

# FOR YOUR PROTECTION...

## California Incorporation Does Not Confer Tradename or Trademark Rights

You own a company properly incorporated or authorized to do business in the state of California under the name XYZ Corporation. You sell widgets stamped with the mark XYZ, or you provide services using the XYZ designation in your advertising, letterhead, business cards and signs. So you think you have nothing to worry about regarding tradename, trademark or servicemark rights. You are wrong.

In fact, the California Business & Professions code explicitly warns that “the filing of articles of incorporation pursuant to Section 200 Corp. of the Corporations Code shall not of itself authorize the use in this state of a corporate name in violation of the rights of another under the federal Trademark Act (15 U.S.C. Sec. 1051 et seq.), the state Trademark Act (Chapter 2 (commencing with Section 14200) of Division 6), the Fictitious Business Name Act (Chapter 5 (commencing with Section 17900) of Division 7), or the common law, including rights in a trade name” under the California Code Sec. 14417 of the Business & Professions code. Therefore, incorporation by the State of California is not a valid defense to tradename, trademark, or servicemark infringement, unfair competition, or anti-dilution claims.

This was illustrated in *Coast & Southern Fed. Savings & Loan Assn. v. Trans-Coast Savings & Loan Assn.*, (1971) 16 Cal.App.3d 205, 93 Cal Rptr. 791, where the court reiterated the fact that despite approval by the Secretary of State, an action may be brought to enjoin use of a name as unfair competition. The court applied the principal by analogy as the case involved approval of a name change by the savings and loan commissioner of the State of California. The commissioner approved an application by the Oxnard Savings and Loan Association to change its name to Trans-Coast Savings and Loan Association of Oxnard. Coast and Southern Federal Savings Loan Association of Los Angeles brought suit under the common law theory of unfair competition due to the secondary meaning of the word “Coast” and the likelihood of confusion to the detriment of the plaintiff and the public.

The defendant, on the other hand, maintained that the commissioner’s order approving the name change barred the plaintiff from asserting a claim for unfair competition. Unfortunately for the defendant, the appellate court held that the approval of a corporate name by the commissioner (or the filing of the Articles of Incorporation by the Secretary of State via analogy) does not have an effect on a plaintiff’s right to bring an action for unfair competition under the common law. The California Business & Professions code further states that “the filing of any fictitious business name statement pursuant to Section 17910 does not, of itself, authorize the use in this state of a fictitious business name in violation of the rights of another as established under this chapter, the federal law relating to trademarks (15 U.S.C. Sec. 1051 et seq.), or the common law, including rights in a trade name.” Therefore, the principles that were discussed above apply to your fictitious business names as well.

On the other hand, the mere fact that a party’s corporate name contains a word that is part of another’s tradename or mark does not, of itself, make the name “substantially similar”, *Armstrong Cork Co. v. World Carpets, Inc.*, 203 U.S.P.Q. 19, 24-25 (5th Cir., 1979), so that it infringes on another party’s rights. The basic issue is the likelihood of confusion. In some situations a party’s corporate name is not before the public so as to cause confusion with another’s mark. In such cases, the junior user may be enjoined from use of the name as a mark, but not from use as a corporate name. See *Sunbeam Furniture Corp. v. Sunbeam Corp.*, 191 F.2d 141 (9th Cir., 1951); *Liberty Mutual Ins. Co. v. Liberty Ins. Co.*, 185 F.Supp. 895 (D.Ark., 1960).

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