

PROTECTING YOUR BUSINESS NAME

**By T. Scott Gilligan
MTNA General Counsel**

For the past 20 years, Mary Smith has offered piano instructions for children and young adults in her local community in Ohio. Fifteen years ago, she purchased an old 2-story office building and converted it to a music studio. At that time, she formed a corporation under Ohio law using the name of Piano Instruction Services, Inc. However, because that title was not too catchy, she operated her business as the “Music Learning Center.”

Mary’s piano instruction business has been doing well and her reputation in the community is excellent. One day, Mary notices an advertisement in the local newspaper for the “Music Student Learning Center” which is only five miles from her studio. An investigation on the internet shows that a young married couple has launched a new music instruction business out of a closed-up school building that they purchased and refurbished. They have a great website and advertisements for their business seeking new students appear daily in the newspaper. A check of the Ohio Secretary of State website shows that they are incorporated under the name of “Music Student Learning Center, Inc.” and they filed a fictitious name registration under the name “Music Student Learning Center.”

Naturally, Mary is concerned that the similarity between the competitor’s name and the name of her long-standing business will confuse potential consumers. Mary suspects that the husband and wife intentionally chose a similar name to her business in order to leach off the goodwill that she has developed in the community for the past fifteen years. However, she is concerned that she may lose the right to her name of “Music Learning Center” because she

never filed a fictitious name filing with the Ohio Secretary of State. She consults a lawyer who provides her with the following guidance:

Overview. For most music teachers and studios, trade name and fictitious name issues are controlled by state law. While federal trade name registration and protection is available through the United States Patent and Trademark Office, in most cases that would be overkill. Unless the music studio business is national or regional in scope, federal registration is not necessary.

As this is a state law issue, you need to know what are the laws of the particular state in which you operate your business. Nearly every state has laws governing trade names and/or fictitious name filings. In addition, all states protect businesses from competitors who seek to deceive the public by using similar trade names. While most businesses can file fictitious name registrations or even trade name registrations on their own, when confronting complex trade name issues, you need to consult with an attorney licensed in your state.

Fictitious Name Registration. When meeting with the attorney, Mary's first question is whether her failure to file a fictitious name registration for "Music Learning Center" while her competitor did file a fictitious name filing for "Music Student Learning Center" deprives her of the right to sue them for misappropriating the name and goodwill of her business. In Ohio, and in most other states, the answer is no. The filing of a fictitious name registration (also known as an "assumed name" or a "doing business as" (dba) registration) does not confer upon the registrant any ownership rights to the registered name. Unlike a trade name registration, a fictitious name filing is generally not a claim to the exclusive rights to use the name.

If a fictitious name filing does not give any rights, why do businesses make that filing? Because, in most states, the fictitious name filing is required by law. If a business is using a name that is different than the actual name of the corporation, limited liability company, partnership or sole proprietorship that owns the business, most states will require the business to make a fictitious name filing. Failure to do so is a minor misdemeanor in some states.

The purpose of the fictitious name filing is to protect the public. By requiring a business using a fictitious name to put on public record who actually owns the business, the public and the government are able to identify the actual owners. This is helpful in the event that the consumer wishes to sue the business or the government is going against the business for unpaid taxes.

At the end of this article, MTNA has included a chart which provides information on a state-by-state basis for fictitious name registrations. The chart indicates whether fictitious name registration is required, whether it is done on a state and/or local level, and the website where MTNA members can obtain fictitious registration information and forms. If your music business is operating under a name that is different than the name of your corporation, limited liability company, partnership or sole proprietorship, you should determine whether a fictitious name filing is required in your state.

Trade Name Registration. During Mary Smith's consultation with the attorney, the issue of trade name registration comes up. The attorney wants to know whether Mary obtained an Ohio trade name registration on "Music Learning Center" or whether her competitor has a trade name registration on "Music Student Learning Center." Mary is confused and asks the attorney about the difference between a trade name registration and a fictitious name registration?

While state laws may differ on the issue, there are generally the following three primary differences between trade name registration and fictitious name registration:

1. Trade name registration is optional in most cases; fictitious name registration is required in most states.

2. Trade name registration provides the registrant with the exclusive right to use the name being registered; fictitious name registration provides no ownership rights to the registrant.

3. Trade name registration will only be granted if there are no other businesses already using the name or a similar name; in most cases, fictitious name registration is granted regardless of whether there are other businesses using the name.

Trade name registration is advantageous because it places everyone on notice that the registrant is claiming ownership of the name. It also establishes the date when the trade name was first used in commerce. This is vitally important since the law gives ownership to the business which first used the trade name in commerce. Since a trade name registration includes a designation of when the trade name was first used in commerce, it creates a presumption of first use in any litigation involving the trade name.

Protecting Against Similar Trade Names. Mary Smith asked the attorney what, if anything, can be done to stop the competitors from using the similar name of “Music Student Learning Center”? In all states, there are laws that prohibit competitors from using the same or similar trade names that will cause confusion to the public. To be successful in a lawsuit against a competitor, the plaintiff will have to show that the use of the similar name is likely to result in confusion to the public.

In this particular case, Mary Smith will be able to prove that her business has used the name “Music Learning Center” for fifteen years prior to the competitor using a similar name. Proof of being the first to use the name is critical to her case. Had Mary Smith filed a trade name registration fifteen years ago when she first began using the name, her first use of the trade name would be legally presumed. However, without the trade name registration, Mary Smith will have to prove that the name of her business has been in use well before the competitor started to use a similar name.

Having established that Mary Smith has a senior trade name, it would then be necessary to prove that the similarity between the names of the two businesses causes confusion to the public. The court will look at the similarity of the names, the similarities of the products and services being offered by the businesses, the geographical areas served by the businesses, evidence of actual consumer confusion, and the intent of the competitors in selecting a similar trade name.

Supporting Mary Smith’s claim in this case would be that her business has been in operation using the name for the past fifteen years, that she has developed name recognition and goodwill in the community, that her business is geographically close to her competitor’s business, that the two businesses offer the same music instruction services to the same potential clientele, and that the names are very similar. What may hurt Mary Smith’s position in this case is that the trade name of her business is very generic. The more unique a trade name is, the more protection it will be given. Mary Smith’s trade name, “Music Learning Center” is merely descriptive of the services being provided and would be considered a weak trade name. Had the name of her business been “Mary Smith’s Music Learning Center,” it would have been regarded as a stronger trade name.

In all probability, the key evidence in a lawsuit such as this would be actual testimony from consumers regarding confusion. If Mary Smith can locate consumers who would testify that they were confused regarding the ownership of the two businesses, it would greatly assist her case.

Steps to Protect Your Business Name. With any business name issues, an ounce of prevention is worth a pound of cure. By being proactive, you may be able to avoid a lawsuit in the future. In that regard, consider taking the following steps to protect the name of your music instruction business:

1. If the name of your business is different from the name of your corporation, limited liability, partnership or sole proprietorship, determine whether your state requires you to file a fictitious name registration. Please consult the chart at the end of this article.

2. Prior to selecting a name for your business, do a thorough search to ensure that the name is not the same or similar to other music instruction businesses. You should check the website for the Secretary of State in your state to see if there is a same or similar name. Also, search the Yellow Pages and do a Google search.

3. Even if you have made a fictitious name filing, consider also making a trade name registration for the name of your business. Trade name registration in states typically involves a very simple form and a modest filing fee. Registration generally lasts for five years and is easily renewed. To obtain registration, you will need to show that you are using the name in commerce. The state agency providing registration will also do a search to ensure that there are not similar trade names that have already been registered. You may consult the websites listed in the fictitious name chart at the end of this article for websites for trade name registration.

4. Even if you do not obtain a trade name registration for your business, consider placing the designation of TM after the name of your business. By doing so, you will place competitors on notice that you are claiming a common law trademark in the name. You may not use the registered trade mark symbol of ® after your business' name unless it is actually registered with the U.S. Patent and Trade Mark Office. However the TM symbol may be used by anyone claiming a common law trademark.

5. Be vigilant in protecting the name and goodwill of your business. If you see a startup business using the same or similar name, immediately consult an attorney regarding steps you can employ to stop the use of the name by the competitor.

The information contained in this article is of a general nature and should not serve as a substitute for legal advice regarding specific cases. Please consult with an attorney in your state to discuss specific legal issues you may have.