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New Legal Powers to Protect Your Brand and Name

Imminent changes in the law look set to give owners of brands and trade names greater powers to protect their names.

The changes promise to help in circumstances where someone else chooses to create a new company with a very similar name to that of your business.

Up until the end of September 2008, your main options if this happened would have been to complain to Companies House, or to consider commencing legal proceedings against the new company by claiming trade mark infringement or passing off. The pros and cons of these are considered briefly below:

(1) Registering your objection with Companies House

Contrary to popular (mis)belief, your company name registration alone does not in itself prevent another company from trading under an identical or similar name. It simply prevents the incorporation of another company under that same name on the Companies Register. You could complain to Companies House if you believed a business had incorporated a name 'too like' yours, but such complaints are dealt with on a discretionary basis and, once lodged, you automatically lose control over the course of the objection. It is left with Companies House to decide whether to uphold your complaint or whether the company can continue to exist in its incorporated name.

(2) Bringing an action for trade mark infringement

You could do this if the new company's name is identical or similar to a registered trade mark owned by you. However, this can often be an expensive and protracted process, the success of which will depend in part on the strength and scope of your trade mark registration. You may, of course, have not yet obtained the relevant trade mark registration, or you may have applications pending, giving you only very limited rights over a particular mark or sign. Some recent case law even suggests that using a mark as a company name is not trade mark use and therefore not trade mark infringement!

(3) Making a claim for passing off

If you do not have a registered trade mark, you could consider bringing an action for passing off, however you would have to show:

(a) that you had established goodwill and reputation as owner of the mark;

(b) that the new company may cause the public to be confused into thinking it is associated with your business;
and

(c) that it is likely to cause damage to you.

These are difficult hurdles to jump, and for young companies that may not yet have built up sufficient reputation and goodwill, such an action may be unlikely to succeed.

The New Laws

New laws under the Companies Act 2006 that came into force on 1 October 2008 give brand owners greater powers to protect their name by allowing them to object to third parties who have registered company names which conflict with theirs through the Company Names Adjudicator (CNA) at the UK Intellectual Property Office (UKIPO).

Objectors will argue that either the name complained of is the same, or that it is so similar that it is likely to be misleading. This route is open to brand owners regardless of whether they have a registered trade mark or a registered company, and there is no need to prove damage (as there is with passing off). Although objectors do need to show that they have some goodwill in their name, goodwill is defined as "reputation of any description" which means that the threshold is likely to be lower than that required in passing off actions.

Once the complaint has been lodged with the CNA, the burden then shifts to the offending company to defend the charge by demonstrating that the name has been selected legitimately, for example by showing either that:

(i) the name was registered before the start of activities on which the objector relies to show goodwill; or

(ii) that the company operates under that name, or intends to and has invested in preparing to do so, or once used the name but it is now dormant; or

(iii) that the name was registered in the normal course of a 'company formation' business; or

(iv) that the name was adopted in good faith; or

(v) that the interests of the objector are not adversely affected to any significant extent.

The objection will be upheld if the company complained of cannot show that one of the above circumstances applies.

Even if one of points (i) – (iii) above does apply, the objection will still be upheld if the objector shows that the main purpose of the company in registering the name was to obtain money from him or to prevent him registering the name. The point of this appears to be preventing the opportunistic registration of company names by people hoping to take unfair advantage of new and prospering businesses.

Conclusion

The impact of the legal changes is hard to forecast, and time will tell how efficient and useful the new system of complaining to the CNA will be in practice. Of course, this extra option does not help a company who wishes to claim damages or an account of profits, or to obtain an injunction if it feels that it has suffered significant loss in financial or reputational terms. However, this could be a relatively low-cost and uncomplicated way of asserting hard-earned rights in brand names.

Brand owners should be vigilant in monitoring new company names if they wish to capitalise on their new powers to object. This can be done by checking the Companies Register online free-of-charge: <http://www.companieshouse.gov.uk>

Brand owners can also put in place company name watches which will notify the brand owner when a possibly conflicting company name has been registered by a third party.

Fledgling enterprises choosing names for their businesses would be well advised to check the UKIPO trade mark database (www.ipo.gov.uk) for details of prior trade mark registrations to avoid encountering difficulties further down the line.

For further advice or more information, then speak to your usual Laytons contact or please contact:

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