

# **OH! WHAT'S IN THE NAME?**

**By Subash Agarwal, Advocate**

## **INTRODUCTION**

1. Normally Sec. 20 to sec. 25 of the Companies Act, 1956 govern matters relating to names of companies. However, in the disputes relating to names of companies, the courts are not guided by these sections only. They also look upon the instructions issued by the Department of Company Law Administration and various Departmental circulars. Even the principles governing tort of 'passing off' are applied.

## **WHAT IS "PASSING OFF"?**

2. As per section 27(2) of the Trade and Merchandise Act, "passing off" is the wrong committed by a person who sells goods or carries on business etc. under such a name, mark, description or otherwise in such a manner as to mislead the public into believing that the goods or business etc. is that of another person.

But in an action for "passing off" the thing said to be passed off must resemble the thing for which it is passed off. For instance, where a film used the title of a song but the theme of the film is different from that of the song and the song is not sung in the film, there is no case of "passing off". [AIR 1940 PC 55 (PC)]

## **REGISTRATION OF NAMES**

3. Persons desirous of forming a company have to make an application with the Registrar of Companies of the state in which the registered office of the company is to be located in the requisite form alongwith the requisite fees.

But one is not free to adopt a name at his sweet will. Sec. 20(1) provides that a company shall not be registered by a name which in the opinion of the Central Government is undesirable.

## **WHEN A NAME IS CONSIDERED UNDESIRABLE**

4. In the following cases, a name is considered undesirable-

### **4.1 As per sec. 20(2):**

When a name is identical with, or too closely resembles, the name by which a company in existence has been previously registered.

### **4.2 As per circular letter No. 10(1) RS/60 dtd. 01.04.60:**

The above circular provides for a name to be considered undesirable, inter alia, apart from above, in cases where names under which well known firms and other bodies are doing business or if the proposed name differs from the name of an existing company merely in the addition or subtraction of word like New, Modern, Nav etc. or if the proposed name closely resembles the popular or abbreviated descriptions of important

companies or if it attracts the provisions of the Emblem and Names (Prevention of Improper Uses ) Act, 1950.

### **ADOPTION OF IDENTICAL NAME-** **Principles enunciated by the courts-**

#### **5.1 Adoption of a name similar to an unregistered existing company:**

Courts have in certain circumstances restrained the adoption of a name by a company, closely resembling the name of an existing unregistered company that is, a firm or a proprietary concern.

In an old English case and often quoted in the Company Law text books- *Ewing v. Buttercup margarine Co. Ltd.*(1917) 2Ch.1(CA), the Court of Appeal held that when a limited company is incorporated under a name closely resembling the business name of an existing trader, the court has jurisdiction to restrain the company from using the name, however innocently adopted, if it is of the opinion that the name is calculated to divert customers of the established business to the new company or to mislead the public to suppose that the new company is connected with the existing trader's business.

In *K.M.Multani v. Paramount Talkies of India Ltd.*(1943) 13 Comp. Cas. 90 it was held that under the common law, both English and India, a company by registering its name gains a monopoly over that name. The court will restrain a projected new company from adopting a name so similar to that of the unregistered company as to be calculated to deceive the public if it intends to carry on the same business as the unregistered company. Importance of sameness of business in "passing off" action was highlighted in *Rolls Razor Ltd. V. Rolls Lighters Ltd.* 66 Reports of Patent, Design and Trade Mark cases No. 12 where the plaintiff was the manufacturer of razors while the defendants were manufacturing lighters.

It was held that the goods manufactured by the defendants were not the same as the goods manufactured by the plaintiff. Therefore, no "passing off" had occurred and the action will not lie.

#### **5.2Adoption of a geographical name:**

In order to claim exclusive and monopoly right over a geographical name, the claimant has a very heavy onus of proof in establishing that the "name" has acquired a secondary meaning in his case because of the distinctive character of his goods.

In *Bristol Myers Co. v. Bristol Pharmaceutical Co. Ltd.*(1968) Reports of Patent, Design and Trade Mark Cases No. 9, it was observed that the plaintiff has to establish that "Bristol" which is better known as the name of a large city in that country, has acquired a secondary meaning so that when applied to pharmaceutical products, it denotes those of plaintiff's. There is clearly in such cases, a very heavy onus of proof on the plaintiffs who seek to establish the secondary meaning.

In *Nilgiris dairy Farm v. S. A .Rathnasabapathy* (1975) 2 Kar LJ 505, the Division Bench of the Karnataka High Court held that even though "Nilgiris" was a geographical name, the name "Nilgiris dairy Farm" had acquired a valuable reputation to the extent necessary to maintain an action for passing off and the court would restrain the unauthorised use of that name.

In a recent case before the Madras High Court in *Manipal Housing Finance Syndicate Ltd. v. Manipal Stock & Share Brokers Ltd.* (1996) 98 Com Case 432, one of the warring group (the plaintiffs) of the famous Pai family of Manipal sought permanent injunction restraining the other group (the defendants) of the same family from passing off their business as the business of the plaintiffs by using the expression “Manipal” as part of their corporate name or otherwise in the course of their business. But it was averred by the defendants that “Manipal” is the name of a town- a major finance, industrial and educational centre. It is not an invented word but a geographical word and therefore, plaintiffs can not claim monopoly over it. It was also pointed out that in Manipal itself, there are many business establishments which use the word “Manipal”.

The Court after delving deep into the facts held that the plaintiffs have failed to make out a prima facie case that “Manipal” as part of corporate name had acquired extensive goodwill and a secondary meaning as referring exclusively to the plaintiff companies and dismissed the applications for injunction.

### **5.3 Adoption of a surname:**

Recently in a case before the Bombay High Court in *Kirloskar Diesel Recon. Pvt. Ltd. v. Kirloskar Proprietary Ltd.* AIR 1996 Bom 149, the defendant who had registered companies with the surname of “Kirloskar” and asserted a right to do so on the ground that his name was Kirloskar, it was held that the incorporation of the defendant’s companies with the word “Kirloskar” was very recent, whereas the existence of the plaintiff’s business belonging to the Kirloskar group of companies had been over 50 years and the name Kirloskar had acquired commercial goodwill, the passing off action can be sustained.

### **5.4 When the name is descriptive and not distinctive:**

Courts have held that when the words in the name are of a descriptive nature and not distinctive, there is no passing off. In *Teju Singh v. Shanta Devi* AIR 1974 AP 274, the Division Bench of the Andhra Pradesh High Court declined to grant injunction against the defendant who was carrying on the business in the name of “Only One Day Electric Dry- Cleaners” on an application by the plaintiff who was also carrying on the same business in the name of “One Day Electric Dry Cleaners”.

The Court held, after finding that their sign boards were totally different in their design and the common man was not likely to be deceived, that these words do not indicate any special skill and, therefore, the names are only of a descriptive nature and not distinctive so as to sustain the passing off action.

### **5.5 Estoppel by conduct:**

In *Habib Bank Ltd. v. Habib Bank A. G. Zurich* (1983) PTC 181, the Court of Appeal in U. K. had the occasion to examine a case where after the nationalisation of the Pakistani Banks, the plaintiff tried to obtain the effective management of the defendant bank (which was incorporated in Switzerland at the behest of the plaintiff bank) and on being unsuccessful sought relief by alleging that the defendants were passing off the business as that of the plaintiff’s. The court held that there was no misrepresentation on the part of

the defendants and the plaintiff's had failed to establish any malafides on the part of the defendant whose trading name, style and objects were assumed with the consent of the plaintiff. Therefore, the principal of estoppel by conduct would disentitle the plaintiffs to the equitable remedy of injunction.

#### **5.6 When the words in the name are descriptive of a class of goods:**

In *British Vacuum Cleaner Co. Ltd. v. New Vacuum Cleaner Co. Ltd.* 24 No. 28 Reports of Patent Design and Trade Mark Cases 641, it was held that the words " Vacuum Cleaner" used by the plaintiffs and the defendants represents a class of machine and the plaintiffs having failed to establish a secondary meaning, the action to restrain the use of the words was liable to be dismissed.

#### **5.7 Onus in a passing off action:**

In *Ellora Industries v. Banarasi Dass Goela* AIR 1980 Delhi High Court observed- " The purpose of tort of passing off is to protect commercial goodwill; to ensure that people's business reputations are not exploited ...It is thus complementary to trade mark law which is founded upon statute rather than common law... the onus in a passing off action lies upon the plaintiff to establish the existence of the business reputation which he seeks to protect."

But in a case where the claimant claims monopoly over a geographical name or a surname, there is a very heavy onus of proof on him to establish that the word has acquired a secondary meaning for him.

However, it may be noted that in a passing off action the plaintiff is not required to establish fraudulent intention on the part of the defendant. [*Kirloskar Diesel Recon (P) Ltd.v. Kirloskar Proprietary Ltd.*(Supra)]

#### **6. Remedy when two companies are registered with the identical names:**

Sec.22 provides for the rectification of name of company in such cases As per sec. 22 if a company finds, through inadvertance or otherwise, it is registered by a name which, in the opinion of the Central Government, is identical with the name by which a company has been previously registered, it may on its own motion change its name by passing an ordinary resolution with the previous approval of the Central Government. However, the Central Government has also been empowered to direct the change of name within twelve months of the registration of name.

The powers of the Central Government under section 22 (and also under section 20) have been delegated to the Regional Directors vide Notification No. GSR 507 (E) dated 24.06.1985.

#### **6.1 Whether period of limitation of 12 months laid down under section 22 can be extended by writ-**

The issue was dealt with by the Andhra Pradesh High Court in *Sidhvi Construction (India) Pvt. Ltd. v. ROC & Ors.* 90 Com case 299, where the court held-

" When the limitation prescribed by the statute had expired, it would not open to this court to extend the same by exercising the powers under article 226 of the Constitution of India. This court cannot compel respondents Nos. 1 and 2 to pass orders in violation of

statutory provisions which have the effect of extending the period of limitation under the Act. The judgement of the Supreme Court in Hope Textiles Ltd.'s case (1995) Suppl. 3 SCC 199 is directly on this issue where the Supreme Court has held that the "writ of mandamus can be issued to a statutory authority to compel it to perform its statutory duty, but it cannot be issued to compel the authority to pass an order in violation of statutory provisions".

Though learned counsel for the petitioner vehemently submits that it is open to this court to issue appropriate directions in the interest of justice, even though the limitation had already expired, I am unable to persuade myself on this issue."

## **7. Conclusion**

A careful perusal of the aforesaid discussed cases reveal a set pattern in the judicial thinking. Courts have stepped in wherever the name of the new company is so similar to the existing company/establishment that it is likely to mislead the public or divert the customers even if the intention is not fraudulent. Where the name involved is geographical, surname or descriptive in nature over which nobody can claim monopoly, courts, before restraining the new company, always see that the name has acquired a secondary meaning or commercial goodwill. Courts have refrained from granting injunction or ordering rectification under section 22 where the plaintiffs have connived at the continuation of a similar/ identical name but changed tack when their vested interest was not served.

In the interest of justice and public good, courts have even departed from the normal rule enshrined in sec. 20 that a company shall not be registered by a name which is similar to the name by which a company in existence has been previously registered like in *Executive Board of the Methodist Church in India & Anr. V. Union of India & Ors. (1985) 57 Com. Cases 443 (Bom.)* In this case the court ordered the removal of the name of an existing company (fourth respondent)- Methodist Church of India and allowed the petitioners to adopt a similar name because it was felt that the fourth respondent company was formed by a group of individuals to "facilitate" usurping the properties of the Methodist Church.