

**Cape Town Lodge CC v Registrar of Close Corporations and another
[2008] 2 All SA 34 (C)**

Division: CAPE OF GOOD HOPE PROVINCIAL DIVISION
Date: 18 September 2007
Case No: 8073/04
Before: DB NTSEBEZA AJ
Sourced by: C Webster SC and AD Maher
Summarised by: D Harris

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Intellectual property - Trade marks - Whether registered name is undesirable - Court setting out applicable legal principles and nature of enquiry.

Editor's Summary

The dispute between the parties in this case had its genesis in the applicant's being informed by the Registrar of Close Corporations, that its registered name was undesirable. The Registrar had been acting in response to an objection to the name.

In the main application before the present Court, the Court was being asked to set aside the Registrar's decision, and to dismiss the objection referred to above.

In a counter-application, the second respondent invoked [section 34](#) of the Trade Marks Act [194 of 1993](#) for alleging that two of its registered marks, both of them word marks, viz "Town Lodge" and "Town Lodge Limited" were infringed. In support of its argument, reliance was placed on [section 34\(1\)\(a\)](#) of the Act. Reliance was also placed on the common law in alleging that the applicant was passing off its business and hotel services as those of the second respondent, or as being associated in the course of trade with the second respondent by using, in relation to its services, the mark "Cape Town Lodge".

Held - The Court considered what would constitute an undesirable name in such enquiries. It held that where there is a likelihood that members of the public will be confused in their dealings with the competing parties, the Court would consider those as important factors to take into account when considering whether or not a name was desirable. If there is a likelihood of confusion in registering a company name because of the similarity of names, then it would be undesirable to register a particular company or close corporation name. The court has to weigh up which of the two litigants will be more inconvenienced by its order.

One of the first questions to be addressed was whether "Cape Town Lodge" so nearly resembled "Town Lodge" as to be likely to deceive or cause confusion.

In order to show infringement under [section 34\(1\)\(a\)](#) the applicant has to establish in respect of its trademark: unauthorised use; in the course of trade; in relation to goods and services in respect of which the mark was registered; of an identical mark or a mark so nearly resembling it as to be likely to deceive or cause confusion.

The enquiry into the likelihood of confusion or deception is limited to a comparison of the marks. The onus rests on the plaintiff to show on a balance of probabilities, that the mark used by the defendant so nearly resembles the plaintiff's trade mark as to be likely to deceive or cause confusion. It is enough

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for the plaintiff to show that a substantial number of persons will probably be confused as to the origin of the goods or the existence or non-existence of such a connection.

The Court found that the use of the generic words "Cape" and "Town" in the applicant's name meant that the name could not be regarded as undesirable. It granted the relief sought by the applicant in the main application.

The counter-application was dismissed with costs.

Notes

For Intellectual property see:

- LAWSA First reissue Vol 29

Cases referred to in judgment

<i>Abbott Laboratories and others v UAP Crop Care (Pty) Ltd and others</i> [1999] 1 All SA 502 (1999 (3) SA 624) (C)	59
<i>Adidas Sportsschufabriken ADI Dassler KG v Harry Walt & Co (Pty) Ltd</i> 1976 (1) SA 530 (T)	60
<i>Albion Chemical Co Pty (Ltd) v FAM Products CC</i> [2004] 1 All SA 194 (2004 (6) SA 264) (C)	60

<i>Azisa (Pty) Ltd v Azisa Media CC</i> [2002] 2 All SA 488 (C)	58
<i>Capital Estate and others (Pty) Ltd v Holiday Inns Inc and others</i> 1977 (2) SA 916 (A)	61
<i>Caterham Car Sales and Coachworks Ltd v Birkin Cars (Pty) Ltd and another</i> [1998] 3 All SA 175 (1998 (3) SA 938) (SCA)	61
<i>Cowbell AG v ICS Holdings Ltd</i> 2001 (3) SA 941 (SCA)	61
<i>Deutsche Babcock SA (Pty) Ltd v Babcock Africa (Pty) Ltd and another</i> 1995 (4) SA 1016 (T)	58
<i>Plascon-Evans Paints Ltd v Van Riebeeck Paints (Pty) Ltd</i> 1984 (3) SA 623 (A)	59
<i>Policansky Bros Ltd v L&H Policansky</i> 1935 AD 89	61
<i>Premier Trading Co (Pty) Ltd and another v Sporttopia (Pty) Ltd</i> [1999] JOL 4947 (2000 (3) SA 259) (SCA)	61
<i>Ramsay, Son & Parker (Pty) Ltd v Media 24 Ltd and another</i> case no 4656/04	60
<i>Rovex Ltd and another v Prima Toys (Pty) Ltd</i> 1982 (2) SA 403 (C)	64
<i>Stellenbosch Farmers Winery Ltd v Stellenvale Winery (Pty) Ltd</i> 1957 (4) SA 234 (C)	63
<i>Value Car Group Ltd and another v Value Car Hire (Pty) Ltd and others</i> [2005] 4 All SA 474 (C)	61

Australia

<i>Cadbury Schweppes v Pub Squash Co</i> [1981] RPC 429	65
<i>Hornsby Building Information Centre (Pty) Ltd v Sydney Building Information Centre</i> (1978) 140 CLR 216	65

New Zealand

<i>Viacom New Zealand Ltd v Viacom Systems Limited</i> (1987) 2 FNZLR 600	58
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Other

<i>Morning Star v Express Newspapers</i> [1979] FSR 113	63
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Judgment

NTSEBEZA AJ:

Introduction

- [1] I need to apologise from the outset that this judgment has taken such a long time to come out. I could come up with a whole host of reasons why it has been so. I choose not to do so. I am a believer in the adage, "justice delayed is justice denied", because it is very true, hence this apology, unreservedly, rather than give all manner of excuses, good or bad. Reasons should never subtract anything from the potential prejudice any litigant party suffers when the outcome of its litigation is delayed.
- [2] On 17 November 2005, I reserved judgment for consideration of very excellent arguments put before me by very able counsel, to both of whom I am hugely in debt, with the support of their attorneys, for the bundles of authorities they provided me with, but more importantly, for the very compelling arguments each counsel presented that, to me, demonstrated the professionalism with which counsel approached what is indeed a fascinating subject, one that is increasingly dominating our intellectual property jurisprudence, even more since the coming into force of the Trade Marks Act [194 of 1993](#) ("the Act").
- [3] In this case, what started off as an application to this Court for an order to set aside a decision of the Registrar of Close Corporations, who had upheld an objection to the *Cape Town Lodge CC*'s name, had since taken many directions. When the matter was argued before me, I had to consider essentially two issues.
- [4] The first issue, in the main application, is whether or not the registered name of the Cape Town Lodge CC (the applicant in the main application, hereinafter referred to as "the applicant") is undesirable. This was the finding of the Registrar of Corporations. That decision had been prompted by an objection to the applicant's registered name, emanating from City Lodge Holdings (Share Block), (Pty) Ltd (the second respondent). The Registrar's decision that the applicant's name was undesirable was communicated to it in a letter dated 29 August 2004. It is that decision of the Registrar that I was asked, in the main application, to set aside. In doing so, so I was asked, I should simultaneously dismiss the objection to the applicant's registered name that had been raised by the second respondent, on 8 July 2002.

[5] Essentially, the second respondent had contended that the applicant's registered name was undesirable because it is confusingly similar to its Town Lodge trademark, on the basis that a significant number of persons will probably be confused or deceived into believing that Cape Town Lodge is associated in the course of trade with the second respondent's chain of Town Lodge hotels. On bases that I will deal with in the course of this judgment, the applicant resists the second respondent's contentions, the details of which I will also deal with in a more nuanced way, assisted as I am by my notes of Mr Morley SC's arguments, and his written Heads of Argument. Mr Morley appeared for the second respondent.

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[6] The second issue is the relief sought by the second respondent - to avoid confusion, I will refer to the parties as they were in the main application - in its counter-application. In brief, the second respondent invokes [section 34](#) of the Act for alleging that two of its registered marks, both of them word marks, Town Lodge and Town Lodge Limited have been infringed. Even though it had appeared that reliance would be placed on allegation of infringement of [sections 34\(1\)\(a\)](#), [34\(1\)\(b\)](#) or [34\(1\)\(c\)](#) for the alleged infringement, on the hearing day, Mr Morley pointedly stated that reliance would be placed solely on [section 34\(1\)\(a\)](#).

[7] Over and above invoking the Act, the second respondent relied on the common law for alleging that the applicant is passing off its business and hotel services as and for those of the second respondent, or as being associated in the course of trade with the second respondent by using, in relation to its services, the mark *Cape Town Lodge*. Mr Sholto-Douglas SC - and once again I rely on my notes and excellent Heads of Argument and argument in Court for my understanding of his argument - ably represented the applicant's resistance to these allegations of trademark infringement and passing off. The epicentre of his argument is that the second respondent's entire case, properly construed, is predicated on the similarity in the names *Cape Town Lodge* and *Town Lodge*. That being so, a simple exercise, principally, of demonstrating that the get-up used by the applicant, seen in conjunction with the get-up used by the second respondent in relation to its *Town Lodge* chain of hotels, would be sufficient to put paid to any claim by the second respondent that there is ever any prospect of the public being confused or deceived.

Background facts from the papers

[8] The applicant commenced trading in Cape Town on 9 July 2001. It had thus been trading for almost a year before a letter of demand came from the second respondent, apparently at the prompting of its attorneys. The objection contained in a lengthy letter from the second respondent's attorneys was basically that the applicant's close corporation name - Cape Town Lodge CC - was both undesirable and calculated to cause damage within the meaning of section 20(2) of the Close Corporations Act [69 of 1984](#) ("the CC Act"). It appears that the Registrar ordered the applicant to change its name only on the basis that the name was undesirable.

[9] For the sake of completeness, I recall hereunder the letters between the attorneys that triggered the dispute that eventually ended in the litigation that this judgment is the consequence of. Although the letters are on the verbose side, they capture the essence of the issues through the eyes of the respective legal representatives.

The first salvo came from the respondents' attorneys, in a letter dated 8 July 2002, sent to one Mr MD Mokhaba, in his capacity as the Registrar of Close Corporations, Pretoria. The letter reads as follows:

- "1. We act on behalf of City Lodge Holdings (Share Block) (Pty) Ltd (hereinafter referred to as 'the Objector'), a South African company of 38 Wierda Road West, Wierda Valley, Sandton, Gauteng and its subsidiary. City Lodge Holdings (Share Block) (Pty) Ltd.
2. The Objector is the registered proprietor of the trade mark Town Lodge and other trade marks incorporating Town Lodge in South Africa.
3. The Objector wishes to object to the registration of the name Cape Town Lodge CC (hereinafter referred to as 'the respondent'). This objection is based on s 20(2) of the Close Corporations Act [69 of 1984](#)

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(hereinafter referred to as 'the Act'). The grounds for this objection are that the name Cape Town Lodge CC is undesirable and calculated to cause damage to the business of the Objector within the scope of section 20(2) of the Act.

4. We respectfully submit that the Objector's objection to the close corporation name should be upheld because of the Objector's extensive common-law rights and registered trade mark rights in and to the trade-mark Town Lodge and various other trade marks incorporating Town Lodge as acquired in terms of statutory protection afforded under the Trade Marks Act [194 of 1993](#) (hereinafter referred to as 'the Trade Marks Act').
5. *The Objector's Trade Mark and Common-Law Rights in and to its Trade Mark Town Lodge*
 - 5.1 The Objector and its predecessor, City Lodge Hotels (Pty) Ltd, carry on business as hotel operators in major centres in the Republic of South Africa and provide hotel accommodation and related services under the name and style of the well-known City Lodge, Town Lodge, Road Lodge and Courtyard Hotels.
 - 5.2 The Objector is the registered proprietor in South Africa of the trade mark Town Lodge, Town Lodge Limited and City Lodge-Town Lodge in Class 42 in relation to, *inter alia*, accommodation and hotel services. The details of the Objector's trade mark registrations are annexed hereto marked 'A'.
 - 5.3 The Objector has operated its Town Lodge motels in South Africa since 1990.
 - 5.4 The Objector has six Town Lodge hotels in South Africa, namely:

Sandton
Johannesburg International Airport
Menlo Park
Midrand
Nelspruit
Polokwane (Pietersburg)

- 5.5 The Objector's annual turnover in respect of its Town Lodge hotels has been as follows:
- Year ended June 2000 ±R41 million
- Year ended June 2001 ±R46 million
- Year ended June 2002 ±R53 million
- The figures from 1990 were not available at the time of lodging this objection but can be made available to your office upon request.
- 5.6 The Objector spends approximately R3 million annually promoting its services rendered under its Town Lodge trade mark.
- 5.7 The Objector makes use of its trade mark Town Lodge on its hotels, on signage, on its corporate stationery and on its brochures and other marketing material. Copies of samples of the Objector's use of its trade mark Town Lodge are annexed hereto marked Annexures 'B1' to 'B20'.
- 5.8 As a consequence of its extensive use of its trade mark Town Lodge and of its marketing activities, the Objector enjoys considerable common-law rights in and to its trade mark Town Lodge to which an enormous reputation and goodwill of immense commercial value attach.

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6. *Objection to Close Corporation Name Cape Town Lodge CC*

6.1 *Calculated to cause damage*

6.1.1 In view of the fact that the close corporation's name incorporates Town Lodge, which is identical to the Objector's Town Lodge mark, the Objector is of the opinion that members of the public will be confused into believing that there is a connection in the course of trade between the respondent and the Objector. This is particularly so in view of the fact that the respondent's activities are *identical* to those of the Objector, namely services in the hotel industry. In terms of [section 20\(2\)](#) of the Act it is submitted that the name Cape Town Lodge CC is calculated to cause damage to the Objector's business.

6.1.2 The decision in *Hollywood Curl (Pty) Limited v Twins Products (Pty) Limited* [1989 \(1\) SA 225](#) (A) is relevant in that confusion is likely between the various companies' products. In the first case (reported at [1989 \(1\) SA 236](#) (A)), the Court found at 251F-251I that there was a likelihood of confusion between respondent's products which all contained the word 'Hollywood' in combination with other words, for example, between 'Hollywood Seven day', 'Mr Hollywood' and 'Hollywood Lucky Seven', and appellant's product, which was marketed under the name of 'Hollywood Curl'. Based on this likelihood of confusion the court found the following on 263F and 263I:

'That being so, (passing-off being established) it seems to me that by parity of reasoning, the registration of the appellant under the name Hollywood Curl (Pty) Limited was calculated to cause damage to Twins in the aforementioned respects because of the anticipated and actual use of the Hollywood Curl name, both in relation to the business conducted by the appellant and/or services provided and in relation to goods marketed by it. Consequently, Twins was entitled, in terms of [section 45\(2\)](#) of the Act, to object to the name under which appellant had been registered. . . Consequently, Twins was entitled, in terms of [section 45\(2\)](#) of the Act, to object to the name under which appellant had been registered. . . 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.'

6.1.3 The Objector has acquired an enormous reputation and goodwill in and to the trade mark Town Lodge in South Africa and the use of the name Cape Town Lodge CC will amount to trade mark infringement in terms of [sections 34\(1\)\(a\)](#) and [\(c\)](#) and [section 35](#) of the Trade Marks Act [194 of 1993](#) as well as to passing-off and unlawful competition under the common law.

6.2 *Likelihood of Confusion*

It must be noted that the respondent's name incorporates Town Lodge. The use by the respondent of a close corporation name incorporating Town Lodge is undesirable and likely to cause

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confusion. This is in view of the Objector's extensive reputation and goodwill in and to the trade mark Town Lodge and in view of the direct overlap in activities of the Objector and the respondent. The respondent's principal business is listed at the Close Corporation's Office as 'Participation in all aspects of the hotel industry including management, ownership and trading as such'.

6.2.1 With regard to the likelihood of confusion in this particular instance, it was said in *Link Estates*

'Apart from the foregoing factors it must be emphasised that even if confusion does occur in a given case, the Court's protection is not afforded where such confusion is the result of careless or thoughtless conduct on the part of the persons deceived; that protection is only granted where reasonable people applying ordinary attention to the matter, would be deceived.'

In the past, the above Honourable Registrar has referred to this judgement.

6.2.2 This view of the Court should, with respect, be seen in perspective:

6.2.2.1 Firstly, it is necessary to have close regard to the *ratio decidendi* of the Court. This can be gleaned from the remarks made on p 286D, where the Court said the following:

'[E]state agents do not generally have regular clients in the sense of persons who patronise them often. The number of times that the ordinary man buys fixed property in his lifetime can probably be counted on less than the fingers of one hand.'

The Court also said the following on p 288B:

'When it comes to verbal transmissions of these rival names. . . it is important to have regard to *the importance of a property transaction* to the ordinary reasonably careful person. In my view, when a salesman or erstwhile satisfied client makes a recommendation of an estate agent to such a person. . . one would expect that ordinary care would prompt his making a note of the estate agent's name . . . If the prospective client knows he has forgotten the name and is content to proceed in ignorance to contact the estate agent who he thinks was recommended to him, then confusion is a probability. Such action in ignorance is, however, unlikely in my view *in the context of this case* and in *context of the type of business in question*.' (Own emphasis).

6.2.2.2 These quotations clearly show that the ratio decidendi of the decision of the Court was

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based on the particular facts of the case, more specifically to the type of business in question.

6.3 Undesirability

It is submitted that the use of the name Cape Town Lodge CC amounts to trade mark infringement in terms of [sections 34\(1\)\(a\)](#) and [\(c\)](#) and [section 35](#) of the Trade Marks Act as well as to passing-off and/or unlawful competition in terms of the common law.

6.3.1 In the case of *Standard Bank of South Africa Limited v United Bank Limited & another* [1991 \(4\) SA 780](#) (T), the Court held that the trade mark Access was infringed by the use of the trade mark Equity Access Plan. This case has two implications for the current issue:

6.3.1.1 Firstly, the Court found that Access was the prominent feature of the offending marks (808G and 809D). The Objector's Town Lodge mark is such a well known trade mark that use of Town Lodge by the respondent is likely to cause confusion;

6.3.1.2 It is illuminating to note the view of the Court regarding the possibility of confusion when regard is had to the specific 'type of business' (in the sense used in the *Link Estates* case (*supra*) encountered in this case. At 801I to 802B the Court says the following:

'Given all the circumstances, do I think that there is a probability that a substantial number of persons will be at least confused, if not deceived? The answer is that I do. Take the case of the man who has watched Standard's national television advertisement (and who, like the man in the bar, may also have had a drink or two). Suppose that he is thinking of buying a house and taking out a bond. Suppose that a few days later he sees, somewhere, an advertisement for United's Equity Access Plan. Given the fact that he does not have the two marks before him side-by-side, and that memory is often imperfect, may this not lead him to a United branch to open discussions, or may he not at least be confused? In the case of an individual I see this as perfectly possible. If that be so, it translates itself into a probability that a substantial number of persons will be so confused.'

It must be stressed that this view was adopted *after* the Court had expressly considered the following fact at 801G:

'Also, I think that I must take into account that with many of the customers, at least, the bond transaction will form part of the largest transaction which they will undertake in their lifetime.'

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The Court, therefore, after considering the same facts, came to a conclusion different from that reached in the *Link Estates* case. In other words, even if copious allowance is made for the latter case's *ratio decidendi*, the approach of that court is still, with respect, not beyond all reproach.

6.3.2 [Section 1\(1.5\)](#) of The Registrar's Directive on Names of Companies as published in Government Gazette Notice 978 of 1995, makes reference to the undesirability of company names. An

undesirable name is defined as:

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

6.4 Comparison of Names and Tests to be Applied

6.4.1 The Registrar is respectfully referred to Webster & Page: *South African Law of Trade Marks*, 3ed, at 484 where the authors deal with the test which must be applied to ascertain whether a company name will be likely to deceive or mislead members of the public. It is stated that:

'The broad test, when comparing company names, is whether it is probable that the public, when doing business with the one, would think they were doing business with the other, or that the one is a branch of the other or is some way connected or associated with it, or that the goods of the one are the goods of the other'.

6.4.2 The Registrar is therefore respectfully referred to the decision of *Solmike (Pty) Ltd t/a Skipper's Cabin v West Street Trading Co (Pty) Ltd t/a Skipper's Bar* [1981 \(4\) SA 706](#) (D). There the Court stated the following at 713B:

'To my mind both the combination 'Skipper's Bar' and the combination 'Skipper's Cabin' are dominated phonetically and visually by the word 'Skipper'. This is the portion of the styles most likely to impinge upon the mind of the observer and to be retained by it. . . As regards (*sic!*) the ideas conveyed by the respective marks, it is correct that anyone who systematically analyses the two combinations will conclude that the word 'Skipper' is used in each in a different connotation. The question is, however, whether persons of the classes exposed to the names are likely to undertake such analysis or whether whatever concept the word 'Skipper' conveyed to them when they first encountered it is likely to be attributed to it by them when they encounter it in the second combination. To my mind, the latter is likely to be the case with most ordinary purchasers. They will remember a combination dominated by whatever concept 'Skipper' conveyed to them in the first place and are unlikely to notice when encountering the second name that is used in a context which lends it a different connotation.'

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6.4.3 It is further submitted that when two names are compared, there are various factors that must be taken into account and the Registrar is respectfully referred to p 134 of Webster & Page (op cit), where the learned authors refer to the case of *American Chewing Products Corporation v American Chickie Co*, ([1949 \(2\) SA 736](#) (A)) where Greenberg J said:

'It must also be remembered that in coming to a conclusion on the question in issue, the court must not only consider the marks when placed side by side, but must have regard to the position of a person who might at one time see or hear one of the marks and later, possibly with the imperfect recollection of that mark, come across the other mark.'

6.4.4 At 134 Webster & Page (op cit) the authors further confirm that due allowance must be made for the imperfection of human recollection. The Registrar is in this regard referred to the case of *Rysta Limited's Appn.* (1943 60 R.P.C 87 at 108. Line 39) where Luxmore LJ said:

'It is the person who only knows one word, and has perhaps an imperfect recollection of it, who is likely to be deceived or confused. Little assistance therefore is to be gained from a meticulous comparison of the two words, letter by letter and syllable by syllable pronounced with the clarity to be expected from a teacher of elocution. The court must be careful to make allowance for imperfect recollection and the effect of careless pronunciation and speech on the part not only of a person seeking to buy under the trade description but also the shop assistant ministering to that person's wants.'

6.4.5 In this regard, the Registrar is further referred to p 137 of Webster & Page (op cit) where the learned authors refer to situations where there is a danger of confusion arising out of orders placed over the telephone, which should be taken into account. When the similarity between the names of the Opponent's trade mark and the company are considered, this danger is very likely.

6.4.6 The Registrar is also respectfully referred to the comments of Webster & Page (op cit) at 484 on the case of *Ewing (t/a The Buttercup Dairy Co) v Buttercup Margarine Co Limited*, 1917 34 R.P.C 232, which describes the burden which rests on the Opponent in this matter:

'It is clear from the above remarks by Warrington J that it is not necessary for an applicant, for an order for a change of name, to show that there is a likelihood of the goods or business of the respondent being taken to be the goods or business of the Opponent; *it is enough if the Opponent can show that the similarity between the names is such as to render it likely that the public might assume that the respondent is in some way connected with the Opponent*' (own emphasis).

6.4.7 The Registrar is furthermore respectfully referred to the *Krediet Bank* decision (op cit). There the Court stated the following at 653C:

'Dit is wel so dat wanneer transaksies beklank word waarby die applikant of die betrokke respondente by

betrokke is, hul volledige geregistreerde maatskappyname gebruik mag word, maar in die spreektaal kom dit vir my waarskynlik voor dat die name 'Krediet Bank' met verwysing na elkeen gebruik sal word. Inderdaad word applikant en die betrokke respondente onder hierdie naam aan die publiek beken gestel in die Republiek.'

6.5 In light of the Objector's extensive use and reputation, it is submitted that the Objector's trade mark Town Lodge qualifies for protection as a well-known trade mark within the meaning of [section 35](#) of the Trade Marks Act. In the case of *MacDonald's Corporation v Joburger's Drive-Inn Restaurant (Pty) Ltd and Dax Prop. CC 1997 (1) SA 1* (A) the Court held that a mark is well-known in the Republic if it is well-known to persons interested in the goods or services to which the mark relates. It is submitted that the Objector's trade mark is well-known in South Africa in the relevant industries, namely in the hotel industry.

6.6 It should further be appreciated that the Objector has absolutely no control whatsoever over the quality of goods or services supplied by Cape Town Lodge CC. In this regard the Registrar is respectfully referred to the *Ewing* case (op cit at 238, Line 50 where Warrington J said:

'He (the plaintiff) has proved that the defendants have adopted such a name as may lead people who have dealings with the plaintiff to believe that the defendant's business is a branch of or is associated with the plaintiff's business. To induce a belief that my business is a branch of another man's business may do that other man damage in all kinds of ways. The quality of the goods I sell; the kind of business I do; the credit or otherwise which I might enjoy - all those things may immensely injure the other man who is assumed wrongly to be associated with me. It is just that kind of injury which what the defendants have done here is likely to occasion.' (Own emphasis).

6.7 Dilution

It is respectfully submitted that the use of the trading style Cape Town Lodge CC will result in infringement of the Objector's trade mark rights in terms of [section 34\(1\)\(c\)](#) of the Trade Marks Act [194 of 1993](#) which provides as follows:-

'34(1) The rights acquired by registration of a trade mark shall be infringed by-

- (c) the unauthorised use in the course of trade in relation to any goods or services of a mark which is identical or similar to a trade mark registered, if such trade mark is well known in the Republic and the use of the said mark would be likely to take unfair advantage of, or be detrimental to, the distinctive character or the repute of the registered trade mark, notwithstanding the absence of confusion or deception: Provided that the provisions of the paragraph shall not apply to a trade mark referred to in [section 70\(2\)](#).'

It is submitted that the use of Town Lodge in the respondent's close corporation name will dilute the Objector's trade mark rights in and to its trade mark Town Lodge.

The introduction of the dilution protection in [section 34\(1\)\(c\)](#) makes it possible for the proprietor of a trade mark to take steps

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against an infringer (including a third party making unauthorised use of its trade mark in a corporate name) where such use is likely to take unfair advantage of, or be detrimental to the distinctive character or repute of the Objector's trade mark.

It is submitted that the Objector enjoys immense goodwill in its trade mark Town Lodge in South Africa. Accordingly, any use by a third party of a business name incorporating a trade mark which is identical thereto will inevitably dilute the Objector's trade mark rights.

7. Bad Faith

A letter of demand dated 2 July 2002 was addressed by ourselves, the legal representatives of the Objector, to the respondent setting out the Objector's trademark and common-law rights in and to the trade mark Town Lodge under threat of formal close corporation name objection proceedings being instituted. The letter of demand was addressed via registered mail to the respondent's registered address, to its postal address, to the address, of its member and to its accounting officers. A copy of the letter of demand is attached marked Annexure 'C'. The respondent has not confirmed that it has/will attend to a name change of the close corporation and it is submitted that this indicates the respondent's mala fides. Furthermore, the respondent's name was changed in approximately June 2001 from Days Inn Hotel to Cape Town Lodge. The change of name is, it is submitted, further evidence of the respondent's bad faith and intention to ride-off the well-established reputation which the Objector enjoys in and to its trade mark Town Lodge.

8. Conclusion

8.1 Accordingly, if members of the public believe that the party trading under the name Cape Town Lodge CC is associated with the Objector, the Objector will be prejudiced. It must further be appreciated that the Objector enjoys immense goodwill in its trade mark Town Lodge in South Africa.

8.2 The Registrar is finally referred to an objection decided by it under reference M13/4/9 in the matter of Golden Retail Services (Pty) Limited, where the following is stated:

'Without detracting from the generality of the provision of the Act relating to the names of Companies which may be undesirable, the Registrar would in the normal course of events, amongst others, refuse to register the founding statement of a corporation containing a particular name or order a change of name *if he has reason to believe that some other body or business is already known in the Republic under the name, or a confusingly similar name*' (own emphasis).

It is submitted on behalf of the Objector that the above quotation is applicable to the current proceedings as is shown by the above arguments.

- 8.3 Having regard to the aforesaid it is submitted on behalf of the Objector that the name Cape Town Lodge CC is 'undesirable' and in addition thereto is 'calculated to cause damage' to the Objector as envisaged in [section 20\(2\)](#) of the Act. The Objector therefore requests the Registrar of Close Corporations to order the close corporation to change its name to one which is not confusingly and/or deceptively similar to its trade mark Town Lodge."

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[10] Of relevance to these proceedings are also the Extracts from the Trade Marks Register, annexed to the respondents' lawyers letter as Annexure "A" and which recorded the following legend:

"Trade Mark:	Town Lodge Limited
Trade Mark no:	1988/01263
Goods/Services:	Class 42 - Accommodation & Conference Facilities
Proprietor:	City Lodge Holdings (Share Block) (Pty) Ltd
Date filed:	19/02/1988
Status:	Registered
Date granted:	01/03/1995
Renewal due:	19/02/2008
Trade Mark:	Town Lodge
Trade Mark no:	1989/10400
Goods/Services:	Class 42 - Hotels, motels, catering and all services of every kind and description connected therewith or ancillary thereto; accommodation services; interior architecture and decoration; beauty salons; boarding houses, hostels,[sic!] cafeterias, canteens, restaurants; ladies' and gentlemen's hair dressing; health resorts and institutions; holiday camps; hotel management; photography, tourists agency; travel agents; translation services; hire of vending machines.
Proprietor:	City Lodge Holdings (Share Block) (Pty) Ltd
Date filed:	03/11/1989
Status:	Registered
Date granted:	11/01/1995
Renewal due:	03/11/2009
Trade Mark:	Town Lodge-Town Lodge
Trade Mark no:	1991/03196
Goods/Services:	Class 42 - Hotels, motels, catering and all services of every kind and description connected therewith or ancillary thereto; accommodation services; interior architecture and decoration; beauty salons; boarding houses; hostels; resorts and all other accommodation facilities; eating establishments, cafeterias, canteens, restaurants, drinking facilities; all services connected with and in respect of all provision of foods and beverages of all kinds; bottle exchanges; catering and catering contracting; ladies and gentlemen's hair dressing; health resorts institutions; holiday camps; hotel management; photography, tourists agency; travel agents; translation services; hire of vending machines.
Proprietor:	City Lodge Holdings (Share Block) (Pty) Ltd
Date filed:	29/04/1991
Status:	Registered
Date granted:	16/03/1995
Renewal due:	29/04/2011"

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[11] Not to be outdone, the applicants' lawyers also responded to the claims made by the respondents' lawyers by sending, also to Mr Mokhaba, an equally argumentative letter dated 23 September 2002. Their letter is as follows:

"We act for Cape Town Lodge CC. Your notification to our client (hereafter the respondent) dated 6 September 2002 that its corporate name has been objected to has been handed to us together with a copy of the objections for attention.

The respondent's response is as follows.

1. *The Corporate Name Concerned*

1.1 The respondent's corporate name comprises three elements namely:

1.1.1 Cape Town;

1.1.2 Lodge;

1.1.3 CC.

1.2 Regarding the element 'Cape Town' taken up in our client's corporate name the following is relevant:

- 1.2.1 Cape Town is the mother city of the Republic of South Africa and the geographical place where our client's lodge is situated.
- 1.2.2 In the Cape Town telephone directory there are over one hundred listings of enterprises commencing with the geographical designation 'Cape Town' including Cape Town Inn and our client's listing of Cape Town Lodge. (See annexure 'JS1')
- 1.2.3 There are over 1 500 (one thousand five hundred) entries of enterprises on the company and close corporation Registers in the Republic of South Africa featuring 'Cape Town' as an element. (See annexure 'JS2')
- 1.2.4 The name of the City of Cape Town as the geographical location falls in the common domain free of any enterprise to use in its corporate name and as part of its business, as the Registers and Cape Town telephone directory clearly show;
- 1.2.5 Cape Town is a particular city and not a 'town' and there is no reasonable likelihood of it ever being recognised otherwise than for the city which it is.
- 1.3 The word 'Lodge' is in the common domain in relation to hotel services and the like, and is free for use by any enterprise in its name or as part of its business, as the Registers clearly show.
 - 1.3.1 Lodge is a common dictionary word with a number of meanings which include 'any large house or hotel, especially in a resort'.
 - 1.3.2 Cape Town is a major tourist venue and is a resort city.
 - 1.3.3 As at 17 July 2002 there were 2309 (two thousand three hundred and nine) enterprises featuring the element 'Lodge' recorded on the Companies' and Close Corporations' Registers (see annexure 'JS3').
- 1.4 In regard to all of the foregoing the Honourable Registrar is respectfully referred to Webster & Page *'South African Law of Trade Marks'* at 16.7.2 where it is recorded:

'It is not unnatural that companies should wish to indicate their titles the nature of business they intend to carry on or

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include a reference to the place where they will operate. It will be obvious that such names do not confer the same rights to prevent imitation as do words that are invented or fanciful.'

- 1.5 The third element of the respondent's corporate name indicates that it is a Close Corporation distinguishable as such from a Company.
2. *The Objector's Name*
 - 2.1 The objector is City Lodge Holdings (Share Block) (Pty) Limited.
 - 2.2 The name objected to, Cape Town Lodge CC, bears no resemblance whatsoever to the name of the objector and the objector's name cannot, therefore, provide a basis for the objection.
 - 2.3 Scrutiny of the objection reveals that it is based exclusively upon a trade mark case.
3. *Incorporation*
 - 3.1 The trade mark case put forward by the objector is entirely reliant upon the spurious contention that the name objected to is incorporated in the trade marks of the objector.
 - 3.2 The name objected to is, however, *Cape Town* Lodge and not *Town Lodge*. The objector cannot propose that the Honourable Registrar must imagine the city, Cape Town, away and render it merely as 'Town'.
 - 3.3 Cape Town has the specific geographical meaning ascribed to it in paragraphs [1.2.1], [1.2.4] and [1.2.5] above and gives that meaning to the corporate name objected to. It is radically different in conception and meaning to 'Town'.
 - 3.4 In the latter regard the attention of the Honourable Registrar is also drawn to the close corporation Down Town Lodge CC registered under C90/27654/23. Its principal business is described as that of a 'residential hotel' and it is situated in Cape Town (see annexure 'JS4').
 - 3.5 The word 'Town' is also an ordinary dictionary word of a descriptive nature which falls in the common domain and it is free for any enterprise to use in its name or as part of its business.
4. *The Trade Marks Relied On*
 - 4.1 The objector relies on the trade mark registrations 88/01263 Town Lodge Limited, 89/10400 Town Lodge and 91/03196 City Lodge - Town Lodge all in class 42.
 - 4.2 The objector has not however disclosed a material judicial fact which it was obliged to bring to the attention of the Honourable Registrar but intentionally did not do so, namely, that each of the trade mark registrations concerned features a highly relevant disclaimer.
 - 4.3 Trade mark registration no. 88/01263 Town Lodge Limited features the disclaimer: 'Registration of this trade mark shall give no right to the exclusive use of the words Town, Lodge and Limited, each separately and apart from the mark.'
 - 4.4 Trade mark no. 89/10400 Town Lodge features the disclaimer: 'Registration of this trade mark shall give no right to the exclusive use of the words Town and Lodge, each separately and apart fro (*sic!*) the mark. By agreement with the proprietor of trade mark application Nos. 88/3339-51.'

- 4.5 Trade mark nos. 91/03196 City Lodge - Town Lodge features the disclaimer: 'Registration of this mark shall give no right to the exclusive use of the words, City, Town and Lodge, each separately and apart from the mark. By agreement with the proprietor of trade mark application Nos. 88/3339-51.'
 - 4.6 The effect of the disclaimers aforesaid is this. The registrant (the objector herein) acknowledges thereby that it has no trade mark rights in the elements disclaimed ie it has no trade mark rights in either of the words 'Lodge' or 'Town', separately. They fall in the common domain for use by all traders and are reasonably required for use by other traders in trade.
 - 4.7 Secondly, the registrant (the objector herein) recognises that the trade mark registrations Town Lodge and City Lodge - Town Lodge are subject to the prior rights of the owner of trade mark registration Nos. 88/3339-51.
 - 4.8 Trade mark registration nos. 88/3339 - 03344 are registrations of the trade mark The Town House (see annexures JS 5.1-5.6).
 - 4.9 Trade mark registration nos. 88/03345 - 03351 are registrations of the trade mark Die Dorphuis (see annexures JS 5.7-5.13).
 - 4.10 The name of the company with the aforementioned prior trade mark rights is Town House Hotel Limited, of 60 Corporation Street, Cape Town.
5. *The Objection*
- 5.1 The objection is contained in the sub-paragraphs of paragraph [6] of the objector's document of 8 July 2002.
 - 5.2 With respect to the objector the discussion in the case law put forward and the facts alleged (but not proven) are not consonant with the authorities cited.
 - 5.3 As far as the *Hollywood Curl* - case is concerned, both the company names featured 'Hollywood', the well-known place name near to Los Angeles where the US film industry is mainly situated. The corporate names in this case do not feature a common place name only the name of the respondent features a place name - the city of Cape Town. The element 'Cape Town' provides the memorable and distinguishing feature of the respondent's corporate name in comparison with the objector's marks.
 - 5.4 The objector's conclusions regarding the Link Estates/Rink Estates case is [*sic*!] set out in paragraph [6.2.2] of the objection. It is not in dispute that both parties provide accommodation services.
 - 5.5 The objector's reliance on the Standard Bank/United Bank is premised on the allegation that the respondent is using 'Town Lodge'. This is not the case.
 - 5.6 The objector can also not rely on [section 1.5](#) of the Directive of the Registrar of Companies referred to insofar as it has itself no trade mark rights in either 'Town' or 'Lodge' per se by virtue of the disclaimers recorded against its trade mark registration.
 - 5.7 As has already been recorded that the said disclaimers merely confirm the fact that the elements fall in the common domain for use by all traders. In any event, as already emphasised, Cape Town is a city which cannot be confused with the generic term 'Town'.
 - 5.8 This is most relevant when regard is had to paragraphs [6.4.1]-[6.4.4] of the objection and the cases mentioned therein. The

- respondent's name tells the public that it is a Lodge providing services within the dictionary meaning of that term situated in Cape Town, a city.
- 5.9 It is noteworthy that because of the descriptive nature of the marks relied upon by the objector they always feature in use in conjunction with a stylised tree. This is clearly revealed by annexure B1, B2, B3, B4, B5, B6, B7, B8, B9, B12, B15, B16, B17, B18, B19 and B20 of the objection.
 - 5.10 The objector's getup is entirely different as annexures 'JS 6.1-6.6' clearly show.
 - 5.11 The respondent derives 70% of its business from the overseas tourist market and, in particular, such business is sourced mainly from external tour operators for whom the designation 'Cape Town' is primary. In this regard the respondent's market differs substantially from the local nightly stop-over market of the objector (see annexures JS 7.1-7.2).
 - 5.12 Not surprisingly in the light of all the foregoing, the objector has not put forward a single instance of confusion between its business and that of the respondent. Absence of confusion is an important factor to be taken into account (*Peregrine Group (Pty) Ltd v Peregrine Holdings Ltd* 2001 SA 187 (*sic*), 205E-I upheld on appeal ([2001 \(3\) SA 1268](#) (SCA))).
 - 5.13 In paragraphs [6.5]-[6.7] of the objection the objector then puts forward a trade mark infringement and dilution case before the Honourable Registrar. The usual forum for such a case is the High Court. However, for such a case to succeed in the High Court would require a substantial amount of evidence from the objector under oath to sustain. Instead the objector has chosen to approach the Honourable Registrar with bald allegations concerning the matter in relation to which I respectfully submit the Registrar is not seized and must of necessity ignore.
 - 5.14 In any event the objector cannot overcome the obstacle that its objection is based upon a combination of common words in the public domain, namely 'Town' and 'Lodge'. The principle is long established and was aptly recorded thus by Parker J in *British Vacuum Cleaner Co Ltd v New Vacuum Cleaner Co Ltd* (1907) 2 (CHD) 328. In holding that a company cannot obtain a monopoly over descriptive words by the device of incorporating them in a company name (on a trade mark in the respondent's submission), he

stated:

'It seems to me that it runs the risk of having the article similarly described in the trade names of rival traders. If any such monopoly can be gained by such means it appears to me that, from the point of view of the public, the sooner the provisions of the Companies Act [61 of 1973](#) in that respect are altered, the better. But I think it is precisely because a company cannot secure any such monopoly by such registration that it may register such a name.'

- 5.15 Similarly, in *Office Cleaning Services Ltd v Westminster Window and General Cleaners Ltd* (1946) 63 RPC 43 Lord Simmonds held:

'It comes in the end, I think, to no more than this, that where a trade adopts words in common use for his trade name, some risk of confusion is inevitable. But the risk must be run unless the first user is allowed unfairly to monopolise the words. The Court will accept comparatively small differences as sufficient to avert confusion. A greater degree of

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discrimination may fairly be expected from the public where a trade name consists wholly or in part of words descriptive of the article to be sold or the services to be rendered.'

- 5.16 In other words:

5.16.1 Where an objector has chosen to combine words in common use such as 'Town' and 'Lodge' it must expect confusion is inevitable;

5.16.2 The risk attendant thereon is a risk the objector must face because he has chosen the common words;

5.16.3 A court will fail an objection based on such a name combination (or trade mark combination) even if the name objected to features only comparatively small differences.

- 5.17 In the present case the difference is not even 'comparatively small' as 'Cape Town' is substantially different in meaning and effect as has been shown above and is not the equivalent of 'Town'.

6. *Bad Faith*

- 6.1 Following upon the preceding paragraph it is noteworthy that despite its demand the objector has not proceeded in the High Court as threatened.

- 6.2 Instead it now suggests before the Honourable Registrar that the respondent is acting in bad faith and *mala fide*. This defamatory allegation (in relation to which the respondent's rights are reserved) postulates that the recipient of a letter of demand (the respondent) who is legally entitled to accede to the demands set out therein and does not do so is *mala fide* and acting in bad faith.

- 6.3 Apart from its defamatory nature, the allegations set out in paragraph [6] of the objection are simply absurd.

7. *Conclusion*

- 7.1 The objector seeks to deprive the respondent of a corporate name which is entirely appropriate and consonant with the business of the respondent. The elements of the name are in the common domain and describe the geographical location of the respondent's lodge - that is Cape Town - and its nature ie a lodge, which provides services within the common dictionary meaning of the term;

- 7.2 Both elements aforesaid are also common elements in the corporate names on the Companies' and Close Corporation's Registers and the respondent's name was appropriately approved by the Registrar in the first instance.

- 7.3 Thus the respondent respectfully requests the Honourable Registrar to refuse the objection raised against its close corporation name by the objector."

[12] In letters dated 2 April 2003 and 8 July 2003, the applicants' lawyers registered their unhappiness that the Objector had not filed a reply to their letter of 23 September 2002 and in both letters, they prevailed upon the Registrar to confirm to them that the objection had been dismissed. However, the Registrar, without correcting their impression that there had been no reply to their answer contained in the letter dated 23 September 2002, wrote to the applicants' attorneys on 29 August 2004 and told them that upon due consideration of the merits regarding the objection, the applicants' name objected to was undesirable. The Registrar

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thereupon ordered the applicants to change the name of their close corporation within 60 days of the date of his letter of 29 August 2004, as aforesaid. It was in response to that order that the applicants launched the proceedings on 22 September 2004.

[13] In response to the application, and in launching their counter-application, the respondents maintained that they *had* responded to the applicants' answer to their original letter of complaint and objection to the Registrar of Close Corporations dated 8 July 2002. The respondents' lawyers maintained that they had replied to the applicants' submissions, made in the letter of 23 September 2002, by way of their reply letter dated 28 May 2004. The applicants' lawyers, right up to the day the matter was argued, steadfastly maintained that they never received the applicants' replying submissions, and had therefore been disadvantaged in not having been able to have sight of the replying submissions before a final decision was taken by the Registrar.

[14] The respondents' lawyers' response, it was alleged, had been sent to one Mr EN Manyelo, apparently the

incumbent Registrar in the Close Corporations Office in Pretoria. The replying submissions were expressed in the following terms:

"We refer to the respondent's answering submissions forwarded to us under cover of your letter dated 23 October 2002 and wish to file our replying submission on behalf of the Objector.

1. *Ad para [1.1]*

It is submitted that members of the public may well perceive the respondent's name to consist of the following 3 elements:

1. Cape
2. Town Lodge
3. C C

The fact is that the respondent's name wholly incorporates the Objector's well-known trade mark Town Lodge which is used in conjunction with a word describing a geographical area, namely Cape. The public are very likely to perceive the respondent's name as the Cape branch of the Objector's hotel Town Lodge. It is artificial and inappropriate for the respondent to break the respondent's name up in the manner in which it has.

2. *Ad para [1.2.1]*

The respondent cannot justify its use of a close corporation name which is confusingly similar to the Objector's well-known trade mark and which infringes the Objector's well-known trade mark through the use of a geographical area. Factually, the use of a geographical area in combination with the term Lodge infringes the rights of the Objector.

3. *Ad paras [1.2.2] and [1.2.3]*

The Objector is not concerned about the use of the term Cape Town but about the use by the respondent of the term Town Lodge. The other entities in the telephone directory and on the Companies and Close Corporations Office registers incorporating Cape Town are accordingly irrelevant to these proceedings.

4. *Ad para [1.2.4]*

The Objector has not sought to monopolise the term Cape Town but rather the trade mark Town Lodge. The respondent cannot seek to rely on the fact that a city name ends in the word Town and then add a word (Lodge), the combination of which is the Objector's well-known trade mark.

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5. *Ad para [1.2.5]*

It is not disputed that Cape Town is a city as opposed to a town. The name of the city, however, ends in Town and, in this regard, I refer to what is stated in paragraph [4] above.

6. *Ad paras [1.3], [1.3.1] and [1.3.3]*

The Objector has never endeavoured to monopolise the term Lodge but rather the trade mark Town Lodge. It is not disputed that Lodge is a descriptive word in the common domain.

7. *Ad para [1.3.2]*

The relevance of this paragraph is not understood by the Objector.

8. *Ad para [1.4]*

The Objector is entitled to seek to prevent the infringement and dilution of its rights to its trade mark Town Lodge as such trade mark qualifies for protection as a well-known trade mark through the extensive use which has been made of the trade mark in South Africa. The trade mark Town Lodge is distinctive and distinguishes the services of the Objector through extensive use.

9. *Ad para [1.5]*

This paragraph is of little relevance. A close corporation name is not always reflected to the public with the letters CC. This is often the case in telephone directories, business listings, on signage and when the name of the business is relayed verbally. The respondent cannot seek to rely on the element CC to distinguish its close corporation name. The element CC is purely descriptive of the fact that the business is registered as a close corporation. The public are aware of this fact and this element does not serve to distinguish the respondent's close corporation name from the Objector's well-known trade mark.

10. *Ad para [1.6]*

The Objector does not understand the relevance of this paragraph. It is common for the names of trade mark proprietors to be completely different from, or even unrelated to, their trade marks. The Objector seeks to enforce its rights in its registered trade mark Town Lodge and the name of the Objector is of no consequence.

11. *Ad para [2.2]*

It cannot be said that the respondent's close corporation name bears no resemblance to the Objector's trade mark. The respondent's name wholly incorporates the Objector's trade mark. The only distinguishing element which features in the respondent's close corporation name is the descriptive word Cape. The word Cape cannot serve to distinguish the name of the respondent from the Objector's trade mark particularly given the nature of the Objector's business. The Objector has Town Lodges throughout South Africa and the public is likely to believe that the respondent is merely the Objector's Town Lodge situated in the Cape.

12. *Ad para [2.3]*

It is quite correct that the Objector's objection is based on *inter alia* a trade mark case. The respondent's close

corporation name is calculated to cause damage to the business of the Objector that infringes its well-established trade mark rights, dilutes its extensive rights and damages its reputation and goodwill. It is trite that close corporation name objections can be founded on trade mark considerations and legislation.

13. *Ad para [3.1]*

The Objector does not contend that the name objected to is incorporated in the trade marks of the Objector. The Objector contends that

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the trade mark of the Objector is incorporated in the name of the respondent. The contention is factual and not spurious and is likely to cause confusion given the notoriety of the Objector's trade mark Town Lodge in relation to hotel/accommodation services.

14. *Ad para [3.2]*

We refer to what is stated in para [1] above. It is trite that trade marks need not be identical in order for them to be found to be likely to cause confusion or deception. The trade marks Cape Town Lodge and Town Lodge are confusingly similar in that the only distinguishing feature is the word Cape which is descriptive of a geographical area and cannot serve to prevent the likelihood of confusion.

15. *Ad para [3.3]*

The Objector is not alleging that the two words Town and Cape Town are conceptually similar. The Objector alleges that the trade marks Town Lodge and Cape Town Lodge are confusingly similar.

16. *Ad para [3.4]*

The fact of registration of a close corporation name does not necessarily mean that the close corporation is trading. The Objector is not aware of any use being made of the close corporation name Down Town Lodge CC. Should the Objector have become aware of the close corporation name timeously, it would have considered objecting to the name. Should the close corporation be trading, the Objector will consider instituting trade mark infringement and/or passing-off proceedings against them. There is, however, a distinct difference between the names Cape Town Lodge CC and Down Town Lodge CC. The word Down is not descriptive of a geographical area and is accordingly not as likely to cause confusion as the respondent's name. We refer to what is stated in paragraph [11] above.

17. *Ad para [3.5]*

The Objector is not seeking to monopolise the word Town but is seeking to monopolise the trade mark Town Lodge. It is trite that the combination of two non-distinctive words is capable of being distinctive. This is particularly so in the present case in which the Objector has made extensive use in South Africa of the name and trade mark Town Lodge.

18. *Ad paras [4.1]-[4.6]*

Once again, the Objector does not seek to monopolise either of the words Town or Lodge which are both descriptive and correctly disclaimed. The Objector has not brought this fact to the attention of the Honourable Registrar as it is of no relevance to these proceedings. It is the combination trade mark Town Lodge which the Objector has monopolised through its trade mark registrations and which it seeks to protect.

19. *Ad paras [4.7]-[4.10]*

The Objector and the proprietor of those trade mark registrations, Town House Hotel (Pty) Limited, have entered into an agreement with regard to their respective use and registration of their respective trade marks Town Lodge and The Town House (Die Dorphuis). The terms and conditions of the agreement are confidential but are not, in any event, relevant to these proceedings. The rights of Town House Hotel (Pty) Limited do not detract in any manner from the rights of the Objector to the trade mark Town Lodge.

20. *Ad para [5.7]*

We refer to what is stated in paras [15] and [18] above.

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21. *Ad para [5.8]*

The respondent's name, it is submitted, also tells the public that it is a branch of the Objector's Town Lodge which is situated in the Cape.

22. *Ad para [5.9]*

All of the Objector's trade marks, namely City Lodge, Road Lodge, Town Lodge and Courtyard are distinctive of the Objector through the extensive use which has been made of these trade marks throughout South Africa. It is submitted that the Tree Device is used by the Objector not in an endeavour to render its otherwise non-distinctive trade marks distinctive, but to identify each of these businesses with a common proprietor.

23. *Ad paragraph [5.10]*

It is submitted that the gel-up used by the respondent is not relevant. Members of the public may frequently hear of a business such as the business of the respondent by word of mouth or see its name printed in a directory. The logo and type script employed by the respondent will accordingly not always be available to the public.

24. *Ad para [5.11]*

A significant portion of the Objector's business is also derived from the overseas tourist market and it is

factually incorrect to state that the parties' respective markets differ substantially. On the respondent's own version, 30% of its market is derived locally. The respondent seeks to dismiss the possibility of confusion of the remaining 30%.

25. *Ad para [5.12]*

The test is not whether actual instances of confusion have occurred but rather whether there exists a likelihood of confusion.

26. *Ad para [5.13]*

The Objector is entitled to rely on trade mark infringement and dilution in order to show that the respondent's name is likely to cause damage to the business of the Objector. It is submitted that the Objector's allegation of trade mark infringement requires no further evidence to be put forward by the Objector. The respondent is making use of a trade mark which is confusingly similar to the Objector's registered trade mark Town Lodge in relation to services which overlap *directly* with those of the Objector. With regard to the Objector's claim of dilution, the Objector requests the Honourable Registrar to employ a common sense practical approach. The notoriety of the Objector's trade mark Town Lodge is well-known in South Africa and it is not necessary in this forum to provide the extent of evidence which would be required to prove a claim of dilution in the High Court.

27. *Ad paras [5.14]-[5.16]*

We refer to what is stated in para [17] above. It cannot be denied that the Objector's trade mark Town Lodge has, in any event, becoming distinctive through extensive use in South Africa over several years.

28. *Ad para [5.17]*

We refer to what is stated in paragraph [15] above.

29. *Ad paragraph [6]*

The Objector resents the implication that its election to proceed in a less costly and less formal forum is indicative of any bad faith on its part.

30. *Ad para [7]*

These allegations have already been dealt with by the Objector above.

We request the Honourable Registrar to invoke the provisions of [section 20\(2\)](#) of the Close Corporations Act and to order the respondent to change its name to one which is not confusingly similar to the Objector's well-known trade mark Town Lodge.

We await the decision on the merits."

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[15] I will come back, towards the end of this judgment, to the so-called "Disclaimer" relevant to the agreement between second respondent in these proceedings, and Town House. For the moment, it is fair to say that the correspondence between the attorneys above clearly, if disputatiously, sets the scene, and goes a long way towards defining the issues for my determination. As appears from all the correspondence, the main application, seeks to set aside the Order of the Registrar of Close Corporations that held that the name *Cape Town Lodge CC* was undesirable and that the applicant was ordered to change it. The applicant wants the Court to dismiss the objection by its call to this Court to set aside the Registrar of Close Corporation's decision aforementioned. In opposing the relief sought by the applicant, the second respondent simultaneously counter-applies for the relief set out in the counter-application notice, which essentially is that the applicant must be interdicted and restrained from infringing its trade mark numbers *1989/10400 Town Lodge* and *1988/01263 Town Lodge Limited*, or any other mark deceptively or confusingly similar to either of the two registered marks.

[16] The respondent further seeks to interdict the applicant using, in the course of trading, the trade mark *Cape Town Lodge* in relation to its hotel or similar services or using any other mark that might be deceptively or confusingly similar to its trade marks. Similarly, the applicant is sought to be interdicted from infringing the trade marks or in using in the course of trade any mark that might take unfair advantage of the distinctive character of its marks. The applicant is also sought to be interdicted from passing off its business and hotel services as those of the respondent by using the mark *Cape Town Lodge* in the course of its trade since that might cause confusion or deceive the public. The respondent also seeks an order that would compel *Cape Town Lodge CC* to remove *Cape Town Lodge* from all material, and where the mark is inseparable or incapable of being removed from such material as has been identified, such material should be delivered to it.

[17] Further, the respondent wants an inquiry to be made into such damages as it has suffered or any royalty that would be payable to it consequent upon the infringement of its marks and/or the passing-off of its business and services by the applicant, such enquiry contemplated to be run and governed by the Rules of Court soon after an order prayed for has been made.

In the proceedings before me, the approach by the second respondent (respondent) was that the undesirability of the name *Cape Town City Lodge CC*, and the fact that it is calculated to cause damage to the business of the Objector within the meaning of [section 20\(2\)](#) of the Close Corporation Act must be dealt with as a separate issue from the issues raised in the counter-application. The contention was that the undesirability of the name should be determined on the basis of whether the public is likely to be confused through the applicant's use of *Cape Town Lodge* given that the respondent's registered trade mark was *Town Lodge*.¹

[18] In this regard, the main contention about the undesirability of *Cape Town Lodge* as articulated by the respondent is that the name is deceptively or confusingly similar to *Town Lodge*. To that extent it is an infringement of

its trade mark as contemplated in section 34(1)(a) of the Act. Further, the respondent contends that its registered mark *Town Lodge* enjoys considerable reputation. The use of *Cape Town Lodge* which encompasses *Town Lodge* is calculated to cause it damage within the meaning of [section 20\(2\)](#) of the Close Corporation Act. The respondent, in insisting on this approach, was resisting the applicant's case that in essence what should be looked at - to establish whether or not there is an infringement of the respondent's mark - is the whole get-up of the respondent's *Town Lodge* mark and compare it, with the whole get-up of the *Cape Town Lodge* mark. It was argued that what was essential as a guiding principle in determining whether the applicant's name was calculated to cause damage within the meaning of [section 20\(2\)](#) as aforementioned, was what becomes the outcome of an adjudication process on the reputation residing in *Town Lodge* when compared with *Cape Town Lodge*. The respondent argued that even when considering the interdict for passing off, I was not supposed to compare the "whole get-up" of the applicant and that of the respondent, but to compare the damage caused to the reputation of the respondent when there was a likelihood of confusion and deception by the applicant's *Cape Town Lodge* that has in it the respondent's mark *Town Lodge*.

Legal principles

[19] [Section 20](#) of the Act² provides as follows:

"20 Order to change name-

(1) . . .

(2) Any interested person may-

(a) within a period of one year referred to in subsec (1), on payment of the prescribed fee apply in writing to the Registrar for an order directing the corporation to change its name on the ground of undesirability or that such name is calculated to cause damage to the applicant; or

(b) . . .

(3) The Registrar may, after application has been made in terms of para (a) of subsec (2), in writing order the corporation concerned to change its name if, in the opinion of the Registrar, it is or has become undesirable.

(3A) Any person feeling aggrieved by any decision or order of the Registrar under this section may, within one month after the date of such decision or order, apply to a competent provincial or local division of the Supreme Court for relief, and the Court may consider the merits of any such matter, receive further evidence and make any order it deems fit."

[20] On behalf of the respondent, it was submitted that the Registrar's Directive issued in GN978 of 1995, on the names of companies, was a helpful guide as to what a Registrar of Companies/Close Corporations would consider as undesirable in the exercise of his/her discretion. The Directive, in part, reads as follows:

"Any name may be selected, *provided such name does not encroach on the rights of any person or existing concern*, or is a name in which the opinion of the Registrar, is undesirable. In particular, a name will be considered to be undesirable if-

1.1 it is identical or very similar to a name already registered, but non-generic identical words in the names will, in exceptional circumstances,

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be allowed with different descriptive wording for subsidiary or associated companies;

1.2 . . .

1.3 . . .

1.4 . . .

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

[21] In *Peregrine Group (Pty) Ltd and others v Peregrine Holdings Ltd and others* ³ the following principles emerged, namely, that it was inappropriate to attempt to circumscribe the circumstances under which the registration of the company might be found to be "undesirable". It was sufficient merely to say that where there is a likelihood that members of the public will be confused in their dealings with the competing parties, the court would consider those as important factors to take into account when considering whether or not a name was desirable.

See also: *Azisa (Pty) Ltd v Azisa Media CC*; ⁴ *Deutsche Babcock SA (Pty) Ltd v Babcock Africa (Pty) Ltd and another*.⁵

In all of these cases, it was the view of the courts that if there was a likelihood of confusion in registering a company name because of the similarity of names, then it would be undesirable to register a particular company or close corporation name, something which, according to the argument in respondent's written Heads, was a similar trend followed by the courts in New Zealand where in *Viacom New Zealand Ltd v Viacom Systems Limited*,⁶ the President of the New Zealand Court of Appeal spoke as follows:

"Irrespective of motives, a serious risk of confusion of the public or a section of the public is well recognised as a

head of undesirability when the registration of a company name is in issue. . ."

[22] From these principles of law, it is clear that the court has a function to perform, or, as per Nel J in the *Azisa* case (*supra*):

"... the court should assess the similarity and likelihood of confusion and should not surrender its opinion to that of its witnesses. In doing the assessment, the courts use the reasonable man test, namely, that of average person with average memory and imperfect recollection, not one with an extraordinary or photographic memory."

[23] As a corollary to determining the risk of confusion and as a way of assessing whether the particular undesirable name is calculated to cause damage, the courts have to weigh the scales as to which of the two litigants will be more inconvenienced by its order, the company that carries a name, that is a registered mark, which claims to have a reputation built over time by reason of its registered mark, or the company which contains in its own mark, words that are likely to cause confusion, or deceive the public. I will return to my assessment of the evidence in this case later on in this

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judgment. For the moment, let me state the legal principles with regard to trade mark infringement as defined in the Act, particularly in the light of submissions made on behalf of the respondent, namely, that such principles would be germane in the determination of whether or not a name is "undesirable".

Trade mark infringement in terms of the act

[24] Section 34(1)(a) provides that the rights acquired by registration of a trade mark shall be infringed by:

"(a) the unauthorised use in the course of trade in relation to goods or services in respect of which the trade mark is registered, of an identical mark or of a mark so nearly resembling it as to be likely to deceive or cause confusion."

The definition immediately raises the question for my consideration, namely, whether *Cape Town Lodge* so nearly resembles *Town Lodge* as to be likely to deceive or cause confusion.

[25] The underlying goal of trademark law is to promote the proper functioning of the market place. The underlying goal of trademark law is to promote the proper functioning of the market place through the avoidance of confusion and deception. Section 34(1)(a) has greatly increased the ambit of trademark infringement.

[26] In order to show infringement under section 34(1)(a) the applicant has to establish in respect of its trademark:

26.1 unauthorised use;

26.2 in the course of trade;

26.3 in relation to goods and services in respect of which the mark was registered;

26.4 of an identical mark or a mark so nearly resembling it as to be likely to deceive or cause confusion.

[27] Under the Trade Marks Act [194 of 1993](#), a trade mark's primary function is to distinguish, as opposed to operating as a "badge of origin" as was the case under the old Act.

"The 'badge of origin' element of the trademark is no longer at the forefront and has been replaced by the distinguishing capability of the mark."[7](#)

[28] The court in a trademark infringement case is only permitted to consider the marks themselves.

"In infringement of trade mark actions the enquiry is confined to a comparison of the registered mark with that portion of the respondent's get-up which is alleged to infringe the applicant's registered rights."[8](#)

The enquiry into the likelihood of confusion or deception is limited to a comparison of the marks. The onus rests on the plaintiff to show on a balance of probabilities, that the mark used by the defendant so nearly resembles the plaintiff's trade mark as to be likely to deceive or cause confusion. It is enough for the plaintiff to show "*that a substantial number of persons will probably be confused as to the origin of the goods or the existence or non-existence of such a connection*".[9](#)

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Furthermore, Corbett JA expressed the view that:

"When comparing the marks it is necessary to 'notionally transport myself to the market place and consider whether the average customer is likely to be deceived or confused'. "[10](#)

This test has been adopted and accepted for the purposes of [section 34\(1\)\(a\)](#).

[29] The "likelihood of deception or confusion" must be judged with reference to the average purchaser. It must be borne in mind that the purchaser will not necessarily see the marks side by side, but will probably come across them separately on "different occasions". Deception or confusion exists when there is a probability that a person or persons will be deceived into thinking:

"(a) that the respondent's product is that of the applicant's; or

(b) that there is a material connection between the respondent's product and the applicant as the producer and marketer of the product in issue, or

(c) is confused as to whether or not there is any such a connection."[11](#)

[30] In the *Albion Chemical* case (*supra*) Traverso DJP commented that:

"The respondents selected a confusingly similar mark with the intention and for the purpose of deceiving potential purchasers . . . while such an intention and purpose is not necessary to be established, it is a further indication of the likelihood of deception and confusion."

The defendant cannot rely,

". . . upon matter extraneous to the mark itself, which he may have used in conjunction with the mark, in order to negate the likelihood of deception or confusion. . . the wrong of infringement consists in the unauthorised use of a registered trade mark or of a trade mark that so nearly resembles a registered mark as to be likely to deceive; once that use has been established, it will avail the defendant nothing to show that his goods are sufficiently differentiated. The likelihood of deception or confusion must be decided in relation to the trade mark itself and not in relation to the label of which it forms a part."¹²

Therefore,

"the enquiry is confined within . to the marks themselves and no regard should be had to other features of the getup or other indications of origin of the goods as actually marketed by the plaintiff and defendant respectively."¹³

[31] In *Ramsay, Son & Parker (Pty) Ltd v Media 24 Ltd and another*¹⁴ when coming to a decision on the claim for trademark infringement Motala J stated that,

"when two marks are compared for infringement purposes, it is necessary to ignore extraneous factors, and that the general get-up and content of the two magazines must not be taken into account".

Only the two marks themselves would be in focus.

"Note that it is trite that, in South African trade mark law, a comparison of marks can take place on three bases - visual, phonetic and conceptual. For a number of years it has been the received wisdom that a finding of confusing

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similarity on any of these grounds would suffice for infringement. But recent European decisions which have been followed in South African law point out that the likelihood of confusion must be 'appreciated globally'."

This was approved in *Cowbell AG v ICS Holdings Ltd*¹⁵ (W Alberts, 'Getting away and taking a break', *Juta's Business Law*, 2005 Vol 12, part 2, 55. See also *Value Car Group Ltd and another v Value Car Hire (Pty) Ltd and others*.¹⁶

[32] [Section 34\(1\)\(a\)](#) should and has been fairly strictly interpreted and guidelines in respect of effecting that interpretation have been provided over the years in the case law.

"The enquiry into alleged infringement is confined to much narrower limits than the enquiry into alleged passing off, and care must be taken to exclude from the former enquiry facts and circumstances which are germane to the latter enquiry but irrelevant and inadmissible in the former."¹⁷

The onus is placed on the plaintiff to prove the infringement, and in determining whether a likelihood of confusion/deception exists, a number of factors have to be considered by the court including the strength of the mark, similarity between the marks, proximity of the goods in the marketplace, actual confusion, the intent of the infringing user, the relatedness of the goods, and so on.

[33] It is clear from the generally stated legal principles that a fine balance has to be maintained by the court. The danger presented by too wide an interpretation is the potential to dilute the test that has to be applied in terms of the section. This may have consequences for trademark protection and the marketplace. However, too narrow an interpretation by the court may serve unnecessarily to stifle healthy competition in respect of goods and services offered, having equally serious consequences for the marketplace.

Passing off

[34] As a species of unlawful competition, passing off was defined in *Policansky Bros Ltd v L&H Policansky*¹⁸ as:

". . . An action in tort and the tort consists of a representation by the defendant that his business or goods, or both, are those of the plaintiff. Roman-Dutch law was well-acquainted with the general principal that a person cannot, by imitating a name, marks or devices of another who has acquired a reputation for his goods, filch the former's trade. . ."

It was submitted on behalf of the respondents that the central issues in a passing-off case are the reputation of the plaintiff's mark, name and trading style, a misrepresentation by the defendant, and damages. Reliance for these submission was placed on:

Capital Estate and others (Pty) Ltd v Holiday Inns Inc and others;¹⁹

Caterham Car Sales and Coachworks Ltd v Birkin Cars (Pty) Ltd and another;²⁰

Premier Trading Co (Pty) Ltd and another v Sporttopia (Pty) Ltd.²¹

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[35] It was argued by Mr *Morley* SC that it was not enough to show that there was a reputation, a question of fact, which is the opinion which a relevant section of the community holds of the plaintiff. It was also important to show that in the likelihood of deception or confusion which becomes the consequence of the passing-off of defendant's business and services as that of plaintiff's, there was also a likelihood of damage generally, in the form of a diversion of trade, or some impact or likely damage to the respondent's goodwill or reputation.

Analysis of the evidence

- [36] The principal contention by the respondent is that the distinctive element of its trade mark is *Town Lodge*. The respondent argues that the addition of the "non-distinctive" geographical term "Cape" by the applicant not only does *not* obviate the likelihood of deception or confusion, but is likely to make matters worse, given that members of the public are likely to believe that, or wonder whether, the applicant's business and hotels are the Cape based business of the respondent's business and hotels, operated under licence by *City Lodge Hotels Limited*. In rejecting the applicant's contention that the applicant's name denotes that it is a lodge in Cape Town, and not a lodge in an area of the Cape that would even remotely suggest to the members of the public that it was a *Town Lodge* situated in the Cape, Mr Morley argued that *Cape Town Lodge* was, as a matter of fact, a business situated in an area known as the Cape. Mr Morley in his written Heads went so far as to submit that "Cape Town is unquestionable (*sic!*) in what is colloquially referred to as the Cape. Besides, "Cape Town", he submitted, consists of two separate words, pronounced as two separate words when pronounced properly. This argument by Mr Morley was in refutation of what Mr Sholto-Douglas had mentioned to me in earlier argument, namely, that Cape Town was pronounced as a single word and was frequently rendered as a single word in writing.
- [37] As I stated earlier in this judgment, Mr Sholto-Douglas, had argued that this case had to determine two issues, namely, whether or not the applicant, by using its name in relation to its hotel business, is passing-off that business as being that of the second respondent, or associated in the course of trade with the second respondent; and whether or not the applicant's name constitutes a mark that so nearly resembles the second respondent's trade marks as to be likely to deceive or cause confusion.
- [38] In his written Heads, Mr Sholto-Douglas argued that if either of the two issues were resolved in favour of the respondent, it would follow that the deception or confusion found would render the registration of the applicant's name as a close corporation undesirable. The question, then, of whether or not the applicant's name is also "calculated to cause damage" would be rendered superfluous and unnecessary to answer. As authority for this proposition he referred me to:

Meskin: *Henochsberg on the Companies Act sv "Undesirable"* and "Calculated to cause damage";²² and to *Peregrine Group (Pty) Ltd and others v Peregrine Holdings Ltd (supra)*;
Azisa (Pty) Ltd v Azisa Media CC (supra).

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- [39] In essence, therefore, for the applicant, this was a straightforward case of passing-off and trade mark infringement. With regard to passing-off, Mr Sholto-Douglas submitted that passing-off occurs when one trader makes a misrepresentation concerning an association with another trader, passing-off being an infringement of the goodwill of the victim's business. In this case, it was argued, the respondent had no business capable of being confused with the business of the applicant.

There was a material difference between the two entities. The respondent was a trade mark holding company and *not* a hotel business as the applicant was. The applicant, on the other hand, conducted the business of a hotelier. The respondent had thus not succeeded in establishing the reputation, misrepresentation or damage requisite to found on action against the alleged offender, given that its mark was that of a holding company which was itself not a trading company as such.

- [40] Besides, so the argument went, it was imperative, in a passing off case, that the entire get up of the two litigants be compared.

See: *Stellenbosch Farmers Winery Ltd v Stellenvale Winery (Pty) Ltd*.²³

In this case, it was therefore important to compare the respondent's trade "dress" with that of the applicant. Without abandoning his submission that the respondent does not trade, Mr Sholto-Douglas argued that even if the respondent was a hotelier in the sense that the applicant was, the comparison would have to be between the *Town Lodge* trade dress and that used by the applicant. In this regard, there was no reasonable likelihood of deception or confusion between the *Town Lodge* get-up and the applicant's get up. For example, the *Town Lodge* logo comprised of a relatively simple design consisting of the words *Town Lodge* in capital letters placed between two tramlines and crowned by a stylised depiction of a tree - a logo identical in all material respects to that used in relation to the *City Lodge* and *Road Lodge* businesses. Besides, there were no *Town Lodges* in the Western Cape, all six of which were in Gauteng, Mpumalanga and Northern Province at the time of launching of this case.

The one in Bellville was not even identified primarily by the *Town Lodge* name but traded as *Bellville - The Lodge* or *The Lodge - Bellville*. All this get-up was totally different from that of the applicant.

- [41] Passing-off in this case would be proved only if the use of *Cape Town Lodge* is so similar to the *Town Lodge* trade name and get-up that the ordinary hotel user or customer will be confused, particularly when regard is had to the decision of the courts over a long period of time. The ordinary customer, the courts have held, is one who knows more or less the particular characteristics of the article he or she wants, shows great awareness, concentration and attention when entering into transactions of substantial value or importance, is not to be regarded as a "moron in a hurry" - in short a reasonable person applying ordinary attention. There is a degree of confusion which is legitimate and is excusable.

See: *Link Estates (Pty) Ltd v Rink Estates (Pty) Ltd*;²⁴

Morning Star v Express Newspapers.²⁵

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[42] The applicant's case was that in view of the authorities, the respondent had not succeeded to demonstrate how there was a likelihood of deception or confusion as a result of the use of *Cape Town Lodge* in relation to its hotel business. For one thing, the two businesses served two different markets. *Town Lodge* rates were significantly lower than those of *Cape Town Lodge*. *Town Lodge* targeted businessmen on the road, hence its location near airports and highways whereas *Cape Town Lodge* catered for the overseas tourist market, from which it followed the two businesses would be marketed differently. In the absence of evidence that actual confusion had taken place, the respondent could not be held to have succeeded in proving passing off, so the argument went.

[43] This argument was tied by Mr *Sholto-Douglas* to an earlier submission he had made, namely, that so blissfully unaware was the respondent that its mark was being infringed that for almost a year, and until this was brought to its attention by its lawyers, respondent had no reason to complain about the *Cape Town Lodge* CC mark. Besides, even when it did have a reason to complain, having been so advised by its lawyers, when there was open to it a remedy of proceeding by way of a spirited application for an interdict and a damages claim - something it now only raised by way of counter-application - the respondent had taken the unusual course of proceeding merely by way of a complaint to the Registrar of Close Corporations. The respondent had even been understood, so it would be argued, to have taken a view that even if the applicant carried on business as *Cape Town Lodge*, it would not be bothered by the applicant doing so, for as long as it did not register the name as a mark.

[44] With respect to whether the *Cape Town Lodge* CC mark was an unlawful infringement of the respondent's mark, the real issue, it was submitted for the applicant, was whether *Cape Town Lodge* so nearly resembles *Town Lodge* as to be likely to deceive or cause confusion. Given the authorities referred to in this judgment already, it was argued that whilst

"the opinions of trade and other witnesses as to what would be likely [to deceive or cause confusion] may be helpful, . . . in the end it is the judge, applying the right principles, who has to answer the question".

[45] I agree.

In this case, I have to be satisfied, that, in the end, after applying all the arguments I heard to the facts of this case, on balance, a substantial number of customers of *Town Lodge* will be deceived or confused by the similarity between *Town Lodge* and *Cape Town Lodge*. One of the "right principles", among others, which I need to apply in determining whether, on balance, I must find for the trade mark holder or the alleged infringer thereof, is whether or not the words used in the mark consist entirely of words in everyday use which are descriptive of its services. I am very much persuaded by the correctness of the dictum in *Rovex Ltd and another v Prima Toys (Pty) Ltd*,²⁶ which is attributed to an author Kerly which runs as follows:

". . . If a defendant uses an ordinary English word or words, there is no doubt the public will be less likely to regard it as a proprietary word and associate it with a similar word registered by the plaintiff than would be the case if both words were invented words or words which had no meaning appropriate to the goods in question."

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[46] I am equally persuaded by the following dictum of an Australian Court in *Hornsby Building Information Centre (Pty) Ltd v Sydney Building Information Centre*²⁷ (quoted in *Cadbury Schweppes v Pub Squash Co*).²⁸

In this case, it was held that:

"There is a price to be paid for the advantages flowing from the possession of an eloquently descriptive trade name. Because it is descriptive it is equally applicable to any business of a like kind; its very descriptiveness ensures that it is not distinctive of any particular business and hence its application to other like business will not ordinarily mislead the public."

[47] It follows from what I have said above that I am in respectful agreement with the submission made by Mr *Sholto-Douglas* that the use of *town* and *lodge* in the hospitality industry is not confined to usage by the respondent only, as examples like *Town House* (about which more later), *Down Town Lodge* and *Grahamstown Lodge* showed. I am equally convinced that an ordinary hotel customer would not read *Cape Town Lodge* as *Cape Town Lodge*. If there was a *Town Lodge* in Cape Town in the manner in which such hotels exist elsewhere in the Republic as indicated earlier, the ordinary hotel customer would sooner expect one such hotel to be referred to as the *Cape Town, Town Lodge*. This is so, in my view, because *Cape Town* constitutes a geographic indicator which is clearly a bona fide description of the geographical origin of the relevant services. The mere fact that *Cape Town* is spelt as two words makes it no less an authentic geographic description of it as a city of *Cape Town* than *Simon's Town*, or *Queenstown* or *Hopetown*, *Grahamstown* or many other South African cities that have *town* as a component of their authentic spelling, are.

[48] Consequently, on any construction, and for the reasons articulated in the judgment, and in line with the authorities, *Cape Town Lodge* can hardly be regarded as an undesirable name on any basis articulated by the respondent, in my respectful view. It follows that it cannot therefore be properly said that the name is calculated to cause damage in any sense that was argued for by Mr *Morley*. I similarly cannot see my way clear to holding, properly, in light of the principles developed by the Courts, that this is a case where I can find for the respondent in its complaint of a passing-off by the applicant. This would be so because there is no likelihood of a deception or a confusion by the average customer that the applicant, by the mere use of its mark, is passing off its business and services as that of the respondent. Moreover, I cannot see why it would be inappropriate for me to compare the get up of the two litigants for purposes of arriving at the conclusion that I have come to as far as that goes. In having done so, as I have done, it is clear to me that there is no way anyone, reasonably looking at the getup of the two litigants herein, could be deceived or confused in the manner contended for by the respondent. A case for passing off is insupportable, in my respectful view, on the facts of this case, and on the legal principles.

The supplementary affidavits - the disclaimer issue

[49] I indicated, earlier on in this judgment, that the applicant filed a supplementary affidavit on the basis of which it imputed impropriety on the part

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of the respondent. The applicant's deponent, Mr Raymond Gnesin, accused the respondent's officials of a "serious non-disclosure of facts most relevant to this matter". The "relevant facts of the matter" that were not disclosed related to the fact that it turned out that before 1993, *Town House* interdicted the respondent from passing off its services as being those of, or associated with, those of *Town House*, and from competing unlawfully with it by using the mark *Town Lodge* in its business *Bellville Town Lodge*.

[50] Because of the litigation, the respondent had entered into an agreement with the *Town House* in which it undertook never to use the mark *Town Lodge* or any service mark including the word *town* in relation to the hospitality business in any area within a radius of 100km of the location of the *Town House* Hotels in Cape Town, presently situated at 60 Corporation Street in the City of Cape Town, in what in the agreement between it and the respondent was referred to as the "excluded area". The logic of all of this, so argued Mr *Sholto-Douglas* for the applicant, was that the respondent had undertaken not to trade within the 100km excluded area. Since it had abandoned all claims and rights in and to the use of *Town Lodge* in the Excluded Area with respect to the hospitality business, there could therefore be no question of a likelihood of a deception or confusion arising from the applicant's use of its Close Corporation name, *Cape Town Lodge CC*. It therefore followed, so it was argued, that the respondent, having divested itself of all rights to the use of the trade mark *Town Lodge* in the excluded area,²⁹ could not properly seek to enforce rights that purport to flow from rights it had abandoned. There was also an invitation to me to visit the respondent with a special costs order as a sign of my displeasure with the respondent's failure to disclose a material fact.

[51] In reply, Mr *Morley* argued that whilst the respondent admitted that it had agreed that it would never use the trade mark *Town Lodge* relevant to the hospitality business in the excluded area, as defined thereat, the agreement did not detract from its proprietary rights in the mark. Therefore its right to take actions against infringers like the applicant was very much intact; nor did the agreement with *Town House* affect the undesirability of the applicant's Close Corporation name. To the extent that the agreement was confidential, it was irrelevant for purposes of this case. The public would still think that, or wonder if, *Cape Town Lodge CC*'s business is one of respondent's hotels or is associated with it. Since the respondent had *Town Lodges* throughout the Republic of South Africa, including in the Cape area, its reputation could still be affected by the applicant's alleged passing-off. Besides, even though it did not use *Town Lodge* in the excluded area of Cape Town, guests staying at any of the *Road Lodge*, *City Lodge* or *Courtyard Hotels* in the excluded area in Cape Town would be exposed to its *Town Lodge* hotels and trade mark because they all usually appear together on all promotional material. The respondent thus enjoyed a reputation in the *Town Lodge* mark even in the excluded area.

[52] There is something contrived in the respondent's arguments and rationalisation of its conduct in not coming out openly and fully with the terms of its agreement with *Town House*, even if it would have been to say that it cannot disclose its contents because of the confidentiality of its terms. I do

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not have to decide, in the view that I have taken of the case, the question of whether the agreement had the effect of denuding the respondent of any rights on the basis of which it may litigate against other parties,³⁰ notwithstanding the existence of the agreement. I leave that question open. To the extent I have been addressed on the issue by both counsel, I in any event favour the applicant's arguments on the issue.

[53] Further, it seems to me immaterial whether the approach to these issues is the one that was contended for by Mr *Morley*, of firstly dealing with the undesirability or otherwise of the Close Corporation name, and so on, or whether the approach should be that articulated by Mr *Sholto-Douglas*, which I set out earlier. It is my sense that on whichever approach, with the application of the right principles that have evolved over time, and which I have examined and applied to the facts at my disposal, a decision is capable of being made as to:

- (i) Whether *Cape Town Lodge*, in relation to its hotel business, is passing off its business as being that of the respondent;

I have found that it does not.

- (ii) Whether *Cape Town Lodge CC* infringes the mark registered by the respondent, being *Town Lodge*;

I have found that it does not, and therefore cannot be held to be calculated to cause damage.

- (iii) Whether, in the circumstances, *Cape Town Lodge CC* as a close corporation name is undesirable or calculated to cause damage;

I have found that it does not.

It therefore follows that in the view that I have taken of the case, and in the light of the authorities and my analysis of the evidence, and in the light of arguments advanced before me, I am persuaded by the case made out by the applicant.

[54] Consequently, I make the following order:

- 54.1 The decision of the Registrar of Close Corporations that the applicant's name, *Cape Town Lodge CC* is undesirable, made in terms of section 20(3) of the Act, is hereby set aside;

- 54.2 The objection to the applicants' name lodged by the second respondent on 8 July 2002 is accordingly dismissed;
- 54.3 The second respondent is ordered to pay the costs of this application;
- 54.4 The counter-application by the second respondent is dismissed with costs;
- 54.5 All the costs, where applicable, are costs including costs occasioned by the employment of two Counsel.

For the first appellant:

AR Sholto-Douglas SC instructed by *Jan S de Villiers*

For the respondent:

Morley SC and *A Smalberger* instructed by *Bowman Gilfillan Inc*

Footnotes

- 1 For these proceedings, the case for the respondent was argued on the basis that only the registered mark Town Lodge would be relied upon.
- 2 Irrelevant parts have been omitted.
- 3 [2001 \(3\) SA 1268](#) (SCA) at 1273J. [Also reported at [\[2001\] JOL 8319](#) (A) - Ed].
- 4 [\[2002\] 2 All SA 488](#) (C) at 502B.
- 5 [1995 \(4\) SA 1016](#) (T).
- 6 (1987) 2 FNZLR 600.
- 7 *Abbott Laboratories and others v UAP Crop Care (Pty) Ltd and others* [1999 \(3\) SA 624](#) (C) at 634. [Also reported at [\[1999\] 1 All SA 502](#) (C) - Ed].
- 8 *Stellenbosch Farmers Winery Ltd v Stellenvale Winery (Pty) Ltd* [1957 \(4\) SA 234](#) (C) at 240.
- 9 *Plascon-Evans Paints Ltd v Van Riebeeck Paints (Pty) Ltd* [1984 \(3\) SA 623](#) (A) at 640G.
- 10 *Plascon-Evans (supra)* at 642E.
- 11 *Albion Chemical Co Pty (Ltd) v FAM Products CC* [2004 \(6\) SA 264](#) (C) at 269. [Also reported at [\[2004\] 1 All SA 194](#) (C) - Ed].
- 12 Webster and Page, *South African Law of Trade Marks, Unlawful Competition, Company Names and Trading Styles*, 4ed para [12.8.5].
- 13 *Adidas Sportsschufabriken ADI Dassler KG v Harry Walt & Co (Pty) Ltd* [1976 \(1\) SA 530](#) (T) at 535H.
- 14 CPD, 26 January 2005, case no 4656/04.
- 15 [2001 \(3\) SA 941](#) (SCA).
- 16 [\[2005\] 4 All SA 474](#) (C) para [24].
- 17 *Adidas Sportschuhfabriken ADI Dassler KG v Harry Walt (supra)* at 532A.
- 18 1935 AD 89 at 97.
- 19 [1977 \(2\) SA 916](#) (A) at 929C-E.
- 20 [1998 \(3\) SA 938](#) (SCA). [Also reported at [\[1998\] 3 All SA 175](#) (A) - Ed].
- 21 [2000 \(3\) SA 259](#) (SCA). [Also reported at [\[1999\] JOL 4947](#) (A) - Ed].
- 22 Vol 1 at 93-94.
- 23 [1957 \(4\) SA 234](#) (C) at 240C-D.
- 24 [1979 \(2\) SA 276](#) (E).
- 25 [1979] FSR 113 at 117.
- 26 [1982 \(2\) SA 403](#) (C) [at 404E - Ed].
- 27 (1978) 140 CLR 216.
- 28 [1981] RPC 429 at 490 lines 15-30.
- 29 The infringement of which mark its case relied upon.
- 30 Other-than Town House.