

Judicial Protection of Company Names in Ten Years of the Commercial Court

1.0 Introduction

A company by registering its name gains a monopoly of the use of that name since no other company can be registered under a name identical with it or so nearly resembling it as to be calculated to deceive.¹ By protecting its name, a company protects its goodwill, which often is built around the name. Perhaps it is for this reason that the law restricts registration of certain company names.

This paper analyses the development of case law (precedents) on protection of company names with specific reference to decisions of the Commercial Division of the High Court in Tanzania.. Larger portion of decisions of the Commercial Court during ten years of its existence have not been influenced by the Global Economic Recession, probably because of the time. This paper therefore is not focused on global recession, but only on *what the court has done in its ten years, on protection of company names*. The paper discussion is centred on two landmark decisions of the court as compared with principles laid down in other jurisdictions, with emphasis from Commonwealth world. The two cases on focus in this paper are *Tanzania Breweries Limited v Qingdao Sino Tanzania Breweries Limited*,² and *CMC Automobiles Limited v. CMC Hughes Limited, and the Registrar of Companies*,³. In order to provide a background framework which the courts ought to, or may have worked on in arriving at some conclusions, the paper first gives a brief analysis of relevant provisions in respect of Company Names.

¹ *Society of Motor Manufacturers and Traders Ltd. v. Motor Manufacturers and Traders Mutual Insurance Co. Ltd.* [1925] 1 Ch 675: 133. **Also see** Avter Singh, *Company Law*, 12th Edition, at page 39.

² Commercial Case No. 49 of 2007, High Court of Tanzania at Dar es Salaam (Commercial Division) (Unreported)

³ High Court of Tanzania at Dar es Salaam (Commercial Division), Commercial Case No. 62 of 2006 (Unreported).

2.0 Statutory restriction on registration of identical names

The name of a company should not be identical with or should not too nearly resemble the name of another registered company, for such a name may be declared undesirable by authorities.⁴ According to section 30(2) of the *Companies Act*,⁵ no name shall be reserved and no company shall be registered by a name which, **in the opinion of the Registrar**, is the same as or too like a name appearing in the index of company names or is otherwise undesirable.⁶

A company may change its name voluntarily,⁷ or pursuant to the Registrar's direction.⁸ If, through inadvertence or otherwise, a company on its first registration or on its registration by a new name is registered by a name which, in the opinion of the Registrar, is too like the name by which a company in existence is registered, the first mentioned company may change its name with the sanction of the Registrar. The Registrar may specify a time within which to effect the change.⁹ The Companies Act also gives the Minister power to direct that a company changes its name if in the Minister's opinion the name by which a company is registered gives so misleading an indication of the nature of its activities as to be likely to cause harm to the public, he may direct it to change its name.¹⁰ The Minister's direction may be subject to an application to the court, which may set it aside.¹¹ If a company makes default in complying with the

⁴ Avter Singh, *Company Law*, 12th Edition, at page 39.

⁵ [Cap 212 R.E. 2002]

⁶ Section 31(2) of the Companies Act is more elaborate than Section 18 of the former Companies Act, which prohibited registration of a company by a name which, in the opinion of the Registrar, was undesirable.

⁷ See section 31(1), [Cap 212 R.E. 2002].

⁸ See section 31(2) *Ibid.*

⁹ *Ibid.*

¹⁰ 33. (1)

¹¹ See Section 33(2) and (3)

Minister's direction under Section 33(4), it is liable to a fine and, for continued contravention, to a default fine.¹²

It is somewhat strange that while the law makes it clear that the Minister's direction under section 33(3) of the **Companies Act** may be set aside by the court order, there is no similar provision in respect of the Registrar's direction under section 31(2) of the Act. If a company makes default in complying with the Minister's direction under Section 33(4), it is liable to a fine and, for continued contravention, to a default fine.

Under both sections 31 and 32, neither the Registrar, nor the Minister has powers to strike off the company's name from the index of companies. However, judicial decisions have shown that courts can grant injunction to restrain companies from infringing other companies' names.

In *Reckitt & Coleman Products Ltd v Borden Inc*¹³ at p 499, Lord Oliver said:

[The plaintiff] must demonstrate a misrepresentation by the defendant to the public (whether or not intentional) leading or likely to lead the public to believe that goods or services offered by him are the goods or services of the plaintiff. Whether the public is aware of the plaintiff's identity as the manufacturer or supplier of the goods or services is immaterial, as long as they are identified with a particular source which is in fact the plaintiff

3.0. Judicial protection of company names

Despite the fact that Section 30 of the *Companies Act* is silent on judicial remedies, from the year 2007, the High Court of Tanzania (Commercial Division) has welcomed corporate bodies aggrieved by the incorporation of companies with names likely to cause confusion

¹² Section 33(4)

¹³ [1990] 1 WLR 491

In *Tanzania Breweries Limited v Qingdao Sino Tanzania Breweries Limited*,¹⁴ the Plaintiff, a local limited liability Company instituted a suit against the defendant, a foreign company registered in Tanzania, claiming that the name *Qingdao Sino Tanzania Breweries Company Limited* that appears on its certificate of incorporation, and/or *Qingdao Sino Tanzania Brewery Company Limited* that appears on the 1st Defendant's brewed products is too much like a name *Tanzania Breweries Limited*, the Plaintiff's incorporated name. The Plaintiff was incorporated in Tanganyika on 3rd day of March 1960, and was issued with a certificate of incorporation as Tanganyika Breweries Limited on the same day. On 26th November 1964, it changed its name to Tanzania Breweries Limited and since then the plaintiff had been using that name and trading as Tanzania Breweries Limited in its brewed products. In October 2005, the 1st Defendant's company was incorporated in Tanzania and issued with a certificate of Incorporation, and upon complying with all required procedures, the 1st Defendant started its business dealing with brewed products in Tanzania. At page 10 of the judgment it was stated that:

the criteria for infringement and/or passing off is the same as that which exists generally and that is identity, similarity and likelihood of confusion. The question which arises is always one of likelihood of confusion. And whether the public are likely to believe that under a particular name a business is in some way connected or associated with the earlier company name acquired through reputation.

The reasoning of the court as quoted above seem to restrict the view that is not necessary that there should be any confusion occasioned by the misrepresentation, although confusion is of great evidential value in determining whether or not there has been any misrepresentation. In *Bristol Conservatories Ltd*

¹⁴ Commercial Case No. 49 of 2007, High Court of Tanzania at Dar es Salaam (Commercial Division) (Unreported)

v Conservatories Custom Built Ltd,¹⁵ it was held that the concept of confusion was irrelevant when the misrepresentation induced was such as to leave no room for confusion. Clearly, stipulations of Section 30(2) of the *Companies Act* are different from Section 20(1) of the *Trade and Service Marks Act*,¹⁶ as the later puts emphasis on the likelihood of deception or confusion, the test which is clearly absent in Section 30(2) of the *Companies Act*. The two provisions are reproduced as hereunder:

Section 20 of the Trade and Service Marks Act:

(1) Subject to the provisions of subsection (2) trade or service mark cannot be validly registered in respect of any goods or services if it is identical with a trade or service mark belonging to a different proprietor and already on the register in respect of the same goods or services or closely related goods or services or that so nearly resembles that a trade or service mark as to be likely to deceive or cause confusion.

(2) In the case of honest concurrent use, or of other special circumstances, trade or service marks that are identical or nearly resemble each other in respect of the same goods or services or closely related goods or services may be registered in the name of more than one proprietor, subject to any conditions and limitations, if any, which it is considered necessary to impose.

Section 30(2) of the Companies Act

No name shall be reserved and no company shall be registered by a name which, in the opinion of the Registrar, is the same as or too like a name appearing in the index of company names or is otherwise undesirable.

Whatever the differences between the above quoted provisions might be, at times it is hard to distinguish between confusion and misrepresentation, as one

¹⁵ [1989] RPC 455

¹⁶ [Cap 326 R.E. 2002]

may lead to the other. It should also be noted that the reasoning in *Tanzania Breweries Limited* seems not to be at variance with some foreign decisions and authors. For example, in *The N. Cheshire and Manchester Brewery Co. Ltd. V. Manchester Brewery Co. Ltd*¹⁷ the court held that there could be confusion if the name of one company colourably resembles that of another company, and which is calculated to deceive either by diverting customers from the first registered company to the other company, or by occasioning confusion between the two businesses, e.g., by suggesting that their businesses are in some way connected¹⁸ In *Ewing v. Buttercup Margarine Co. Ltd*,¹⁹ the plaintiff, who carried the business under the trade name of *Buttercup Dairy Company*, was held entitled to restrain a newly registered Company from carrying on business under the name of *Buttercup Margarine Company Ltd* on the ground that the public might reasonably think that the registered company was connected with his business.²⁰

Perhaps the “interesting” part of the Judgment in *Tanzania Breweries Limited* is found at page 9 of the Judgment where it was stated that:

“a mere existence of a company/or business name cannot be a basis for invalidating or prohibiting the use of it by another company because it does not grant any proprietary rights which can be asserted against that company”

This view of the court may not be the correct interpretation of section 30(2) of the *Companies Act* which prohibits registration of a company by a name which

“in the opinion of the Registrar, is the same as or too like a name appearing in the index of company names or is otherwise undesirable”

¹⁷ [1899] AC 144

¹⁸ See Avter Singh, *Company Law*, 12th Edition, at page 42.

¹⁹ [1917] 2 Ch 1, C.A

²⁰ Also see Charlesworth and Morse *Company Law*, 16th Edition, at page 42.

The Court's assertion at page 9 also differs with the view expressed in *Society of Motor Manufacturers and Traders Ltd. v. Motor Manufacturers and Traders Mutual Insurance Co. Ltd*²¹ where it was stated:

*"a company by registering its name gains a monopoly of the use of that name since no other company can be registered under a name identical with it or so nearly resembling it as to be calculated to deceive."*²²

The judgment in *Tanzania Breweries Limited* at page 10 reads:

"Proprietary rights can arise through use leading to reputation. In the case at hand the Plaintiff's Company had adduced evidence which is uncontroverted that its name was acquired on 26th November 1964 and it has been in the use ever since. Given the nature of the industry and the plaintiff's market in the country, the court found that the incorporation of the Defendant's Company by the name Qingdao Sino Tanzania Breweries Company Limited can amount to passing of, since because of the reputation the plaintiff acquired for the period of over 40 years and its monopoly character in the industry, persons are likely to believe that the Qingdao Sino Tanzania Breweries Company is connected or is in some way associated with Tanzania Breweries Limited"

Was the judge referring to proprietary rights or goodwill? In the words of Lord Macnaghten, in *Inland Revenue Commissioners v Muller & Co's Margarine Ltd*,²³ goodwill is 'the attractive force which brings in custom'. He said at pp 223-224:

"What is goodwill? It is a thing very easy to describe, very difficult to define. It is the benefit and advantage of the good name, reputation, and connection of a business. It is the attractive force which brings in

²¹ [1925] I Ch 675

²² The case is also cited in Avter Singh, *Company Law*, 12th Edition, at page 39.

²³ [1901] AC 217

custom. It is the one thing which distinguishes an old-established business from a new business at its first start. The goodwill of a business must emanate from a particular centre or source. However widely extended or diffused its influence may be, goodwill is worth nothing unless it has power of attraction sufficient to bring customers home to the source from which it emanates"

Lord Lindley in the same case said at p 235:

*"Goodwill regarded as property has no meaning except in connection with some trade, business, or calling. In that connection I understand the word to include whatever adds value to a business by reason of **situation, name and reputation, connection, introduction to old customers, and agreed absence from competition, or any of these things, and there may be others which do not occur to me"***

The reasoning of the court in *Tanzania Breweries Limited* does not answer much on issues of goodwill and reputation.

Previously, the High Court (Commercial Division) gave its decision in the case of *CMC Automobiles Limited v. CMC Hughes Limited, and the Registrar of Companies*,²⁴ the centre of dispute revolved around the use of a business name *Cooper Motors Corporation* otherwise it is referred to as *CMC*. Way back in 1960 the Plaintiff was incorporated by the name of *Cooper Motors Corporation (Tanganyika) Ltd.* in the then Tanganyika. The company name was changed to *Cooper Motors Corporation (Tanzania) Ltd.* and then to *CMC Motors Limited* in 1988, *CMC Land Rover (T) Ltd* in 1992, and finally *CMC Automobiles Ltd* in 2002. Later the Plaintiff became aware that the Defendant was incorporated under the name of *CMC Hughes Limited*. Following Complaints by the plaintiff, the first defendant changed its name from *CMC Hughes Limited* to *Cooper Motors Corporation (T) Limited*. The

²⁴ High Court of Tanzania at Dar es Salaam (Commercial Division), Commercial Case No. 62 of 2006 (Unreported).

evidence on record showed that CMC stood for *Cooper Motors Corporation*, and therefore the first defendant was prevented by the court from using the words Cooper Motors Corporation or its acronym CMC. In this case, evidence was adduced as to the confusion in the public. Apparently in this case,, the names of the respective companies parties to this suit were *CMC Automobiles Limited* and *Cooper Motors Corporation (T) Limited*. The general view of this case is that an acronym may be confused with a full name! Was this decision reached based on the “goodwill” enjoyed by CMC generated from many years of business experience by Coopers Motors Corporation? The decision is subject to an appeal, and not much can be argued on it.

In *Tanzania Breweries Limited*, although the court entered judgment for the plaintiff, it did not award damages, perhaps because they were not preyed for, or that the defendant had not started business. Since general damages are at the court’s discretion, and because there was a prayer for “other relief” the court could deem fit to offer, the court should have followed the decision in *Procea Products Ltd v Evans & Sons Ltd*, according to which although no damage had been proved, an action for damages for passing-off would lie without proof of actual damages.²⁵ In *CMC Automobiles Limited* and *Cooper Motors Corporation (T) Limited*, the court awarded both punitive and general damages (these were clearly prayed for)

4.0. Conclusion

In both of the cases decided by the High Court (Commercial Division), the Registrar of Companies was ordered to strike off the “offending” names. The High Court has stepped up to fill in the gap which could seem to appear in the *Companies Act* in the case of non compliance with the Registrar’s direction under

²⁵ See also the case of *Henderson v Radio Corp Pty Ltd* [1969] RPC 218.

section 31(2) of the Act. The two cases could be the starting point of our judicial precedent on protection of company names.