

Success Can Hide Between Lines When Naming A Firm

By Steven P. Heller, Esq.

You have devised the perfect business plan for your new venture, and now all you need is the perfect name to go with it. Before you get too financially or emotionally invested in a particular name, though, you'll need to confirm that it is available for use and to plan how to protect your rights to that name after you secure it.

The name of a business adds tremendous value by allowing the company to attract attention to itself, educate potential customers about the nature of its business, and create a distinct identity that separates it from competitors. So it should not be surprising that the entrepreneur, faced with the vast commercial battlefield, will sometimes find that many preferred names have already been taken, and that the process of securing an available name can be challenging.

If a business begins using a favored name without first confirming its availability and protecting it, that business may later be forced to abandon not only the name, but the valuable goodwill, reputation and advertising that have grown around it. It will also have to absorb costs for changing such things as signs, stationery, and telephone and Internet listings.

A recent extreme example is Walt Disney Co.'s claim that the cost of complying with a court order requiring it to remove a logo from its Go.com website (which conflicts with the GoTo.com Web site logo) will be \$40 million.

A company selecting a trade name must consider two principal issues: whether it is the first business to use the name and the

likelihood that the public will confuse the new name with an existing business.

The first business to adopt and actually use a trade name obtains control over the rights to that name, at least in the geographical area where the name is used and recognized. While filing and registering a trade name helps protect the name by giving notice to others of its existence, trade-name rights are based upon use, not upon mere filing without use.

Further, it is not enough to be first – a name must also differ enough from existing names so that it does not confuse the public. For example, it would not be prudent to use the name "The Gappe" for a clothing store, unless you wish to receive a threatening letter from the attorneys for The Gap.

Some attorneys recommend choosing a name that is made up of invented words or phrases that do not appear in any dictionary. Not only is such a distinctive and unusual name likely to be available, it is also easier to protect.

Likelihood of confusion depends in part on the "strength" or "weakness" of the name chosen. Highly distinctive, fanciful, or arbitrary names (such as "Brody's Beatific Baubles") are considered strong, while more generic names that simply describe the business plainly (such as "Jewels & Gems Inc.") are considered weak.

Assessing Availability

To confirm the availability of a proposed business name, conduct a search to find out if another business is already using it. First, determine the necessary scope of the search

in light of the proposed name, the type of business and the geographical area covered by the business.

The scale of a prior-use search depends in part on the expected plans for the geographical reach of the new business. For example, a new business called Pete's Donuts that has no plans to operate beyond the local corner need not undertake a prior-use search beyond the local neighborhood. But if the business will potentially expand statewide, regionally or nationally, and expects to have a presence on the Internet, it will need to expand the scope of its prior-use search to these areas.

Even a small business with one location, such as a business operated from a home, may need to undertake an expansive prior-use search, to the extent that it does business by telephone, mail or Internet. And, because an Internet presence is increasingly indispensable, many businesses today will not go forward with a proposed trade name if the associated Internet domain name is not also available.

A company that plans to operate only in the local area should search for its proposed name in the records of the California Secretary of State, to see if any companies with that name have already formed. It should search in

Continued on back.



Steven P. Heller is a partner at Gilchrist & Rutter in Santa Monica, Calif. His practice focuses on commercial real estate and business transactions.

the local fictitious business name registry for each county in which it is likely to do business. A company that intends to operate beyond the local area should search for the name in federal and state trade name registrations and applications.

An initial search for the name can be conducted via online search databases.

Name Recognition

If a more extensive search is necessary, contact a commercial search service, such as Thomson & Thomson or CCH Trademark Research. A commercial service will search for the name and will include phonetic

equivalents to help you evaluate existing names that may be confusingly similar. The cost for these searches ranges from a few hundred dollars to over \$1,000 depending on the speed and scope of the search.

After a business has confirmed that a name is available and has decided to put the name to use, it should take steps to protect the use of the name by registering it. Even if registering a name alone does not create any rights to use the name, it does put the public on notice that the name is in use. Registration establishes the date upon which the user has the right to use the name. In short, while only use of the name establishes rights in the name, the best

way to protect the name is by both using it and registering it.

Undertaking this search and registration process may seem to involve a lot of time and money, but it's well worth it.

This article was originally published in the July 24, 2000 issue of the Los Angeles Business Journal.