

FOR YOUR PROTECTION...

Delaware Incorporation Does Not Confer Tradename or Trademark Rights

You own a company properly incorporated or authorized to business in the State of Delaware under the name XYZ Corporation. You sell widgets stamped with the mark 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, permission by the Secretary of State of Delaware to incorporate is not a valid defense to tradename, trademark, or servicemark infringement claims.

This was illustrated in *Carlton's Mens Wear, Inc. v. Carlton Hotel Stores, Inc.*, 1985 WL 165738 (Del.Ch. 1985). Carlton's Mens Wear, Inc. filed suit against Carlton Hotel Stores, Inc., and requested an injunction to prevent defendant from using the name "Carlton". *Id.* at 1. Although the court noted that the merchandise was distinctively different, and that there had been "little customer confusion engendered by the similarity in corporate names," the Court of Chancery entered a preliminary injunction against Carlton Hotel Stores, Inc. *Id.* at 3.

In 1967, Carlton's Mens Wear, Inc. registered two tradenames with the Secretary of State: "Carlton's" and "Carlton's Mens Wear." *Id.* at 1. Plaintiff incorporated under the name "Carlton's Mens Wear, Inc." in 1969. *Id.*

Defendant incorporated under the name "Carlton Hotel Stores, Inc." in 1978. *Id.* Thereafter, defendant began using the "Carlton" name on memo letterheads, bank checks, and began receiving checks under its corporate name. *Id.*

The court held that "the right to the exclusive use of a trademark or tradename is based on priority of use in the same market or arena of commercial activity." *Id.* at 2 (emphasis added). Defendant argued that because its president operated a small clothing store in the Carlton Hotel prior to incorporating, defendant traded under the name "Carlton" as early as 1967. *Id.* However, the court found that the name "Carlton" was used solely as an address, not as a tradename, by the defendant prior to its incorporation. *Id.*

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." *Citizens Financial Group, Inc. v. Citizens National Bank of Evans City*, 30 Fed.Appx. 24 (C.A.3 Pa., 2002). The basic issue is likelihood of confusion. See *Interpace Corp. v. Lapp, Inc.*, 721 F.2d 460, 462 (3d Cir. 1983). In some institutions a party's corporate name is not as prevalent as the party claiming infringement. In such cases, the junior user may be enjoined from the use of the mark in the senior user's marketplace. See *Citizens Financial Group, Inc.*, 30 Fed.Appx. 24 (C.A. 3 Pa., 2002).

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