

PROTECTION OF A BUSINESS NAME IN CASE OF SIMILARITY OR IDENTITY OF BUSINESS NAMES AND/OR TRADEMARKS

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Abstract

In Bulgarian legislation, the regulatory framework of a business name was supplemented by two new paragraphs of article 7 of the Commerce Act (SG № 34/2011). The changes were almost immediately subject to criticism by the doctrine. This report analyzes, on one side, the business name, focusing on the protection provided in violation of the right of the business name under Art. 7, para. 4 of the Commerce Act in case of bad faith application or use of business name, and on the other side, the newly introduced prohibition under art. 7, para. 5 of the Commerce Act for similarity or identity between a registered business name and a trademark, unless the merchant has rights in the trade mark. An overview of the case law has been made. The purpose of the research problem is to answer the question of whether adequate protection of the right of business name has been provided by the legislator in cases where a business name in a bad faith has been registered similar to an already existing one or with trademark.

Keywords: a business name, protection of a business name.

1. Introduction

In Bulgarian legal literature, the business name is traditionally seen as a means of individualizing the merchant and as an element of their enterprise. The general legal framework of the business name, and the ways for its legal protection, are regulated in Chapter three of the Commerce Act, Art. 7-11. The business name is not just a means of individualizing merchants. As an element of his enterprise, the business name may be a subject of transactions. It is necessary to point out that in many cases the business name is an important pricing factor in transactions with the merchant's enterprise. Therefore, the issues of the legal protection of the business name are important.

The objectives set out in the report are to clarify what new claims have been regulated in the case of a breach of right of the business name through the newly created paragraph 4 of Article 7 of the Commerce Act. The objective can be achieved with the performance of the following tasks: to explain when there is identity and similarity between two business names and the comparison of the claims under Art. 7, para. 4 and under Art. 11, para. 2 of the Commerce Act.

Next, the objective of the report is to indicate what new requirements for the content of the business name are introduced with the newly created paragraph 5 of Article 7 of the Commerce Act. In order to meet the defined goal, it is necessary to make a comparison between a business name and a trademark. Moreover, the latest amendments to the regulations of the business

name (SG 34/2011) are subjected to a critical analysis by well-known scientists in the field.

The third and fourth paragraphs of Article 7 of the Commerce Act are therefore subject to thorough analysis. For the sake of completeness, the case-law has been reviewed.

2. Content

2.1. The essence of the right to a business name

In the Bulgarian legal doctrine the right to a business name is considered as an indefinite, personal (non-material), indiscriminate, absolute and exclusive right, which arises at the moment a business name is registered in the Commercial register¹. The condition for registration of the business name in the register is compliance with the normative requirements, which determine the content of the business name. These requirements are determined according to the rules of the mixed system with the priority of the beginning of the truth². Its expression is the rule of Art. 7, para. 2, last sentence of Commerce Act, according to which the business name must be truthful, not misleading and must not be offensive to the public order and moral. The content of the business name is traditionally divided into obligatory and optional. It should be determined in such a way as to provide exclusivity of the business name. It should not coincide with the the business name of already registered merchants. These requirements are derived from Art. 11, para. 1 of the Commerce Act,³ Art. 21, para 7⁴ and Art. 35⁵ of the Commercial Register and the Register of Non-Profit Legal Persons Act. With

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¹ Georgi Stefanov, Targovsko pravo.Obshta chast. (Veliko Tarnovo, Abagar, 2016) ,p.141-142.

² Stefanov, Targovsko pravo, p.136.

³ Stefanov, Targovsko pravo, p.141.

⁴ Angel Kalaydzhiev, Targovsko pravo. Obshta chast. (Sofia, Trud I Pravo, 2010), p.126.

⁵ Nikolay Kolev, Otnosno firmata na targovetsa (Targovsko i konkurentno pravo, issue 5/2011, p.15-21).

the transition from decentralized judicial registration of merchants to centralized administrative procedure before the Registry Agency, the exclusivity has turned from local to national (the change is regulated by the Commercial Register Act). The business name is a means of individualisation of merchants. Having in mind that merchants are both legal and economic entities, which produce or provide goods or services, it is indisputable that the business name must differ from the business names already registered. Otherwise how could consumers distinguish the merchants' goods from those of others.

In my opinion Art. 11, para. 2 of the Commerce Act regulates only the exclusive nature of the business name which ensues from the entry in the register. However, the provision does not introduce a requirement for the uniqueness of the business name. It could therefore be assumed that the entry of two identical merchants with identical business names into the register would lead to confusion among consumers. There is no rule in any of the provisions of Chapter Three of the Commerce Act that the merchant's business name must be distinguished from those of already registered merchants. Such a requirement existed in our old trade legislation. Pursuant to Article 24 of the repealed Commerce Act, each new business name must be clearly distinguished from other business names, registered in the same place or in the same municipality. In the old Bulgarian commercial legal literature it is stated that the right to a business name is exhausted by the exclusive use of the business name to carry out the commercial activity under its name. Only by way of exclusive use of the business name, one can expect the related benefits - good name, trade relations, customers⁶. To include such a rule in our legislation would make the disputes about the identity of two business names pointless, if they differ only by the punctuation marks used or the spaces between the words.

Pursuant to Art. 21, item 7 and Art. 35 of the Commercial Register and the Register of Non-Profit Legal Persons Act, before entering a merchant the registration official is obliged to check whether another person has rights over the business name and whether it meets the requirements of Art. 7, para. 2 of the Commerce Act. Consequently, there is no explicit rule in these provisions either that a merchant's business name should be distinguished from other listed business names. As it has already been pointed out, the requirement for authenticity is the guiding principle when determining the content of a business name. An obligatory element of the business name's content is the designation of the trader's type. /e.g Rompetrol Limited Liability company or Rompetrol LLC/. These requirements are imperative. In addition to the

obligatory content of the business name, all business names may also indicate the nature of the business, the names of the partners, as well as a freely chosen addition.

The first conclusion that can be drawn from the analysis of Art. 7, para 2 and Art.11 of the Commerce Act is that the right to a company name is an exclusive right - the name can only be used by the merchant who has registered it and that each business name entered in the register is distinguished from the business names of the others. The Commerce act does not regulate the cases in which the registration official has registered a business name that does not meet the requirements of Art. 7. Until the 2011 amendments to the law, the only protection against violation of the right to a business name was regulated in Art. 11, para. 2 of the Commerce act. The claim under Art. 11 is inapplicable in the cases of violation of Art. 7, para. 2 of the Commerce act. The doctrine states that the legislator has failed to provide a legal mechanism for removing any breaches committed when registering a business name⁷. For the reasons given, the view deserves to be supported. Apart from being a right, the business name is also a means of individualizing the merchant in turnover. It is vital for him/ her to be able to protect themselves against any intentional or unintentional misuse of their name. Such actions can be expressed in any unauthorized use of the business name not by the merchant who registered it but by another person (he may or may not be a merchant) or in the use of a business name that is registered in compliance with the legal requirements, but is similar or identical to a business name registered earlier.

In the first hypothesis protection shall be granted with the claim under Art. 11, para 2 of the Commerce Act. From the expression 'affected parties', it can be concluded that the claimant may be both the trader and any other person, provided that they have an interest in discontinuing the use of this business name⁸. This has to be proven specifically for each case. In my opinion, while it is highly unlikely, it should be assumed that it is possible to file only a claim for compensation without seeking the cessation of the infringement. If damage has not been caused to the right-holder by the wrongful use, then he may file a claim only to cease further use of the right to the business name. Both claims can therefore be brought individually⁹.

A claim to establish an application for, or a use of, a business name in bad faith, to cease and desist using a business name in bad faith and for damages, when the business name is identical or similar to an already registered one

In the second hypothesis, up until amendments to the commercial legislation in 2011, there was no private protection in the case of registering two identical or similar business names in the commercial

⁶ Lyuben Dikov, Kurs po targovsko pravo Commercial Law Course (Sofia, Third Phototype, 1935,1992), p.46.

⁷ Stefanov, Targovsko pravo, p.139, Valentin Braykov, Targovskoto ime i negovata zashtita The Trade Name and Its Protection (Tagovsko pravo, issue 2/2001, p.5-12).

⁸ Stefanov, Targovsko pravo ,p.143, opposite Kalaydzhiev, Targovsko pravo , p.128.

⁹ Kalaydzhiev, Targovsko pravo, p.128 opposite Stefanov, Targovsko pravo,p. 143.

register. Art. 7, para. 4 was subject to criticism by the doctrine.

According to another opinion, Art. 7, para. 4 of the Commerce act provides private legal protection of a business name. This paragraph regulates three claims - declaratory -to establish an application for, or use of, a business name in bad faith, reprehensible - to cease and desist using a business name in bad faith, compensation - for damages.

In order to distinguish between claims under Art.11 para. 2 and Art. 7 para.4 of the Commerce Act, it is necessary to analyze the prerequisites for the submission of claim under Art. 7 para.4of the Commerce Act.

For a claim to be admitted under Art. 7 para.4 of the Commerce Act, both the plaintiff and the defendant must have a commercial quality, whereas a defendant under Art. 11 para.2 of the Commerce Act may not be a trader.Next, in order to admit a claim under Art.7 para.4 of the Commerce Act, it is necessary for the plaintiff to prove identity or similarity between his business name and the one of the defendant and has to prove that his business name has been registered before the business name of the defendant. Therefore, it is necessary to clarify whether the identity of a business name only refers to its optional content or to all elements of the business name's content. According to doctrine, there will be no matching of names if they are entirely covered by the optional content but differ only by the designation for the type of commercial company. When consumers choose certain goods, they hardly pay attention to the type of merchant. That is why it would be more correct to judge the identity of two business names in relation to the other elements of its content.

Next, in order to determine whether there is an identity between two business names, the question must be answered whether the different punctuation marks contained in the business names lead to an identity between them. This question – so easy at first glance, has created controversial practice, both judicial and registration. Opinions are split into two. It has been affirmed in the legal literature that business names that differ only in their punctuation marks are identical. It has already been pointed out that the business name as a means of individualizing traders must be unique. That is why I adhere to this opinion. According to the jurisprudence, there is an identity between two business names when they differ either by using a double vowel or a double consonant (it is a matter of identical sound, identical pronunciation).

The identity is a circumstance that can be established more easily than the similarity between two business names. Moreover, the optional content of the business name may contain an indication of the nature of the business or be defined as a combination of the partners' names. These requirements allow for the listing of many companies in the commercial register, whose names are somewhat similar. The registration of similar business names in the register is not a violation of legislation. This is also the case law. Establishing a

similarity between two business names can not be self-directed. Such an assessment should be made only in the case of a claim under Art. 7, para. 4 of the Commerce Code, and not at the initial entry of the business names in the register. Similarity should be assessed specifically and factually in regard to its relation with bad faith.

Next, in order to admit the claim under Art. 7, para. 4 of the Commerce Act, it is necessary to prove the defendant's bad faith. On the question of how bad faith was established, the Supreme Court of Cassation, in its Decree No. 304 of 15.05.208, ruled that, in its application for registration of a trademark and its use, it established a consistent practice, assessed in Decision No 194 /30.10.2013 SCC, Decision No. 162/ 24.01.2012 SCC. This practice may also apply to misconduct when a business name is identical with or similar to a previously registered business name. Criteria regarding the content of 'bad faith' within the meaning of Art. 7, para. 4 of the Commerce Act may be the reputation of a previously registered business name, identity or similarity in the content of the business names, the behaviour before and after filing an application for registration of the business name in terms of the knowledge of the existence of an earlier identical or similar name, as well as the intention to harm another person.

As a conclusion from the analysis of Art. 7, paragraph 4 of the Commerce Act, we can point out that despite some imperfections of the regulation, the change is positive. Even if the claim under Art. 7 para.4 is admitted, there are no means to force the merchant, who has registered the later (second) business name, to change its content. There is already a case law on this issue, according to which the only enforcement mechanism is to impose fines.

2.2. Identity or similarity of a business name with a trademark

Before proceeding to consider the issue of identity or similarity between a business name and mark, a distinction must be made between them. The business name is always a verbal indication of the merchant and he/she can own only one name. The right to a business name is exclusive and arises from the entry in the Commercial Register. It can only be transferred as an element of the merchant's enterprise, not as a separate object of industrial property. The registration of the business name is indefinite. Each name is different from the name of all the other merchants. The merchant can use it to denote all the goods or services he/ she produces or provides. Merchants are legally obliged to have a business name and state it in their commercial correspondence. The trademark has quite different functions. Not every merchant is required to register a mark. It is a sign, capable of distinguishing the goods or services of one person from those of other persons and can also be represented graphically. The mark therefore individualises the goods or services and not the merchant. It is not always a verbal indication. The right to a trade mark arises from the registration at the Patent

Office for a period of 10 years from the filing date of the application. The trademark registration can be renewed for an unlimited number of times. The right to a trademark is also exceptional. Legislation allows the registration of identical marks provided that they are used to designate different goods or services.

In the commercial literature, until the change in the legislation in 2011, it was pointed out that no prohibition or protection of verbal identity was established between a registered business name and a later registered trademark in the Patent Office. It was even considered acceptable that the optional content of the business name should match the mark or be part of it¹⁰. Protection against the use of a business name, trademark, or geographical designation identical or similar to that of other persons, both before 2011 and at present, is regulated in Art. 35, paragraph 2 of the Law on Protection of Competition. Responsibility under Art. 35, para. 2 of the LPC is administratively punitive.

The addition of Art. 7 para. 5 of the Commerce Act (promulgated in the State Gazette, issue 34 of 2011) regulates the prohibition of identity or similarity between a business name and a protected trademark, unless the merchant has no rights over it. The newly created paragraph 5 of Article 7 of the Commerce Act is subject to criticism in the legal literature regarding the term used - 'protected trademark' and the lack of criteria to judge the identity, respectively the similarity between a business name and a trademark. An identity is allowed between a business name and a trademark when the registered trademark is a word or a dominant word element¹¹. Since the business name is always a verbal indication, in my opinion, in Art. 7, para 5 of the Commerce Act is meant not a protected trademark but a word mark. Therefore, the view should be supported that Paragraph 5 of Article 7 of the Commerce Act provides for the prohibition and protection of verbal identity between a registered business name and a later registered trademark at the Patent Office, as well as vice versa¹².

As already explained, the legal form of the merchant is an element of the business name's mandatory content. Consequently, the view that the identity of a business name and a trademark is at the very least excluded because of the mandatory content of the company, which pursuant to the Marks and Geographical Indications Act is in most cases an

absolute ground for refusal of registration¹³, deserves to be supported.

Even authors criticizing Art.7 para. 5 admit that a mechanism is needed to avoid the misconduct of registration of business names that include trademark, registered before the registration of the business name. The prohibition under Art. 7, para. 5 of the Commerce code should apply only to newly registered business names and not to existing business names as of the date of entry into force of the provision. The law-maker has not provided for any reversal of Art. 7, para. 5. That is also the case law.

Criticism is also grounded that the assessment of similarity requires the application of criteria that the Commerce Act does not provide. The lack of criteria does not relieve the registration official of the obligation to monitor compliance with the requirements for entry in the commercial register. The Patent Office provides free access to electronic registers which they keep, including of trademarks.

On the basis of the above analysis it can be concluded that even imprecise use of expressions and lack of criteria by the requirements of Art. 7, para. 5 of the Commerce Act the regulation of the business name has been improved .

2. Conclusions

The margins of private law protection of the right of business name have been expanded as a result of the amendments to Chapter Three of the Commerce Act. Settlement, damages and indemnification for the use of a business name identical or similar to a previously registered business name are governed by the provision of Article 7, paragraph 4 of the Commerce Act. New requirements for the contents of a business name have been added. It has banned for the business name to be identical or similar to a registered trademark, unless the merchant holds rights over the latter. Therefore, the legislator is striving to improve the business names` legal framework in order to put an end to the unscrupulous registration of business names, identical or similar to business names already existing in the register, as well as identical or similar to registered trademarks.

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¹⁰ Stefanov, Targovsko pravo. Obshta chast. (Veliko Tarnovo, Abagar, 2009) p.132, 141.

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¹² Stefanov, Targovsko pravo. Obshta chast.p.145.

¹³ Zhivko Draganov, Obekti na intelektualnata sobstvenost. (Sibi, Sofia 2016) p.238.