



IN THE COMPANIES TRIBUNAL OF THE REPUBLIC OF SOUTH AFRICA

(“The Tribunal”)

CASE NO: CT021MARCH 2015

Re: In an Application in terms of Section 160 of the Companies Act 71 of 2008 (“the Act”) for a determination that the company name LA VIRGIN FINANCE (PTY) Ltd does not satisfy the requirements of Section 11(2) of the Act.

In the matter between:

VIRGIN ENTERPRISES LTD

THE APPLICANT

AND

LA VIRGIN FINANCE (PTY) LTD

THE RESPONDENT

(2013/147612/07)

Coram K. Tootla

Decision delivered on 19 October 2015

DECISION

INTRODUCTION:

- [1] The Applicant whose registered place of business is British Company of the School House, 50 Brook Green, W6 and RR, London Riverside, London, United Kingdom, brings an application in terms of Sections 11 (2) (a); 11 (2)(b) and (c) and 160 of the Companies Act 2008 (“the Act”) read with Regulation (Reg.) 153 for an order that the Respondent change its name by removing the word VIRGIN (Refer to form CTR 142) as the Respondent’s name is undesirable .
- [2] The Respondent is **LA VIRGIN FINANCE (PTY) LTD**, a company incorporated in terms of the Companies Act, and having its registered address at 328 Willen Crywagen Street, Theresa Park, Tshwane, Gauteng.

PROCEDURE:

- [3] The application was properly served on the Respondent's registered address on 23 April 2015 by the Sheriff of the Court.
- [4] The Respondent did not serve or file any notice to oppose the Applicant’s application nor served or filed any answering papers to the Applicant’s claim.

BACKGROUND:

- [5] The Applicant states that it is the owner of the trade mark “VIRGIN” (as per trade mark no: 2005/23445 in class 36 in respect of insurance, financial affairs” and as per trade mark no: 2005/23446 in class 36 in respect of insurance, financial affairs, banking affairs, financing...). Various Virgin trademarks are set out in para 6- 61 in the affidavit of Mr. Richardson, the attorney of record.
- [6] It can be noted that the registration of the Respondent took place thereafter in 2013.

- [7] The Applicant also claims common law rights in the word “VIRGIN” due to its “wide spread and extensive use” thereof since 1970 through the VIRGIN Group of Companies and has used the ‘VIRGIN’ trademark in a portfolio of over 2500 trademarks in over 125 countries in the a variety of fields, for example, the telecommunications, travel, entertainment,, lifestyle and financial services etc.
- [8] The Applicant contends that the general public are extremely familiar with the Virgin trademarks as a symbol of the high quality products and services supplied by the Virgin Group. Thus the Applicant claims that its extensive worldwide goodwill justifies that its trademarks are famous; and that the worldwide turnover of the Virgin Group was equivalent to 3, 898 pounds in 2010
- [9] The Applicant states that the word “VIRGIN” constitutes the dominant feature in the Respondent’s trading name; it is an inherently distinctive name, being arbitrary for the goods and services covered by the VIRGIN trademarks. Furthermore, it is claimed that it is memorable because of its shared meaning in relation to people and is famous internationally as well as in South Africa. Also the word **VIRGIN** in South Africa and elsewhere and its use is almost certainly associated with Richard Branson and the Virgin Group.
- [10] It is also contended that since the VIRGIN trademarks are used in relation to so many different goods and services in this country and elsewhere, members of the public assume that any use of the VIRGIN trademark in relation to any new goods or services is used by a member of the VIRGIN Group.
- [11] The Applicant claims that the Respondent chose and adopted the name LA VIRGIN FINANCE by imitating the Applicant’s trademark.

[12] In view of the aforementioned, the Applicant is of the view that the VIRGIN trademarks have a direct interest in the proper use of the trademarks and it has protected by proper quality control over the goods and services provided by its licensees. This it claims affects the quality of its trademarks and its substantial common law rights.

[13]. In addition, the Applicant is of the view that the adoption of the VIRGIN name gives an unfair advantage to the Respondent in respect of its unique, original and distinctive name.

[14] The Applicant submits that the Respondent's name is undesirable and infringes the provisions of Section 11(2)(a), (b), and (c) and that the Respondent should change its name in terms of Section of the Close Corporations Act read with section 160 of the Companies Act. The Applicant has incorrectly cited the Close Corporation and claims that undesirability is the element.

[15] An order is thus sought for the Respondent to change its name by removing the word "VIRGIN" therefrom.

APPLICABLE LAW:

[16] Section 11 of the Companies Act provides as follows:

"11. Criteria for names of companies.—

..... (1)

(2) The name of a company must—

(a) not be the same as—

(i) the name of another company, domesticated company, registered external company, close corporation or co-operative;

- (ii) a name registered for the use of a person, other than the company itself or a person controlling the company, as a defensive name in terms of section 12 (9), as a business name in terms of the Business Names Act, 1960 (Act No. 27 of 1960), unless the registered user of that defensive name or business name has executed the necessary documents to transfer the registration in favour of the company;
- (iii) a registered trade mark belonging to a person other than the company, or a mark in respect of which an application has been filed in the Republic for registration as a trade mark or a well-known trade mark as contemplated in section 35 of the Trade Marks Act, 1993 (Act No. 194 of 1993), unless the registered owner of that mark has consented in writing to the use of the mark as the name of the company; or...

(b) not be confusingly similar to a name, trade mark, mark, word or expression contemplated in paragraph (a) unless—

- (i) in the case of names referred to in paragraph (a) (i), each company bearing any such similar name is a member of the same group of companies;
- (ii) in the case of a company name similar to a defensive name or to a business name referred to in paragraph (a) (ii), the company, or a person who controls the company, is the registered owner of that defensive name or business name;
- (iii) in the case of a name similar to a trade mark or mark referred to in paragraph (a) (iii), the company is the registered owner of the business name, trade mark, or mark, or is authorised by the registered owner to use it , or
- (iv) in the case of a name similar to a mark, word or expression referred to in paragraph (a) (iv), the use of that mark, word or expression by the company is permitted by or in terms of the Merchandise Marks Act, 1941;

(c) not falsely imply or suggest, or be such as would reasonably mislead a person to believe incorrectly, that the company—

(i) is part of, or associated with, any other person or entity; ...”

[17] **Reg. 142** as far as it is relevant for the present finding, reads as follows:

Disputes concerning company names:

“142. Applications to the Tribunal in respect of matters other than complaints.—

(1) A person may apply to the Tribunal for an order in respect of any matter contemplated by the Act, or these regulations, by completing and filing with the Tribunal’s recording officer—

(d) an Application in Form CTR 142; and

(e) a supporting affidavit setting out the facts on which the application is based.

(2) The applicant must serve a copy of the application and affidavit on each respondent named in the application, within 5 business days after filing it.

(3) An application in terms of this regulation must—

(a) indicate the basis of the application, stating the section of the Act or these regulations in terms of which the Application is made; and

(b) depending on the context—

(i) set out the Commission’s decision that is being appealed or reviewed;

(ii) set out the decision of the Tribunal that the applicant seeks to have varied or rescinded;

(iii) set out the regulation in respect of which the applicant seeks condonation; or

(f) Indicate the order sought; and (g) state the name and address of each person in respect of whom an order is sought.”

EVALUATION:

- [18] What is “confusingly similar” in Section 11 (2) (b) has to be examined carefully to determine whether this is in fact so. When referring to the case law on the subject, it is submitted that it must be as alike in a manner that will confuse the reasonable person, i.e. the “ordinary reasonable careful man, i.e. not the very careful man nor the very careless man” (*Link Estates (Pty) Ltd v Rink Estates (Pty) Ltd* 1979 (2) SA 276 (E) at 280).

This reasonable man (person) should further be qualified as in *Reckitt & Colman SA (Pty) Ltd v SC Johnson & Son SA (Pty) Ltd* 1993 (2) SA 307 (A) at 315F-G: “A rule of long standing requires that the class of persons who are likely to be the purchasers of the goods in question must be taken into account in determining whether there is a likelihood of confusion or deception.”

- [18] In the 1973 Companies Act (61 of 1973) the test was when the name was “undesirable”, and those principles which should also apply to “confusion” and “confusingly similar” (*Henochsberg on the Companies Act 71 of 2008* at 56). In *Peregrine Group (Pty) Ltd v Peregrine Holdings Ltd* 2001 (3) SA 1268 (SCA) the following was said:

“... [8] Concerning the 'undesirable' inquiry Lazarus AJ, after an analysis of the case law, pointed out that by the introduction of the word 'undesirable' the Legislature must have intended to create a new and more liberal test than the test of calculated to cause damage to the earlier company name in the recognition that proof of damage is often difficult for the objector to establish (at 198E) and concluded that: 'In my view it is inappropriate to attempt to circumscribe the circumstances under which the registration of a company name might be found to be "undesirable".' ”

- [19] To do so would negate the very flexibility intended by the Legislature by the introduction of the undesirability test in the section and the wide discretion conferred upon the Court to "make such order as it deems fit".

For the purposes of the present matter it suffices to say that, where the names of companies are the same or substantially similar and where there is a likelihood that members of the public will be confused in their dealings with the competing parties, these are important factors which the Court will take into account when considering whether or not a name is "undesirable".

It does not follow that the mere existence of the same or similar names on the register (without more) is "undesirable". (At 198J - 199C.)”

[20] In *Azisa (Pty) Ltd v Azisa Media CC and Another* [2002] 2 All SA 488 (C) the Court found that the use of the name “Azisa Media CC” is not undesirable, but that the word “Azisa” only would in all likelihood lead to inconvenience and confusion amongst the customers.” The business spheres of the applicant and the respondent are important in respect of the Trade Marks Act No. 194 of 1993. In *New Media Publishing (Pty) Ltd v Eating Out Web Services CC* 2005 (5) SA 388 (C) at 394 the Court said:

“There is, it seems to me, an interdependence between the two legs of the inquiry: the less the similarity between the respective goods or services of the parties, the greater will be the degree of resemblance required between the respective marks before it can be said that there is a likelihood of deception or confusion in the use of the allegedly offending mark and *vice versa*.” This dictum, which was referred to with approval by the Supreme Court of Appeal in *Metterheimer and Another v Zonquasdrif Vineyards CC and Others* 2014 (2) SA 204 (SCA) at 209 illustrates an important distinction between the provisions of the Trade Marks Act and that of the Companies Act. In the former the particular goods and/or services can be a determining factor in respect of the test for confusion but the Companies Act, on the other hand, is not concerned with the goods/and or services, **and the name *per se* must be evaluated to determine, for example, the confusion.**

- [21] Similar” as in section 11 (2) (b) would be “having a marked resemblance or likeness” and that the offending mark (or name) should immediately bring to mind the well-known trade mark or other name (Refer Bata Ltd v Face Fashions CC 2001 (1) SA 844 (SCA)). **Mere similarity is also not sufficient, it must be confusingly so.**
- [22] As to the requirement for confusingly similar, the test, as in the case of passing-off, should be: “...a reasonable likelihood that ordinary members of the public, or a substantial section thereof, may be confused or deceived into believing that the goods or merchandise of the former are the goods or merchandise of the latter or are connected therewith.
- [23] Whether there is such a reasonable likelihood of confusion or deception is a question of fact to be determined in the light of the particular circumstances of the case.” (Refer Adidas AG & another v Pepkor Retail Limited (187/12) [2013] ZASCA 3 (28 February 2013) para 28; Capital Estate and General Agencies (Pty) Ltd and Others v Holiday Inns Inc. and Others 1977 (2) SA 916 (A) at 929).
- [24] Section 11 (2) (b) refers to confusion in respect of a company name. Applying this to the instant matter the question as to what is “confusingly similar”, it must be as alike in a manner that will confuse the reasonable person, that is, the “ordinary reasonable careful man, and not the very careful man nor the very careless man” (Link Estates (Pty) Ltd v Rink Estates (Pty) Ltd 1979 (2) SA 276 (E) at 280).
- [25] In Capital Estates and General Agencies (Pty) Ltd and Other v Holiday Inns Inc. and Other 1977 (2) SA 916 (A) at 929 E-0, the courts came to the conclusion that even if the parties do not appear to carry on business in precisely the same field, this did not mean that there will not be confusion or deception in trade.

It is clear that the Respondent does intend to trade in the same market as the Applicant in financial services as the name suggests it will be involved in financial services. Even though the activities of the business are not mentioned on the CIPC register, it does not preclude the Respondent from trading in goods or services in which the Applicant has an interest, especially in view of the description of its principal business.

- [25] It can be pointed out from a practical point of view that the Respondent ought to have known that the name VIRGIN is well-known in the South African market due to the existence of the VIRGIN gyms and the VIRGIN money businesses.

From the Capital Estate Case (929 E-O) it can be concluded that in claiming that another corporation's name is undesirable, there is no bar to obtain relief when there is an absence of a common field of activity in a circumstance when there is a reasonable likelihood of confusion. For the reasons cited above, it is clear that there is at the least a reasonable likelihood of confusion due to the Applicant's well known use of the trade mark and its presence in the market as enunciated in the founding affidavit.

- [26] In line with what was stated in *Ewing t/a The Buttercup Dairy Company v Buttercup Margarine Corporation Ltd* 1917 (34) RPC at 232 and 238, it can be concluded that confusion and/or deception may arise from the side-by-side use of the trade mark and the corporation's name can lead to injury of the Applicant's business, especially since it has no control whatsoever over the quality of services rendered by the Respondent.

- [27] In addition, the pertinent case which is relevant to the doctrine of imperfect recollection has been captured in *Standard Bank of South Africa Limited v United Bank Limited & Another* 1991 (4) SA 780 (T) 8011 to 802B, where the court said that there is a probability that a substantial number of people will be at least confused, if not deceived, given the fact that an individual does not have the two marks before him, side by side and that memory is often imperfect.

- [28] In **Cowbell AG vs ICS Holdings 2001 (3) SA 941 (SCA)**, the court said: "the decision involves a value judgment and that the ultimate test is whether, on a comparison of the two marks it can properly be said that there is a reasonable likelihood of confusion if both marks are to be used together in a normal and fair manner, in the ordinary course of business".
- [29] The dominant word in the Applicant's name is **VIRGIN** and the dominant part of the Respondent's company name is **VIRGIN**. Hence the dominant words are the same and the side by side use of the word "VIRGIN" it is clear that there is a reasonable likelihood of confusion if both marks are to be used together in a normal and fair manner in the ordinary course of business especially since imperfect recollection can take place as can be seen from some of the cases quoted above.
- [30] The Applicant's attorneys have not referred the Tribunal to relevant case law nor has HE argued the relevant subsections of Section 11 of the Act which he claims is the basis of the Applicant's case.
- [31] Note the significant ruling in **Hollywood Curl Ltd v Twins Products (Pty) Ltd 1989 (1) SA 255 (A) 263 I**, reads as follows:-
- "...Clearly at common law a company may be held to have been guilty of passing-off where it adopts and trades under a company name which has a deceptive resemblance to the name used by another, whether an individual or a company in his or its business, where the name has become distinctive of the business".
- [32] It can therefore be concluded that the word "VIRGIN" in Respondent's name will reasonably mislead the reasonable man (person) to believe incorrectly that there is an association with "VIRGIN" trademark, especially due to the fact that VIRGIN gyms and Virgin money is well known in this country.

The fact is that the two businesses can clearly have similar or overlapping activities in respect of their corporate branding, and this will, as under section 11 (2) (b), include the likelihood/possibility that the reasonable man (person) will be misled.

[33] Finally, in the case of *Polaris Capital (Pty) Ltd v The Registrar of Companies and Polaris Capital Management Inc.* (unreported judgment, Case No. 11607/2005, CPD), the learned judge commented on undesirability in terms of Section 45 (2) of the 1973 Companies Act:

“It is submitted that by allowing the close corporation name to remain on the register, in addition to causing deception and confusion, its registration will hinder the registrar’s role in maintaining and promoting good governance and administration of corporate entities in the interest of the general public.”

[34] Thus permitting the Respondent to keep the name VIRGIN in its company name will create confusion and hinder the Registrar from maintaining and promoting good governance and administration of a corporate entity in the interest of the general public. It is evident therefore that the name VIRGIN as incorporated in the Respondent’s company name falls within the ambit of Section 11 (2) (b) as argued but not Section 11 (2) (a) and (c) of the Companies Act as this has not been argued by the Respondent.

[35] Thus the Applicant has demonstrated that the Respondent has transgressed Section 11 (2) (b). Hence it is entitled to an order as claimed in terms of Section 160 of the Act. Section 11 (2) (a) is not applicable to this matter as the Respondent’s name is not the same as the Applicant’s trademark, it is confusingly similar as can be seen from above.

[36] In line with Section 7 (l), one of the objectives of the Act is to provide a predictable and effective environment for the efficient regulation of Companies and this decision is interpreted in line with this objective, that is in ensuring that there is no confusing similarity in the regulation of companies.

[37] The Applicant's application is granted as set out below.

ORDER:

1. An administrative order is made in terms of Section 160 (3) (b) (ii) that the Respondent change its name to one which does not incorporate the word VIRGIN as it is in contravention of Section 11 (2) (b).
2. This order must be served on the Applicant, Respondent and on the Registrar of the CIPC by the Tribunal's Recording Officer (Registrar).
3. The Respondent is hereby ordered to change its name within 90 days of date of receipt of this order and to file a notice of amendment of its memorandum of incorporation.
4. There is no order of cost against the Respondent considering that the matter has not been opposed. The Respondent is hereby exempted from the requirement to pay the prescribed fee for filing the notice of amendment.
5. Since the Respondent is a profit company, in accordance with Section 11 (1) (b) and (3) (a) of the Act, the Respondent is at liberty to use its registration number as its company name immediately followed by the expression "South Africa" should it not be in a position to use another name.
6. The Registrar of CIPC is directed to inform the Respondent forthwith of the decision of the Tribunal and to ensure that the name is changed within the requisite time period as aforesaid; and to invite the Respondent to file an amended Memorandum of Incorporation using a satisfactory name.

7. Should the Respondent not comply with the order of the Tribunal within the 90 day period, the Registrar of CIPC is directed to change the Respondent's name to its registration number without the Respondent's consent (in accordance with Section 160 (3) and Section 14(2) of the Act.

k.y. tootla (electronically signed)

KHATIJA TOOTLA

Member of the Companies Tribunal

19 October 2015