of the Managing Director on the other hand is created under section 11 (1) of the Industrial Property Act which provides " There shall be a Managing Director of the Institute who shall be appointed by the Board and whose terms and conditions of service shall be determined by the Board in the instrument of appointment. Quite clearly the institute and the Managing Director are separate and distinct. How is it then did the Tribunal find the Managing Director and by **"extension the Institute liable to pay costs of an appeal in which the Managing Director was a party by virtue of his office? How could this properly be done in law without violating the provisions of section 14 of the Act which insulates the Board of the Institute, or any officer employee or agent of the Institute from liability for any matter or thing done bona fide in the course of executing the powers functions or duties of the Institute.**

The Tribunal does not appear to have considered the import of section 14 of the Act vis a vis section 114(2) of the Act, the latter of which provides for imposition of costs at the discretion of the Tribunal.

This brings us to the next question whether the Managing Director was discharging a quasi-judicial function in rendering the ruling/decision in respect of which the appeal was preferred. Though counsel for the appellant/applicant holds the view that the Managing Director was not performing a quasi-judicial function in arriving at the impugned decision, on the basis that neither the Institute, nor the Managing Director is constituted as a quasi-judicial office, we find that this proposition cannot be correct. From both a functional and practical point of view the decision was made in exercise of a quasi-judicial authority, namely the power granted to that office by the Act to hear appeals arising out of decisions made by the examiners on applications for patents.

To put this matter into correct perspective it is important to ask and answer the question; how did the Managing Director become seized of the matter. The matter before the Managing Director was an appeal by the current appellant against the refusal by the examiner to approve application No.KE/P/2011/001369 entitled **"Generation of large amount of Electricity for commercial purpose using an engine propelled by gravity."**

The Managing Director listened to arguments by counsel for the applicant, analyzed the facts and the law, before reaching a verdict which subsequently became the subject of the appeal. Can that process be regarded as anything but quasi-judicial? To our mind the function of the Managing Director when considering an appeal against a refusal by the examiner to approve the

registration of a patent, like happened in the instant case, is clearly quasi-judicial, complete with an explanation, to any aggrieved party, that they have a right of appeal. In those circumstances the analogy about the High Court ordering the Lower Court to pay costs is not a far-fetched one.

The Institutes other objection was based on the proper use of public funds under the Constitution. We have treated this as more of a public interest justification than merely the application of public resources in a narrow sense. The question may be asked what would be the consequence of the Tribunal routinely ordering the Managing Director and the Institute to pay costs in matters arising from the exercise of the statutory functions of examiners and the Managing Director sitting on appeal against decisions of the examiners. One thing is for certain. That is the Managing Director who is invariably by virtue of his position a party to all appeals, arising out of his decisions, would be inundated with orders for costs and demand for payment of costs. The payment of those costs would not be from the Managing Director's pocket, but rather from public coffers. Now the role of the Institute under the Act is not to litigate it is to offer service to the Kenyan people and others from outside who may wish to invest in our shores.

Orders of costs made against Managing Director and the Institute in these circumstances would serve the unintended purpose and result to detracting the Managing Director and the officers of the Institute from the performance of their core mandate of offering a service. The examining officers may fail to exercise their duty to examine closely and pass unfavorable verdicts out of fear that they may be exposing the Institute to the risk of costs in the event that their decisions are overturned by the Tribunal and following of the principle that costs follow the event would not serve the general public good.

In the premises we find that there are sufficient reasons for us to intervene and vary the decision of this Tribunal dated on 17th May, 2013 and delivered on 13th April, 2014 as far as the award of costs is concerned. That ruling is therefore varied to the extent that the order for costs is vacated. Those being our orders, we find no need to proceed with the assessment of the applicant's bill of costs as requested by the applicant.

Read and delivered at Nairobi on this 11th day of August, 2016 in the presence of:

Ngunju for the Appellant.

N/A for the Respondent.

HASSAN N. LAKICHA - CHAIRMAN

BROWN M. KAIRARIA - MEMBER

GODFREY OWINO - MEMBER

BRETTAH MUTHURI - MEMBER