Companies Tribunal

REPUBLIC OF SOUTH AFRICA

CASE NO: CT001Apr 2015

In the matter between:

VIRGIN ENTERPRISES LTD **Applicant**

And

VIRGIN HAIR AND BEAUTY LLC **Respondent**

Coram: Adv Simmy Lebala SC (Chairperson)

Mrs Matshego Ramagaga (Panel Member)

Ms Agnes Tsele-Maseloanyane (Panel Member)

Date of Hearing: 1 December 2015

Date of Decision: 28 January 2016

DECISION (Reasons and Order)

Ms Agnes Tsele-Maseloanyane (Adv Simmy Lebala SC and Mrs Matshego Ramagaga concurring)

1. INTRODUCTION

1.1 The Applicant, Virgin Enterprises is a British Company having its registered place of business as the School House, 50 Brook Green, W6 &RR, London, England, United Kingdom.

1.2 The Respondent, Virgin Hair and Beauty LCC, is registered in terms of the Companies Act, No. 71 of 2008 as an external company having its registered address as 8 Bolton Road, Johannesburg Central. It is incorporated in Massachusetts, USA as a limited liability Company.

1.3 The Applicant brings an application in terms of section 160 of the Companies Act No 71 of 2008 ("the Act") read with regulation 153 for an order directing that the Respondent change its name by removing the word "VIRGIN" therefrom as the Respondent's name is undesirable and infringes the provisions of subsections 11(2) (a), (b) and (c) of the Act.

1.4 The Applicant further applies for condonation for the late filing of additional papers

2. PROCEDURAL ASPECTS

2.1 The Applicant indicated that it has lodged its replying affidavit late as it was, amongst others, awaiting the finalisation of a specific trademark registration process, which it needed to include in the affidavit.

2.2 The Respondent indicated that it has no objection to the condonation of the late filing of the affidavit and that the Respondent has had the opportunity to study the replying affidavit.

2.3 The application for late condonation was granted.

3. SUBSTANTIVE ISSUES

3.1 The Applicant submits that its objection against the Respondent's company name is based on the rights which the Applicant holds in various trademarks consisting of the word "VIRGIN" and common law rights. The Applicant contends that by virtue of such rights, the offending name is undesirable and/or is calculated to cause damage, and/or is an infringement of its trademark rights and/or is likely to be detrimental to its

good name in terms of section 35 of the Trade Marks Act and section 160 of the Companies Act read with sections 11(2) (a), (b) and (c) of the Act.

3.2 The Applicant stated that it is a member of the Virgin group of companies and has grown significantly in terms of its size, geographic reach and industries that it operates in and has built up a considerable reputation and goodwill in the VIRGIN name through its many and varied activities.

3.3 The Applicant is the proprietor of over 25000 trade mark applications and registrations incorporating the Virgin Trade Marks in over 125 countries and is the proprietor of some 171 trade marks in South Africa in various classes.

3.4 Most of the Applicant's Licensees are trading entities whose names begin with Virgin name followed by a descriptor denoting the goods or services by that particular company. Examples of this include Virgin Drinks, Virgin Trains, Virgin Money etc,

3.5 The Applicant submits that its current activities in South Africa include Virgin Atlantic Airways, Virgin Holidays, Virgin Money, Virgin Mobile, Virgin Active. The Applicant therefore submits that VIRGIN is a well-known mark in South Africa, that has repute and fame.

3.6 In its affidavit (paragraph 79) Applicant contends that the word VIRGIN constitutes the dominant feature in the Respondent's trading name and logo. During the hearing the Applicant indicated that its objection is not with the logo per se, the logo in that instance being VHB. It identifies the initial or the first letter of each word in the Respondent's name.

3.7 The Applicant contends that the word VIRGIN is the distinctive, dominant and memorable element of the Respondent's name VIRGIN HAIR AND BEAUTY (INCOPORATED IN MASSACHUSETTS). The Applicant submits that the Respondent chose and adopted the name VIRGIN HAIR & BEAUTY by imitating the Applicant's trade mark. In South Africa the use of the word' VIRGIN is almost certainly associated with Richard Branson and the Virgin Group so contends the Applicant.

3.8 The Applicant submits further that the use of the name by the Respondent will infringe on registered rights the Applicant have especially all the marks filed in classes 3, 26 and 41.

3.9 The Applicant contends that the adoption of the Virgin name gives an unfair advantage to the Respondent. An advantage it would not have had had it adopted a more unique, original and distinctive name.

3.10 The Applicant's case is that it has a trademark registered in the exact class being class 26 in which the Respondent intends to trade. Because the Respondent's high end target market is similar to the one the Applicant trades in, that target market would naturally be involved in similar trade which would be identified with the Applicant's name.

3.11 Further that the Respondent's name is so similar to the Applicant's that it would cause confusion and it would result in the Applicant's goodwill being utilised in order to identify the Respondent's company with it. The Applicant argued that although Virgin Hair is descriptive, the Respondent is not trading as Virgin Hair but as Virgin Hair and Beauty and that the whole name should be considered. When considering the entire name, the word Virgin is no longer descriptive of virgin hair. What it seeks to do is identify a brand with the nature of trade which the Respondent conducts being hair and beauty.

3.12 The Applicant further argues that although it does not hold the rights to the use of the descriptive word Virgin, i.e. when it is describing something such an in virgin oil or virgin hair as is in the current case, it however holds the intellectual property right to the word "Virgin" if used in any protected class and hair and beauty are both protected classes.

3.13 The Applicant argues that had the word Virgin been used specifically in an isolated manner to describe a virgin hair, the applicant would be hard pressed to enforce its intellectual property rights. However given the fact that the Respondent's intention is to utilise the words, Virgin Hair and Beauty, it identifies a class of industry which is protected and in which Virgin in fact holds specific operating companies.

3.14 The Applicant argues that there are instances where the use of the word Virgin will not be offending to the Applicant's trademark and it can be safely used, in instances where it identify the nature of a product that is being utilised. An example in this regard is Indique Virgin Hair where Indique identifies the name of the company, and by way of assistance to a consumer, the use of the word, virgin hair, then helps to identify the product which that company, Indique, operates with.

3.15 The Applicant further argues that using the word, Virgin Hair and Beauty, has the exact opposite effect. It identifies the company, Virgin, and thereafter it identifies the product, or the nature of the business in which that company trades.

3.16 The Applicant further contends that when considered in isolation Virgin is considered to be a descriptive word of virgin hair. However the company name which the Respondent seeks to operate under is not simply Virgin Hair, it is Virgin Hair and Beauty. Had the company intended to operate as Beauty and Virgin Hair that would then describe the hair. It would therefore not rely on the use of the applicant's mark, and that would have avoided any possible confusion which would be caused. That the use of the word of the company is the first word, it identifies the company with which you should associate yourself with, as a consumer.

3.17 The Respondent submitted that the use of the term "VIRGIN" is nether phonetically or visually confusing to its customers. That the Virgin Hair and Beauty logo is nothing visually like any of the common and distinctive Virgin Enterprises' logo.

3.18 The Respondent submitted further that the single word "Virgin" is phonetically different than the phrase "Virgin Hair".

3.19 Furthermore that the word "Virgin" in the context of hair in the beauty industry is no longer generic. It is a word full of meaning providing valuable information to the consumer as to the quality of the product which is sold.

3.20 Further that the use of Virgin Hair in the company name creates no deception in the marketplace nor does it confuse potential customers. It provides customers with valuable information as to the quality of the product sold.

3.21 Respondent contends that in other industries the use of the word Virgin is coupled with another noun to make a name of a company. In those industries Virgin is being used with the other industries as a compound noun. Virgin Atlantic becomes the name of the company. Virgin is not an adjective describing Atlantic. In Virgin mobile, Virgin is not describing mobile phones. But in the current case Virgin is describing hair. It describes in detail so that the consumer knows that that hair has not been processed, that it does not contain synthetic material. That it has not been bleached, it has not been dyed. They know that they are getting a high quality product. It is far

from deceiving or confusing the public, it is actually giving them information with which they can make a decision.

3.22 The Respondent's argument is that Virgin Hair and Beauty contains the phrase virgin hair and that a ruling to the contrary would give the applicant de facto monopoly on the word, Virgin, in the context of almost any industry in which they decide to lodge a trademark application.

3.23 The Respondent indicated that there was a possibility that in the future there could be confusion but that they are under the good faith impression now that the descriptive phrase virgin hair as contained in their name promotes clarity in the minds of the consumer as opposed to confusion or deception. That the word virgin hair is an ubiquitous term inside that industry.

3.24 The Respondent submitted that the Applicant would interpret their name Virgin Hair and Beauty to mean Virgin the company modifying the phrase hair and beauty. Respondent further submitted that that would not be a common interpretation of the name in the class of people who are likely to be purchasers. Not only because Virgin Enterprise's companies do not sell hair extension but because the phrase virgin hair is so ubiquitous in the world of human hair sales. The Respondent disagrees that the word Virgin would be taken by the class of customers likely to purchase the goods to mean that Virgin the companies has gotten into the hair and beauty business. The Respondent stated that the dominant part of the name is virgin hair and that is the part people would walk away remembering, not Virgin, being in hair and beauty but virgin hair being sold by the Respondent's company.

3.25 The Respondent further submitted that the class of people who will go to buy hair extension will relate the word virgin, to the quality of hair extensions and not to Richard Branson.

3.26 The Respondent differed with the Applicant's statement that the purpose of the IP law is to protect the Applicant. The Respondent's stated that the purpose of IP law is to protect the consumer.

4. THE LAW AND APPLICATION OF LAW TO THE FACTS

4.1 Section 11 (2) (a), b and (c) stipulates as follows:

"(2) The name of a company must-

(a) not be the same as –

(i) ……;

(ii) ……..;

(iii) a registered trade mark belonging to a person other than the company or a mark in respect of which an application has been filled 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 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

(iv) ……;

(b) not be confusingly similar to a 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) ……;

(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) ……..

(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 the, or associated with, any other person or entity;

(ii) ……..;

(iii) ……;

(iv) ……

5. EVALUATION

5.1 The questions to be answered are whether-

- The Respondent's name is the same as the Applicant's trademark;
- The Respondent's name is confusingly similar to the Applicant's trade mark; and or
- The Respondent's name falsely imply or suggest, or be such as would reasonably mislead a person to believe incorrectly, that the Respondent's company (i.e. VIRGIN HAIR AND BEAUTY LCC is part of the, or associated with, VIRGIN Enterprises or VIRGIN Companies

5.2 In dealing with the issue of sameness of names reference is made to the unreported judgment, **Denel (Pty) Ltd and The Registrar of Companies, TPD (CASE NO 213527/2000)** where the court stated that "if one compares the name Kentron which the applicant has used and is still using with name Ketronics which the Respondent is using, it is clear that there is a visual and phonetic difference. It is however, also obvious that there are similarities. The name Kentronics incorporates the whole of the Applicant's trading style Kentron".

5.3 When applying this decision to the current case, one has to compare the whole of the Respondent's name (i.e. Virgin Hair and Beauty LCC) with that of the Applicant's trademark (i.e. VIRGIN). It is clear that both names are visually and phonetically not the same. Although the Respondent's name incorporates the whole of the Applicant's trademark that does not render the names the same, at most it may render them similar.

5.4 With regard to the similarity of the names the Companies Act, 2008 in section 11(2) (b) requires that the company name must be confusingly similar not just similar. This section is consistent with the dictum in the **Peregrine Group (Pty) Ltd** as stated above where the court said "It does not follow that the mere existence of the same or similar names on the register (without more) is "undesirable."." In the current case the fact that the word "VIRGIN" which forms part of the Respondent's name is the same as the Applicant's trade mark is not sufficient. The word must be confusing.

In Peregrine Group (Pty) Ltd vs Peregrine Holdings Ltd 2001 (3) SA 1268 (SCA) the court stated that "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".".

5.5 The test for determining confusing similar has been stated in the following cases:

5.6 In **Century City Apartments v Century City Property Owners 2009 ZA SCA 157** wherein the Court stated that if the association between the two respective names or marks causes the public to wrongly believe that the respective goods come from the same economically linked undertakings there is likelihood of confusion

5.7 In **Polaris Capital (Pty) Ltd v Polaris Capital Management Inc and the Registrar of Companies 2009 ZA SCA 131** the test used to determine confusing similar is whether when doing business with the company, the public or section of the public would be confused into thinking that they are doing business with another company or would be confused into thinking that the company is associated in some way with the other company.

5.8 **In Reckitt & Colman SA (Pty) Ltd vs SC Johnson & Son SA (Pty) Ltd 1993 (2) SA 307 (A) at 315 F-G** the court stated that: "A rule of long standing requires that the class of persons who are likely to be purchasers of the goods in question must be taken into account in determining whether there is a likelihood of confusion or deception."

5.9 In **Miriam Glick Trading vs Clicks Stores Transvaal 1979 (2) 290 (T)** (distinguishable) a matter involving a passing-off dispute, the court after finding the names or words "Glicks" and "Clicks' to have close resemblance, stated that the matter must not be considered in abstracto, but all the surrounding circumstances including the business type; type of persons who constitutes potential clients and the conditions under which the business is conducted must be considered before finding that there was no likelihood of confusion.

5.10 The same principle as in the Glicks has been earlier applied in **Adidas AG & another v Pepkor Retail Limited (187/12) [ZA SCA 3 para 28; Capital Estate and General Agencies (Pty) Ltd and Others v Holiday Inns Inc and Others 1977 (2) SA 916 (A) AT 929)** wherein it was stated that "Whether there is a 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"

5.11 The test for determining whether the Respondent's name and the Applicant's trademark are alike in a manner that will confuse the reasonable person, being the

"ordinary reasonable careful man, i.e not the very careful man nor very careless man" **(Link Estates (Pty) Ltd v Rink Estates (Pty) Ltd 1979 (2) SA 276 (E).**

5.12 Having considered the Applicant and Respondent's case with regard to the confusion caused by the use of the word Virgin I would like to state the following:

5.13 The word Virgin cannot be considered the distinctive, dominant and memorable element of the Respondent's name VIRGIN HAIR AND BEAUTY (INCOPORATED IN MASSACHUSETTS) in the context of the hair industry in which the Respondent is trading. The dominant part of the Respondent's name is the phrase Virgin Hair and not VIRGIN. When both names are used together in the ordinary course of business consumers of the Respondent's goods are likely to walk away with a recollection of Virgin hair rather than VIRGIN because Virgin Hair is commonly used in the hair industry to describe a type of hair product. Thus Virgin Hair and VIRGIN do not bear visual, aural or conceptual similarity

5.14 The fact that the Respondent and Applicant have the same high end target market is not likely to cause confusion. A high end market is more discerning than an "ordinary reasonable careful man". Such high end consumers are likely to distinguish the Respondent's company from the Applicant's trade by associating the Respondent's name with Virgin Hair being the type of hair product commonly sold in that industry and which the Respondent is selling and which they would be interested in purchasing, rather than VIRGIN which is the Applicant's trademark.

5.15 I do not agree with the Applicant's assertion that when considering the entire name the word Virgin is no longer descriptive of Virgin Hair but it seeks to identify a brand with the nature of trade which the Respondent conducts being hair and beauty. Further that it identifies a class of industry which is protected and in which Virgin in fact holds specific operating companies.

5.16 Even when the word virgin is considered in the context of the Respondent's entire name the phrase virgin hair taking into account the industry in which the Respondent trades is descriptive of the type of hair product and provide information to consumers of the type of hair that the Respondent is selling.

5.17 I am persuaded by the Respondent's assertion that associating Virgin with the entire industry and not the type of product would not be a common interpretation of the name in the class of people who are likely to be purchasers of the product as the term Virgin Hair denoting a type of product is prevalent in the hair industry.

5.18 Any reasonable consumers, (particularly the high end market which is the target market in question), when looking to purchase hair will most likely look for virgin hair rather than virgin. The evidence presented by the Respondent regarding the Google internet search using virgin hair did not bring up the Applicant's name. There is therefore no likelihood that consumers will be confused or misled into believing incorrectly that the Respondent's company is associated with that of the Applicant

5.19 I am of the view that the use of the name Virgin in a protected industry must be considered taking into account the provisions of section 11 of the Companies Act, 2008 which seeks to protect the interests of the consumers as well as those of the owner of the trademark. The Act seeks to ensure that consumers are not confused or misled by the Respondent's name when purchasing goods and that the Respondent is not exploiting or taking advantage of the goodwill in the VIRGIN trademark by infringing on any of the VIRGIN Trade Marks or passing themselves or their businesses off as somehow part of or connected with the VIRGIN GROUP.

5.20 It therefore does not necessarily follow that the use of the name VIRGIN in a protected industry by any other person other than the Applicant or person related to the Applicant automatically violates the provision of Section 11 of the Act. In excluding the use of the name Virgin in a protected industry it must first be established that the name indeed violates any of the provisions of section 11 of the Companies Act. To hold otherwise, and request that the Respondent remove the name Virgin solely on the basis of Respondent trading in the protected industry without such name being the same, confusingly similar or misleading will not be consistent with promoting the spirit and object of the Companies Act. It will further not be in the general public interest as it will be promoting the monopolistic use of a generic name virgin in all the industries in which the Applicant trades or the trade mark is protected which will not be supportive of a consistent and harmonious regime of business incorporation and regulation as envisaged by the Companies Act,2008.

5.21 The Applicant's contention that the placing of the word Virgin in the Respondent's name is decisive in determining whether the Respondent's name causes confusion cannot hold. In this regard the Applicant argues that had the name been Beauty and Virgin Hair that virgin would have been describing hair and it would therefore not rely on the use of the applicant's mark, and that would have avoided any possible confusion which would be caused. Further that the use of the word of the company is the first word, it identifies the company with which you should associate yourself with, as a consumer.

5.22 I am of the view that in most cases consumers are likely to associate the company with the dominant or distinctive or memorable part of a company name, what constitutes a dominant, distinctive or memorable part of a company name depends on the facts of each case. Such dominant or distinctive part may be the first word or phrase. In the current case the placing of the word virgin is immaterial since the dominant part of the Respondent's name as I have stated above is the phrase Virgin hair.

6. FINDINGS

6.1 Accordingly I find that the Respondent's name does not violate the provisions of Section 11 (2) (a), b and (c) of the Companies Act, 2008 as it is not the same or confusingly similar to the Applicant's trade mark nor does the Respondent's name falsely imply or suggest, or is such as would reasonably mislead a consumer to believe incorrectly, that the Respondent's company (i.e. VIRGIN HAIR AND BEAUTY LCC is part of the, or associated with, VIRGIN Enterprises or VIRGIN GROUP or Richards Branson.

7. ORDER

The following order is hereby made:

The application is refused

There is no order as to costs.

Ms M A Tsele-Maseloanyane

Adv S M Lebala SC (Concurring)

Ms M J Ramagaga (Concurring)