REPORTABLE
Case No: 382/99

In the matter between:

PEREGRINE GROUP (PTY) LTD
and OTHERS **Appellants**

and

PEREGRINE HOLDINGS LTD
and OTHERS **Respondents**

Coram: HEFER ACJ, HARMS AND NAVSA JJA
Heard: 7 MAY 2001
Delivered: 31 MAY 2001

Subject: Company names: "undesirable" or "calculated to cause damage" under s 45(2A) of the Companies Act 61 of 1973.

JUDGMENT

HARMS & NAVSA JJA:

[1] The main issue in this case is whether the names of the respondent companies are "undesirable" or "calculated to cause damage" to the appellant companies. In this regard reliance is placed upon s 45(2A) of the Companies Act 61 of 1973 (inserted by s 1(b) of Act 18 of 1990) which reads:

> "Within a period of two years after the registration of any memorandum . . . or after the date of . . . a certificate of change of name, . . . a person who has not lodged any relevant objection in terms of subsection (2) may apply to the Court for an order directing the company concerned . . . to change the said name . . . on the grounds that the said name . . . is undesirable or is calculated to cause damage to the applicant, and the Court may on such application make such order as it deems fit."

Another issue closely allied to the question of "calculated to cause damage" is one of passing off. Both complaints concern the use of the word "Peregrine" as part of the respondent companies' names and gave rise to an application in the Witwatersrand Local Division launched during August 1998. The application was dismissed with costs by Lazarus AJ and his judgment is reported as *Peregrine Group (Pty) Ltd and Others v Peregrine Holdings Ltd and Others* 2000 (1) SA 187 (W). With leave of the Court below the appellants appeal against the dismissal of the application.

[2] The judgment of the Court below is extensive and contains a detailed history of the circumstances giving rise to the present dispute. Only some of its factual and legal findings were attacked on appeal and in what follows we will refer to such parts only as are relevant for purposes of this judgment.

[3] The respective details of the appellants' names are these: Peregrine Group (Pty) Ltd (1st appellant), Peregrine Properties (Pty) Ltd (2nd), Peregrine Project Finance (Pty) Ltd (3rd), Peregrine Properties No 2 (Pty) Ltd (4th), Peregrine Properties Share Block No 3 (Pty) Ltd (5th), Peregrine

Properties No 5 (Pty) Ltd (6th), and Peregrine Properties No 6 (Pty) Ltd (7th).

[4] Those of the respondents are Peregrine Holdings Ltd (1st respondent), Peregrine Financial Services Holdings Ltd (2nd), Peregrine Structuring (Pty) Ltd (3rd), Peregrine Networks (Pty) Ltd (4th), Peregrine Equities (Pty) Ltd (5th), Peregrine Commodities (Pty) Ltd (6th), Peregrine Strategic Investments (Pty) Ltd (7th), Peregrine Harvest (Pty) Ltd (8th) and Peregrine Systems (Pty) Ltd (9th). The case against three other respondents, Peregrine Systems (Pty) Ltd, Peregrine Securities (Pty) Ltd and Peregrine Research (Pty) Ltd was withdrawn in the Court below because of the two year jurisdictional limitation. The Registrar of Companies was a nominal respondent. It is accepted that the respondent companies adopted the Peregrine name without knowledge of the existence of the appellants and the question of lack of good faith or an intention to ride on the backs of the appellants do not arise. Although not common cause in the Court below, it is

now that the respondents nos 1 to 9 are not protected by the time limit of two years.

[5] Even though the appellants conduct their respective businesses from the same offices, utilise the same staff and share one director, they are distinct companies without any legal connection and do not constitute a "group" of companies within the meaning of the term in par 4(q) of Schedule 4 of the Act. The name of the first appellant is therefore misleading. The respondents, on the other hand, do form a proper group, the first being the holding company of the second and the second, in turn, that of the others.

[6] Ignoring a basic rule of company law, the appellants founded their case upon the assertion that they constitute a group of companies and that they, in that capacity, have a vested interest and a right of exclusivity in the word "Peregrine". The use of the word by the respondents, they allege, is undesirable since it may confuse the public and, in any event, it is calculated

to cause them damage. By presenting their case on this basis the appellants themselves created a great deal of confusion and lapsed into generalisations and, instead of relying on evidence, relied on unsubstantiated allegations. This, quite rightly, did not endear itself to Lazarus AJ who commented (at 203B-C):

"The applicants have attempted to argue that, because one of them (the third applicant) is engaged in the same field of activity as a division of the third respondent, all of the applicants are entitled to climb on the third applicant's bandwagon. There is no warrant for this approach. The applicants cannot, under the guise that they constitute a 'group', use this as a means of blurring their separate legal identities and, in particular, as a means of ignoring the fact that none of the applicants (save for the third applicant) conducts business in the same field of activity as any of the respondents."

[7] The proper approach to an inquiry in terms of the section was dealt with by JB Cilliers in a two part article entitled "Similar company names: A comparative analysis and suggested approach" 1998 *THRHR* 582 and 1999 THRHR 57. In the second part (at 68-69) he states:

"The merits to be considered by the courts are whether, on a balance of probability, and on the evidence before it, the existing company has such vested rights in its name or particular words in its name that the registration of the new company or the amended name of another company is undesirable, or whether the existing company has shown not only that confusion or deception is likely, but if either ensues it will probably cause it damage. This distinction clearly delineates the two pillars of the protection against the similar company names under the Companies Act 1973 (SA)."

[8] Concerning the "undesirable" inquiry, Lazarus AJ, after an analysis of the case law, pointed out that by the introduction of the word "undesirable" the Legislature must have intended to create a new and more liberal test than the test of calculated to cause damage to the earlier company name in the recognition that proof of damage is often difficult for the objector to establish (198E) and concluded that -

"In my view it is inappropriate to attempt to circumscribe the circumstances under which the registration of a company name might be found to be 'undesirable'. To do so would negate the very flexibility intended by the Legislature by the introduction of the undesirability test in the section and the wide discretion conferred upon the Court to 'make such order as it deems fit'.

For the purposes of the present matter it suffices to say that, where the names of companies are the same or substantially similar and where there is a likelihood that members of the public will be confused in their dealings with the competing parties, these are important factors which the Court will take into account when considering whether or not a name is 'undesirable'. It does not follow that the mere existence of the same or similar names on the register (without more) is 'undesirable'."

(At 198J-199C.) We have some reservations concerning the reference to the "same" names in the last sentence. Since this case does not concern identical company names, more need not be said about the matter. Cf the minority judgment in *Hollywood Curl (Pty) Ltd v Twins Products (Pty) Ltd (2)* 1989 (1) SA 255 (A) 266I-J. Otherwise we agree with the approach whilst noting that the only aspect of undesirability raised by the appellants is the likelihood of confusion.

[9] The second leg of the section, “calculated to cause damage”, usually resolves itself in the same inquiry, namely the likelihood of confusion or deception (*Hollywood Curl* at 262F). The same applies to passing off (e g *Reckitt & Colman SA (Pty) Ltd v S C Johnson & Son SA (Pty) Ltd* 1993 (2) SA 307 (A) 315A-C). Since in our judgment for reasons that follow there is no likelihood of confusion or deception, it becomes unnecessary to deal with the different causes of action involved separately.

[10] Cilliers's reference to the civil standard of proof does not relate to the value judgment but the underlying or background facts. It was submitted by the appellants that an objector to a name under the section who seeks relief on the basis that the name was “undesirable” faces a lower threshold of proof than one who objects to a name on the basis that it is “calculated to cause damage” to the objector. There is nothing in the statute itself to support this submission. More importantly, there ought in principle to

be no distinction in the standard of proof in respect of the two grounds of challenge. The ordinary civil standard ought to apply to each. In *Cowbell AG v ICS Holdings Ltd* (an unreported judgment of this Court of 16 March 2001), dealing with the interpretation of the words "likely to deceive of cause confusion" in s 17 (1) of the now repealed Trade Marks Act 62 of 1963 it was said that "likelihood" refers to a "reasonable probability". In effect it was held that in determining a "likelihood" a party must prove its case on a balance of probability. (Lazarus AJ - at 197H-I - probably misread *Kredietbank van Suid-Afrika Bpk v Registrateur van Maatskappye en Andere* 1978 (2) SA 644 (W): it was not decided on a "possibility" of confusion.)

[11] What vested rights did the appellants have in the word? "Peregrine" is, as Lazarus AJ held, an ordinary English noun (although not in common use, we would suggest) in present context describing a sub-species

of falcon. It is not an ordinary generic word (199G) and it is not in the present context descriptive of the services of any of the parties in this case (200C-F). We do not, however, agree with him that the word *in itself* may not be "uniquely distinctive" (201D). It appears to us to have potentially strong distinguishing characteristics and if we may be permitted to refer to the names Tiger or Lion in a trade mark or even company name context, the point is well illustrated. On the other hand, the use of the name of an animal as part of a company name does not of necessity mean that no other company can use that animal as part of its name. Tiger Brands and Tiger Wheels are companies listed on the JSE, and we would have been surprised if it were alleged that their names are confusingly similar. Whether or not a word is distinctive depends on the context of the case.

[12] However, the problem facing the appellants is that "peregrine" had lost any distinctiveness as part of a company name before the respondents

adopted it as part of their names. This is partly the result of the practice of the Registrar of Companies who, over many years predating the registration of any of the appellants, permitted the registration of a large number of companies and close corporations having as part of their names the word peregrine. The ones who are still in business and whose names bear the closest connection to those of the parties are Peregrine Homes (Pty) Ltd (since 1968) and Peregrine Investments (Pty) Ltd (since 1969). The first registration in the appellants' camp is September 1993. In addition, there are the erstwhile respondents in this case, Peregrine Systems (Pty) Ltd, Peregrine Securities (Pty) Ltd and Peregrine Research (Pty) Ltd, all of whose names are unimpeachable. Further, the persons controlling the appellants created the potential of confusion by permitting their independent registrations using the same word, peregrine, as the dominant feature. They even permitted its use to identify a consortium, Peregrine International, involving third parties. The evidence of the appellants suggests that their own clients are unable to distinguish between their different corporate identities. Reliance on the “group” concept does not avail them, even if they were truly a group in the company law sense. The appellants are not the “co-owners” of the name Peregrine. Since they are not bound together in any legal manner, any one or more of them may leave the common office and compete with those remaining as an independent entity, using Peregrine as dominant part of its name. By its very nature goodwill cannot enure to the joint benefit of parties who have no legal commonality.[1]

In sum, the registration of the respondents' names was not the cause of the likelihood of confusion because of the gradual erosion of the distinctive character of the word as part of a company name. And, because the appellants were not the first to adopt the word as part of their names, they cannot rely upon a vested right by virtue of first use or registration (cf Cilliers

1 Certification and collective trade marks also require one or other commonality: s 42 and 43 of the Trade Marks Act 194 of 1993.

at 67).

[13] The appellants resorted to the argument that the risk of public confusion may be compounded by the fact that the appellants and the respondents are involved in the same field of commercial activity. According to the appellants their principal business undertakings are property development, the furnishing of financial advice and expertise associated in particular with property developments and the provision of structured finance packages. The respondents' business was described by Lazarus AJ as follows (194C-E):

"The principal business undertakings carried out by the respondents are stated in the first respondent's prospectus to be the provision of specialised financial expertise to the leading financial institutions and corporations in South Africa, including the provision of structured financial packages for the acquisition and development of commercial property. The mainstay of the respondents' group's business is derivative-based financial structuring and corporate structuring. The derivative structuring business and the corporate structuring business are divisions of the third respondent. The derivative-based financial structuring and corporate structuring accounts for more than 90% of the business of the respondent group as a whole. Derivative structuring is an extremely specialised form of financial service, which involves rendering advice to clients concerning the use of derivatives to modify their risk profile and exposure in various financial markets. A derivative is an instrument of trade which derives its existence from an underlying equity, bond or like recognised financial instrument."

[14] He found on the evidence that there is no identity of business between those of the appellants and the respondents save for a certain amount of overlapping between the third applicant's structured property finance customer base and the customer base to whom the third respondent provides derivative based financial structuring services (196F-G). We agree with his analysis and conclusion.

[15] It is then necessary to turn the attention to the activities of the third appellant, Peregrine Project Finance (Pty) Ltd. This company was registered under the name Peregrine Properties No 4 (Pty) Ltd on 8 November

1993 and its main object was to carry on the business of an investment company. On 18 May 1998, its name was changed to the present one and its main object to operate as a finance company. These changes postdate the change of name of the second respondent who, on 29 April 1998, changed its name from Peregrine Holdings Ltd to Peregrine Financial Services (Pty) Ltd. The third appellant admits that it had a motive in choosing a name as close as possible to that of one of the respondents: it was done for "defensive purposes" and to bring home to the public the fact that the third appellant is involved in project financing. (In the affidavit the appellants pitched their case higher, relying on the allegation that they all are involved project financing, but that contention has already been disposed of.)

[16] This strategic move by the third appellant cannot create rights it did not otherwise have. What stands to be compared is its original name with that of any one of the respondents. Because of the dilution of "Peregrine", we

do not believe that there is a likelihood of confusion between “Peregrine Properties No 4 (Pty) Ltd” and any of the respondents' names.

[17] In addition, it was not established that the third appellant had a reputation in relation to the provision of structured finance packages for the acquisition and development of commercial property (a term lifted by the appellants from the respondents' prospectus). The evidence does not establish that at the relevant time it was involved in this line of business. The relevant time is either 2 September 1997 (the date of the third respondent's registration) or at the latest 29 April 1998, the date of the second respondent's name change. Cf *Caterham Car Sales & Coachworks Ltd v Birkin Cars (Pty) Ltd and Another* 1998 (3) SA 938 (SCA) par 22. Confusion is not likely unless the third appellant had, at those dates, “in a practical and business sense, a sufficient reputation amongst a substantial number of persons who are either clients or potential clients of his business” (ibid par 20). In evidence, the

appellants relied upon three deals: the first was “in 1997" and was concluded in November of that year. Assuming this to have occurred before the first relevant date, a single deal without more does not establish the required reputation. The second deal took place some time during 1998 and also the third one. The Court below's conclusions on this leg of the inquiry (202F-204B) have therefore not been shown to have been incorrect.

In the result the appeal is dismissed with costs, including the costs of two counsel.

L T C HARMS
JUDGE OF APPEAL

M S NAVSA
JUDGE OF APPEAL

AGREE:

HEFER ACJ