

## **THE NAME OF THE GAME**

A look at Company and Close Corporation Name Objections: another way to tackle infringers

Trade mark infringement does not only take place through the unauthorised use of a registered trade mark on a particular set of goods, or in relation to certain services, but also through the use of a particular trading name, close corporation name or a company name.

Although a trade mark owner may have a certain number of trade mark registrations, this will not guarantee that he will also be able to successfully register a close corporation or company name which incorporates his registered trade mark. The reason for this is essentially that the Register of Trade Marks and the Register of Companies and Close Corporations operate independently of each other. It often occurs that a trade mark proprietor will apply to the Registrar of Close Corporations or Companies to register a trading name incorporating his registered trade mark. However, his application could be refused by the relevant Registrar due to the existence of an earlier company name which is similar or identical to the one for which the trade mark owner is seeking registration.

It often transpires that these pre-existing trading names belong to third parties who seem to seek benefit from the association with a registered trade mark. In many cases, these trading entities are involved in the business activities or trade in the same goods for which the proprietor has obtained registered trade mark rights. In such cases, the use of that trading name in relation to its registered field of interest is likely to amount to trade mark infringement.

## **HOW SHOULD YOU DEAL WITH A “SQUATTER”?**

One could institute trade mark infringement proceedings before the High Court. However, these proceedings are often long-winded and expensive. The roll at the various High Courts currently has significant backlogs, and an infringement matter could take anywhere between 2 - 4 years to finalise.

A cheaper and more preferred method of tackling these squatters is to lodge a formal name objection to these infringing trading names with the Registrar of Companies. These proceedings are akin to motion proceedings (evidence is put forward on paper) and there is no hearing. The formal name objection includes all evidence relied on, plus reasons for requesting the name change order. The Registrar will thereafter consider the formal objection, and if he considers it to be sound, will forward a copy to the close corporation or company and provide it with thirty (30) days within which to change its name or to provide him with written reasons stating why its name is not undesirable. If the infringing party responds to the formal objection, the trade mark owner will have a further opportunity to reply. Thereafter, the Registrar will decide the matter on the papers filed before him. Take note that one may only lodge formal name objections within one year of that close corporation or company name proceeding to registration, or, before the High Court, within two years. The process explained above can take between 3 months to a year to finalise which is relatively short compared to litigating before the High Court.

## **HOW DOES THE REGISTRAR DETERMINE THE MATTER AND REACH A DECISION?**

In terms of the Companies and the Close Corporations Acts, the Registrar may order a company to change its name if the name is either “undesirable” or “calculated to cause damage”. In considering whether a name is undesirable the Registrar will take several factors into account, including the fact that the use of a particular name may amount to trade mark infringement.

The Registrar's guiding principles state that a name will be considered to be undesirable if

*“words pertaining to a trade mark are contained in a name which will be used in regard to a business which relates to a class of goods or services in which the trade mark is registered while the applicant has no proprietary rights in respect of such trade mark, nor the consent of the said proprietor to use such words in a name”.*

A name will also be considered to be undesirable if there is a likelihood of confusion between the company name and the trade mark proprietor. It is not necessary to adduce evidence of actual confusion. When is the use of a company “calculated to cause damage”? The Registrar has a discretionary power to determine whether or not a company name is calculated to cause damage. It is widely accepted that the term “calculated” means “likely”. This inquiry is akin to the common law remedy of passing-off and the Registrar will consider the following:

- i) Whether there is a reasonable likelihood that the respondent's business name is such that the public may be confused or deceived into believing that the respondent's business is, or is connected with, the trade mark owner's business, and if so;
- ii) Whether the confusion or deception will probably cause damage to the trade mark owner's business.

The first question is one of fact and will be determined on a case-by-case basis. The enquiry is whether there is a reasonable likelihood of the public being confused or deceived into believing that the respondent's business is, or is connected with the trade mark owner's business. Again, it is only necessary that confusion or deception is likely and it is not necessary to prove actual deception.

Turning to the second question, one would only need to show that the confusion or deception is likely to cause damage to the trade mark owner's business. Again, it is not necessary to prove actual harm. The Registrar will be satisfied if only potential damage is shown.

If you own any trade marks (and all businesses do), then it is always worth your while to monitor the Companies and Close Corporations Register to ensure that third parties do not register your trade mark as a trading name. Lodging a formal name objection is a lot more cost effective than instituting infringement proceedings. It also serves as a deterrent to any further use of the trade mark by the infringing party as it is informed of your trade mark rights through the formal objection, and will be hesitant to continue any further use of the particular trade mark (apart from its trading name) due to the high probability that any further use will be policed and contested.