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When do you need trademark protection in addition to your business name?

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Sometimes, persons setting up a company are confident that their business name is adequately protected by registering the company in the Commercial Register and believe that this sufficiently prevents third parties from using their name.

This newsletter explains the implications of protecting a business name and the circumstances in which it is advisable to also register a trademark.

! Trademarks are especially important in relation to:

- **International companies**
- **Graphic representations (logos)**
- **Granting of usage rights**
- **Store or branch names (business signs), associations and foundations as well as partnerships not registered in the Commercial Register**
- **Descriptions of products and services not supplied under the business name**

When do you need trademark protection in addition to your business name?



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A trademark is an industrial property asset and therefore adds value to the business. It provides legal certainty, ensures lasting value and, for example, makes start-ups more attractive to investors. Product names or names for services can be used independently from their protection as a trademark. But it is more difficult to prevent third parties from using one's name or logo without trademark protection.



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Introduction

Alongside the traditional method of protecting business names through registration in the Commercial Register, there are various other protective mechanisms to prevent third parties from copying a business name. These can provide optimum protection based on the specific needs of the business, either at the start-up phase or further down the line.

Switzerland. This has also applied to partnerships since 1 July 2016 when the provisions governing business names, as amended, came into force. Under the transitional provisions, certain exceptions may apply to partnerships that were established and registered in the Commercial Register prior to 1 July 2016 (see box on p. 3). Sole proprietorships will continue to have an exclusive right to use their business name on a territorial basis only.

Business name

The business name is the name that has been selected for trading purposes and is registered in the Commercial Register. The business name does not describe specific products but characterises the company as a whole.

Anyone who believes that a third party is infringing its rights by using a similar or identical name may take action to stop any further use of the name and claim damages if the party concerned is deemed to be at fault. For the purposes of business name protection, the date of entry in the Commercial Register will be determinative. The first party to register the business name is therefore entitled to take defensive action against any party infringing its rights through subsequent use of the name. New business names may not be identical to or a close match of a previously registered name. Even a name that merely resembles a prior name will potentially infringe the rights of the proprietor of that name. If a name creates the impression that there is a commercial or legal relationship between the users of the name (likelihood of indirect confusion), this will be sufficient to establish infringement. It is not a requirement that one user of the name is actually mistaken for the other (likelihood of direct confusion).



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The Swiss Code of Obligations lays down the requirements regarding the composition of business names for proprietorships, companies and cooperatives. In addition to the essential content required by law, each business name may contain information which serves to describe the persons mentioned in greater detail, makes an allusion to the nature of the company or an invented name. The content of the business name must be truthful, cannot be misleading and must not run counter to any public interest. This creates certain restrictions in terms of assigning a business name.

Registration in the Commercial Register confers to the owner the exclusive right to use the business name throughout

Impact of amendments to the rules governing business names

The Swiss Code of Obligations («CO»), as amended, came into force on 1 July 2016 and includes some new provisions governing business names.

Under the old rules, if the name of a general or limited partnership included the name of a partner with unlimited liability who then left the partnership, the partnership would have to change its name so that the partner's name no longer appeared in the partnership name. This could potentially erode the value of a business name, which may have been built up over many years.

Article 950(1) CO now provides that partnerships are also free to choose their business name subject to the general principles on the composition of business names. However, it is now necessary for the business name to indicate the legal form and new abbreviations have been introduced: «KIG» for Kollektivgesellschaft (general partnership) and «KMG» for Kommanditgesellschaft (limited partnership). These provisions now create a level playing field in terms of business name exclusivity. The new rules enable both companies and partnerships to benefit from business name exclusivity within Switzerland.

However, it should be noted that general and limited partnerships entered into the Commercial Register prior to the new rules taking effect are not required to change their business name in line with the new rules. They may continue using their business name, in unaltered form, to the same extent as under the old rules. However, the exclusivity of such business names is still restricted to a particular territory and does not extend to the whole of Switzerland. In the event of two competing, identical business names, priority will be given to the name that was first added to the Commercial Register under the new rules.

Trademark

A trademark is a sign capable of distinguishing a company's goods and services from those of another company. However, trademarks are only protected once they have been registered in the trademark register. Just like business names, a trademark must show some degree of originality and be inherently distinctive, whereby the trademark rules are stricter than the rules governing business names. Simple signs, abbreviations, concrete indications and coat of arms are not eligible for protection. Special rules apply to representations of the Swiss cross and the Red Cross. Trademarks that are merely descriptive, i.e. designate the characteristics or quality of products or services, are ineligible for registration. In the same way as business names, trademarks may not be misleading. The «earlier priority date» principle, i.e. the date that the application for registration was filed rather than the date of first use, also applies to trademarks. Trademarks are valid for ten years and are renewable indefinitely for further ten-year periods.

Trademarks should always be registered for a clearly defined list of goods and/or services which may not subsequently be extended. As a result, the owner of a registered trademark may only prevent a third party from using an identical or similar trademark if this is also used for identical or similar goods or services. Trademark proprietors can therefore prohibit other market operators from using an identical or similar sign for identical or similar goods or services. However, market operators that were using the sign prior to registration of the earlier trademark will be entitled to continue using the sign. Although they may use their sign to the same extent as previously, they are not permitted to extend its use to other products or territories.

Advantages of trademark registration

As indicated above, the protection afforded to business names only applies within Switzerland and is therefore

geographically restricted. It is possible in most countries worldwide to file a trademark application for national registration. Approximately 90 countries - the whole of Europe, numerous Middle and Far Eastern countries and the US - have signed an agreement that allows national registrations to be extended to all or only some of the other member countries (the «Madrid system»). Depending on the chosen territorial extension, registered trademarks therefore can provide protection across multiple jurisdictions.

In all cases, business names are protected in word form only. However, trademarks may also consist of graphics or images or combinations of words and images, either with or without a colour claim. Tunes or three-dimensional shapes are also eligible for protection. It is therefore possible to protect a company logo as a figurative trademark, which can be particularly useful for product merchandising.

In contrast to intellectual property rights, business names cannot be abstractly transferred. As a form of intellectual property, trademarks may be assigned, licensed or pledged. Trademarks may provide an intra-group mechanism for cash flow management, for example where one company charges royalties for licensing a trademark to another company. Prior to incorporating a company, the incorporator could, for example, file a private trademark application for the future business name and subsequently licence the trademark to the company. If the company shares are later sold, the incorporator can still generate revenues from the licence. In the context of franchising, it is crucial to protect the business name by registering it as a trademark, given that franchising will often involve some visual representation of the name.

The options for protecting business names against copycat competitors are limited and rights must be defended by bringing proceedings before the ordinary

«Merely entering a business name in the Commercial Register does not always provide the level of protection sought or required for a business.»

courts. By comparison, it is relatively straightforward to bring a claim for infringement of a registered trademark: using a similar mark for similar goods and services will be sufficient to file an action. It is not necessary to argue or prove, in addition, that there is a clear risk of confusion, intentional imitation or bad faith.

The legal protection afforded to business names does not extend to the names of associations and foundations or to business signs (e.g. signage identifying business premises) and acronyms not included in the business name. However, these may be protected as trademarks. In these scenarios entitled parties can invoke the right to privacy and protection of a name as well as the right to protection against unfair competition. But trademark protection also offers considerable advantages, given that similar/identical marks used in conjunction with similar/identical goods or services will be sufficient to prohibit third-party use.

Additional protective mechanisms

Besides trademark, domain names are becoming increasingly important in our digital world. Domain names have a

profound impact on a company's market presence, enabling Internet users to locate the company's website and the products and services available. In many cases, the value of a particular designation or name will be reduced if the corresponding domain name is not concurrently available. The domain name is predominantly a technical identifier and only has limited protection as intellectual property. An earlier trademark may prevent use of an identical/similar domain name, but it is difficult to argue the other way around. A trademark acts as an effective deterrent in this context too. It is therefore advisable, where appropriate, to protect domain names as trademarks. A company's business and domain names should ideally be identical and protected as a trademark, together with any graphical representation or logo.

Conclusion

The names of companies registered in the Commercial Register are protected. However, as shown in this newsletter, the protection afforded is inadequate in a number of areas. The protection of business names can be usefully enhanced through the targeted registration of trademarks and domain names.

Looking ahead

Virtually all Swiss companies are concerned about protecting the name of their products and services in the best possible way, either by registering a trademark or by the registration of the business name in the Commercial Register, at national or international level. Our key goal is to advise companies on the forms of protection needed and how to enforce individual rights in the event of infringement.

We are happy to advise clients on all issues pertaining to business names, trademarks and intellectual property as well as notary services.