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Names Matter to Business Identity

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A business's legal name is usually that of its owner, though businesses often assume a made-up moniker that says more about what the business does than who runs it.

When the business is a sole proprietorship, its legal name is the owner's full name, even if it does business under something else. A partnership's legal name consists of the partners' surnames or whatever name is assumed in the partnership agreement. Corporations and limited liability companies have a little more latitude to register a legal name with the state; their legal name doesn't need to mention the individual owners' names.

Whatever the case, a company uses its legal name in all business conducted with government entities, whether the company is applying for an employer identification number, filing tax returns or securing a license. The company's owner can choose to operate under a fictitious name, and in New Mexico, he or she can do it without registering with the state.

Trade Names

Companies frequently choose to conduct business under a doing-business-as name that gives customers an idea of what service or product the business provides. The name "John Smith, Paul Smith and George Smith," for example, offers potential customers no clue about what the Smiths do for a living, but Smith and Sons Plumbing tells the world that this is a family-operated plumbing business. A fictitious name doesn't even have to mention the owner at all; the Smiths could call themselves Northern New Mexico Plumbing to emphasize the territory they serve and the trade they conduct.

The Smiths can assume this name in New Mexico without registering the name with the state. In their interactions with government, "John Smith, Paul Smith and George Smith" is all the company needs to call itself.

Choosing a Name

Naming a business can be more challenging than it appears. Because a name reflects the business's identity, the time invested in inventing that name is well spent.

When brainstorming potential names, a sole proprietor or members of a partnership should consider how the name will appear on marketing materials and whether it's easy to recall. They should do some research to make sure the name isn't already being used in their area or industry. Businesses are frequently sued and forced to change their names for infringing on trademarked company names — even if the trademark isn't registered.

Some businesses choose clever spellings, puns and other types of wordplay on the assumption it will make their company stand out from competitors. Such decisions should be made with care that the name isn't perceived as offensive, ridiculous or even profane. Phrases and words that are clunky or hard to pronounce should be avoided. And even though it isn't required in New Mexico, the business's owners should take steps to protect the name they've spent time and energy creating.

Finance New Mexico is an initiative of the New Mexico Small Business Investment Corporation (NMSBIC) and its partners to assist individuals and businesses with obtaining skills and funding-resources for their business or idea. To learn more, go to www.FinanceNewMexico.org.

