

A Business By Any Other Name May Not Sell As Sweet

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One of the most important and emotional decisions that entrepreneurs and fledgling businesses face is choosing a new business name. A name will identify the business for its life, so it should be something that the owners are satisfied with. It should also help to create the image and the mission statement that the company wants to project, and it should be easy for the public to remember. Think of names of popular, successful companies: Coca-Cola, Vogue, Micro-Soft, and Caterpillar. Say any one of these names and a particular image comes to mind. This phenomenon is known as “secondary meaning.”

Successful companies focus on “personal branding,” a marketing exercise which narrows the definition of the products or services offered by a business so that the public has something with which to identify. A personal brand should be directly reflected in a company’s name. As well, the intangible asset known as “goodwill” attaches to a business name. Goodwill is the value that a company builds based upon its reputation and longevity within its target market community. These attributes, secondary meaning, personal branding and goodwill apply to all businesses from the local sole proprietor to international conglomerates, and they can be the focus of litigation when a name is infringed upon regardless of the size of the company.

One of the first steps that many new companies or individuals take is to file a Fictitious Business Name Statement with the county in which they intend to do business. Others choose a corporate or Limited Liability Company (“LLC”) name which is registered with the chosen domicile state, and other states in which the company wishes to qualify to do business. Some companies register their names as state or federal trademarks, for the sale of products, or tradenames, for the sale of services (we typically use the term “trademark” generically when speaking of trademarks or tradenames). And one of the first steps many companies take is to register a domain name.

The first concept one must grasp in dealing with business names is that of common law trademark rights. Common law says that the first party to use a name in commerce has the exclusive right to use that name, whether it has been registered anywhere. Any junior user of that name or a name that is so similar that it would or does confuse the public is infringing on the senior user’s rights. The senior user may enjoin the user from using the infringing name.

The second thing to keep in mind is the reason that registration is required for business names. Registering a fictitious business name (FBN) or a corporate or LLC identity provides a paper trail to a sole proprietor, individual general partners or an agent for service of process in the event a business is sued. The law provides these registration vehicles so that the public may easily ascertain whom to serve when personal service of a summons and complaint is required. These registration systems, excluding actual trademark/tradename registration are not concerned with infringement or first use rights, only with providing the public a paper trail for the purpose of service of process.

Some start up companies and sole proprietors file FBN statements with the county in which they intend to do business thinking that this will provide them with the protection they need for their

newly chosen business name. An FBN filing only provides that no other business in that county has filed an FBN statement using that exact name. Keeping in mind common law trademark protection, think of the possible problems that may arise if a registrant relies on the fact that no other business in the applicable county is using the exact registered name. A senior user may have a corporate or LLC identity using the unwary FBN registrant's very name or even one that is confusingly similar. If this senior user discovers the infringement a year after the junior has been using the name and forces the junior to cease and desist using that tradename, the junior can suffer extensive financial loss of marketing dollars and built-up goodwill. It then must choose a new name and start the identity process all over again.

The same problem arises when a company files articles of incorporation or articles of organization with a particular state and begins marketing under the corporate or LLC name. Some states will register a name if there is no other business using that exact name. But in states such as California, there is no crosschecking between corporate and LLC registrations, so a corporation and an LLC in states like California may have the same name! How can this be possible, you may ask. Remember the state is primarily concerned with providing a trail to the entity's agent for service of process, and since a corporation or LLC is required to identify itself as such, meaning identifying words such as Inc., Incorporated, Corporation, or LLC must accompany the name as it is used in commerce, the interest of the public is served. In other words, if two companies exist in California, one registered as ACME Corporation and one registered as ACME, LLC, a potential plaintiff would only need to check LLCs if it was suing ACME, LLC. So, there may be LLCs and/or FBNs that have senior rights to a name that a new corporation files and the company would have no way of knowing about it if it merely relied upon the registering body (state, county, etc.). Other states such as Illinois do cross check between corporations and LLCs, but there may still be common law senior users that can pose a risk.

Many new companies register a domain name as a first step. Here again, registering bodies will register a domain name as long as there is no other registered name that is exactly the same as the desired domain name. This includes the suffixes, .com, .net, .org, etc. So a business may register XYZ.com and there may be a pre-existing website: www.XYZ.net. Not only would XYZ.com be infringing on XYZ.net, but potential customers would surely be confused and in some instances be led to the wrong website, causing one or both companies to lose revenue.

Even when registering a trademark with a state or the United States Patent and Trademark Office ("USPTO"), there are risks of senior users. Although registration provides a rebuttable presumption of first use in commerce, a company may get through the long process of registering a federal trademark and still be challenged by a senior user who is able to rebut the presumption by proving first use.

Federal registration is a long process which begins with filing an application, submitting a fee and waiting while the USPTO searches for potentially conflicting names. This search is not comprehensive and only includes registered names and applicants that are also in the process of being approved for registration but it does include confusingly similar names. Once the name is approved for registration it is published in the USPTO Gazette. Senior users have thirty days during which to challenge registration. The entire registration process can take a year or longer.

State registration is a shorter process, typically less costly but protection is less certain because some states, California for instance will register a name as long as there is not another user of the exact desired name. So confusingly similar names may be registered in the same state.

How then, does one navigate through all of the laws pertaining to trademarks and tradenames, deal with the registering bodies and choose a protectable name and then go about protecting it? The first step is to obtain a comprehensive name search for same and similar names presently being used in commerce. There are a few reputable companies that will provide these searches for a reasonable fee. International searches are available as well. Once you are satisfied that a desired name is safe to use in commerce, Articles of Incorporation, Articles of Organization or an FBN statement can be filed. The filing of course depends on which entity is the best choice for the particular business operation.

If a website will be used, it is best to reserve the domain names with .com, .net, and .org so that no other junior registrant can capitalize on your goodwill.

Next, begin using the name in commerce immediately. Advertise, use stationary and business cards, even if the product or service is not yet in production. This will insure common law rights to the name or mark. Registering the name will provide two things: prima facie evidence of first use in commerce and greater remedies in the event that another company infringes. Monetary damages are typically not available under common law infringement claims but they are available if the senior user has registered its name. Attorneys' fees may also be available in cases of willful infringement against a registered name or mark.

The process of choosing a new business name is relatively simple but too often minimized by companies and their attorneys. A name identifies a company and great value attaches through marketing and creating a reputation in the marketplace to that name and identity. Laws applicable to business names are designed to provide a way for the public to accomplish effective service of process, and to protect businesses from others who may try to capitalize on painstakingly created identity and goodwill. A comprehensive search and proper registration will ensure that a new business name will add to the success and profits of the company for as long as that company exists.