

SOUTH AFRICA / JUDGMENT

Cetrecore CC and Another v Timbacore CC and Others (7268/09) [2010] ZAWCHC 522 (1 November 2010)

[2010] ZAWCHC 522**COURT**

Western Cape High Court, Cape Town

BEFORE

Yekiso

CASE / FILE NUMBER

7268/09

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Source record**IN****THE HIGH COURT OF SOUTH AFRICA****(WESTERN****CAPE HIGH COURT, CAPE TOWN)****CASE****NO: 7268/09****In****the matter between:****CENTRECORE****CC**

.....1st

Applicant**TIMBERCORE****CC**

.....2nd

Applicant**And****TIMBACORE****CC**

.....1st

Respondent**NATHANIEL****ROBERTS**

.....2nd

Respondent**UNIFORM****SA LTD**

.....3rd

Respondent

THE
 REGISTRAR OF CLOSE CORPORATIONS4th
 Respondent
 and

in the counter-application
 between: TIMBACORE
 CC
Applicant
 CENTRECORE
 CC
1st
 RespondentTIMBERCORE
 CC
2nd
 RespondentUNIFORM
 SA LTD
3rd
 Respondent

JUDGMENT

DELIVERED ON 1 NOVEMBER 2010

YEKISO, J

[1] This matter concerns an application, on the one hand, and a counter-application, on the other hand, for interdictory relief based on the common law delict of passing off. These applications will be referred to as the main application and the counter application as and when a need will arise to specifically refer to each such application.

[2] Two applicants have been cited in the main application whilst only one applicant has been cited in the counter-application.

[2.1.] The first applicant in the main application is Centrecore CC ("Centrecore"), bearing registration no 1986/017212/23, a close corporation duly incorporated in terms of the Close Corporation Act, 69 of 1984 ("the Close Corporation Act") having its registered address at 20 Station Road, Maitland

[2.2.] The second applicant is Timbercore CC ("Timbercore"), bearing registration no 1989/020923/23, similarly a close corporation duly incorporated in terms of the Close Corporation Act, having its registered address at 33 Station Road, Maitland.

[3]

[3.1.] By way of a notice of motion issued out of this Court, the applicants in the main application seek an interdictory relief against Timbacore CC ("Timbacore") and a Nathaniel Roberts ("Roberts"), cited as the first and the second respondents, respectively, interdicting and restraining the first and the second respondent from passing off their business and the goods

sold in their business as being those of the applicants or, as being associated with those of the first and the second applicant, by the use of the trade marks Centrecore and Timbacore, or any other mark that is deceptively or confusingly similar to the trade marks Centrecore and Timbacore, in relation to their business and goods sold in their business.

[3.2.] A further interdictory relief sought against Timbacore and the said Roberts is an order directing both Timbacore and Roberts forthwith to do all that is necessary to cancel the registration of the domain name www.timbecore.co.za which is being controlled and administered by Uniform SA Ltd.

[3.3.] Uniform SA Ltd and the Registrar of Close Corporations have been cited as the third and the fourth respondents, respectively, in their capacities as the controller of co.za domain names and the controller of the register of Close Corporations. No relief is sought against Uniform SA Ltd and the Registrar of Close Corporations in the event both these entities not opposing the granting of the relief sought.

[4] The applicant in the counter application is Timbacore CC, bearing registration no 2000/033041/23, a close corporation, similarly

incorporated in terms of the Close Corporation Act and having its place of business at 15 Farad Street, Stikland. Timbacore seeks a similar relief against Centrecore and Timbercore to the one sought in the main application except that, in the instance of the counter application, the domain name sought to be cancelled is www.timbercore.co.za as opposed to the domain name www.timbacore.co.za the cancellation of which is sought in the main application. Uniform SA Ltd and the Registrar of Close Corporations have similarly been cited as the third and the fourth respondents in the counter-application.

[5] A further relief sought, both in the main application and the counter-application, is an order directing Timbacore and Roberts, the first and the second respondents in the main application and, in the instance of the counter-application, an order directing Centrecore and Timbercore, the first and the second respondents in the counter-application, to do all that is necessary to change the names of the respective close corporations to a name, in each case, that is not confusingly or deceptively similar to the trade name and trade mark complained of. Before setting out the legal position relating to the law of unlawful competition, in particular, that of passing-off, it is appropriate at this stage to determine if the relief contemplated in this paragraph, namely, an order directing the respondents in the instance of both the application and a counter-application to change the names of the close corporations

concerned, is competent. In the paragraphs which follow, the parties shall be referred to as cited in the main application.

ORDER TO CHANGE NAME

- [6] Mr Sholto-Douglas SC, for the first and the second respondents, makes a point in his submissions, and in argument before me during the hearing of the matter, that the relief sought by either of the parties contemplated in paragraphs 4 and 5 of the both notice of motion and the notice of counter-application in regard to change of names of the close corporations is not competent. He submits that the provisions of section 20(1) and (2) of the Close Corporation Act expressly prohibits the granting of the relief of the kind sought both in the instance of the main application and the counter-application.
- [7] Section 20(1) and (2) of the Close Corporation Act, in broad terms, provides that if, within one year after incorporation of a close corporation it appears to the Registrar that a name as included in the founding statement is undesirable, he or she must order the close corporation concerned to change the offending name. Furthermore, the section provides that any interested person may, similarly within a period of one year after the registration of a founding statement and, on payment of the prescribed fee, apply in writing to the Registrar for an order directing the close corporation concerned to change its name on the ground of undesirability or on the ground that such a name is calculated to cause damage to the person making such an application.
- [8] The section further provides that any interested person may also, within a period of two (2) years after registration of a close

corporation, on the same grounds as indicated in the preceding paragraph, apply to court for an order directing the close corporation to change its name, and the court may, pursuant to such an application, make such order as it deems fit. However, whatever prohibition there may be in regard to change of name or any right to apply to court for such change of name, does not in any way detract from the common law right to institute an action against a close corporation for passing-off a business, goods or services as that of another.

- [9] A close corporation is a creature of statute, created as it is in terms of the provisions of the Close Corporation Act. Any relief sought against an entity incorporated in terms of the Close Corporation Act should be consistent with its provisions. Accordingly, no order is competent if the execution thereof will constitute a violation of any of the provisions of the Close Corporation Act. There does not appear to me, apart from the provisions of section 20 of the Close Corporation Act, to be any legal basis for ordering a close corporation to change its name. Both the main application and the counter-application were brought about long after a period of two (2) years referred to in section 20(2)(b) of the Close Corporation Act had expired. The provisions regarding the period within which the application for change of name must be brought are peremptory. Thus any application made after the expiry of a period of two (2) years referred to in section 20(2)(b) of the Close Corporation Act, as has happened in the instance of this matter, is fatally defective. (See *Computer Training College BK v Registrateur van Beslote Korporasies* 1996(1) SA 1122 (T) at 1125) It therefore follows that the relief sought regarding the change of name, both in the instance of the main

application and the counter-application, is not competent. However, and as correctly pointed out by Mr Sholto-Douglas in his submissions, the relief sought in relation to the internet domain names can be granted if it is found that the applicants or the first respondent have, in relation to their respective applications, established a passing-off.

THE LAW RELATING TO PASSING-OFF

- [10] It has been stated in numerous authorities that a plaintiff in a passing-off action has to prove two elements, the first being that the trademark, get-up, service mark or trade name which he or she says has been imitated has become distinctive, that is, that it has acquired with the public a reputation associated with his or her goods, service or business and, secondly, that the conduct of the offending party is likely or calculated to deceive the public. (Joubert: The Law of South Africa Second Edition Part 2 par 264 at p252 and other authorities cited therein)
- [11] It has often been said that passing-off is one of the most common forms of unlawful competition. It normally takes a form of a trader representing to the public that his or her enterprise, goods or services are those of his competitor. He or she does so by using or imitating his or her competitor's distinctive marks. Rabie JA provides a succinct definition of passing-off in *Capital Estate & General Agencies (Pty) Ltd v Holiday Inns Inc & Others* 1977(2) SA 916 (A) at 929 C-D:

"The wrong known as passing-off consists in a representation by one person that his business (or merchandise, as the case may be) is that of another, or that it is associated with that of another and, in order to determine whether a representation amounts to a passing-off, one enquires whether there is a reasonable likelihood that members of the public may be confused into believing that the business of one is, or is connected with, that of another."

- [12] From the navigation of authorities, it emerges that in a passing-off action a plaintiff must prove the following two things: [12.1] That the trade mark, get up, service mark or trade name which he or she claims has been imitated is known in the market and has acquired with the public a reputation associated with the goods, services or business. Reputation has been said to mean that a substantial number of persons (not every one) are aware of the product and its qualities.

[12.2.] That the defendant's conduct is calculated to deceive the public. Thus, each one of the applicants, in both the main application and the counter-application, in order to succeed in their respective claims, must prove the existence of reputation at the time of the commission of the conduct complained of and a representation made by the offending party that is likely to cause confusion amongst purchasers or potential purchasers of the product. [13] The business activities of all the three entities mentioned in the main application and the counter-application, must be assessed on the basis of the evidence made available to me in order to determine if passing-off has been established. I commence this exercise by casting my search light on Centrecore. CENTRECORE [14] Nathaniel Roberts, the second respondent in the main application, explains in his answering affidavit and the founding affidavit in the counter-application, the circumstances

under which he initially conducted business, for his own account, initially under the name Centrecore North and, ultimately, under the name and style Centrecore Timbers. According to Roberts' version, sometime towards the end of 1999 or the beginning of 2000 he made a proposal to one Harvey Downes, who had a member's interest in both the first and the second applicant, to commence his own business under a separate legal entity. With Downes' express permission he had a close corporation registered under the name Centrecore North. Centrecore and Centrecore North initially shared the same premises at Maitland. Whilst Centrecore carried on with the manufacturing and supply of timber products, Centrecore North's business activity was only limited to the installation of the finished timber products. According to Roberts, from the beginning of 2001 until towards the end of 2006, and with full knowledge and consent of Centrecore, he carried on trade under the name and style of Centrecore Timbers. During that time, according to his version, he (Roberts) was responsible for advertising and the promotion of Centrecore brand and trade mark, thus contributing to building up Centrecore's reputation. [15] Sometime in January 2006 Roberts approached Downes of the first respondent and asked him if he could use the name Timbercore CC in carrying on trade to which request Downes agreed. Up until then, there had been a raging dispute between the first applicant and Roberts regarding the use of the trade name and trade mark Centrecore. On 11 August 2006 the name Centrecore North was changed to Timbacore CC. Towards the end of 2006 Roberts had the domain name www.timbacore.co.za registered. Since January 2007 Roberts had been and is still trading under the name and style of Timbacore CC. According to Roberts, he thus ceased to trade under the Centrecore brand since the beginning of January

2007. He denies that he is passing off his business as that of Centrecore. Evidence on record indeed shows that Timbacore CC commenced trading under that brand since the beginning of January
2007. There is thus no evidence on record to show that, since the beginning of January 2007, Timbacore CC made any representation causing the members of the public to be likely to be deceived or confused into believing that the business of Timbacore is that of or, is in any way associated in the course of trade with the business of Centrecore. Furthermore, there is absolutely no evidence on record to suggest any likelihood of a confusion of the trade mark Timbacore to the business undertaken under the name Centrecore. [16] In paragraph 116 of his answering affidavit and a founding affidavit to the counter-application, Roberts states that Centrecore CC had been aware that the first respondent (Timbacore) had been carrying on trade as Timbacore; that since then Timbacore (first respondent) advertised in many of the same publications as did Centrecore; that they have had frequent dealing with each other, being in the same industry and, despite this, Timbacore has never received either a call or a letter of demand demanding that Timbacore desist from carrying trade under that name. Under these circumstances, it can thus clearly be said that the first applicant acquiesced in the use of the trade name and the trademark of Timbacore. Thus, the first applicant, Centrecore, would be precluded, at this late stage, to start complaining that Timbacore is passing off its goods, services or business as that of Centrecore. [17] The first applicant complains that Timbacore CC advertised as Centrecore in the 2008/2009 and

2009/2010 White and Yellow Pages telephone directory and right above the Centrecore CC entry. The first respondent's (Timbacore CC) response to this complaint is that since it had since 2000 traded under the name and style of Centrecore North until it changed its name to Timbacore CC, it had to accommodate clients for whom work had been done under the name Centrecore North who may have wished to follow up with the first respondent, as for an example, pursuant to a guarantee in respect of work done but who may not have been aware of the first respondent's name change. Roberts thus explains that the listing was not intended to constitute use as a trade mark and that he will in any event not renew the listing when it comes up for renewal at the end of 2010, since most guarantee period would have run out by then. In my view, this is a plausible explanation. The conduct of the first respondent (Timbacore) cannot, in circumstances outlined above, be construed as constituting passing-off. [18] Whilst the first applicant admits that an agreement was reached in terms of which Roberts would start his own business under the name Centrecore North, it is stated on behalf of the first applicant that this was subject to a number of conditions, a breach of which would entitle the first applicant to withdraw the authority to use the name Centrecore. The first respondent denies that the agreement to use the trademark Centrecore was subject to any conditions. The conditions referred to have in any event not been specified, so that there is no basis to reject the first respondent's version that no conditions were attached to the use of the brand or trade mark Centrecore in circumstances stated by Roberts as being improbable. TIMBERCORE [19] It is stated in the applicant's founding affidavit to the main application that the applicants and their predecessor-in-title have since 1978 made continuous use of the Centrecore and Timbercore trade marks in relation to goods, such as fences, decks, cabins, garden poles and services relating to such goods in, amongst others, Western Cape and that the marks have become synonymous with the applicants. And then, of course, claims are being made of significant amounts of money having been spent on advertising the Timbercore mark and that income has been generated through use of the Timbercore trade mark. A reference is then made to a March 2007 copy of a Homemakers publication wherein the logo "Centrecore Timbers" appears as suppliers and installers of timber products. For the period 1 July 2006 to 30 June 2007 an amount of R240,000-00 is claimed to have been spent on advertisements and for the period 1 July 2007 to 30 November 2008 an amount of R406,000-00 is claimed to have been spent on advertising. Prior to 2006, an approximate amount of R16,000-00 is claimed to have been spent on advertising and other promotional efforts. [20] Only composite figures have been furnished in respect of the advertisements of both the Centrecore and Timbercore trade marks

with no indication as regards how much was specifically spent in respect of the Timbercore brand. In the advertisement in the

Homemakers publication referred to in the previous paragraph there is only a reference to Centrecore and there is no specific mention of an entity Timbercore. No particulars relating to the turnover made in respect of Timbercore have been supplied; no financial records or statements, duly verified by Timbercore's accounting officer have been supplied; no income tax

returns have been supplied in proof of a contention that Timbercore has been trading since 1978; no bank statements have been supplied to indicate income generated and expenditure incurred in the course of trade. No annual financial statements which are required to be made in terms of section 58 of the Close Corporation Act, have been supplied. The only documents annexed to the replying affidavit, in an attempt to show that Timbercore was trading, are annexures COR2.1, being a letter from Spoornet dated 15 April 1991 demanding payment of outstanding municipal rates; annexure COR2.2 being a letter from Intersite dated 10 July 2002 demanding payment of arrear rentals; annexure COR2.3 being a diagram of the leased premises in Maitland and dated 8 December 1989 in which reference is made to "lease of land to Harvey Downes trading as Timbercore". This in no way indicates that the entity concerned was effectively carrying on trade at the time, and particularly at the time the first respondent commenced trading under the name and style of Timbacore on 1 January 2007. [21] The evidence of Roberts, on the other hand, is that he first became aware of the name Timbercore either during 1996 or 1997 when he answered the phone while employed by Centrecore, the first applicant, when a caller asked for Timbercore. Roberts states

further in his affidavit that that was the only time he came across the name Timbercore during the entire period he was employed by the first applicant. In the course of investigating the name change in respect of his close corporation, the name Timbercore, which he became aware of during 1996 or 1997, came to his mind. On investigation, with the assistance of the first applicant's

accounting officer, he discovered that Downes and one Andrew Botha were members of Timbercore which appeared dormant at the time.

Roberts is adamant in his evidence that at the time he was employed by the first applicant, Timbercore was not trading at all. To the extent that there appears to be a dispute as to whether Timbercore was trading or not trading at the time, the rule in *Plascon Evans Paints Ltd v Van Riebeeck Paints (Pty) Ltd* [1984] ZASCA 51; 1984

- (3) SA 623 (A) applies, and in terms of that rule, Roberts' version has to be accepted. [22] On the basis of the evidence before me, there does not appear to be any evidence to show that, at the time Timbacore commenced trading, Timbercore was indeed carrying on trade. Accordingly, no credible evidence has been adduced to show that Timbercore, at the time Timbacore commenced trade at the beginning of January 2007, was trading and had thus acquired any reputation worthy of protection. TIMBACORE [23] Timbacore is the subject of the application in the counter-application. It seeks an order to interdict and restrain the first applicant (Centrecore CC) and the second applicant (Timbercore CC) from passing off their business and the goods sold in their business as being those of the first respondent (Timbacore). For Timbacore to succeed in the relief sought, it has to prove all those elements referred to in paragraph [12] of this judgment, namely, that it has acquired with the public a reputation associated with its goods, service or business and that its business activity is not calculated to deceive members of the public. [24] As has already been pointed out elsewhere in this judgment, Roberts of the first respondent approached Downes in late

January 2006 and asked Downes if he (Roberts) could use the trade mark Timbercore to which request Downes agreed. Once Downes had acceded to Roberts' request, that accession constituted a binding agreement in terms of which Roberts could change the name of his business undertaking and to carry on trade under the Timbercore trade mark. The fact that Downes subsequently demanded that Roberts pay him an amount of R5,000-00 for having permitted Roberts to do so, does not alter the initial agreement that Roberts could use the trade name Timbercore in carrying on trade. Subsequent to this agreement, the first respondent changed its name from Centrecore North to Timbacore. Once the first respondent was incorporated, it had the domain name

www.timbacore.co.za registered and this appears to have been towards the end of 2006. When the first respondent commenced trading under the name and style of Timbacore at the beginning of January 2007, it already had the domain name

www.timbacore.co.za registered in its name. [25] In paragraph 30 of the founding affidavit to the counter-application Roberts states how the marketing material, signage, advertisements and branding was changed from the name Centrecore North to Timbacore and all costs attendant to such change. He estimates that the name change alone cost him approximately R100,000-00; he comments about the registration of the domain name towards the end of 2006 and simultaneously ran a website; copies of advertisements in the publication "Elegance at home

- Blaauwberg" wherein the trade mark Timbacore is clearly depicted, is attached; a reference is also made to copies of the first applicant's advertisements annexed to the founding affidavit in the main application wherein the trade mark Timbacore is clearly depicted; the costs of branding for the period 2007 to May 2009 being in the order of R1,256,610-00 and a copy of a statement of account from Home Focus magazine in respect of advertisements for the period up to March 2009 to the tune of R181,262-00 is similarly attached over and above the costs of advertising on Cape Talk which for the year 2008 amounted to R192,000-00. Roberts further states in his affidavit that as a result of marketing and promotional activities of the first respondent in respect of its Timbacore brand, its business has grown substantially and produces a healthy turnover; that a turnover for the year ending 30 June 2007 was R7,684,382-00; for the financial year June 2008, the turnover was in an amount of R8,213,819-00 and for the period ending January 2009 the turnover was in an amount of R5,960,176-00. [26] Roberts concludes by stating that as a result of the extensive use of the trade mark Timbacore by the first respondent (Timbacore), the trade mark Timbacore has become synonymous with the goods and services of the first respondent in the minds of the purchasing

public, and that the first respondent has built up a substantial reputation and goodwill which is associated with its Timbacore trade mark. [27] The first and the second applicants naturally deny the averments by Roberts which denials, in my view, are bald and unsubstantiated. DECEPTION [28] As has already been pointed out in paragraph [24] of this judgment the first respondent (Timbacore) registered the domain name www.timbacore.co.za towards the end of the year 2006 and simultaneously ran a website. Long after the first respondent had

commenced trade under the name and style of Timbacre and, in particular, during October 2008, it was brought to the attention of Roberts that another entity, other than Timbacre, was using the first respondent's (Timbacre) trade mark in relation to its business. This was in the form of annexure NR13 annexed to the founding affidavit in support of the counter-application, which annexure is also annexed as annexure "CA0.2" to the founding affidavit in support of the main application where the domain name www.timbercore.co.za is clearly emblazoned. The advertisement appeared in the September 2008 issue of the Northern Showcase publication. According to Roberts, the domain name complained of simply diverts users to the first applicant's Centrecore website with no reference being made to Timbercore at all. [29] The first applicant does not dispute the advertisement complained of in its answering affidavit, but adopts the position that the second applicant (Timbercore), who enjoys a senior Timbercore corporate name registration, is entitled to register and to use the domain name www.timbercore.co.za and that if both Centrecore and Timbercore choose to divert customers to the first applicant (Centrecore) it is their right to do so. [30] Once the advertisement referred to in the preceding paragraphs had come to the attention of Roberts, he immediately called Ontong (who had since purchased Downes' membership interest in Centrecore) to find out why he had commenced using the name Timbercore and why he had registered the Timbercore website. According to Roberts, Ontong simply laughed when confronted about the use of the Timbercore trade mark and responded "every one needs to find ways to get business". Ontong does not dispute having uttered these words except to say they were uttered in the context of a tirade launched at him by Roberts coupled with baseless accusations. Roberts concludes by stating that the domain name www.timbercore.co.za was emblazoned on Ontong's bakkie which hitherto used to simply have the Centrecore branding and trade mark displayed on it. [31] The first respondent, as has already been pointed out, had had the domain name www.timbacre.co.za registered towards the end of 2006. As early as March 2007 it had already commenced its advertising campaign as annexure "CA0.7"

annexed to the founding affidavit in support of the main application would confirm. According to the applicants (Centrecore and

Timbercore), the domain name www.timbercore.co.za was registered during July 2007 well knowing that ■ the first respondent (Timbacre) already had its domain name www.timbacre.co.za registered and the domain name was depicted in the first respondent's advertisements. I have already pointed out elsewhere in this judgment that there is absolutely no evidence at all to suggest that either Centrecore or Timbercore ever used the trade name Timbercore in the course of trade, at least not before 1 January 2007 when the first respondent (Timbacre) commenced trade under that name. The applicants (Centrecore and Timbercore) had the domain name www.timbercore.co.za, which is confusingly similar to the domain name www.timbacre.co.za registered, well knowing that the domain name concerned was registered in the name of the first respondent (Timbacre). That conduct constitutes deception, in the absence of clear evidence that the trade name Timbercore was used in the course of trade and in circumstances where the

first respondent (Timbacore) was given permission to carry on trade under that name. [32] It therefore follows that the first respondent (Timbacore) has discharged the onus resting on it, to show that the trade mark, and the domain name it subsequently registered, which it claims is being imitated, is known in the market and has acquired with the public a reputation associated with its goods, services and business; and that the registration of the domain name www.timbercore.co.za is calculated to deceive the public. [33] In their notice of motion, the first and the second applicants, in the event of the main application being successful, seek an order of costs against the first and the second respondents, jointly and severally, the one paying the other to be absolved. The second respondent is a member of the first respondent holding a 50% membership share. The first respondent is a separate corporate entity existing independently of its members. Being a separate legal entity, the first respondent is unable to execute its functions and relies on its member to do so or those persons authorised to act on its behalf. The second respondent, vis-a-vis the first respondent, is in the position I have just described. This then raises the question whether it was appropriate for the

applicants to have cited the second respondent as a party over and above the first respondent. [34] As I have pointed out in the previous paragraph, it is trite that corporate entities exist independently of their members. Proceedings against members individually, can only be instituted against those members individually, in the case of close corporations, in those circumstances set out in sections 63 and 64 of the Close Corporation Act. In these proceedings, it has not been shown that the second respondent has fallen foul of any of the provisions of sections 63 and 64 of the Close Corporation Act so as to trigger personal liability. It therefore follows that the citation of the second respondent, as an independent party, is not appropriate. [35] In paragraph [9] of this judgment I found that the relief sought regarding the change of name of the close corporations concerned,

both in regards to the main applicant and the counter-application, is not competent. In paragraph [15] of this judgment I found that there is absolute evidence adduced to suggest a likelihood of a confusion of the trade mark Timbacore to the business undertaken under the name Centrecore. In paragraph [22] I found that no credible evidence has been adduced to indicate that at the time Timbacore commenced trading on 1 January 2007, Timbercore was carrying on trade and had acquired reputation worthy of protection. Lastly, in paragraph [32] I found that Timbacore has succeeded to discharge the onus resting on it to show that it has established reputation, in the course of trade, which is worthy of protection in law and that the registration of the domain name www.timbercore.co.za is deceitful and is calculated to deceive the public.

[12.2.] That the defendant's conduct is calculated to deceive the public.

Thus, each one of the applicants, in both the main application and the counter-application, in order to succeed in their respective claims, must prove the existence of reputation at the time of the commission of the conduct complained of and a representation made by the offending party that is likely to cause confusion amongst purchasers or potential purchasers of the product.

[13] The business activities of all the three entities mentioned in the main application and the counter-application, must be assessed on the basis of the evidence made available to me in order to determine if passing-off has been established. I commence this exercise by casting my search light on Centrecore.

CENTRECORE

[14] Nathaniel Roberts, the second respondent in the main application, explains in his answering affidavit and the founding affidavit in the counter-application, the circumstances under which he initially conducted business, for his own account, initially under the name Centrecore North and, ultimately, under the name and style Centrecore Timbers. According to

Roberts' version, sometime towards the end of 1999 or the beginning of 2000 he made a proposal to one Harvey Downes, who had a member's interest in both the first and the second applicant, to commence his own business under a separate legal entity. With Downes' express permission he had a close corporation registered under the name Centrecore North. Centrecore and Centrecore North initially shared the same premises at Maitland. Whilst Centrecore carried on with the manufacturing and supply of timber products, Centrecore North's business activity was only limited to the installation of the finished timber products. According to Roberts, from the beginning of 2001 until towards the end of 2006, and with full knowledge and consent of Centrecore, he carried on trade under the name and style of Centrecore Timbers. During that time, according to his version, he (Roberts) was responsible for advertising and the promotion of Centrecore brand and trade mark, thus contributing to building up Centrecore's reputation.

[15] Sometime in January 2006 Roberts approached Downes of the first respondent and asked him if he could use the name Timbercore CC in carrying on trade to which request Downes agreed. Up until then, there had been a raging dispute between the first applicant and Roberts regarding the use of the trade name and trade mark Centrecore. On 11

August 2006 the name Centrecore North was changed to Timbacore CC. Towards the end of 2006 Roberts had the domain name www.timbacore.co.za registered. Since January 2007 Roberts had been and is still trading under the name and style of Timbacore CC. According to Roberts, he thus ceased to trade under the Centrecore brand since the beginning of January

2007. He denies that he is passing off his business as that of Centrecore. Evidence on record indeed shows that Timbacore CC commenced trading under that brand since the beginning of January

2007. There is thus no evidence on record to show that, since the beginning of January 2007, Timbacore CC made any representation causing the members of the public to be likely to be deceived or confused into believing that the business of Timbacore is that of or, is in any way associated in the course of trade with the business of Centrecore. Furthermore, there is absolutely no evidence on record to suggest any likelihood of a confusion of the trade mark Timbacore to the business undertaken under the name Centrecore.
- [16] In paragraph 116 of his answering affidavit and a founding affidavit to the counter-application, Roberts states that Centrecore CC had been aware that the first respondent (Timbacore) had been carrying on trade as Timbacore; that since then Timbacore (first respondent) advertised in many of the same publications as did Centrecore; that they have had frequent dealing with each other, being in the same industry and, despite this, Timbacore has never received either a call or a letter of demand demanding that Timbacore desist from carrying trade under that name. Under these circumstances, it can thus clearly be said that the first applicant acquiesced in the use of the trade name and the trademark of Timbacore. Thus, the first applicant, Centrecore, would be precluded, at this late stage, to start complaining that Timbacore is passing off its goods, services or business as that of Centrecore.
- [17] The first applicant complains that Timbacore CC advertised as Centrecore in the 2008/2009 and 2009/2010 White and Yellow Pages telephone directory and right above the Centrecore CC entry. The first respondent's (Timbacore CC) response to this complaint is that since it had since 2000 traded under the name and style of Centrecore North until it changed its name to Timbacore CC, it had to accommodate clients for whom work had been done under the name Centrecore North who may have wished to follow up with the first respondent, as for an example, pursuant to a guarantee in respect of work done but who may not have been aware of the first respondent's name change. Roberts thus explains that the listing was not intended to constitute use as a trade mark and that he will in any event not renew the listing when it comes up for renewal at the end of 2010, since most guarantee period would have run out by then. In my view, this is a plausible explanation. The conduct of the first respondent (Timbacore) cannot, in circumstances outlined above, be construed as constituting passing-off.
- [18] Whilst the first applicant admits that an agreement was reached in terms of which Roberts would start his own business under the name Centrecore North, it is stated on behalf of the first applicant that this was subject to a number of conditions, a breach of which would entitle the first applicant to withdraw the authority to use the name Centrecore. The first respondent denies that the agreement to use the trademark Centrecore was subject to any conditions. The conditions referred to have in any event not been specified, so that there is no basis to reject the first respondent's version that no conditions were attached to the use of the brand or trade mark Centrecore in circumstances stated by Roberts as being improbable.

TIMBERCORE

[19] It is stated in the applicant's founding affidavit to the main application that the applicants and their predecessor-in-title have since

1978 made continuous use of the Centrecore and Timbercore trade marks in relation to goods, such as fences, decks, cabins, garden poles and services relating to such goods in, amongst others, Western Cape and that the marks have become synonymous with the applicants. And then, of course, claims are being made of significant amounts of money having been spent on advertising the Timbercore mark and that income has been generated through use of the Timbercore trade mark. A reference is then made to a March 2007 copy of a Homemakers publication wherein the logo "Centrecore Timbers" appears as suppliers and installers of timber products. For the period 1 July 2006 to 30 June 2007 an amount of R240,000-00 is claimed to have been spent on advertisements and for the period 1 July 2007 to 30 November 2008 an amount of R406,000-00 is claimed to have been spent on advertising. Prior to 2006, an approximate amount of R16,000-00 is claimed to have been spent on advertising and other promotional efforts.

[20] Only composite figures have been furnished in respect of the advertisements of both the Centrecore and Timbercore trade marks

with no indication as regards how much was specifically spent in respect of the Timbercore brand. In the advertisement in the

Homemakers publication referred to in the previous paragraph there is only a reference to

Centrecore and there is no specific mention of an entity Timbercore. No particulars relating to the turnover made in respect of Timbercore have been supplied; no financial records or statements, duly verified by Timbercore's accounting officer have been supplied; no income tax returns have been supplied in proof of a contention that Timbercore has been trading since 1978; no bank statements have been supplied to indicate income generated and expenditure incurred in the course of trade. No annual financial statements which are required to be made in terms of section 58 of the Close Corporation Act, have been supplied. The only documents annexed to the replying affidavit, in an attempt to show that Timbercore was trading, are annexures COR2.1, being a letter from Spoornet dated 15 April 1991 demanding payment of outstanding municipal rates; annexure COR2.2 being a letter from Intersite dated 10 July 2002 demanding payment of arrear rentals; annexure COR2.3 being a diagram of the leased premises in Maitland and dated 8 December 1989 in which reference is made to "lease of land to Harvey Downes trading as Timbercore". This in no way indicates that the entity concerned was effectively carrying on trade at the time, and particularly at the time the first respondent commenced trading under the name and style of Timbacore on 1 January 2007.

[21] The evidence of Roberts, on the other hand, is that he first became aware of the name Timbercore either during 1996 or 1997 when he answered the phone while employed by Centrecore, the first applicant, when a caller asked for Timbercore. Roberts states

further in his affidavit that that was the only time he came across the name Timbercore during the entire period he was employed by the first applicant. In the course of investigating the name change in respect of his close corporation, the name Timbercore, which he became aware of during 1996 or 1997, came to his mind. On investigation, with the assistance of the first applicant's

accounting officer, he discovered that Downes and one Andrew Botha were members of Timbercore which appeared dormant at the time.

Roberts is adamant in his evidence that at the time he was employed by the first applicant, Timbercore was not trading at all. To the extent that there appears to be a dispute as to whether Timbercore was trading or not trading at the time, the rule in *Plascon Evans Paints Ltd v Van Riebeeck Paints (Pty) Ltd* [1984] ZASCA 51; 1984

(3) SA 623 (A) applies, and in terms of that rule, Roberts' version has to be accepted.

[22] On the basis of the evidence before me, there does not appear to be any evidence to show that, at the time Timbacore commenced trading, Timbercore was indeed carrying on trade. Accordingly, no credible evidence has been adduced to show that Timbercore, at the time Timbacore commenced trade at the beginning of January 2007, was trading and had thus acquired any reputation worthy of protection.

TIMBACORE

[23] Timbacore is the subject of the application in the counter-application. It seeks an order to interdict and restrain the first applicant (Centrecore CC) and the second applicant (Timbercore CC) from passing off their business and the goods sold in their business as being those of the first respondent (Timbacore). For Timbacore to succeed in the relief sought, it has to prove all those elements referred to in paragraph [12] of this judgment, namely, that it has acquired with the public a reputation associated with its goods, service or business and that its business activity is not calculated to deceive members of the public.

[24] As has already been pointed out elsewhere in this judgment, Roberts of the first respondent approached Downes in late January 2006 and asked Downes if he (Roberts) could use the trade mark Timbercore to which request Downes agreed. Once Downes had acceded to Roberts' request, that accession constituted a binding agreement in terms of which Roberts could change the name of his business undertaking and to carry on trade under the Timbercore trade mark. The fact that Downes subsequently demanded that Roberts pay him an amount of R5,000-00 for having permitted Roberts to do so, does not alter the initial agreement that Roberts could use the trade name Timbercore in carrying on trade. Subsequent to this agreement, the first respondent changed its name from Centrecore North to Timbacore. Once the first respondent was incorporated, it had the domain name www.timbacore.co.za registered and this appears to have been towards the end of 2006. When the first respondent commenced trading under the name and style of Timbacore at the beginning of January 2007, it already had the domain name

www.timbacore.co.za www.timbacore.co.za registered in its name.

- [25] In paragraph 30 of the founding affidavit to the counter-application Roberts states how the marketing material, signage, advertisements and branding was changed from the name Centrecore North to Timbacore and all costs attendant to such change. He estimates that the name change alone cost him approximately R100,000-00; he comments about the registration of the domain name towards the end of 2006 and simultaneously ran a website; copies of advertisements in the publication "Elegance at home
- Blaauwberg" wherein the trade mark Timbacore is clearly depicted, is attached; a reference is also made to copies of the first applicant's advertisements annexed to the founding affidavit in the main application wherein the trade mark Timbacore is clearly depicted; the costs of branding for the period 2007 to May 2009 being in the order of R1,256,610-00 and a copy of a statement of account from Home Focus magazine in respect of advertisements for the period up to March 2009 to the tune of R181,262-00 is similarly attached over and above the costs of advertising on Cape Talk which for the year 2008 amounted to R192,000-00. Roberts further states in his affidavit that as a result of marketing and promotional activities of the first respondent in respect of its Timbacore brand, its business has grown substantially and produces a healthy turnover; that a turnover for the year ending 30 June 2007 was R7,684,382-00; for the financial year June 2008, the turnover was in an amount of R8,213,819-00 and for the period ending January 2009 the turnover was in an amount of R5,960,176-00.
- [26] Roberts concludes by stating that as a result of the extensive use of the trade mark Timbacore by the first respondent (Timbacore), the trade mark Timbacore has become synonymous with the goods and services of the first respondent in the minds of the purchasing
- public, and that the first respondent has built up a substantial reputation and goodwill which is associated with its Timbacore trade mark.
- [27] The first and the second applicants naturally deny the averments by Roberts which denials, in my view, are bald and unsubstantiated.

DECEPTION

- [28] As has already been pointed out in paragraph [24] of this judgment the first respondent (Timbacore) registered the domain name www.timbacore.co.za www.timbacore.co.za towards the end of the year 2006 and simultaneously ran a website. Long after the first respondent had commenced trade under the name and style of Timbacore and, in particular, during October 2008, it was brought to the attention of Roberts that another entity, other than Timbacore, was using the first respondent's (Timbacore) trade mark in relation to its business. This was in the form of annexure NR13 annexed to the founding affidavit in support of the counter-application, which annexure is also annexed as annexure "CA0.2" to the founding affidavit in support of the main application where the domain name

www.timbercore.co.za is clearly emblazoned. The advertisement appeared in the September 2008 issue of the Northern Showcase publication. According to Roberts, the domain name complained of simply diverts users to the first applicant's Centrecore website with no reference being made to Timbercore at all.

- [29] The first applicant does not dispute the advertisement complained of in its answering affidavit, but adopts the position that the second applicant (Timbercore), who enjoys a senior Timbercore corporate name registration, is entitled to register and to use the domain name www.timbercore.co.za and that if both Centrecore and Timbercore choose to divert customers to the first applicant (Centrecore) it is their right to do so.
- [30] Once the advertisement referred to in the preceding paragraphs had come to the attention of Roberts, he immediately called Ontong (who had since purchased Downes' membership interest in Centrecore) to find out why he had commenced using the name Timbercore and why he had registered the Timbercore website. According to Roberts, Ontong simply laughed when confronted about the use of the Timbercore trade mark and responded "every one needs to find ways to get business". Ontong does not dispute having uttered these words except to say they were uttered in the context of a tirade launched at him by Roberts coupled with baseless accusations. Roberts concludes by stating that the domain name www.timbercore.co.za was emblazoned on Ontong's bakkie which hitherto used to simply have the Centrecore branding and trade mark displayed on it.
- [31] The first respondent, as has already been pointed out, had had the domain name www.timbacore.co.za registered towards the end of 2006. As early as March 2007 it had already commenced its advertising campaign as annexure "CA0.7"

annexed to the founding affidavit in support of the main application would confirm. According to the applicants (Centrecore and

Timbercore), the domain name www.timbercore.co.za was registered during July 2007 well knowing that

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the first respondent (Timbacore) already had its domain name www.timbacore.co.za registered and the domain name was depicted in the first respondent's advertisements. I have already pointed out elsewhere in this judgment that there is absolutely no evidence at all to suggest that either Centrecore or Timbercore ever used the trade name Timbercore in the course of trade, at least not before 1 January 2007 when the first respondent (Timbacore) commenced trade under that name. The applicants (Centrecore and Timbercore) had the domain name www.timbercore.co.za, which is confusingly similar to the domain name www.timbacore.co.za registered, well knowing that the domain name concerned was registered in the name of the first respondent (Timbacore).

That conduct constitutes deception, in the absence of clear evidence that the trade name Timbercore was used in the course of trade and in circumstances where the first respondent (Timbacore) was given permission to carry on trade under that name.

[32] It therefore follows that the first respondent (Timbacore) has discharged the onus resting on it, to show that the trade mark, and the domain name it subsequently registered, which it claims is being imitated, is known in the market and has acquired with the public a reputation associated with its goods, services and business; and that the registration of the domain name www.timbercore.co.za is calculated to deceive the public.

[33] In their notice of motion, the first and the second applicants, in the event of the main application being successful, seek an order of costs against the first and the second respondents, jointly and severally, the one paying the other to be absolved. The second respondent is a member of the first respondent holding a 50% membership share. The first respondent is a separate corporate entity existing independently of its members. Being a separate legal entity, the first respondent is unable to execute its functions and relies on its member to do so or those persons authorised to act on its behalf. The second respondent, vis-a-vis the first respondent, is in the position I have just described. This then raises the question whether it was appropriate for the

applicants to have cited the second respondent as a party over and above the first respondent.

[34] As I have pointed out in the previous paragraph, it is trite that corporate entities exist independently of their members. Proceedings against members individually, can only be instituted against those members individually, in the case of close corporations, in those circumstances set out in sections 63 and 64 of the Close Corporation Act. In these proceedings, it has not been shown that the second respondent has fallen foul of any of the provisions of sections 63 and 64 of the Close Corporation Act so as to trigger personal liability. It therefore follows that the citation of the second respondent, as an independent party, is not appropriate.

[35] In paragraph [9] of this judgment I found that the relief sought regarding the change of name of the close corporations concerned,

both in regards to the main applicant and the counter-application, is not competent. In paragraph [15] of this judgment I found that there is absolute evidence adduced to suggest a likelihood of a confusion of the trade mark Timbacore to the business undertaken under the name Centrecore. In paragraph [22] I found that no credible evidence has been adduced to indicate that at the time Timbacore commenced trading on 1 January 2007, Timbercore was carrying on trade and had acquired reputation worthy of protection. Lastly, in paragraph [32] I found that Timbacore has succeeded to discharge the onus resting on it to show that it has established reputation, in the course of trade, which is worthy of protection in law and that the registration of the domain name www.timbercore.co.za is deceitful and is calculated to deceive the public.

[36] In the result, the following order is made: [36.1.] The relief sought in terms of paragraphs 4,5 and 6 of the notice of motion and the notice of counter-application is not competent and, accordingly, no order is made for the relief contemplated in those paragraphs. [36.2.] The application of Centrecore CC (the first applicant) and Timbercore CC (the second applicant) is dismissed with costs. [36.3.] As to the counter-application, the relief sought in terms of paragraphs 1, 2, 3 and 7 of the notice of counter-application is hereby granted. [36.4.] The first and the second applicants in the main application are ordered to pay the first and the second respondents' costs in the main application and the applicant's costs in the counter-application, duly taxed or as agreed, such costs to include

costs arising from citation of the second respondent, as a party, in the main application. N J YEKISO, J

[36] In the result, the following order is made:

[36.1.] The relief sought in terms of paragraphs 4,5 and 6 of the notice of motion and the notice of counter-application is not competent and, accordingly, no order is made for the relief contemplated in those paragraphs.

[36.2.] The application of Centrecore CC (the first applicant) and Timbercore CC (the second applicant) is dismissed with costs.

[36.3.] As to the counter-application, the relief sought in terms of paragraphs 1, 2, 3 and 7 of the notice of counter-application is hereby granted.

[36.4.] The first and the second applicants in the main application are ordered to pay the first and the second respondents' costs in the main application and the applicant's costs in the counter-application, duly taxed or as agreed, such costs to include

costs arising from citation of the second respondent, as a party, in the main application.

N J YEKISO, J

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