

INCORPORATING AN UNAUTHORIZED TRADEMARK AS PART OF A COMPANY NAME IS UNLAWFUL.

This is an article relating to a positive development in Nigerian law and practice which was achieved through the combined contributions to the case in question by IPI Watch Services, Lagos Nigeria and Adams & Adams, Pretoria South Africa.

1. INTRODUCTION

Legally incorporated companies that have no business relationship or link with a trademark or its registered proprietor have either for selfish business gains or innocently, used well established and registered trademarks as part of their incorporated company name. For whichever of the two reasons the proprietors of these companies have decided to incorporate without authorization, the trademark of another as part of its company name, it is unlawful, dishonest and it creates in the mind of the public an association of trade between both entities when indeed there is none.

The position of the law is very clear under Nigerian Company Law and practice on the prohibited and restricted names to be used as part of a company name.

2. LEGAL BACKGROUND

The Companies and Allied Matters Act Cap C20 Laws of the Federation of Nigeria 2004 "**CAMA**", is the relevant statute of the law with respect to the operation of companies in Nigeria, while the Corporate Affairs Commission "**CAC**" is created by the same statute to regulate the conduct and affairs of all companies in Nigeria in accordance with the CAMA and the provisions of any other relevant statute as it relates to the operations of companies in Nigeria.

Section 30 of CAMA deals with the prohibited and restricted names of companies that the Corporate Affairs Commission would not accept for incorporation and, **Section 30(1) (d)** of CAMA prohibits any name which would violate any *existing trademark* (italics mine) or business name registered in Nigeria unless the consent of the owner of the trademark or business name has been obtained.

A registered trademark is statutorily protected under **Sections 5(1) & (2)** of the Trademarks Act Cap T13 Laws of the Federation of Nigeria "**TMA**" from any unauthorized use. **Section 5(1)** of the TMA confers on the registered proprietor of a trademark, the exclusive right to the use of trademarks in relation to the goods (services) for which the trademark has been registered. **Section 5(2)** of the TMA provides that the right given under Section 5(1) shall be deemed to be infringed by

any person who not being the proprietor of the trademark or a registered user by way of permitted use, uses a mark identical with it or so nearly resembling it as to be likely to deceive or cause confusion in the course of trade.

3. THE DISPUTE

The crux of this article is that in recent times we have dealt with cases where foreign trademark owners have discovered that an incorporated company in Nigeria has included their registered trademark as part of its company name.

When such cases are investigated and confirmed to be true, the CAC is petitioned to correct this irregularity under its executive powers as contained in **Section 31(4) of CAMA**

Section 31(4) of CAMA reads

Nothing in this Act shall preclude the Commission from requiring a company to change its name if it is discovered that such a name conflicts with an existing trademark or business name registered in Nigeria prior to the registration of the company and the consent the owner of the trademark or business name was not obtained.

When CAC receives such a petition, CAC requests for proof of ownership of trademark registration which predates the incorporated company accompanied by a letter from the trademark owner that it did not authorize the use of its trademark by the cited company. Upon due investigations, verification and affirmation of the allegation, the only decision expected by the petitioner and as provided under CAMA, is that CAC should direct the defaulting company to change its company name to one which does not include the trademark of the petitioner and that this decision is communicated to the defaulting company. This scenario will be the expected norm.

However in some circumstances, the defaulting company has failed to comply with CAC's directive, on the ground that they (the defaulting company) conducted an availability name check for approval with CAC and the company name (inclusive of the unauthorized trademark) was approved for incorporation by CAC, how then can CAC turnaround and tell them to change the company name when they have incorporated the company and started trading with the name?

The disputes for resolution are thus;

1. Can CAC lawfully enforce compliance using its executive powers under **Section 31(4) of CAMA**, when it will appear that indeed an availability name search was conducted for approval with the CAC before the said company was incorporated?
2. Is CAC obliged to carry out a trademark name search at the trademarks registry before approval of Company names?

3. Do we need to determine whether the alleged infringer used the name ignorantly or with fore knowledge of the goodwill attached to the trademark before a change of its name can be directed by CAC?
4. Should CAC take note of the well known trademarks?
5. Can the fact that the unauthorized trademark is already in use as part of a company name be a ground for non compliance?
6. Must all foreign trademark owners incorporate a company in Nigeria so that their trademark is protected and not used as part of an incorporated company name in Nigeria?

All these and more questions have arisen as a result of CAC's irregular decisions in cases of like nature. Some instances such as;

- a) When CAC is faced with such dilemma as highlighted in bullet point one above, CAC has decided that it cannot order the defaulting company to reverse or change its name because when an availability search for the company name was conducted there was no such similar or identical name on their database and thus the proposed name (inclusive of prior registered trademark name) was approved for incorporation.
- b) The defaulting company has simply refused to comply with CAC's directive for a change in its name.
- c) CAC has refused to direct a change in the defaulting company's name because, the trademark for which the petitioner is referring to was not registered for goods similar to the objects of the defaulting company.

We are of opinion, that for CAC to reach any decision such as contained in a to c above, CAC will be contravening the legal interpretation of **Section 30(1) (d)** of CAMA on restricted and prohibited names that cannot be incorporated.

The circumstance that has necessitated this article is one where the CAC correctly interpreted **Section 30(1) (d) of CAMA** and directed that the defaulting company change its name. But the defaulting company was of the view that CAC's interpretation of **Section 30(1) (d)** was wrong in so far as an availability search was conducted for the name at CAC and same was approved for incorporation. Therefore, CAC cannot direct/compel it to change its name because it was the duty of the CAC to verify if the suggested name was available for registration.

The defaulting company went further to say that CAC did not have a right to direct that it change its company name and refused to submit the original certificate of incorporation earlier issued it.

At this point the extent of CAC's enforcement powers was called to question and, it was a matter for the court to resolve. This impasse necessitated Suit No: FHC/L/CS/1044/2012 which was instituted at the Federal High Court in Lagos Nigeria between;

1. MR. PRICE GROUP LIMITED -----1ST PLAINTIFF

**2. MR PRICE CHAIN STORES INTERNATIONAL LIMITED -----2ND
PLAINTIFF**

AND

- 1. MR. PRICE WEST AFRICA LIMITED ----- 1ST DEFENDANT**
- 2. REGISTRAR GENERAL CORPORATE AFFAIRS COMMISSIO -----2ND
DEFENDANT**

The 1st Plaintiff is a public trading company based in South Africa. The 1st Plaintiff has two divisions' namely home ware and apparel. The 1st Plaintiff has over 500 stores operating in South Africa and 24 stores operating internationally. As a result of its business expansion the 1st Plaintiff has registered its MR PRICE trademark in many countries around the world, including in Nigeria. The 1st Plaintiff's Nigerian trademark registration for its MR PRICE and RED CAP DEVICE is **23rd June, 2000.** The 2nd Plaintiff is a company incorporated under the Laws of Nigeria carrying on business inter alia of operating a large chain of retail clothing and general trading under the trade name 'MR PRICE'.

The 1st Defendant is a company incorporated in Nigeria with its date of incorporation exhibited on its certificate of incorporation as **21st February, 2011.**

The 2nd Defendant is the relevant agency of the Federal Government of Nigeria set up and charged with the responsibility of the regulation of the business of incorporation and management of affairs of companies in Nigeria.

The 1st Plaintiff discovered the existence of the 1st Defendant and brought the attention of the 2nd Defendant to the erroneous incorporation of 1st Defendant Company based on its earlier trademark registration for **MR PRICE** which was included in the 1st Defendant company name. The 1st plaintiff was seeking for redress under **Section 30(1) (d) of CAMA** from the 2nd Defendant and was urging the 2nd Defendant to evoke its statutory powers under **Section 31(4) of CAMA** to correct the erroneous incorporation.

The 2nd Defendant having satisfied itself that the 1st Defendant was erroneously incorporated as prohibited under **Section 30(1) (d) of CAMA** advised the 1st Defendant that it will have to change its name.

The 1st Defendant was notified of the 2nd Defendant's decision but refused to comply. One of the 1st Defendant ground for refusal to comply was that whether affidavit evidence provided to 2nd Defendant was enough to warrant the 2nd Defendant to direct the 1st Defendant to change its name without being heard.

The Plaintiffs resolved to go to court for the judicial interpretation of **Section 30(1) (d) and 31(4) of CAMA** to determine the issues. The plaintiffs instituted a suit by way of an originating summons at the Federal High Court in Lagos Nigeria and were seeking to determine amongst others;

1. **WHETHER** the interpretation of the extant provisions of Section **30(1)(c) and (d)** of the Companies and Allied Matters Act relates to the correction of an irregularity in the incorporation of any company erroneously incorporated under the Act
2. **WHETHER** the Corporate Affairs Commission after having verified that the consent of the owner of a prior registered trademark or business name has not been obtained before the trademark was incorporated as part of company, can lawfully exercise its statutory powers under **Section 31(4) of the Companies and Allied Matters Act 2004** to declare that the approved company name was incorporated in error and in fact cause same to be deleted from the Register of Company names.

The 1st Defendant on its own formulated four issues for determination namely:

1. Whether by the Averments and Exhibits annexed to the 1st and 2nd Plaintiff/Applicant's originating summons, Mr. Price West Africa Ltd is an infringement on the trademark of Mr. Price Group Ltd that will warrant the Honorable court to grant the Declaratory orders being sought by the 1st and 2nd Plaintiffs
2. Whether the averments and documentary evidence as contained in the affidavit in support of the 1st and 2nd Plaintiff/Respondents originating summons are enough to warrant the exercise of discretion by the 2nd Defendant/Respondent, by purportedly directing the 1st Defendant/Respondent to change its name without being heard or given an opportunity of been heard.
3. Whether by virtue of **Section 31(1) of CAMA**, as between the 1st and 2nd Plaintiff and the 1st Defendant, which name should take precedence?
4. Whether a company registered in another jurisdiction even though a registered trademark can validly question the validity of a company duly incorporated by the 2nd Defendant under the laws of the Federal Republic of Nigeria.

The 2nd Defendant was unrepresented and did not file any processes.

4. INTERPRETATION OF THE COURT

The Judge in his decision for the determination of this case was of this opinion;

Having fully considered the respective processes filed by the parties and written submissions of learned counsel for the 1st and 2nd Plaintiffs and the 1st Defendant, this court is of the opinion that the dispute fall within a very narrow compass i.e **Section 30(1) (d) and Section 31(4) of CAMA.**

The Judge went further to say **Section 30(1) (d)** makes it clear that it is the CAC that would determine whether any Company's name violates an existing trademark or business name. It is not for the court to determine. In this case the CAC has determined that the 1st Defendant Company falls under the list of companies with prohibited names banned from incorporation.

Section 31(4) makes it clear that nothing in the whole of CAMA can stop the CAC from requiring a company to change its name if it is discovered that such a name conflicts with an existing trademark.

I therefore find and hold that the failure of the 1st Defendant to comply with the directive of the CAC in the said letter of 19th January, 2012(CAC's letter directing the 1st Defendant to change its company name) in unlawful.

In the result, the court therefore grant relief 5 as claimed by the 1st and 2nd Plaintiffs, that is:

AN ORDER directing the 1st Defendant to comply with the directives contained in the 2nd Defendant's (i.e Corporate Affairs Commission) letter dated 19th January, 2012.

Cost was awarded in favor of 1st and 2nd Plaintiff to be paid by the 1st Defendant.

A full text of the case can be read in Suit no FHC/L/CS/1044/2012

5. WHY IS THIS DECISION IMPORTANT

In the Supreme Court of Nigeria in the case of **Africa Newspaper v. Federal Republic of Nigeria 1985 NWLR (Pt.6) 137 2(1985) 1 S.C 127** it was said that; "Where the words used in a statute are direct and straight forward and unambiguous, the construction of those words must be based on the ordinary plain meaning of the words."

Similarly, this decision is important because it finally settles the correct interpretation and application of **Section 30(1) (d) and Section 31(4) of CAMA.** It also brings to fore the following questions;

- i) Can CAC give an independent interpretation of CAMA and its application?**

The Supreme Court decision on the interpretation of statutes in the case of Africa Newspaper v Federal Republic of Nigeria (supra) and the judgment reached in this case answers the question that CAC's duty is simply to be guided by the constitutional provision of its enabling law and does not have the duty of expressing a presumption, of what the legislature intends aside the ordinary and natural meaning of the words it employs.

ii) How does CAC enforce compliance?

CAC can enforce compliance, by placing a mandatory bar on all activities of the defaulting company thereby preventing them from doing further business with the name. CAC can also go a step further by placing a caveat in the newspapers alerting the general public not to transact business with the defaulting company under that name. A more punitive action is barring the Directors of the defaulting company from participating in the incorporation of any other company for refusing to comply with CAC's directive.

iii) Does the law require CAC to determine if the goods of registration of the trademark are similar to the objects for which the infringing company was incorporated?

For CAC to reach a decision that the goods of registration of the registered trademark are not similar to the object of the defaulting incorporated company is creating a meaning not intended by the legislation. All that CAMA has required of CAC under **Section 30(1) (d)** is that an incorporated company must not have as part of its company name, an existing trademark or business name that has been registered prior to the date of incorporation of the defaulting company.

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