

# Hemingway

*Editor*

## Readability

**Grade 7**

**Good**

*Reading time:* **00:03:49**

*Letters:* **4628**

*Characters:* **5707**

*Words:* **955**

*Sentences:* **82**

*Paragraphs:* **48**

## **Use is not ownership: The difference between Business Names and Trade Marks**

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## What is a Business Name

Business Names have been around for years. There is a big difference between a business name and a trade mark. Many business people don't know the difference.

Business Names are not property: section 17 **Business Names Registration Act** 2011 (Cth). The purpose of registering a business name is to:

*identify the legal entity that carries on business under a name that is not their legal name.*

Sharon Smith is a plumber. She carries on business under the Business Name: All Night & Day Plumbing. All Night & Day Plumbing is not her legal name.

Registration allows people to identify who they can sue by consulting the register.

Having a registered business name gives you no right of action against others.

The purpose of company name registration is to award a unique name to a corporation.

Registration of use of trade description that is not your legal names is compulsory.

## What is a Trade Mark

A trade mark can arise from use, or by registration.

The establishment of a trade description as a trade mark by use is an expensive process. The process requires a Court case. The essential rule being to prove the user has a reputation associated with the trade mark. The Court case usually arises when a competitor is attempting to pass off their mark. A mark that is deceptively like yours. This confuses customers about whose goods or services is being provided; yours or your competitor's. Resulting in you losing business.

A common law trade mark can only be in a visual form.

Through registration, a trade mark can be:

- a name,
- a trade description, that is visual,
- a sound,
- a shape or
- a smell.

This is more expansive than just something visual. The main rule for registration is that the trade mark is distinctive.

A trade mark is a badge of recognition. When a person sees Coke, Pepsi or Lift they immediately know what is being offered to them.

Section 20 of the **Trade Marks Act, 1995** (Cth) (TMA) gives the registered owner of a trade mark the exclusive rights to use that mark.

Section 21(1) of the TMA provides that a registered trade mark is personal property.

As registered trade marks are property, all the rights of ownership attach to them.

A valuable benefit of registration is that a registered trade mark is deemed to have a reputation associated with its owner. Proof of reputation is not required in infringement cases; unlike for a common law trade mark. This means, you have a stronger and less expensive case in taking infringement proceedings.

Registration of a trade mark is not compulsory.

### **The difference between Business Names and Trade Marks**

You own personal property but you cannot own something that is not property.

By law a business name is not property, It cannot ever become property. Not being property, no goodwill or legal rights to one sell a business name will arise.

It is possible that the way you use a business or company name may in certain circumstances constitute a common law trade mark. But having regard to the ease of creating a trade mark by registration taking this risk does not make business sense. You do not want to be in the same position as a one given as a example by IP Australia ( see <https://www.ipaustralia.gov.au/about-us/public-consultations/archive-ip-reviews/ip-reviews/review-of-the-relationship-between-tm-names/issues-paper>)

"A Brisbane woman was about to start up a new business. On learning that it could cost in excess of \$1,000 to obtain registration of a trade mark, her accountant advised her that a cheaper option was to register a business name with the relevant state authority. She was advised that by adopting this approach she could achieve 'protection' for her trading name for less than \$100. She took the advice and commenced use of her registered business name without conducting a search of the trade mark register. Several months later she received a letter threatening her with legal action for infringing a trade mark made up of the same words. Clearly, the other business had prior rights to the name. She then had to make the difficult decision whether to resist the claims or to adopt a new trading name. She decided to adopt a new name even though the cost of doing so was considerable."

The purpose of registration of business names is to maintain a register. The register identifies those who operate a business under a name other than their own.

People wrongly believe that a business or company name:

1. confers a proprietary right in that name (like the protection of a registered trade mark); and
2. registration offers immunity from infringement of another person's registered trade mark.

This misconception results in many people either:

1. not searching; or
2. undertaking insufficient searches;

of the trade mark register to identify potential conflicting trade marks before registering their business or company name.

The fail to search or undertaking insufficient searches can have drastic implications. The main implication, is that they start business, unaware that their registered business or company name, is infringing someone else's registered trade mark. If the name infringes a registered trade mark, they may have to stop using their name. This can cause loss of reputation associated with the name. The business will have considerable expense:

1. to re-brand;
2. in paying their legal costs to sought out the mess; and
3. possibility paying compensation to the registered trade mark owner and their legal costs.

To avoid costly mistakes contact Etienne Lawyers.