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State Courts Can Handle Trade Name Cases

Unfair competition laws govern disputes between businesses

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Not every intellectual property dispute has to be made into a federal case. In certain circumstances, Connecticut law may provide redress for violation of intellectual property rights.

Say a client comes to you with the following problem. She has owned and operated an employment agency in Hartford County for 15 years under the name Advantage Staffing. During that time, she has consistently advertised under that name; she has used that name on her invoices, letterhead and business cards; and she has filed a Certificate of Trade Name.

Two weeks ago, she found an advertisement for a new employment agency using the name Staffing Advantage. She is concerned that customers will be confused by this competitor's use of a similar name and wants to know what she can do. In Connecticut, she can look to the common law of unfair competition to protect her rights.

The protection of a trade name from use of a similar name by a competitor has its genesis under Connecticut law in the case of *Middletown Trust Co. v. Middletown National Bank*, 110 Conn. 13, 20-21 (1929). In that case, the Supreme Court concluded that:

> No inflexible rule can be laid down as to what use of names will constitute unfair competition; this is a question of fact. The question to be determined is whether or not, as a matter of fact, the name is such as to cause confusion in the public mind as between the plaintiff's business and that of the defendant, resulting in injury to the plaintiff. The test is whether the public is likely to be deceived…. If the court finds that the effect of appropriation by one corporation of a distinctive portion of the name of another is to cause confusion and uncertainty in the latter's business, injure them pecuniarily and otherwise, and deceive and mislead the public, relief will be afforded.


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The Court went on to note: "It is not sufficient that some person may *possibly* be misled but the similarity must be such that any person, with such reasonable care and observation as the public generally are capable of using and may be expected to exercise, would be likely to mistake one for the other."

Since that decision, various companies have successfully enjoined the use of a similar trade name by a competitor under the law of unfair competition. They include *Shop-Rite Durable Supermarket Inc. v. Mott's Shop of Norwich Inc.*, 173 Conn. 261 (1977); *Drain Doctor Inc. v. Zeligzon*, No. CV054012473, 2005 Conn. Super. LEXIS 3252 (Conn. Super. Ct. Nov. 3, 2005); *Arian Enters. LLC v. Lawson*, No. X04CV054004655S, 2006 Conn. Super. LEXIS 678 (Conn. Super. Ct. March 7, 2006); and *Drain Doctor Inc. v. Centiempo*, No. CV90-0439180S, 1991 Conn. Super. LEXIS 77 (Conn. Super. Ct. Jan. 8, 1991). From those cases, certain common elements necessary to satisfy the *Middletown Trust* standard emerge.

First, the trade name owner should be prepared to demonstrate consistent use of the name in the market over a period of time. The owner should be able to demonstrate that the trade name has acquired special significance in the market and is associated with the owner's business. "Under the common law the rights in trade names or marks arise by virtue of use … and prior use prevails over later use," the court wrote in *Drain Doctor Inc. v. Zeligon*. Examples of such use include, for example, use in the telephone book, on company letter head or stationary, on invoices, on menus, on marketing material, in advertisements, by employees answering the telephone, and by vendors and suppliers.

Irreparable Harm

Second, the trade name owner must demonstrate use of a similar mark by a competi-

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tor. "The touchstone of liability is a likelihood of consumer confusion. Determining whether there is a likelihood of confusion, the trade names are compared and the court evaluates the overall impressions created by the two trade names in the minds of the consumer." In *Zeligon,* the court said that a trade name owner must address how there is "a substantial risk of consumer confusion. Such a risk arises when trade names are similar and the two companies are in direct competition."

Importantly, an inability to prove actual damages will not be fatal to a claim for common law unfair competition if the owner of the trade name is able to satisfy the court that the *Middletown Trust* standard has been met. In such circumstances, courts have held that the trade name owner has established irreparable harm and have granted injunctive relief.

Moreover, a plaintiff who is able to meet the *Middletown Trust* standard will likely also be able to establish a violation of the Connecticut Unfair Trade Practices Act. The "hijacking" of a plaintiff's trade name is "certainly an unfair means of competition, not only to the businesses involved but also to the consuming public," the court ruled in *Arian Enters. LLC.* Therefore, even in the absence of provable damages, CUTPA may entitle a trade name owner to, at a minimum, its attorneys' fees.

Finally, at least one court has concluded that, even where the trade name owner is unable to meet the *Middletown Trust* standard, he or she may be able to recover damages for loss of good will where a competitor adopts a confusingly similar name, thereby "basking in the reflected popularity of the name." *Northeast Dist. Inc. v. Premier Logistics Services Inc.*, 49 Conn. Supp. 65, 77 (2004).

Connecticut's common law of unfair competition and statutory unfair trade practices act may provide a Connecticut trade name owner with redress for a violation of his or her rights. These claims provide such an owner with a means for enjoining the use of a similar name by a competitor and seeking damages and attorneys' fees – all within Connecticut's courts. ■