



WHAT'S IN A NAME?

When starting a new business, choosing a name is one of the most crucial initial steps you will take. Indeed, a rose by any other name would not smell as sweet. If you are going to be starting a new independent business, you want a name that excites you and lets potential customers know products you sell or services you provide. Your brand name is one of the most important assets your business can have.

However, when you are a part of a franchise system, you are paying significant fees to use the trademarks of your franchisor. As such, while it may not seem as important to a franchisee what your business entity name will be, it requires thoughtful consideration. Moreover, many successful franchisees venture beyond their franchise investments to start their own independent businesses. Ensuring your intellectual property is protectable is critical – so is ensuring you are not wasting financial resources and time.

A trademark is any name, symbol, logo or any other designation that serves as an identifier of the source of the goods or services. Far too often, however, trademark issues are not considered at the early stage of starting a business. As a result, operators often spend time and money with lawyers

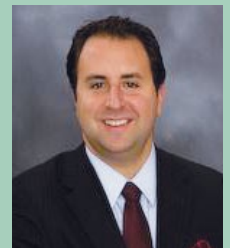
or self-help websites, for example, without considering the impact of such issues.

In fact, we are often approached by clients who have spent years and considerable amounts of money developing their brand only to find their business name is either not protectable as a trademark or that there is another business that has been using the same or similar name longer than they have. These issues can be avoided at the start of the process by considering two trademark issues before committing to a brand name.

The first issue is whether the brand name is protectable under trademark law. There is a “spectrum of distinctiveness” to identify a mark’s strength. Trademarks are divided into five categories, from strongest to weakest: (1) Fanciful, (2) Arbitrary, (3) Suggestive, (4) Descriptive and (5) Generic. A determination of a mark’s strength must be evaluated with respect to the mark’s goods/services. For example, the mark APPLE would be “arbitrary” for computers, “suggestive” for vitamins and “generic” for the actual fruit. Fanciful, arbitrary and suggestive marks are eligible for registration upon use in commerce. Generic marks are never registerable and descriptive marks can only be registered in certain circumstances.



by Brent “Giles” Davis



by Justin Klein

Many people starting a business choose a name that would let consumers easily identify the goods or services being offered. For example, if someone was starting a coffee shop on Main Street in town, they might choose “Main Street Java Shop.” While this might be appealing for ease of marketing, this mark would never be protectable because of the combination of descriptive (being located on Main Street) and generic (Java for coffee and Shop for a place of retail business) terms. When choosing your business name, consulting with a trademark attorney before you commit to the brand name will help you avoid choosing a name that will ultimately not be protectable.

After you have chosen a mark that is potentially protectable, the next step is to determine if anyone else would have superior rights to the identical or substantially

similar mark. While there are certain exceptions, in the United States it is actual use of a designation as a mark that creates rights and priority over others. An existing mark does not have to be identical or used for the exact same goods or services for it to be problematic for you. A trademark search will determine if there are any existing marks in use that would conflict with the mark you are hoping to adopt. Conducting a trademark search can prevent you from investing time, money and energy into promoting a business name that you cannot protect and may actually open you up to liability for infringing on another party's existing trademark.

To that end, and as most franchisees are or should be aware, franchisors, like PF®, prohibit their franchisees from using some or all the franchisor's protected trademarks for any purpose other than in connection with the operation of the franchised business. Indeed, this part of the inherent value of a franchised system, protectible trademarks for which fees can be charged. In fact, most franchise agreements specifically prohibit the use of the franchisor's trademark as a part of the franchisee's business entity name or social

media handles. An exemplar provision from a PF franchise agreement is below:

LIMITATIONS ON YOUR USE OF MARKS. [...] You may not use any Marks as part of any Entity or legal business name or as part of an Internet domain name, mobile application, Internet e-mail address, Internet website, or social media account or with any prefix, suffix or other modifying words, terms, designs or symbols (other than logos licensed to you hereunder), or in any modified form, nor may you use any Marks in connection with the performance or sale of any unauthorized services or products or in any other manner we have not expressly authorized in writing. You may not separately register any domain name, develop or operate any Internet websites, or develop or use any Internet Accounts containing any of the Marks without our prior written approval. Such registration, development or use must comply with our Internet and social media policies. You and your Affiliates may not apply, in any country, or cause any third party to apply, or assist, directly or indirectly, any third party to apply, in any country, for registration of any trademark,

slogan, commercial advertising, or commercial name, which is the same as, or confusingly similar to, any of the Marks.

There are so many factors that go into choosing a name for a new business. Don't make the mistake of ignoring those related to trademark law – whether you are a franchisee or starting an independent business. If you do, you can find yourself in a position of not being able to use your entity name, could be in breach of an agreement or could be infringing on someone else's intellectual property to get the value of a trademark. ⚙️

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