

Benefits of protecting business names as trademarks

Switzerland is a desirable place to start a business as a 3% increase in the number of registrations of new business names within the first nine months of 2019 shows. However, statistically, only a few new business owners think about protecting their business name as a trademark.

Combining the registration of commercial name with a trademark is a good strategy when defending a business's identity. A company name provides the first layer of protection, which is effective from the date of publication in the Swiss registry. According to Article 951 of the Code of Obligations, "the company name of a trading company or a cooperative company must be clearly distinguished from any other company name of a trading company or cooperative company already registered in Switzerland". Further, unfair competition law also applies through Article 3, 1 (d) of the Federal Act against Unfair Competition, which is considered to be "unfair acts that, in particular, take measures which are likely to cause confusion with the goods, works, services or business of others".

However, assessing whether a company name is clearly distinguished from that of any other company is particularly difficult due to the lack of consistency in decisions handed down by the Swiss Federal Court. In theory, likelihood of confusion must be assessed according to trademark law. However, in practice, it appears that decisions depend on the circumstances of the case. From a trademark law perspective, courts should give visual, phonetic and conceptual aspects of a mark equal consideration when analysing signs for similarities. But with regard to company names, the Federal Court considers phonetic and conceptual aspects to be more important than visual ones and confers greater significance on purely descriptive elements¹.

In a fairly recent decision, the court denied confusion between the company names SRC Wirtschaftsprüfungen GmbH and SRC Consulting GmbH, as it considered the acronym SRC to be weakly distinctive and stated that both names had a different global impression due to the presence of 'Consulting' and 'Wirtschaftsprüfungen' ('audit' German)². Both companies were active in the same area (consulting services) and were located in Kreuzlingen in German-speaking Switzerland. This illustrates that the Federal Court sometimes underestimates the risk of association between two company names.

In cases where a company name has been used as grounds for legal action and likelihood of confusion is being assessed, the courts have taken several aspects into account that should not be considered to be relevant.

¹ Federal Court, 4A_125/2019, 16 July 2019, Altrimo AG / Atrimos Immobilien GmbH

² Federal Court, 4A_541/2018, 29 January 2019

For instance, courts do not have in principle to consider the location of the company's head office, but they often do. The same goes for companies' respective activities, whereas in Switzerland, the principle of specialty does not apply with regard to conflict in company names.

Likelihood of confusion has been denied between the following company names:
Altrimo AG (financial services) and Atrimos Immobilien AG (real estate services)³;
Arveron SA (real estate services) and Arveyron-Rhône Sàrl (real estate services)⁴ ;
SRC Wirtschaftsprüfungen GmbH (business consulting) and SRC Consulting GmbH (business consulting)⁵; and
Pachmann Rechtsanwälte (Attorney at law) and Bachmann Rechtsanwälte AG (attorney at law)⁶.

In these cases, likelihood of confusion would probably have been admitted from a trademark law perspective.

Recent case law demonstrates that there is legal uncertainty when it comes to enforcing company names, which enjoy a lesser scope of protection than trademark rights.

The criteria for defending trademarks are well established thanks to extensive case law and are applied in a more homogeneous and predictable way by the Federal Court. Under certain circumstances, later trademarks can prevent previous business names from being used in relation to certain goods/services that may overlap with the protected mark ⁷. Last but not least, depending on the type of company, the scope of protection of the company name can be limited locally. By contrast, trademarks have legal effect throughout the whole territory.

Therefore, the best approach is to consider protection as a whole, as both trademark and company name rights confer two different kinds of protection and are complementary.

For both types of protection, the same strategy is recommended when it comes to choosing a commercial name (ie, the more distinctive a name is, the wider its scope of protection and the easier it will be to enforce). Timing is also crucial. It may be worth filing a trademark before registering a business name in order to enjoy more immediate and stronger protection than a commercial name, which can be obtained by filing the company name as a trademark in the name of the owner or co-owners and then assigning it to the company after registration.

Isabelle Bruder, Intellectual Property Lawyer

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IP lawyer

³ Federal Court, 4A_125/2019, 16 July 2019 (aforesaid)

⁴ Federal Court 4A_167/2019, 8 August 2019

⁵ Federal Court 4A_541/2018, 29 January 2019

⁶ Federal Court 4A_83/2018, 1st October 2018

⁷ Art. 14 of the Federal Act on the Protection of Trademarks and Indications of Source