

## TRADEMARKS vs. BUSINESS NAMES

In another article last month, I described the sheer variety of trademarks that the law will endeavour to protect. This month, I will try to explain why a business name does not grant trademark rights or protection. Next month, I will try to explain the relationship between trademarks and domain names.

### Corporate Names, Business Names & Trademarks

First, some definitions and an example will be helpful. Although the terminology is often confused and confusing, there are important legal differences between corporate names, trade-names and trademarks: (a) a *corporate name* is the name assigned to a corporation when it is incorporated; (b) a *trade-name* is the business name under which the corporation (or other type of business enterprise) carries on business; (c) a *trademark* is a mark used for the purpose of distinguishing wares and services sold by one business from those sold by another business. In legal terms, trademarks are at the top of this pyramid.

For example, many corporations incorporate as a numbered company, but never carry-on business under this name, such as 123456 Ontario Inc. The same company may register a business name, such as “Happy Clothing Company”. The same company may also decide to use a family of marks to distinguish its wares from its competitors, such as HAPPY SOX, HAPPY PANTS and HAPPY SHOES. In this example, the corporate name is 123456 Ontario Inc.; the trade-name is “Happy Clothing Company”; and the trademarks are HAPPY SOX, HAPPY PANTS and HAPPY SHOES.

The question which often arises is whether a corporate name or trade-name, ie. “Happy Clothing Company”, is also a trademark. The answer may be summarized with the phrase “it depends”.

At this point, the definition of a trademark bears repeating: a trademark is a mark used for the purpose of distinguishing wares and services sold by one business from those sold by others. In our example, the question is whether 123456 Ontario Inc. is using “Happy Clothing Company” to promote its business over and above its use as the name of the business? If it is, then it may function as both a trade-name and a trademark.

- Is the trade-name incorporated into a logo or graphic design? If so, the trade-name is probably also a trademark.
- Does the business use the trade-name prominently in its signage? If so, the trade-name is probably also a trademark.
- Does the trade-name only appear together with the corporate address and contact information on business cards and flyers? If so, it is probably not a trademark.

### No Effective Protection of Business Names

Corporate legislation provides corporate names and trade-names little real protection and evokes a false sense of security for many new business owners. Corporate legislation incorporates language which *theoretically* prohibits the registration of corporate or business names confusingly similar to existing corporate names, business names or trademarks. However, the very limited screening procedure used for corporate name registration and the limits

imposed by the courts on these statutes, has resulted in these acts having very little practical value in determining trademark rights.

Using our example, a new business would likely be able to register “Happy Apparel Company” as a trade-name even if “Happy Clothing Company” was already registered to an existing business. In reality, only identical or *very similar* names are rejected for registration as corporate or business names. Further, corporate legislation does not provide any effective remedies when disputes like this arise.

### **No Entitlement to use Corporate and Business Names as Trademarks**

A valid registration of a corporate or business name does NOT necessarily mean that the owner has the right to use that name as a trademark. This can be a very problematic area of confusion and often leads to costly disputes.

Continuing to use our example, let’s assume that there is an existing business that has used “Happy Clothing Company” prominently in their signage. They may even have registered these words as a trademark of their business. A new company sets up shop in the same city and registers “Happy Apparel Company” as its business name. Is the new company entitled to erect its own signage on which the words “Happy Apparel Company” appear prominently? The answer is no.

The existing company has prior use of a confusingly similar *trademark*, namely “Happy Clothing Company”. If it acts promptly, it should be entitled to restrict or altogether prohibit use of “Happy Apparel Company” as a trademark – even though it’s

a validly registered corporate or business name. The obligation rests upon the new company to ensure that all proposed trademarks, including corporate and business names, are available before using them in promotional materials – including logos, signage, web sites, advertising, uniforms, vehicle decals, etc.

### **Professional Trademark Searches Recommended**

Again, trademarks are familiar to each of us as a consumer, but business owners need to consider trademarks from the other side. Think of trademarks as a form of property. A prudent business owner will not build a new structure without first ensuring he knows the boundaries of his available property. Similarly, a prudent business owner will not let others build structures that trespass onto his property.

Where property lines may be in doubt, lawyers recommend a professional survey. For trademarks, your lawyer should recommend a professional trademark search and opinion. Such a search and opinion determine where boundaries or obstacles may exist with respect to proposed trademarks before they are adopted.

Correcting or replacing trademarks after the fact can be costly! Of course, there is the hard cost of replacing signage and paying lawyers. But business owners should not lose sight of the “soft costs” as well – the resulting confusion and loss of goodwill can be more damaging to a business over the long run.

*Disclaimer: The content of this article is intended to provide a general guide to the subject matter. Specialist advice should be sought about your specific circumstances.*