



3007

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TO THE SENATE COMMITTEE ON
COMMERCE, CONSUMER PROTECTION, AND AFFORDABLE HOUSING
THE TWENTY-FOURTH LEGISLATURE
REGULAR SESSION OF 2008

Friday, February 1, 2008
9:00 am
Conference Room 229

**TESTIMONY ON SENATE BILL NO. 3007
RELATING TO BUSINESS REGISTRATION**

TO THE HONORABLE RUSSELL KOKUBAN, CHAIR, AND MEMBERS OF THE COMMITTEE:

My name is Tung Chan, Commissioner of Securities of the Business Registration Division, Department of Commerce and Consumer Affairs ("Division"). The Division appreciates the opportunity to testify on Senate Bill No. 3007, which is an Administration bill relating to the registration and protection of trade names, entity names and marks. We strongly support this measure and respectfully request that the Committee pass Senate Bill No. 3007, as is.

This bill is proposed primarily to correct a notable ambiguity in the law governing trade names. Chapter 482, Hawaii Revised Statutes, governs trade name and trademark registration and use and currently conflates two important ideas relating to trade names: the first is ownership rights and the second is registration rights. Ownership rights are the rights to use and adopt a name apart from registration.

Common law in Hawaii has determined that infringement of ownership rights turns on whether the first name in use is "confusingly similar" to the second name. This standard balances and weighs a number of factors such as similar business activities, customer demographics and actual confusion.

By contrast, registration rights do not imbue ownership, but rather give notice to the public that the registrant has taken steps to record interest in the name. Like Hawaii, almost every state has ministerial registration for trade names for notice purposes only. In fact, the majority of states have more permissive standards for registration, allowing many more similar names into their registries than Hawaii does. Registration of two similar names in Hawaii has been determined by law to turn on a "substantially identical" standard. This standard compares the similarities of the name using guidelines set in the rules to assist the ministerial staff in consistent application of the standards.

This bill attempts to lay out these two standards and clarify the manner in which each standard relates to the appeal of a registered trade name or entity name. In 482-4, 482-8(a) and 482-8.5(a), HRS, the bill addresses the ownership standard ("confusingly similar"). In 482-8(b) and 482-8.5(b), HRS, the bill addresses the registration standard ("substantially identical").

In addition, the bill also attempts to clean up other inconsistencies, ambiguities and errors. The bill reorganizes chapter 482 by dividing the existing law into four new sections: a definitions section, a trade name section, a trademark section, and a miscellaneous section. This reorganization clarifies that the general sections apply to both trade name and trademark provisions. It also takes standard boiler plate

provisions like severability (§482 -37, HRS), preservation of common law rights (§482-35, HRS), penalties for false filings (§482-3.5), and liability for fraudulent registration (§482-30, HRS), now scattered throughout the statute and congregates them in a miscellaneous section at the end of the chapter. The bill also adds "mark", "trade name" and "entity name" in places where they should be but have been overlooked.

The bill also revises the penalty provisions for false filings to the Director. Currently, under §482-3.5, the law imposes a criminal penalty for negligent false filings but does not impose a criminal penalty for intentional false filings. To correct this inconsistency and to be consistent with penalties imposed for intentional false filings for other business registration filings like corporations (§§414-20, 414D-12, HRS) or LLC's (§425-172, HRS), the bill includes a Class C felony provision for intentional false filings. It also raises the maximum fine to the amounts set in the Hawaii Penal Code, 706-640, HRS. Additionally, the bill makes it clear that aggrieved filers may seek injunctive relief in a court of competent jurisdiction.

The bill makes other technical amendments to chapter 482, HRS, which are consistent with the concepts discussed above and also corrects other errors and inconsistencies in the law.

I respectfully request your support of Senate Bill No. 3007 which will help improve the business climate in Hawaii by providing more certainty and clarity with respect to the trade name and trademark registration law. Thank you for the opportunity to testify. I will be happy to answer any questions the Committee may have.



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TO THE HONORABLE RUSSELL KOKUBUN, CHAIR, AND MEMBERS OF THE COMMITTEE:

My name is Sheryl Nagata, Acting Senior Hearings Officer of the Office of Administrative Hearings ("Hearings Office"), Department of Commerce and Consumer Affairs ("Department"). The Hearings Office appreciates the opportunity to testify on Senate Bill No. 3007. We support this measure and respectfully request that the Committee pass Senate Bill No. 3007, as is.

The Hearings Office regularly hears requests from individuals or entities claiming to be the owner of a trade name, seeking to have another business's registration of that trade name revoked. This hearing process has provided businesses with an efficient way to resolve their trade name disputes and avoid court intervention. Furthermore, due in part to the Department's ongoing efforts to educate consumers about the

services provided by the Department, including the posting of this information on the Department's website, the Hearings Office has seen an increase in the number of trade name cases filed with our office in the past few years, as more and more businesses look to the Department to resolve their trade name disputes.

Chapter 482, Hawaii Revised Statutes ("HRS"), however, unintentionally precludes some of those businesses from bringing their trade name disputes to the Department. For instance, the statute, as presently written, allows an unregistered owner of a trade name to bring an action with the Department to have another business's registration of the *identical* trade name revoked. On the other hand, an unregistered trade name owner would not have the ability to seek the revocation of a trade name registration with the Department if the names are not identical. Thus, the owner would have no recourse at the Department even though the registered trade name is substantially similar to the owner's trade name such that its use by the other business may be confusing to the public and may constitute an infringement under common law.

From time to time, the Hearings Office also receives requests for an order of abatement from individuals claiming to be the owner of a trade name against a corporation using an identical or similar name. Chapter 482, HRS, however, contains no provision that would allow an unregistered trade name owner to seek an abatement order against the corporation with the Department.

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By closing these gaps in the present law, as Senate Bill No. 3007 does, more businesses would be provided with the ability to have their trade name disputes resolved in an expeditious and efficient manner through the Department's hearings process. For these reasons, I respectfully request your support of Senate Bill No. 3007. Thank you for the opportunity to testify. I will be happy to answer any questions the Committee may have.