



Trademark Basics for Naming Your Small Business

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An Important Message to Our Readers

This eProduct provides information and general advice about the law. But it's important to realize that the law changes frequently, as do fees, forms, and procedures. If you handle your own legal matters, it is up to you to be sure that all information you use—including the information in this eProduct—is accurate. Here are some suggestions to help you:

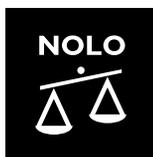
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There's a lot of room for personal and professional creativity when picking a business name, but there are also legal requirements and pitfalls that you absolutely need to understand. In particular, it's important for all business owners to understand the basics of trademark law, which establishes and protects legal rights to names of businesses, products and services.

If you choose a business or product name that's too similar to a competitor's name, for instance, you could find yourself accused of violating the competitor's trademark (called "infringing" or "unfairly competing") and you could be forced to change your business name and possibly pay money damages. No question, changing a business name can be a serious blow to a business that has worked hard to build name recognition among its customers—not to mention the cost of changing signs, stationery, pre-printed invoices and the like.

But suppose you plan to open a local business so small that you don't even expect to compete with businesses in the next county, much less in another state or country. You probably wonder if the arcane world of trademark law really affects you. Just 20 years ago the answer would have clearly been no—you didn't really have to worry too much about national or global name conflicts back then. As long as a quick search of your phone book didn't reveal any obvious local conflicts and you didn't call your business "Ford," "IBM" or some other famous name, you were fine. But in today's world of the Internet, mail order and rapidly growing national chains, the idea of "local" obviously isn't what it used to be. Even if you're opening just a tiny bookstore in a small town, if you inadvertently choose the same name as an Internet store that sells books, you may very well find yourself being accused of infringing the online store's trademark—even if the online store's headquarters are on a different continent.

One good way to figure out how educated and concerned you need to be about trademark law is to consider what the consequences will be if you are forced to change your business name. If a name change would be cheap and easy and wouldn't seriously confuse your customers, then don't lie awake nights worrying about picking a name that's absolutely bulletproof. However, if changing your name would be messy or expensive (changing signs, Yellow Pages ads and business directory listings, to mention a few possibilities), you'll want to take the time and trouble to be sure the name you plan to use doesn't already belong to someone else.

Have we convinced you that paying attention to the law of business names is important? Good. Now we'll explain how to go about choosing a name that won't land you in legal hot water and, once chosen, how to secure the maximum legal protection for it. We'll also cover some non-legal aspects of naming your business, including tips and advice on how to approach the naming process in the best way for your particular business.



CAUTION

Trademark isn't the only legal issue related to business names. Besides watching out for trademark conflicts, business owners also need to comply with other legal rules. Many businesses must comply with their county's fictitious business name requirements. Typically this means you'll need to register a fictitious business name statement (or similar document) with your county clerk and possibly publish it in a local newspaper. And for corporations, LLCs and limited partnerships, the name of the business must be approved by the state filing office (usually the Secretary or Department of State) before it will accept Articles of Incorporation, Articles of Organization or a Statement of Limited Partnership.

Getting the Terms Straight

One reason the law of business names often seems confusing is that it is riddled with lots of arcane and often overlapping legal jargon. For example, local, state and federal agencies often use different terms to describe the same or very similar legal concepts. Here's a brief rundown of the terms you should understand, all of which are discussed in greater detail in the rest of this guide.

- The term **“legal name”** means the official name of the entity that owns a business. The legal name of a sole proprietorship is simply the full name of the owner—for example, John Potter. If a general partnership has a written partnership agreement that gives a name to the partnership, then that name is the legal name. Otherwise, the legal name of the general partnership is simply the last names of the owners. (Many sole proprietorships and partnerships present their business to the public under a name that's different from their legal name—see fictitious business names, below.) And for corporations, LLCs and limited partnerships, the legal name is the name registered with the state filing office (usually the Department or Secretary of State).
- A **“trade name”** is simply the name that a business holds out to the public, which may or may not be the same as the name of the business owner or the business's legal name. John O'Toole's Classic Cars, Amoeba Records and Nolo are examples of trade names. You see trade names on business signs, in the telephone book and on invoices. In many transactions, such as opening a bank account or applying for a loan, you'll need to provide both the owners' names, the legal name of the business (if different) and the trade name of the business (if different).
- The term **“fictitious business name”** is used when the trade name of a business is different from its legal name. For instance, if John O'Toole named his sole proprietorship Turtle's Classic Cars, the name “Turtle's Classic Cars” would be a fictitious business name because it does not contain the owner's last name, “O'Toole.” A fictitious business name is sometimes called a **“DBA”** name; DBA stands for “doing business as,” as in: “John O'Toole, doing business as Turtle's Classic Cars.” Corporations and LLCs may also have to file fictitious name statements if the name they hold out to the public differs from the legal name they registered with the state. For example, if the owners of Southern Colusa County Auto Mechanics Ltd. Liability Co. decide to operate repair shop under the fictitious name “Grease Monkeys,” they'll have to file a fictitious name statement.
- The legal name of a business that must register with the state to be legally created is called a **“corporate name,”** an **“LLC name”** or a **“limited partnership name.”** If a corporation, LLC or limited partnership operates under the same name that's registered with the Department or Secretary of State, then its corporate, LLC or limited partnership name will be both its legal name and its trade name.
- A **“trademark”** (sometimes called simply a mark) is any word, phrase, design or symbol used to market a product or service. Technically, a mark used to market a service, rather than a product, is called a service mark, though the term “trademark” is commonly used for both types of marks since they essentially refer to the same basket of legal protections. Owners of trademarks have legal rights under both federal and state law, which give them the power in some cases to prevent others from using their trademark to market goods or services.
- **“Business name”** tends to be a catch-all term that can refer to any of the names used by a business—the name of a business itself, a corporate name, a fictitious business name and the names of a business's products and services. When we use it—or when you see it someplace else—be sure you keep in mind the difference between the various types of business names.

Business Names and Trademarks Often Overlap

Many trade names double as trademarks and service marks for products and services of the business. For instance, when McDonald's (trade name) advertises McDonald's French fries, the trade name "McDonald's" also becomes a trademark because it is used to identify the maker (or brand) of French fries. And when the company puts up a sign in front of its restaurant, the term "McDonald's" becomes a service mark, identifying who's providing the fast food service of

that restaurant. In other words, any time you use your trade name to identify a product, service or business location, you're using the trade name as a mark—either a trademark or a service mark. As you can see, a name can wear a bunch of different hats: it can be a trade name, a legal name and a trademark (or service mark) all in one. Keep this in mind as we discuss the legal and practical issues involved with business names—understanding that name issues sometimes overlap is helpful in this often complex area of law.

Legal Name	Trade Name	Trademarks/Service Marks
McDonald's Corporation	McDonald's	McDonald's French fries Big Mac Mayor McCheese Golden arches symbol
Microsoft Corporation	Microsoft	Microsoft Word Windows Vista Internet Explorer "Where do you want to go today?" slogan
Trader Joe's Company	Trader Joe's	Trader Joe's Baked Tortilla Chips Trader Giotto's Italian Roast coffee beans Trader Darwin's vitamins
Ronco, Inc.	Ronco	Popeil Pocket Fisherman Dial-O-Matic Food Slicer
Kraft Foods, Inc.	Kraft	JELL-O Gelatin Cheez Whiz Tang Instant Breakfast Drink "It's the cheesiest" slogan for Kraft Macaroni & Cheese "Good to the last drop" slogan for Kraft Maxwell House

An Overview of Trademark Law

In a nutshell, trademark law—which is really a catchall term referring to a large body of statutes, regulations and court decisions—prevents a business from using a name or logo that is likely to be confused with one that a competing business already uses. This general rule applies both to the name of a business as well as to the names of any of its products or services.

Trademark Protects More Than Names

In this guide, we talk mostly about how trademark applies to business names. But the rules we discuss apply to a lot more—logos, designs, slogans and packaging features can also be protected by trademark. For example, Nike’s slogan, “Just Do It,” and American Express’s mantra, “Don’t leave home without it,” are protected by the law of trademark. For more information on using trademarks in other aspects of your small business, be sure to read [Trademark: Legal Care for Your Business & Product Name](#), by Richard Stim and Stephen Elias (Nolo).

Allowing businesses to have exclusive use of certain names helps consumers to identify and recognize goods in the marketplace. When you buy Racafrax brand of wood glue, for instance, you’ll know that it will be similar in quality to the Racafrax glue you bought last time. By contrast, if any company was allowed to call their glue “Racafrax Glue,” customers would never know what they were getting. And because customers would never know when they were using the Racafrax company’s glue, the Racafrax company wouldn’t be able to build customer trust or goodwill, even if its glue was the best available. In this way, consumers and businesses alike benefit from trademark protection.

This section will give you a rundown of what’s protected by trademark law and how to determine and protect your rights to the names you use. A basic knowledge of this area will help you understand what steps you should take as part of forming your business to avoid infringing others’ rights (and opening yourself up to lawsuits). And it will also give you the legal basics you’ll need to protect your business name and to understand whether your rights are being infringed by others down the road.



CAUTION

Pick a name with an eye toward avoiding legal trouble—you can’t afford a court fight. The main reason to learn the basics of trademark law is not so you can successfully defend your name in court against another business that claims a superior right to use it. Even if you were to win a complex and expensive court fight, you’d be a huge loser when it comes to time, worry and legal fees. Far better to avoid disputes in the first place by choosing a safe name that has a very low likelihood of leading to customer confusion and, therefore, an infringement lawsuit.

What Is a Trademark?

The definition of “trademark” is essentially this simple: any word, phrase, logo or other device used to identify products or services in the marketplace is a trademark. This includes the names of products or services themselves and often the name of the business that’s selling them. Using a name in public commerce to identify goods or services for sale—not just on internal documents or on product samples that aren’t available to the public—is enough to make it a trademark; there is no registration requirement. However, registration with the U.S. Patent and Trademark Office will greatly strengthen your power to enforce your rights to the trademark. For example, if you

federally register your trademark, you can stop any subsequent user in your field from using the same or a confusingly similar mark anywhere in the United States for similar goods and services.

Keep in mind, however, that a key part of the definition of a trademark is that it must be used to identify goods or services for sale. So if you don't use the name of your business or product or service in public in conjunction with something you're trying to sell, it isn't considered a trademark.

Trademarks vs. Service Marks

You've probably heard the term "trademark," which applies to names, logos and slogans that identify products (such as Chia Pet), a whole lot more than the term "service mark," which is used when a name identifies a service (such as H&R Block Tax Preparation Services). One reason for this is that, since the legal rules for trademarks and service marks are virtually identical, the term "trademark," or sometimes just "mark," is commonly used for both types of marks. But since technically the two terms do refer to different things, you should be aware of the distinction, especially if your businesses will primarily provide services.

Trademark Rights

The power of a trademark comes from the fact that you may be entitled to exclude others from using the same mark. If you were the first to use the trademark, then you own certain rights to it and can take legal action against others who use it illegally. In legal terms, if someone "infringes your trademark" by using it in a way that's likely to confuse your customers or that has "diluted" your trademark, you can take them to court and force them to stop using it, and maybe even to pay damages.

So far, so good—you're probably even wondering why everyone says trademark issues are such a bear to deal with. Here's why: Just because you own a trademark doesn't mean you can always prevent someone else from using it (and likewise, another owner of a trademark can't always prevent you from using his mark). Unlike a copyright, which generally gives the same level of protection to all owners, a trademark gives widely varying degrees of protection to the owner, depending on a variety of circumstances. So, as we explain below, the key legal point isn't so much whether you own a trademark as whether it qualifies for trademark protection—and if so, how much.

Strong vs. Weak Marks

The general rule is that distinctive business names such as Yahoo! and Mountain Dew receive the strongest legal trademark protection. Below we define "distinctive" in more detail, but for the moment, it's important that you understand why distinctive names get more protection. The theory is that distinctive names like Pepsi or Cisco make strong connections in the minds of consumers, and play a big role in consumers' buying choices. The opposite is considered to be true for names that aren't very distinctive, such as Quality Vitamins or Brite Paint. Since distinctive names are considered to play such a big role in helping consumers choose among brands, it follows that the more distinctive a name is, the more likely it is that customers will be confused (in legal theory at least) by more than one business using the name. To avoid this confusion, the law gives more protection to distinctive names, and less or none to names that are merely ordinary and descriptive.

A truly distinctive trademark (also categorized as "strong trademark") is one that clearly distinguishes the product or service it represents from others. Memorable, unusual names like Xerox or 3M are additional good examples of distinctive marks. While there's no magic formula for what makes a trademark distinctive,

strong marks tend to be surprising or fanciful names that often have nothing to do with the business, product or service. Still more examples of distinctive marks include Chia Pet, Velcro and Comet (cleanser).

On the flip side, a weak trademark consists of ordinary, descriptive words that merely describe aspects of the product or business, such as durability (“Sturdy Knapsacks”), location (“The Edge of Town Tavern”) or other qualities (“Speedy Dry Cleaners,” “Tasty Vegetables”). Also, trademarks that include personal names are usually considered to be ordinary marks and therefore weak. (But, as we explain below, weak trademarks can become stronger with use.)

An additional reason why ordinary, descriptive trademarks aren’t strongly protected, at least at first, is to make sure that competitors aren’t unfairly prevented from using common words to describe their own products. For example, a food delivery service company called “Gallopig Gourmet” wouldn’t be able to monopolize the word “gourmet” and stop a deli from using the name “Tom’s Gourmet Sandwiches.”

How Trademarks Can Grow Stronger

A weak trademark can eventually offer good protection if it becomes distinctive and therefore stronger through use. Called “acquiring a secondary meaning” in legalese, this is particularly likely to occur when a product or service with a weak mark becomes a lasting success, making it likely that the public will associate the mark with the product or service being sold. For example, as the designer clothing brand Tommy Hilfiger has become popular nationwide, its previously weak trademark grows stronger as customers come to associate the ordinary name with a particular company. Examples of the weak-to-strong phenomenon include Burger King, Tom’s Natural Toothpaste, Ben & Jerry’s Ice Cream and The Yellow Pages.

When Do Trademarks Conflict?

As you surely know, plenty of businesses share the same name, or at least part of the same name, without violating each other’s trademark rights. Examples include United Airlines and United Van Lines; Ford Motor Company and Ford Modeling Agency; and Scott Paper Products and Scott Sunglasses. Legally, that’s because trademark infringement occurs only when the use of a mark by two different businesses is likely to cause customer confusion. (An exception to this rule, called the “dilution” doctrine, is explained below.) If customers aren’t likely to be confused, then both businesses may legally use the same mark. But if customer confusion is likely, then the rightful owner of the mark can prohibit the other businesses from using it, and can sue for damages (financial compensation) for any unauthorized use.

Dual uses of the same or similar mark can cause customer confusion by making it unclear what company actually makes a product or service or by misleading customers as to the source of the product. Customer confusion can happen in a number of different ways. Sometimes dual uses of a mark lead customers to believe that a certain company made a product when it actually did not. Or a customer may see trademarks being used in two different places and think that the companies are jointly owned or somehow affiliated, which may not be true.

Determining whether two marks legally conflict (in other words, whether customer confusion is likely) is one of the trickiest bits of trademark law. It’s important to understand that whether or not customer confusion is likely is a legal determination—not a commonsense one. In making this determination, courts deem the following factors to be particularly important:

- how strong (distinctive or well known) the original trademark is

- how much the products or services really compete against one another, and
- how similar the trademarks are in appearance, sound or meaning.

We'll look at each of these in more depth in the next few sections.

How “Strong” Is the Mark?

As we discussed above, distinctive marks receive the most protection (are the “strongest”) because, in legal theory, they are more likely to stick in consumers’ minds and play a role in their buying choices. Since strong trademarks tend to stick in customers’ minds, so the theory goes, it’s likely that customer confusion will happen if more than one company uses a strong trademark. To protect consumers from such confusion, courts will typically prohibit more than one company from using a strong trademark. Besides protecting consumers, prohibiting multiple uses of a strong trademark prevents businesses from stealing customers or getting a free ride off another business’s good reputation by using their trademark.

For example, the very strong and well-known trademark Microsoft is firmly implanted in millions of people’s minds. If a company called itself Microsoft Consulting, chances are that plenty of people would be confused about whether Bill Gates had anything to do with that consulting company. If Bill Gates sued Microsoft Consulting for trademark infringement, he would have a very good chance of winning.

Trademark law doesn’t give much, if any, protection to weak trademarks because they don’t trigger a strong association in customers’ minds between the mark and a particular product or service (or so the legal thinking goes)—since they are merely descriptive of the product or service. For that reason, courts are less inclined to find that customer confusion is likely when dual use of a weak trademark is involved. Note that this

is true even if customer confusion does in fact exist. For example, if Smith Jewelry and Smith Hardware exist in the same town, customers may wonder if they’re owned by the same family, but trademark law still won’t protect the name of either business, since the name Smith is so common. (However, unfair competition law may protect the hardware-store Smiths if the jewelry-store Smiths started getting into the hardware business, making the businesses direct competitors.)

Do the Products or Services Actually Compete?

If the products or services that share the same trademarks are in completely unrelated fields or industries, or if they’re sold in non-overlapping geographical regions (and not on the Internet), there’s obviously far less chance that customers will be confused by the other company’s trademarks. In other words, the less products or services actually compete, the less likely it is that there will be a trademark violation. For example, a pizza joint named Rocket Pizza probably won’t be confused with a record store named Rocket Records, even if they exist in the same city. And an auto shop named Armadillo Repairs in Portland, Maine, most likely won’t run into any trademark conflicts with Armadillo Auto Repairs in San Diego. Being so far apart and serving purely local customers, chances are slim that customers would confuse the two companies.

EXAMPLE: You open a coffee shop in Austin, Texas, and name it Pam’s Coffee Stop. A year into your business, you’re driving through Albuquerque, New Mexico, and notice a small café also named Pam’s Coffee Stop. After thinking about it, you decide that there’s little chance of a trademark violation by either business. The trademark is ordinary and descriptive and therefore weak, plus the shops are so far away from each other that they’re

not competitors. But this gets you thinking about trademark laws and you wonder what you'd do if a big national chain started using the name and moved into your area. The answer is, you would retain the right to use the name because you were the first to use it in your area (as long as the national chain hadn't registered the name with the U.S. Patent and Trademark Office before you first used it). But the chain could prevent you from expanding into other areas of the country if this ever became your goal.



CAUTION

The Internet and other long-distance marketing techniques create millions of new competitors. Today even small, local businesses commonly establish websites, hundreds of thousands of businesses send out catalogs, and even some local restaurants and hotels seek to reach a national (or even worldwide) pool of tourists. The upshot is that many formerly local businesses that just a few years ago never would have been confused with each other are now competitors, which of course increases the likelihood of customer confusion and trademark infringement if their names are the same.

Of course, there are plenty of gray areas where two businesses aren't in head-to-head competition, but use the same marks for products that are similar enough to make a customer stop and think, for example, "Is a Parker calendar made by the same company as Parker pens?" Even though a company with the same name may not be stealing business from a competitor, it may be unintentionally taking advantage of that company's goodwill and getting a free ride from its advertising. Again, the answer as to whether infringement exists in these gray areas often depends on how strong the original trademark is (as we discussed above). If the original trademark is weak, there's probably not much goodwill or

reputation to rip off (few customers would be confused by the similar name), so a court wouldn't be likely to say there was infringement. But if the original trademark is strong, there's a greater likelihood that the newer trademark will rip off the older one's reputation, making it likely for the court to agree that there's been an infringement.

EXAMPLE: Your pet products company begins selling a toy that looks like a cross between a dog and a weasel, which you name the Garden Weasel. Soon after your toy hits the market, the makers of the nationally marketed Garden Weasel 5-in-1 garden tool contact you, claiming that you are infringing their trademark. Since you feel that the products are unrelated enough to minimize the chance of customer confusion (the products don't compete with one another), your first thought is to stick with the Garden Weasel name. Think again. The Garden Weasel trademark is distinctive (memorable and unusual) and therefore strong. If you are sued—and you may well be—defending the lawsuit is likely to cost you tens or possibly even hundreds of thousands of dollars that you almost surely can't afford. And if the Garden Weasel mark is strong enough, you may lose the suit, even though the products don't compete. A better approach would probably be to tweak your name a bit, to something like the Lawn Weasel or the Garden Ferret, for instance.

Sight, Sound and Meaning Test

Obviously, dual use of identical trademarks can cause customer confusion, as we discussed above. But what about merely similar trademarks? If two marks look alike, sound alike or have the same meaning, the courts could decide that they conflict with each other, just as if they were identical. It is essential to understand that small

or superficial differences between two trademarks may not be enough to prevent customer confusion. The difference in spelling, for example, does not make the name “Ekzon” sufficiently different from “Exxon” to avoid trademark problems. And even though they’re expressed in two different languages, the names “Le Petit Fleur” and “The Little Flower” have the same meaning, which increases the likelihood that some customers could confuse the two.

EXAMPLE: You open an auto lubrication business and name it Jiffy Oil. A few weeks later, you receive a stern letter from the attorneys of Jiffy Lube, a national chain of auto lubrication businesses. The letter informs you that the name “Jiffy Oil” infringes on their rights to the trademark “Jiffy Lube,” since customers are likely to confuse the two names because the names are very similar, are used to describe an almost identical service, and mean pretty much the same thing. They demand that you change your business’s name or be taken to court. You’d be wise to comply with their demand. Their “Jiffy Lube” trademark, though a descriptive term (for fast lubrication), has become a very strong mark over time since customers have come to recognize it as a specific brand of service. And because your shop is a direct competitor of Jiffy Lube, the chance of customer confusion is high.

Christopher Johnson, Publisher of the *Weekly Alibi* (formerly *NuCity*), a free weekly newspaper in Albuquerque, New Mexico

When you are starting a small business there are so many things to think about—important things, like financing, initial marketing, etc. For many people (myself included), the last thing to cross your mind is whether the use of your business name is legal. About three years after I started

my weekly newspaper, NuCity, right when the company was finally stable, a weekly newspaper with a similar name (New City) in a different state took note of us and threatened litigation for trademark infringement. So, just at the time that my newspaper was really taking off, I had to decide between fighting a weak lawsuit or changing the name of the paper altogether. Of course, we came up with a much better name, and though it was an expensive process to change all our printed and marketing materials, in the end it was well worth it. Rest assured that the first thing that we did prior to making a final decision on our new name was to verify that no one else had a trademark on that name. I now own the national and international trademark rights to “Weekly Alibi,” and can’t wait to act like a moron and threaten other newspapers with lawsuits.

In the future, I will check to see if a name is available before I start any business. If you are starting a business where your name has significant marketing value, it is well worth your time to check to see if your chosen name is available to use and then to complete the process to secure your trademark rights to it.

The Dilution Exception

There is a big exception to the rule that says one trademark infringes another only where there is the likelihood of customer confusion. Even when customer confusion is improbable, courts will stop a business from using a trademark that’s the same as or similar to someone else’s if the use has diminished—or “diluted”—its distinctiveness. This legal protection kicks in only when a mark is so well known that even if you were to use it in a different context than the original trademark, lots of people would think of the original trademark. For example, a court might stop an athletic shoe manufacturer from using the trademark Exxon

or a gas station from calling itself Nike. Even though customers would not be likely to confuse an oil company with a shoe maker, this sort of copying is a legal no-no, since allowing others to use the very famous trademark can chip away at its distinctiveness and slowly reduce its legal strength.

Trademark Issues Online

The traditional principles of trademark law are scrambling to keep up with the fast clip of technological change. The Internet has changed many of the rules regarding trademark issues, just as it has created some entirely new ones. This section outlines a number of Net-related concerns regarding trademarks and business names.

The Web Has Changed the Rules

One of the touchstones of trademark infringement cases is whether or not the two trademarks in question are likely to cause customer confusion. In the pre-Internet world, small, locally oriented businesses didn't have to worry too much about name conflicts as long as no one in their area had a similar name. Today, however, physical distance is often made irrelevant by the omnipresence of the Web.

Particularly if you plan to put your business online, you'll have to worry not only about trademarks of businesses already on the Web, but also those of businesses located anywhere the Web reaches—which, of course, is just about everywhere. Another way of saying this is that if you create a Web page for a small home-based business, your business is no longer local in character—you're essentially launching a national or worldwide business that can compete with businesses everywhere, whether or not those businesses are online.

For example, if you create a website for your antique restoration business, Dalliance Designs, you could be competing with every antique restoration business in the country. If one of these owns the trademark "Dalliance Designs," the fact that you now share the market with that business opens a potentially ugly can of legal worms.

Again, pay attention to the fact that the Web has changed trademark rules for everybody—even businesses that don't go digital. As more and more small businesses launch websites introducing themselves in a keystroke to consumers all over the globe, your purely local, offline business might find itself in competition with businesses several time zones or even continents away. It is already clear that, in some circumstances at least, a Web business with the same name as yours poses just as much a threat of a trademark lawsuit as does a real-life, bricks-and-steel business across the street.

EXAMPLE: Jarrod is a mechanic who opens a small machine shop in a rural area of California. He's lived in the area for 30 years, and knows every business for miles around. Nevertheless, as part of choosing a name for his business, Jarrod carefully checks the phone book and the county register for fictitious business names and ultimately settles on his first choice, Checkers Tool and Die.

All goes smoothly for a few months, until a customer compliments Jarrod on his slick-looking website. This leaves Jarrod totally confused since he hates computers and has only a vague notion of what the Web is. But in talking with his customer about this mysterious website, Jarrod realizes that a machine shop in Florida is also using the name "Checkers Tool and Die," and sells a number of specialized parts via an online catalog. This doesn't

particularly worry Jarrod until his customer (a lawyer with a new Beamer, naturally) goes on to explain that if the distant business can prove it owns the trademark to “Checkers Tool and Die” and convinces a court that it shares the same market as Jarrod, it might be able to force Jarrod to stop using the name.

Although at least one customer has been confused, Jarrod doesn’t really expect the Florida outfit to go after him—after all, his business is small, local, provides primarily repair services (with parts as a sideline) and doesn’t sell on the Web. Nevertheless, even the possibility of legal trouble worries him—especially because he’d like to open a retail machine parts shop next to his repair shop. After learning that the Florida outfit has been using the name Checkers Tool and Die for years and seems to be putting lots of energy into expanding their website, Jarrod decides to be safe and spend the time and money necessary to change the name of his business to White Mountain Tool & Die before he expands.

Domain Name Conflicts and Cybersquatting

Besides making sure that your business name won’t create trademark trouble, if you plan to create a website for your business you’ll also need to choose a domain name that’s legally safe. A domain name (such as *nolo.com*) is part of a website’s URL (such as <http://www.nolo.com/index.html>), which functions as its Internet “address” online. Later in this guide we discuss the process of acquiring a domain name; for now, we’ll focus on the trademark issues to be aware of regarding domain names.

The first thing you should understand is that, generally speaking, your domain name will function as a trademark if you conduct business

at your site—if you offer products or services for sale. This is true whether or not you register it with the U.S. Patent and Trademark Office (PTO). For instance, *amazon.com* is the domain name for a huge website that sells books and videos—and the name *amazon.com* also serves as a trademark. This means that trademark law prohibits anyone else from using the name *amazon.com* for their business.

Keep in mind, however, that if your domain name is generic, such as *software.com* or *books.com*, it won’t qualify for much trademark protection. This rule is the same as for generic business or product names such as *lawyer*, *building supplies* or *pet food*—the law will generally not allow you to establish any trademark rights to these generic terms. But as we discussed earlier (in talking about weak trademarks), even generic domain names can grow stronger with use. Consider *etrade.com*, which has become almost synonymous with online stock trading. Originally, the name wouldn’t have deserved much trademark protection since it wasn’t distinctive at all—anyone can slap an “e” on the beginning of a word; now, however, the mark has acquired “secondary meaning” and is entitled to trademark protection.

For most business owners, the best way to make sure their customers will find them online is to simply tack “.com” onto their regular business names. However, while trademark law will allow two or more companies to use the same name as long as it won’t confuse customers, the technical limitations of the Web won’t allow for two identical domain names. In other words, Ford Trucks and the Ford Modeling Agency won’t be able to both use *ford.com* as their domain name. Since each website must have its own unique address, you may be out of luck if someone is already using your business name plus .com as their domain name. As you can imagine, this is where things can get sticky.

Dealing With Domain Name Conflicts

First, keep in mind that if you're starting a brand-new business that you haven't named yet, you might want to make an effort to choose a name that also can be used as a domain name. That way, you can register it as a domain name right away and sidestep the whole issue of what to do if your domain name is already taken. You'll need to decide for yourself how important it is to you to have a domain name that's the same as your business name. If it's really important, then you may have to work hard to come up with a business name that's good for business, available as a domain name and available as a trademark. If it's not that important, then your naming process will be somewhat easier—but you may regret it down the road when your business name can't be registered as a domain name.

There are a few possible scenarios when someone is using your business name as their domain name. One is that you may simply have missed your chance to get that domain name yourself—even though you have trademark rights to it—and will either have to choose a different name or buy it from whoever registered it first. These are likely to be your only options if your mark isn't nationally famous and if it's not likely that customers will be confused by another business using your name.

On the other hand, asserting trademark rights against someone using your trademark as a domain name may be possible if:

- their use of the trademark is likely to cause customer confusion, or
- your trademark is distinctive and nationally known—even if the other party's use of it is not likely to cause customer confusion.

Keep in mind that you will have to weigh carefully the pros and cons of attempting to force someone to give up a domain name based on a potential trademark infringement. On the one hand, the possibility of prevailing and getting the

domain name you want may make this course worth it, depending on your business model. On the other hand, remember that lawsuits are costly in time and money, and can easily exceed \$10,000 in legal and court fees (and can sometimes cost ten times that amount). If your case is a marginal one, you may be better off simply choosing a different domain name or even buying the name from the other party.



CAUTION

If you don't defend your trademark from known infringers, you could lose your trademark rights. While this guide doesn't cover the issues involved in trademark infringement in any depth, you should know that your trademark rights can become weakened if you fail to defend your trademark when you know or should know that it's being infringed. For this reason, it's probably a good idea to pursue a website or any other business or individual that infringes your trademark. For more in-depth information on defending your trademark and dealing with infringers, see *Trademark: Legal Care for Your Business & Product Name*, by Richard Stim and Stephen Elias (Nolo).

Dealing With Cybersquatters

Finally, another possibility you may face is that the domain name you want has already been registered by someone who wants to sell it back to you at a profit. For instance, say you owned a well-known car racing magazine called *Auto Racing Today*. When you were ready to launch a website, you discovered that the domain name *autoracingtoday.com* was already registered by another business, who offered to sell the name back to you for \$250,000 (actually a modest amount compared to similar sales). This practice, known as “cybersquatting,” became a real problem in the late nineties before businesses realized the importance of reserving domain names as soon as possible.

A federal law known as the Anti-Cybersquatting Consumer Protection Act makes cybersquatting illegal and provides remedies for victims, including getting the domain name back and possibly receiving money damages. To win a cybersquatting lawsuit, you'll have to sue the cybersquatter in federal court and prove a number of things (lawyers call these "elements"):

- the domain name registrant (the cybersquatter) acted in bad faith by registering the name solely to make a profit by selling it back to you
- your mark was distinctive at the time the domain name was registered
- the domain name is identical or confusingly similar to your trademark, and
- you were the first to use the trademark in commerce.

An alternative to a lawsuit is to use a procedure set forth by ICANN (short for International Corporation for Assigned Names and Numbers), the international group now in charge of Internet domain name policy. ICANN's process for resolving cybersquatting disputes is known as the Uniform Domain Name Dispute Resolution Policy (UDRP), and typically will cost far less and take less time than a lawsuit. The case you'll have to prove is similar to what would be involved in a federal lawsuit, that:

- the domain name is identical or confusingly similar to your trademark
- the registrant has no legitimate interests in or rights to the domain name, and
- the domain name was registered and/or is being used in bad faith.

Another advantage of the ICANN procedure is that it can be used in international domain name disputes, while a lawsuit based on the Anti-Cybersquatting Act can only be brought against domain name registrants in the United States. For more information, visit ICANN's website (www.icann.org).

Name Searches

By now you get the picture that a dispute over business names is no walk in the park. To avoid potential trademark hassles later on, you need to do some digging before you finally settle on a name for your business. The main way to accomplish this is to conduct a name search to find out whether another business is already using a name that's identical or similar to the one you want to use. As you'll see in the next few pages, the main practical question here is how extensive that search should be in your particular case. The information in this section will help you figure out how to go about researching your chosen name, and what to do once you've found one that you'll be able to use—and protect—as a trademark.



CAUTION

This section on doing a name search covers how to find out if someone is already using a name as a trademark, not as a domain name. The techniques to find out whether a name is being used as a trademark are different and more complex than finding out whether a name is available as a domain name. To find out if a domain name is available, go to Network Solutions (www.networksolutions.com) and enter the name you want. Their interactive database will tell you whether it's available and if not, who has registered it. Doing a name search for trademark purposes, on the other hand, requires consulting more sources, as described in this section.

As you should now understand, how thoroughly you should search will depend largely on the size and geographical scope of your business and your plans for its future. If you plan from day one to sell a product nationally—whether via catalog, through retailers or online—you'll obviously need to worry about trademarks across the country. If, on the other hand, you're starting a small home-based service business, don't plan to advertise and are relatively certain you won't

expand geographically, a search of names in your county, and perhaps state, could be enough from a practical point of view (though we recommend that you always search widely so that you at least know what's out there).

Also keep in mind that the extent of your search isn't only how widely you search geographically, but also how deeply you search—in terms of looking not only for identical names, but also for those that are merely similar or have a slight resemblance to yours. Searching for the exact name (also called a “direct hit” search) is quick and cheap, but risks missing look- and sound-alikes. A more in-depth search, such as one that looks for names with slight variations in spelling, is safer, but can get quite complicated and expensive.

Sources of Name Information

Before you start researching your chosen name, it's important to realize that there is no one place to look. In large part, this is because a business can—and millions do—establish a trademark simply by using it. Since millions of marks aren't registered with the government, in addition to checking federal and state trademark databases you'll want to check many other sources of information, such as business directories and phone books, for unregistered trademarks. You should check some or preferably all of the following resources for name conflicts, depending on how extensive a search you need; methods for searching these databases are discussed below.

The Web

Search engines such as Google are easy to use; simply enter the terms you're looking for and retrieve any sites that contain the terms in your query.

Another easy way to check trademarks online is to go to Network Solutions (www.networksolutions.com) and put in variations of the name you want to use. If another company has reserved a domain name that contains your trademark, chances are you won't be able to use it. If the domain name qualifies as a trademark—which essentially means that they're using it to sell a product or service online—then, as described earlier in this eGuide, you may not be able to use it as a trademark if your use would be likely to confuse customers.

Phone Directories

Don't overlook the phone book as a valuable collection of local name information. If you find someone who's using the name you want in your local area and your businesses are similar, there's no reason to waste money searching the federal trademark register or other government databases. Keep in mind that if your businesses are different enough, you might be able to use the name. If the name you want isn't in your phone book, make sure you use other sources, such as the Thomas Register, discussed just below.

Industry Sources

Trade publications and business directories can be great sources of business name information (and they can also give you good ideas for names). You can also call trade associations and chambers of commerce to ask if they can provide lists or directories of businesses in the area.

**TIP**

A particularly useful (and free) resource for finding unregistered trademarks is the Thomas Register website (www.thomasregister.com). It's a cross-industry database that includes hundreds of thousands of trademarks and service marks. But always keep in mind that any particular list you use to search for unregistered marks, such as the Thomas Register, may be incomplete.

Federal Trademark Database

Everyone starting a business, no matter how tiny and local, should search the federal trademark database to determine whether the name they want to use has already been registered by a similar business in the United States. The most important reason to do this is to avoid being sued for “willful infringement.” That’s because if you use a trademark already registered at the federal level (even if yours is a tiny, local business), you can be sued for knowingly violating someone else’s trademark—even if you didn’t actually check the federal database and know it was there. Searching the federal database can be complicated, and there are a few different ways to go about it (including hiring a trademark search firm to do the work for you).

EXAMPLE: Tom and Jen, both veterinarians in California, search their county’s fictitious business name database for the name “Critter Care,” which they want to use for the animal hospital they’re planning to open. They don’t find anyone else using the name in their area, so they believe they can use it. But just to be safe, Jen decides to check the California state trademark directory for the name. She finds out that a California corporation has already obtained state trademark protection for the name “Critter Care.” Since that corporation was doing business under its own name and

not a fictitious one, it didn’t have to register with any county fictitious name databases, so even if Tom and Jen had checked fictitious names statewide they wouldn’t have found it. (Tom and Jen also would have found the name by checking the Secretary of State’s corporate name database.)

Searching the Federal Trademark Database

To avoid a charge of willful infringement it’s a very good idea to check the federal trademark registry, maintained by the U.S. Patent and Trademark Office. Only the tiniest of microbusinesses should consider not checking this registry, and only after careful thought and consideration. Most businesses should accept the fact that the Internet and other communication technologies have simply created too many potential trademark conflicts and rightly conclude that they need to search the PTO’s database of federally registered trademarks.

If possible, begin your search with the free trademark database on the PTO’s website. The PTO’s database consists of all federally registered marks and all marks for which registration is pending. To start, go to the PTO’s website (www.uspto.gov), click “Trademarks” and then click “Search TM Database.” Then follow the instructions you see on the screen.

Another option is to hire a professional search firm to do the work for you. You can order a complete search of registered and unregistered marks through Trademark Express (www.tmexpress.com) or Thomson and Thomson, (www.thomson-thomson.com).

If you decide to hire a search firm, the cheapest and easiest type of national search is a direct-hit search, which will reveal whether another business has registered an identical name with the federal

Patent and Trademark Office (PTO). You can often hire one of the companies mentioned above to do a direct-hit search for you for less than \$100. But while direct-hit searches are quick and cheap, they usually won't turn up trademarks that are similar, but not identical, to the name you're considering. For example, if you want to name your softball training center "The Strike Zone," a direct-hit search may not turn up a trademark for "The S. Zone." And as discussed above, any mark that looks like, sounds like or means the same as your name could present a trademark conflict.

More extensive national searches take a lot more time and money, but may be necessary if you plan for your business to reach a wide audience and want to eliminate any risk of infringing someone else's existing trademark. For an in-depth search, it may make the most sense to hire a search firm; expect a fee of roughly \$300 to \$500 for a professional, comprehensive search. If you do decide to hire search services, you're likely to save money if you do some quick, preliminary searches on the Internet yourself—to rule out some of your choices. For more information on national trademark searches, see *Trademark: Legal Care for Your Business & Product Name*, by Richard Stim and Stephen Elias (Nolo).

Analyzing Your Search Results

If, after your search, you determine that the name you've chosen does not already belong to someone else (or that someone else isn't using a similar name), you can go ahead and use it. Assuming you really are the first user of the name, you'll own the trademark, which will give you the right to stop others from using it in certain situations. But since registering a trademark conveys important additional rights and protections, you may want to register your name with the federal and state governments.

But what if your search (or a search done by a professional firm) turned up an identical or similar name to the one you want to use? If the name is a famous trademark, it's probably time to pick a new name. Remember that if using your business name diminishes a famous trademark's distinctiveness or disparages its reputation for quality, the owner of the famous trademark may stop you from using your name even if its customers aren't likely to be confused between its products and yours.



TIP

If your business will have a website, check to see if a similar domain name is free too. If your Internet business will be important to you it may be worth it to pick a name that can also be used as a domain name.

If the name has been registered for official trademark protection, especially at the federal level, for similar goods and services as yours, you should take that as a huge "No Trespassing" sign that should be taken seriously. Owners of federally registered trademarks have the right to use their trademarks anywhere in the country, and it is easy for them to sue and recover damages. If your search shows that the name is being used but isn't registered at the federal or state level, then you might have a bit more leeway—but not much more. Since use, not registration, conveys trademark rights, you still need to be very careful not to infringe that owner's rights.

That being said, there are a few instances when taking a name that is already being used by someone else is okay. As we just mentioned, if the name is being used for a company that provides a very different product or service than the one you plan to sell, then you may have good reason to move forward with your plans to use the name. This is especially true if the two businesses serve only local markets and are hundreds of miles apart.

For example, just because a tiny clothing store in Boston calls itself Nature’s Calling doesn’t mean that you, in Aspen, Colorado, can’t use Nature’s Calling for your plumbing business. But if you wanted to start a clothing store in your town called Nature’s Calling, and one already exists in Boston, then you should at the very least do more research before using it. If a federal trademark register search indicates that the Boston store has registered the mark “Nature’s Calling,” your subsequent use is a clear legal no-no. But even if the name is not registered and the Boston store seems like a local outfit, it could have plans to expand its territory—or, as is even more likely—to create a website. Neither of these actions would necessarily forbid your use of the name on your original store, but could prevent you from using it more widely. The bottom line is that even if you feel certain that your business is different enough from that of the trademark owner to allow you to use the name, you should proceed only with lots and lots of caution.



TIP

How Would You Feel? If you are uncertain as to whether your proposed trademark would infringe an existing trademark, use a variant of the Golden Rule: How would you feel if you owned the existing trademark and someone started to use it? Ask a few friends the same question. If any of the answers are “Pissed off,” consider choosing a different name or at least invest a few hundred dollars in a consultation with an experienced trademark lawyer.

Buy Your Domain Name Now

Yes, it’s true that over 50 million domain names have already been registered. But there are still plenty of names available. You can check on domain name availability at any domain name registrar. You can find a list of all of the authorized domain name registrars at ICANN, the organization in charge of regulating domain names (www.icann.org). Use the registrar’s search feature. If the name you want is taken, you’ll have to pick another, unless you can buy it from the current owner. You can learn who owns it by checking www.whois.net.

Trademark Registration

By now you understand that registering your trademark with the federal and/or state government will strengthen your rights to it and make it easier to protect the name in case of a dispute. Registration is simply the process of notifying the state or, more commonly, the U.S. government that you’re using a particular trademark. When registration is complete, the trademark gets placed on an official list of registered names commonly called a trademark register. The U.S. Patent and Trademark Office (PTO) maintains two registers, the Principal Register and the Supplemental Register. State trademark offices have their own systems.

When people refer to a federally registered trademark, they’re generally talking about marks on the Principal Register. Trademarks that appear on the Principal Register get the most protection, and the penalties can be harsh for those who improperly use a name that appears on it. The Supplemental Register, on the other hand, is reserved for weaker, less distinctive trademarks that don’t qualify for the Principal Register. The

main function of the Supplemental Register is to provide notice of a mark's current use to anyone who does a trademark search. After five years on the Supplemental Register, a mark may qualify to be moved to the Principal Register if it's been in continuous use during that period.

Most states maintain just one register for all trademarks. State registration doesn't give as many benefits as federal registration, so it generally makes most sense to register federally for the widest scope of protection. Some trademarks, however, don't qualify for federal registration because they aren't used in national, international or territorial commerce—in other words, they're only used within the state. These marks can only be registered at the state level. Although use of a trademark on the Internet almost guarantees the right to apply for federal registration, if you truly are only using the mark within your state, state registration may be the only option.

The Patent and Trademark Office (PTO)—the office that administers federal trademarks—provides a process for electronic registration at its website (www.uspto.gov).

Registering a Trademark Online

If You Haven't Yet Used Your Trademark:

Go to the PTO's website (www.uspto.gov) and click "Trademarks" and then click "File Online." To file electronically (you'll need to pay with a credit card), click "eTEAS." Then follow the instructions provided. Choose the "intent-to-use" (ITU) option, since you haven't yet used your trademark in commerce, and provide a drawing or image of the mark. Be prepared to respond to the trademark examiner's questions and concerns within the deadlines assigned to you. You must file a "statement of use" within six months of the registration.

If You Have Already Used Your Trademark Commercially:

Go to the PTO's website (www.uspto.gov) and click "Trademarks" and then click "File Online." To file electronically (you'll need to pay with a credit card), click "eTEAS." Then follow the instructions provided. Choose the "actual use" option, since you are already commercially using the mark. Provide the information as requested: a drawing or image of the trademark, samples of how the trademark is actually being used, the first date the trademark was commercially used anywhere and the first date the trademark was used outside your state.

Winning Names for Your Business, Products and Services

Now that you have a general idea of the legal hurdles you need to clear and the snags and traps to watch out for, let the naming begin! Despite the hassles involved in learning a little trademark law, choosing names for your business and its products or services remains one of the more fun parts of starting your business. It gives you a chance to use your creative juices to come up with a name that is both marketable and infused with your individual personality (or the collective personalities of you and your business partners). A business name can help you establish the overall vibe of your business, from strictly professional to downright funky to a dozen things in between.

Besides legal restrictions and personal preferences, the traditions and realities of your particular industry or business will probably have a lot to do with what kind of business name you choose. Good, memorable business and product names range from the clever (SuperFantastic Bubble Plastic, Netscape Navigator, Liquid Paper) to the straightforward (24-Hour Fitness, Fruit Roll-Ups, Jenny Craig Weight Loss Centres) to sometimes even the cryptic (Yahoo!, Chia Pet, Floam). In part because there really are so many different kinds of businesses and so many approaches to choosing a distinctive name, it's impossible to give any kind of specific advice on choosing a great name. There are, however, a few things that are helpful to keep in mind when choosing your business names.

- Especially for small local businesses, sometimes straightforward, informative names work better than fancy ones. For example, if you plan to open a shop selling aquarium supplies and tropical fish in Seattle, “Seattle Aquariums & Fish” may be a far more effective name than “The Lure of the Ocean.” Also, since

humble, descriptive names qualify for less trademark protection, choosing an ordinary name—especially one with a geographic identifier—will make you less likely to infringe on someone else's trademark, since ordinary, descriptive names don't qualify for much protection (assuming you make sure no one else is already using it in your immediate area).

- Think about how your customers will locate your business and your products. If you don't expect customers to seek out or remember your company as a whole, but only its products, it's silly to focus much attention on the business name (which you may never use as a trademark). For instance, while millions of people know the product The Clapper and its commercial jingle (“Clap on! Clap off! The Clapper!”), few know or care who its makers are.
- Before you finally commit to a name, get some feedback from potential customers, suppliers and others in your support network. They may come up with a downside to a potential name or suggest an improvement you haven't thought of. Doing this type of homework is especially important if you will market your goods or services to customers who are members of several different ethnic groups. You obviously don't want to choose a name or symbol and learn later that it offends or turns off a key group of customers. For example, one organization we know couldn't figure out why it got such a cold shoulder from Mexican-Americans. The answer turned out to be that the shape, size and type used on their signs were similar to a “No Trespassers—Keep Out” sign widely used in Mexico. And virtually everyone with email has by now seen a widely circulated humor piece on a number of advertising translation blunders—such as Kentucky Fried Chicken's “finger lickin' good” slogan reading in China as “eat your fingers off.”

- In certain service businesses where an owner's (or small group of owners') personal attention and savvy is important (for example, architecture or accounting), it is common to use the owner's name, as in Charles Schwab. In other service and retail businesses, it is more common to use creative names—Kinko's and Fuddrucker's come to mind—and not only for the business itself, but sometimes for its products, too.

EXAMPLE: David and Donna operate a car wash named Storm, which develops a good deal of name recognition in the city. Besides relying on the reputation of their trade name, they come up with clever names for various service packages (such as Sunday Shower, Typhoon Tuesday and the Everyday Squall Special) in hopes that those names will catch on as well.

- Be sure your trade or business name will still be appropriate if and when your business grows. For example, if you open Miami Surf Shop, will it be a problem (or an advantage) if you want to open a second store in Orlando? Especially if you plan to sell products on the Internet, you should think twice about giving your business a geographical identifier. Similarly, if you start a business selling and installing canvas awnings using the name Sturdy Canvas Awnings, your name might be a burden if you decide to also start making other products such as canvas signs. On the other hand, the name Sturdy Canvas would let you move into all sorts of canvas products, such as duffel bags, canvas signs and drop cloths.



TIP

Think national even if you act local. As discussed throughout this guide, even though you may plan to open just one local office or store, it's a good idea to be sure your name is safe from trademark conflicts on a statewide or even national basis (and, if appropriate, from domain name conflicts). That way if your business takes off, you won't bump into someone else who already uses the name in another area or online.

Checklist for Naming Your Business

- Familiarize yourself with the basics of trademark law, including what types of trademarks qualify for maximum legal protection.
- Draft lists of business, product and domain names that could work.
- If you plan to do business online, check to see whether your proposed business names are available as domain names. (Ideally, your domain name(s) will be the same as your business and/or product names.)
- If the online aspect of your business will be important to you, narrow your list to those names that are available as domain names.
- Do a trademark search of the names on your list.
- If any names are already being used as trademarks, eliminate the ones that are either already famous trademarks or would lead to customer confusion if you also used the name.
- Choose between the names that are still on your list.
- Register your business and product names as domain names whenever possible.
- Register your business and product names as trademarks.



Most legal problems aren't worth paying a lawyer hundreds of dollars to fix, so next time you come across a legal issue, don't go to a lawyer—solve it yourself with Nolo books and software! Here are just a few of the topics we cover:

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