

## **Comment: Investing wisely in the name of your hedge fund**

19.03.07

*Michelle Mancino Marsh and Dana R Kaplan, partners in the New York office of Kenyon and Kenyon, explain the importance of selecting and protecting hedge fund brand names.*

Coca-Cola, Exxon, Microsoft, Aetna, Merrill Lynch - what do all of these companies have in common? Their corporate names all add value to their companies by functioning as strong, protectable trademarks.

It is no secret that the protection of brand names, or trademarks as they are also called, is often overlooked or relegated to a lower business priority at many companies, including those in the hedge fund industry. One rationale for this problem is that many people believe that trademarks are solely for consumer products and services, such as Reebok for footwear or Coca-Cola for soft drinks.

However, trademarks encompass so much more. A trademark or a service mark is any word, name, symbol or device used by a person or entity to identify and distinguish goods or services and to indicate their source.

In other words, if the industry and investors think of your fund or management company name and make a connection with your company's financial or investment services, you likely have a trademark as well - one that you should protect, defend and enforce.

By doing so, you can help create goodwill in your company which can result in consumer recognition that financial products or services coming from your company are ones they can trust. In a field where risk is part of the game, gaining consumer confidence - through brand recognition - can only help your business goals.

Often fund managers may not think of their management companies or fund names as trademarks because they do not 'advertise' their services in the traditional sense. However, advertising is not required to obtain or maintain trademark rights. All that is required is use of the mark in commerce.

Hedge funds use marks in a number of ways, including in connection with offering memoranda, monthly statements to investors and materials distributed to interested investors. Such use can, and has been, considered use in commerce for purposes of obtaining a trademark registration.

Moreover, your hedge fund name may be exposed to the relevant trade and public through

unsolicited publicity, such as in industry publications, which is a way that hedge funds and other alternative investments can gain exposure.

For example, industry publications, such as this one, frequently use rankings and comparisons that list numerous competing hedge funds and other investments. In these publications, the name of your hedge fund often is also acting as a brand - one that must be chosen carefully and protected.

Now that you recognise that an investment vehicle name can also act as a trademark, the next step is to choose the right name, which is not as easy as it may sound. When choosing a name, you must consider where a mark falls along the 'spectrum of trademarks', which governs how strong a mark is relative to other marks.

Obviously, the stronger your mark is, the easier it will be to protect. At the stronger end, you have fanciful and arbitrary marks, followed by suggestive ones and then descriptive ones, which are the weakest category. Illustrative examples of these types of marks include:

Fanciful - strongest of marks and most easily protected. This is a concocted word or phrase that has no meaning in known parlance, such as Exxon or Xerox.

Arbitrary - also strong and protectable marks. An arbitrary mark is a known word or phrase whose use is incongruous to the goods or services being sold, such as Apple for computers or Camel for cigarettes.

Suggestive - these are strong and protectable marks, but not as strong as arbitrary or fanciful ones. These are words or phrases in which the consumer has a hint or clue about the goods or services to which the mark applies, but must make some mental leap to get there, such as Coppertone for sunscreen.

Descriptive - these marks can be protectable if consumers are shown to exclusively associate it with a single source; however, this can sometimes be hard to do.

There is an inherent conflict that exists at times between those choosing a mark (such as the hedge fund management company), and those wanting to protect it (for instance in-house and outside lawyers). Companies often want to choose names so that consumers will know exactly to what the name refers, such as 'Raisin Bran' for a bran cereal with raisins or 'Health Fund' for a fund investing in the health care field.

While these names may seem good to use from an ease of marketing standpoint, from a trademark standpoint, they provide little protection and are often hard to enforce. A trademark practitioner can counsel you on the 'strength' your mark is likely to have in the marketplace and can help you choose the best mark for your company from the options you provide.

Once you select a trademark, the next step is to make sure that there are no conflicts with third parties who may be using the same or a similar mark. The last thing you want to do is to choose a name only to find that a company in a related field has a similar name. At the levels at which your consumers invest, you want to avoid having any confusion.

In the US, people frequently mistakenly believe that if a company name is available with the Secretary of State of the state in which they are incorporating, the mark is available for use. This common misconception often results in a company having to change its name, depending upon the third-party challenge it meets, as registration with a particular state is not a defence to trademark infringement.

Rather, clearance with the Secretary of State of a particular state typically only means that no third party has filed for an identical name in that state alone. For instance, a particular state may allow 'Hedge Fund, Inc.' even though there is a 'Hedge Fund LLC' because the two names are not identical. Certainly, this could cause significant problems in the marketplace if the only difference between two names is the company status.

The process for searching and clearing a trademark can be particularly involved for hedge funds and other alternative investments because of the global nature of these types of services and the traditional off-shore incorporation that is typically involved.

Thus, it is recommended that a fund's counsel searches not only the traditional areas, such as the US Patent and Trademark Office register and Secretary of State records, but other resources where competing hedge fund names would turn up, such as the Cayman Islands Monetary Authority, industry publications and the internet.

After you have your mark evaluated by a trademark practitioner, you may be ready to have your mark filed with the PTO and in any other jurisdiction in which you actively conduct business (or may conduct business). The end goal of this process is to have a mark that your company can easily protect from any junior user who may intentionally or unintentionally try to ride on your company's coat tails, as happens time after time.

If your fund is already established, you may be able to avoid some of the rigours of the clearance process for new marks. Nevertheless, you will still want to protect your mark by searching it to determine what kind and number of similar third-party names exist, registering it and guarding it against unauthorised use.

Protecting your valuable name is as important as picking the right name and may include monitoring industry publications on a regular basis for similar names, periodic searches on the internet, sending out legal letters requesting infringers to cease and desist and, when necessary, initiating legal action to prevent another from using your name.

It would make little sense for companies such as hedge funds, whose goal is usually to make money no matter what the markets do, to have to spend time and money embroiled in legal battles over a company name.

Litigation battles over trademarks are not where you want to take risk, particularly when with some homework and good counsel, you can seek to avoid or minimise any problems before they surface. The time and effort spent to protect, defend and enforce your company's mark will be well worth the investment.

--Ends--