

## THE RIGHT TO A FIRM AND ITS PROTECTION

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### I. INTRODUCTION

The law on firms is composed of a set of norms dispersed over many different legal acts and regulating the registration, use, disposition and protection of a firm. Of greatest importance are the provisions of Art. Art. 26 — 38 of the commercial code which form a specific historically shaped general whole. Detailed questions are dealt with i.a. by Art. 43 of the civil code in connection with Art. Art. 23 and 24 of the civil code: Art. 12 of the act of 23 December 1988 on economic activity<sup>1</sup>; Art. 2 of the act of 2 July 1926 on fighting unfair competition<sup>2</sup>; Art. 14 of the act of 31 January 1985 on trade marks<sup>3</sup>; Art. 8 of the convention of 20 March 1983 on protection of industrial property<sup>4</sup>; and ordinance of the Minister of Justice of 1 July 1934 on trade register<sup>5</sup>.

The present paper aims at presenting the problems relating to the right to a firm and its protection, an area that gains a greater and greater importance in the commercial practice. This is manifested not only by the constantly growing number of commercial companies but also by the recently passed judicial decisions concerning protection of the firm<sup>6</sup>. The process of application of the law meets with certain difficulties, caused to some extent by the absence of opinions passed currently by the doctrine<sup>7</sup>. The literature from between the two World Wars, most valuable for the present practice in the field of companies as it is, proves not too useful with respect to the problems of the firm.

A firm as the name under which a registered dealer runs an enterprise is

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<sup>1</sup> „Journal of Laws”, No. 41, item 332 with subsequent changes.

<sup>2</sup> Uniform text: „Journal of Laws”. 1930. No. 56. item 467.

<sup>3</sup> „Journal of Laws”. No. 5. item 17.

<sup>4</sup> The Stockholm text of the convention of 14 July 1967 was ratified by Poland in 1975 („Journal of Laws”, 1975, No. 9, items 51—52).

<sup>5</sup> „Journal of Laws”, No. 59, item 511 with subsequent changes.

<sup>6</sup> See e.g. judgement of the Supreme Court of 26 October 1991, II CR 753/90 with a gloss by R. Skubisz, „Przegląd Sądowy” (forthcoming); judgement of the Court of Appeal in Poznań of 22 November 1991. A Cr 400/90. „Orzecznictwo Sądów Apelacyjnych”, 1991, No. 1, pp. 27 — 29.

<sup>7</sup> For recent discussion of protection of the firm, see: S. Włodyka, in: *Prawo spółek [The Law on Companies]*, Kraków 1991, pp. 209 ff; M. Jakubek, R. Skubisz, in: *Zarys prawa spółek [The Law on Companies: An Outline]*, Lublin 1992, pp. 28 ff.

protected under Art. 37 of the commercial code; as the name of a legal person (defective legal person), it is protected under Art. 43 in connection with Art. 23 and 24 of the civil code; finally, as the designation of the enterprise, it is given the protection of Art. 2 and Art. 3 of the act on fighting unfair competition. Discussed presently will be the right to a firm as regulated by the commercial code, the act on fighting unfair competition, and the civil code.

## II. THE RIGHT TO A FIRM AND ITS PROTECTION IN THE COMMERCIAL CODE

According to Art. 26 §1 of the commercial code, a firm is the name under which a registered dealer runs an enterprise. From this definition alone, certain constitutional features of the notion of a firm follow, relating to the subject entitled to a firm, the object of the enterprise, and the name (designation).

The notion of a registered dealer embraces *de lege lata* a general partnership firm, limited partnership<sup>8</sup>, a limited liability company and a joint stock company<sup>9</sup>. Therefore, state enterprises, cooperatives, foundations, associations, non-commercial partnerships etc. are not registered dealers, and the names under which they run enterprises cannot be treated as firms. Moreover, a firm's sole point of reference is the activity of a registered dealer as an enterprise. Thus activity that is not professional or yields no profit cannot be distinguished by a firm. The firm is a name, that is a verbal designation: graphic or phonic signs cannot be registered as firms. Finally, the designation under which a registered dealer runs an enterprise only acquires the nature of a firm upon its due entry in the register. This concerns also an enterprise run by general partners. Admittedly, such partners can run a larger enterprise without registration in the trade register; yet the designation of that enterprise only acquires the nature of a firm upon its submission and registration, provided the required conditions have been met. With respect to the remaining types of commercial partnership, entry in the register is at the same time the condition of both the company's existence and of its designation being given the nature of a firm.

What is of importance from the viewpoint of application of the law on firms is the question of the firm's reference. The point here are its functions in the trade turnover: is it used to distinguish a registered dealer (general, limited or complementary partners, a limited liability or a joint stock company), the enterprise run by that dealer, or perhaps both the dealer and his enterprise?<sup>10</sup> This latter interpretation seems correct to the present author, as it includes the purpose of formation of a commercial company and best conforms with the valid legal regulation. After all, a commercial company is formed with the aim to pursue

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<sup>8</sup> The act of 31 August 1991 on amending the commercial code („Journal of Laws”, No. 94, item 418) reintroduced the institution of limited partnership in Polish law.

<sup>9</sup> See: Art VI §1 of the executory provisions of the civil code in connection with Art. 5 of the commercial code.

<sup>10</sup> On this subject see i.a.: S. Grzybowski, *System prawa cywilnego. Prawo zobowiązań. Część szczegółowa* [The System of Civil Law. The Law on Liabilities. Special Part], Vol. III, Part 2, Ossolineum, Wrocław 1976, pp. 848 ff.; J. Koczanowski, *Zakres i środki ochrony dóbr osobistych osób prawnych* [The Range and Means of Protection of Personal Interests of Legal Persons], in: *Dobra osobiste. Zagadnienia wybrane* [Personal Interests. Selected Problems], Warszawa 1986, pp. 281 ff.; Jakubek, Skubisz, *op. cit.*, p. 24.

economic activity (to run an enterprise); its existence is justified as long as the enterprise exists. Is the enterprise sold (Art. 34 of the commercial code), the company should start a new one; otherwise, its legal existence becomes pointless. Individualizing a legal person (limited liability or joint stock company) or a defective legal person (general or limited partnership), a firm also individualizes the activity pursued by those persons with the help of an organized set of material and non-pecuniary means (enterprise). Basing on the linguistic interpretation only, each of the above opinions can be upheld in the light of the law in force. Of fundamental importance here, though, is Art. 26 of the commercial code which rather explicitly expresses the idea of a firm's double point of reference. As can be concluded from the relation between a legal (defective legal) person and an enterprise, indicated in that provision, a firm is a uniform legal interest relating to person and property<sup>11</sup>. To the extent to which it relates to the subject, it bears the features of a personal interest; on the other hand, it is also a property interest due to its relation to the enterprise.

A registered dealer has the right to use the firm for individualization of his enterprise in the trade turnover, and also in proceedings before the courts and administrative agencies. Generally, such use consists in inclusion of a given designation in all documents and in its use in advertising.

The range of this right is defined rather precisely. Art. 35 §1 lays down the requirement of sufficient distinguishability of each new firm from other firms in that same locality that have already been entered in or submitted to the commercial register.

The right of a registered dealer is guaranteed by claims mentioned in Art. 37 of the commercial code. The claims are effective with respect to an unlimited number of persons who might or actually do use the firm illegally. Therefore, they are effective *erga omnes*.

Generally, the right to a firm is a civil subjective right, an unconditional personal and property interest which is effective *erga omnes* a right which consists in the possibility to use the firm with the aim to individualize a registered dealer and his firm in the turnover. It arises upon the passing of a decision to enter a firm (and a commercial company) in the register, and expires the moment the decision of the registration court to strike off the entry or to dissolve the partnership becomes final and valid<sup>11 12</sup>. The use of a firm is basically of no importance for the emergence of the right to a firm and its protection in the light of the commercial code.

As follows from provisions of the code, a firm (the right to a firm) is infringed if a third person illegally uses a designation which is not sufficiently different from a firm in the same locality that has already been entered in (submitted to) the register (Art. 37 in connection with Art. 35 §1 of the commercial code). Infringement of the right to a firm occurs if all of the following conditions are met:

1. The use of a designation identical to another person's firm. Therefore, under Art. 37 of the commercial code, no infringement occurs in the case of

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<sup>11</sup> Also S. Sołtysiński seems to aim in this direction in his review („Państwo i Prawo”, 1987, No. 2, p. 105) of the book *Dobra osobiste. Zagadnienia wybrane, op. cit.*, edited by J. S. Piątkowski, Warszawa 1986.

<sup>12</sup> See also: Jakubek, Skubisz, *op. cit.*, p. 25.

using a similar designation (e.g. emblem) which does not impress third persons to aim at individualization of the company and its enterprise. What speaks for as narrow an interpretation of the use of a firm is Art. 37 of the commercial code which provides that a harmed person may demand discontinuance of a further use of a firm. This provision concerns the use of a given designation both in the trade turnover and in proceedings before the court and administrative agencies. Instead, the provision of Art. 37 of the commercial code does not apply to the use of a given designation in academic textbooks, scientific literature, the press etc.

2. Illegal use of another person's firm<sup>13</sup>. In the light of the quoted provision, illegality should be interpreted as inability effectively to contest the person entitled to a firm with one's own right to use a given designation, resulting from a contract of licence or franchise, the right to the family name etc.

3. The use of a designation identical with another person's firm takes place in the same locality (in the present judicial practice, this means the district of a given registration court)<sup>14</sup>.

4. The use of another person's firm which does not differ sufficiently from the firms entered in the register. The discussed right is therefore not infringed in the case of qualified dissimilarity of the designation used as compared to a registered firm. A designation is dissimilar if it cannot possibly be mistaken for that firm by a person of the average abilities in the sphere of perception. Of importance here are the reactions not only of an average buyer of the given goods and services but also of the staff of courts, post offices, revenue boards etc., i.e. all those who come across that designation. In the course of proceedings, the defendant's designation has to be compared with a firm entered in the commercial register. The enterprise's field of activity is irrelevant here. Thus in the light of the discussed provisions, an enterprise that trades in citrus fruits can infringe the right to a firm enjoyed by another enterprise into maintenance and repairs of sewing machines. Therefore, the element of distinguishability secures a much greater objective protection to a company bestowed with the right to a firm than Art. 2 of the act on fighting unfair competition which uses the prerequisite of danger of misleading the recipients as to identity.

As has been stated before, the meeting of all the above conditions enables the harmed person to institute an action regarding an infringement of his right to a firm under Art. 37 of the commercial code. Instead, the use of a firm by the entitled person is not a prerequisite of an effective claim. In the situation when such entitled person has not been using his firm in the trade turnover for many years, the defendant may successfully defend himself in the proceedings accusing the plaintiff of abusing the subjective right (Art. 5 of the civil code).

According to Art. 37 of the commercial code, the person entitled to a firm may demand discontinuance of a further illegal use of a firm. His claim expires upon the infringing person's actual discontinuance of such illegal conduct. As follows from the discussed provision, the entitled person may vindicate fur-

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<sup>13</sup>On this subject see: T. Dziurzyński, Z. Fenichel, M. Honzatko, *Kodeks handlowy. Komentarz* [Commercial Code. A Commentary], Kraków 1936, reprinted: Bytom 1990, Vol. 1, pp. 49 ff; S. Wróblewski, *Komentarz do kodeksu handlowego* [Commercial Code. A Commentary], Part 1, Kraków 1935, pp. 90 ff; M. Allerhand, *Komentarz. Kodeks handlowy* [Commentary. Commercial Code], Lwów 1935, reprinted: Bielsko-Biała 1991, Vol. 1, pp. 63 ff.

<sup>14</sup>Jakubek, Skubisz, op. cit., p. 27.

ther-reaching claims provided for by other provisions. This statement has a two-fold meaning. First, it informs explicitly that the entitled person may lodge a complaint under Art. 43 in connection with Art. 23 and 24 of the civil code and Art. 2 of the act on fighting unfair competition provided the conditions contained in those provisions have been met. Second, it enables the entitled person to claim compensation under provisions of the civil code or to lodge a complaint regarding unwarranted profit in the case of infringement of the right to a firm under provisions of the commercial code.

The fact has to be stressed that, if all the above mentioned conditions have been met, the registration court may *ex officio* undertake action aimed at stopping the illegal use of another person's firm (Art. 38 of the commercial code)<sup>15</sup>. Here, to be exact, the registration court guards a lawful use of a firm in the turnover, protection of the subjective right to a firm resulting as a specific side-effect of its actions. Illegal activities of a person who uses a designation identical to another person's firm can be pointed out to the court by anybody whether his rights have been infringed or not. Therefore, a person whose subjective right to a firm has been infringed as described above may institute an action under Art. 37 of the commercial code (civil proceedings) or approach a competent registration court under Art. 38 of the commercial code (non-litigious proceedings)<sup>16</sup>.

### III. PROTECTION OF A FIRM IN THE UNFAIR COMPETITION ACT

According to Art. 2 of the act, the designation of a firm should not mislead the recipients as to a given enterprise's identity with another competing enterprise, whatever its location (sentence 1). In the case of infringement of this provision, provisions of the preceding article apply (sentence 2). As can be seen, each designation of an enterprise, including obviously a firm, is subject to protection to the extent specified in Art. 2 part 1 sentence 1 of the act on fighting unfair competition, with the use of the measures specified in Art. 1 of that act<sup>17</sup>.

It is of fundamental importance in practice to define the event which creates the protection of a firm. Two possibilities seem to come into question here. Protection arises either on the day when a given designation is entered into the commercial register as a firm, or on the day when the actual use of that designation in the trade turnover starts. The present author is convinced that protection of any designation of an enterprise, and thus also of a firm, arises on the day it is first used in the turnover to individualize the owner or his enterprise.

Yet in the case when a designation collides with another designation — when therefore the earliest priority must necessarily be established for the conflict to be resolved — preparatory activities can be taken into consideration provided such activities are strictly related to the actual use of the designation in the trade turnover. Thus protection of a firm arises basically on the day when its use has started. What can also be taken into account if necessary is the day of issue of

<sup>15</sup> Allerhand, *op. cit.*, pp. 67 — 68.

<sup>16</sup> Of my works, see e.g.: Allerhand, *op. cit.*, pp. 67 — 68.

<sup>17</sup> On that provision, see: A. Krauss, F. Zoll, *Polska ustawa o zwalczaniu nieuczciwej konkurencji* [The Polish Act on Fighting unfair competition], Poznań 1929, pp. 137 ff, and judgement of the Supreme Court of 14 June 1988, II CR 445/90, „Orzecznictwo Gospodarcze”, 1991, No. 4, item 78 with the gloss by R. Skubisz, „Państwo i Prawo”, 1992, No. 8, pp. 108 ff.

the decision to enter a firm in the register, or even of submission of a given designation to the registration court for registration as a firm. Such preparatory activities, though, should not be too far removed in time from the day on which a prolonged use of the firm in trade turnover starts. The above remarks apply also to expiry of protection. Discontinuance of the use of a firm in the turnover results in expiry of its protection even if the firm has not been stricken off in the trade register. Short breaks in the use of a firm do not have this effect.

As follows from Art. 2 of the act on fighting unfair competition, the right to a firm (acquired through the act of first use) is violated if the competition use a given designation so that the recipients can be mistaken as to the enterprise's identity or connections with another enterprise.

Action in the case of violation of the right to a firm can be instituted against a competitive enterprise. The problem of interpretation of the relation of competition requires a separate and discerning discussion. Here, however, it is enough to state that the relation between two enterprises is that of competition if, within one and the same territory, both those enterprises aim at negotiating as many profitable contracts as possible, offering the same or substitutive goods or services.

Occurrence of an act of violation of the right to a firm is conditioned upon the emergence of the danger of misleading recipients as to an enterprise's identity with another enterprise, and also as to the organizational, economic, and legal connections between those two enterprises. Provision of the Art. 2 of the act on fighting unfair competition seems to assume that violation only occurs once the recipients have actually been misled. The only correct interpretation is no doubt that violation occurs already at the moment of emergence of the danger of the discussed confusion. The suggested interpretation creates the chance of a proper protection of interests of the person who uses distinguishing designations in the course of economic activity. Moreover, the actual mistakes made by recipients are most difficult to prove; such proving would in fact result in the entitled person being deprived of protection. The discussed provision expressly mentions the recipients' mistakes as to the enterprise's identity. No doubt, violation is also involved in cases of mistakes as to the entitled enterprise's connections with a person who uses the same or similar designation. It cannot possibly be assumed that the legislator prohibited danger in the narrow sense only but found actions legal that induce the recipients to believe that enterprises have various connections resulting from licence or franchise contracts, membership of one and the same association, holding, concern etc.

Admittedly, Art. 2 of the act on fighting unfair competition does not explicitly mention lawlessness of the actions of a competitive enterprise as an additional prerequisite of violation of the right to a designation as interpreted in that provision. That prerequisite, however, follows expressly from Art. 3 of the act; it is also a logical consequence of the norm contained in Art. 2. Misleading of recipients as to an enterprise's identity or connections with other subjects takes place if a third person uses a given designation against the entitled person's will. Consent to the use of a firm, trademark etc. is tantamount to absence of misleading; thus the prerequisites of violation specified in Art. 2 of the act on fighting unfair competition are not fulfilled.

The provision of Art. 2 explicitly permits actions against enterprises that operate in all regions of Poland. This is not to say, though, that all cases of

illegal use of a designation convergent with a firm actually involve violation of the right to that firm. In terms of territory, protection of a firm is limited to the area in which the entitled enterprise actually pursues economic activity and uses that firm. In cases of collision, also the area of probable economic expansion should be protected<sup>18</sup>. This possibility of extension of protection depends among other things on the enterprise's size and nature of activity. In the case of violation of the right to a firm, the entitled person is due a claim mentioned in Art. 1 section 2 and 3 of the act on fighting unfair competition, by force of Art. 2 section 1 sentence 2 of that act.

Art. 2 of the act mentions the relation of competition as one of the prerequisites of the act of violation of the right to a firm. This results in a considerable limitation of the scope of application of that provision. In practice, however, the use of similar designations by non-competing enterprises may create the danger of misleading the recipients. To such cases, Art. 3 of the act applies which prohibits acts harmful to the entrepreneur and inconsistent with valid provisions and good manners (commercial honesty)<sup>19</sup>. All of the forms of the discussed danger that do not fall under Art. 2 of the act on fighting unfair competition are no doubt against good manners. The provision of Art. 3 is directed against all uses of another person's firm that can be accused of being against good manners. Concerned here, among other things, is the use of a popular firm to draw the attention of recipients of goods or services to one's own enterprise, and attempted transfer of those person's favourable opinions about another enterprise to one's own enterprise (the use of another person's renown). The acts covered by that provision are also threatened with sanctions specified in Art. 1 of the act on fighting unfair competition.

#### IV. PROTECTION OF A FIRM IN THE CIVIL CODE

The very possibility of application to protection of a firm of provisions of the civil code concerning personal interests arouses no doubts<sup>20</sup>. Art. 43 of the code requires that provisions on protection of personal interests of natural persons (Art. Art. 23 and 24 of the civil code) should apply to legal persons respectively. What serves as equivalent of the name of a natural person is the name of a legal person, and in the case of limited liability and joint stock companies — their firms. The above provisions also apply to personal interests (the firm included) of the general and limited company, as no arguments can be found which would be weighty enough to justify, with reference to the literal wording of Art. 43 of the civil code, a limitation of the civil protection of personal interests to subjects expressly recognized as legal persons. This reference is also tantamount to admission that protection of a firm, similarly to that of personal interests of natural persons, is realized through constructions of subjective law.

<sup>18</sup> See also: Skubisz, *op. cit.*, p. 110.

<sup>19</sup> On the meaning of Art. 3 of the act on fighting unfair competition, see: Krauss, Zoll, *op. cit.*, pp. 165 ff. On protection of trademarks, see: R. Skubisz, *Prawo do rejestracji znaku towarowego i jego ochrona* [The Right to Registration of Trademark and Its Protection], Lublin 1989, pp. 53 — 54, 160, 174.

<sup>20</sup> See e.g.: K. Piasecki, in: *Kodeks cywilny z komentarzem* [Civil Code, A Commentary], Warszawa 1989, p. 57.

I wish to start the interpretation of Art. 24 of the civil code with two obvious statements. First, the provision concerned makes it possible to protect the firm both in and outside of the trade turnover. Second, as is the case with any other personal interest, protection of the firm is conditioned upon fulfilment of two prerequisites: the action of a third person threatens or violates the entitled person's firm, and that action is illegal.

The threat to or violation of the firm by the action of a third person finds expression in that person's conduct which hurts objective interests of the registered merchant. Generally, such actions can be divided into two groups. The first one embraces such uses of another person's firm which cause the danger of confusion in the trade turnover, and also those made for other purposes. Concerned here, therefore, are those same forms of using the firm which are offences under Art. 2 and 3 of the act on fighting unfair competition. Besides, the discussed group also includes uses of the firm outside of the trade turnover, e.g. in a theatre play, novel, or university lecture. The second group includes the case, extremely rare in practice, where a third person questions the registered merchant's right to use a given designation as his firm. Art. 23 section 1 of the civil code institutes a presumption of lawlessness of the third person's action. Such person may thus be released from responsibility by demonstrating that his action (the use of another person's firm) is consistent with a presumed or explicit will of the entitled person or based on an explicit legal provision (e.g. Art. 2 section 2 of the act on fighting unfair competition).

In the light of Art. 24 of the civil code, also the definition of the moment starting from which the person entitled to a firm may demand to be granted protection is of practical importance. I am convinced that, at least in cases of the first group, the entitled person may effectively demand protection starting from the day when he has begun using his firm in the turnover. The prerequisite of protection — a threat of violation of the firm — assumes an objective interest of the entitled person. As long as he does not use his firm, the existence of that interest cannot possibly be ascertained. In my opinion, neither submission of a firm to the trade register, nor a decision to enter that firm in the register, does in itself create an interest which would deserve protection under Art. 24 of the civil code. This interpretation prevents a privileged position of provisions of the civil code in practice, as both Art. 24 of the code and Art. 2 and 3 of the act on fighting unfair competition provide the same extent of protection to the firm in the trade turnover.

Protection of the firm under Art. 43 in connection with Art. 24 of the civil code is secured first and foremost by claims for desistance, for removal of the effects of violation, and for redress of the damage.

#### *V. INTERRELATION OF THE PROVISIONS THAT INSTITUTE PROTECTION OF THE RIGHT TO A FIRM*

The narrowest protection is secured to the firm by Art. 36 in connection with Art. 35 §1 of the commercial code. Under that provision, also a person who has not yet used or stopped using a firm may demand effective protection — with the reservation of a possible objection of abusing subjective rights; yet this applies only to designations used in one and the same locality, and used specifi-



cally as firms at that. The broadest protection, instead, is secured by Art. 43 in connection with Art. Art. 23 and 24 of the civil code. Under those provisions, protection of the firm may be demanded not only with respect to other economic subjects but also outside of the trade turnover, and that in the case of all violations of the registered merchant's interest related to the firm. Provisions of Art. Art. 2 and 3 of the act on fighting unfair competition secure a narrower protection of the firm that provisions of the civil code relating to protection of personal interests: basing on them, protection cannot be demanded against persons who violate the entitled person's interest in non-economic relations. On the other hand, in relations between economic subjects, protection granted under Art. 43 in connection with Art. Art. 23 — 24 of the civil code is identical to that under Art. Art. 2 and 3 of the act on fighting unfair competition. There is no doubt, though, that those very provisions of the act should play the major part in protection of the firm and other designations used to distinguish the enterprise, as such designations are basically carriers of the entrepreneur's financial interest. The personal interest whose existence cannot be negated in the case of a firm is of decidedly secondary importance. Moreover, interests related to designations that distinguish the enterprise are manifested in the course of entrepreneurs competing with one another in the market for customers which competition is precisely the subject of the act of 1926 on fighting unfair competition.

In the light of the above, what may give rise to reservations is the trend, recently found in judicial decisions, to give priority to Art. Art. 23 and 24 of the civil code when granting protection to the firm and other distinguishing designations. This practice is no doubt correct if nothing but the result of the linguistic interpretation of those provisions is taken into account. Yet the directives of the functional interpretation considered, it has to be concluded that the aim (function) of Art. 43 in connection with Art. Art. 23 and 24 of the civil code is first of all to secure protection of the personal interest of legal persons, that is i.a. of the names and other designations of legal persons who do not pursue economic activity. Instead, Art. Art. 2 and 3 of the act on fighting unfair competition should be given priority in the case of protection of designations that distinguish the pursuit of profit-earning or professional activity. The systemic interpretation also leads to this same conclusion. The import of Art. Art. 2 and 3 of the act on fighting unfair competition should not be reduced in practice through preference of other provisions aimed mainly at protection of personal interests.