

What's in a name?

## Performing proper due diligence before naming a company

By Michael Dayton

You're sitting in your office Monday morning, enjoying a breakfast bar and some coffee, and reviewing the latest law blog posts (i.e., looking at Facebook) when the phone rings. It's Bob, a long-time friend and perpetual entrepreneur, and Bob would like you to form an Iowa limited liability company for him. He has a great idea for a hardwood flooring services company (everything from removal to installation and finishing) and he wants to get it rolling.

Awesome, you think. First, I have great taste in friends because Bob actually knows to organize an LLC out of which to run his business. Second, I can pull out my forms, fill in a few blanks, charge Bobby the flat fee I charge for organizing a single-member LLC and be on my merry way — on the whole, not a bad start to the week.

So you take down some basic information. First things first, "what do you want to call the company?"

"Imperial Flooring Company," says Bob, because it sounds important and I plan on taking over the hardwood flooring services world. "We will start in Iowa, but I plan to expand nationally and even globally if at all possible," Bob continues.

"Sounds great," you say. "Just let me check the Iowa Secretary of State's website to see if the name is available."

You pull up the website, check the name, and there are no results. "Bob, looks like you can use it, though, we will need to add an 'LLC' at the end of the name." (Good catch by you — pat yourself on the back).

You draft up the governing documents, Bob signs them and you part as friends.

Bob starts operating his company and

makes great strides for a few years, expanding his market from Iowa out into other states in accordance with his stated plan. He is good at what he does, hires the right people and builds quite a bit of goodwill for the Imperial Flooring name. Then Bob calls you one day: "Hey, I got this cease-and-desist letter from some other company named Imperial Flooring saying I need to stop using their name. How can this be? You told me I was ok to use the Imperial Flooring name."

"Sorry, Bob," you say, "what I meant was that your name 'Imperial Flooring' was distinguishable upon the records of the Iowa Secretary of State from all other reserved or registered names so that it could be registered as the name of an LLC with the Iowa Secretary of State." (Obviously.)

"Ok? So I don't have to change the name of my company?"

"No," you say, "you probably do have to change the name. See, there is this whole other world of name protection rights out there, and we didn't discuss any of that. If you had concerns about those names, you should have told me."

That answer is slightly insufficient for Bob. After a few choice words about how you aren't distinguishable from a mule's backside, Bob decides to take his business elsewhere.

Questions go through your head: Was it my responsibility to make Bob aware of these issues? Bob must have done some searching with respect to the name on his own when deciding what name to use, right? Regardless of whether it was your responsibility or not, what you certainly did was to turn a friend into a belligerent and

lose a client.

So what should you have done to avoid this situation and protect your client from the beginning? It depends on how the name of the company will be used. There are a few minimally invasive procedures you could have performed that would have given Bob some comfort and protection so that Bob's hard work in building the goodwill for his company name wouldn't be for naught. These procedures range from simple, on-line Google and United States Patent and Trademark Office (USPTO) searches to having a vendor such as Thomson Reuters perform a broad search with respect to the company's name. And it takes even less time to simply ask the client what due diligence he or she has previously performed with respect to the name.

For some company names, just performing an Iowa Secretary of State "entity name search" is sufficient. If you are forming a family farm holding company or any other company where the company name will not be the trade name collecting goodwill, further searches are not necessary. Of course businesses evolve, so it is important to be absolutely certain that the name will not be used for commercial purposes.

For companies like Bob's, operating commercially under the company name, additional searches can be crucial. The "other world of name protection rights" you mentioned to Bob, the protection of trademarks at common law and by registration at the federal and state level, is often overlooked in forming a company. As illustrated above, this can be a costly mistake for your client.



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Clearing a mark involves determining whether the new mark will cause a “likelihood of consumer confusion” with any existing marks in terms of sight, sound, or meaning. In a relatively short amount of time you can perform an Internet search with respect to the proposed company name to determine if the name (or a similar name which might cause confusion) is being used and where and how it is being used. For example, if you search for “Imperial Flooring,” the first result is a website with the name of “imperialflooring.com.” If your client hadn’t already performed this search, he will certainly thank you for doing so. The fact that a website is already registered in that name may be sufficient reason for your client to rethink the company’s name, especially if he is eyeing a national market.

Absent further circumstances, though, the mere fact that a website exists with the same name isn’t a reason to not use the name. It is important to determine how the name is being used and where it is being used, since the scope of the common law protections for trademarks follows that analysis. In general, common law trademarks rights provide protection for goods and services which are sold under the mark in the geographical area where the mark’s reputation extends. If the website company Imperial Flooring is only performing services in the Northeast, and your client is unlikely to have market penetration there, then your client may be willing to use the name. If the website company Imperial Flooring is a carpet manufacturing company then there is a risk that you may be served a cease-and-desist letter, but it might be a small enough risk for your client to accept.

You should also perform, or direct your client to perform, a search of the USPTO’s website. If “Imperial Flooring” is a registered mark with the USPTO, the registrant

of the mark is given nationwide protection to use that name with respect to the goods and/or services for which the mark is registered and related goods and/or services sold in similar channels of trade. In some cases the registrant is entitled to additional damages if you violate the registrant’s rights. If you perform a USPTO search of “Imperial Flooring” you will see that there are no registrations of that mark.

Finally, although these quick searches can avoid obvious peril, a more in-depth search performed by a third-party vendor such as Thomson Reuters can be worthwhile if your client is planning on registering its name with the USPTO or will otherwise be using the name in a number of jurisdictions. The results of the vendor’s search still should be reviewed by an attorney, but the vendor can perform a thorough search more cost effectively than if the attorney had attempted to perform such a search. These vendors typically search for identical trademarks, plus variant spellings, phonetic equivalents, and similar marks from USPTO and state records, as well as common law, websites and domain name sources.

So the next time a friend calls you (which won’t be Bob) to form an entity, pull your mind away from Facebook and your impending bathroom break and ask your friend how the name might be used and with respect to what goods and services, where it might be used and what due diligence your friend has already performed. Taking those simple steps may be enough to save you a friend and a client.

*\* Michael Dayton is a shareholder in the Business, Finance, and Real Estate Department at Nyemaster Goode, P.C., in Des Moines, Iowa. Michael assists entrepreneurs from start up to eventual sale and everything in between. He is also a part of the ISBA YLD and Business Law Sections. He can be reached at mjd Dayton@nyemaster.com or 515-283-3111.*

## ADMISSION ON MOTION

### APPLIED

The following individuals applied for admission on motion to the Iowa Bar:

**Bradley M. Bakker**, Armstrong Teasdale, L.L.P., St. Louis, Mo.;

**Beth Ann Lori**, Life Care Services, Des Moines, Iowa;

**Paul Socrates Mazzola**, McKee Voorhees & Sease, Des Moines, Iowa;

**Elizabeth Spellman Pudenz**, Des Moines, Iowa;

**Joanne Reed**, Noyes Law Office, Fairfield, Iowa;

**Courtney Elizabeth Rowley**, Decorah, Iowa;

**Jill Suzanne Schryver**, Green Products Company, Conrad, Iowa;

**Patrick David Whiting**, Fredrikson & Byron, Minneapolis, Minn.;

Anyone with questions or comments on the above applicants should contact: Dave Ewert at the Office of Professional Regulation, 1111 East Court Avenue, Des Moines, IA 50319; Phone: 515-725-8029.

### ADMITTED

The following individuals have recently been admitted to the Iowa Bar:

**Elizabeth Christine Ashton**, Polk City, Iowa;

**Michael Thomas Auer**, St. Peters, Mo.;

**Jerrold Robert Black**, Bellevue, Neb.;

**Erin Elizabeth Del Val**, Ames, Iowa;

**Erin Rivka Eldridge**, Marion, Iowa;

**Ashley L. Faier**, Office of Professional Regulation, Des Moines, Iowa;

**Nike Lee Fleming**, Iowa City, Iowa;

**Jennifer Granchi**, Bellaire, Texas;

**Andrew F. Hettinga**, Quarles & Brady, L.L.P., Chicago;

**Todd Richard Korb**, Hupy & Abraham, S.C., Milwaukee, Wis.;

**Katherine Marie Krickbaum**, Des Moines, Iowa;

**Douglas Edwin Lee**, Dixon, Ill.;

**Britta Schnoor Loftus**, Iowa City, Iowa;

**P. Shawn McCann**, Omaha, Neb.;

**Michael G. Monday**, Omaha, Neb.;

**Eduardo Alfonso Navarro**, Ankeny, Iowa;

**Matthew Blanton Robinson**, Hesse Martone, P.C., St. Louis, Mo.;

**James Lee Varley**, Alexandria, Va.;

**Robert Ellsworth Wright**, Alliant Energy, Cedar Rapids, Iowa;

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