



1-1-1986

## A Primer on Trademarks and Service Marks.

Lawrence E. Evans Jr.

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### Recommended Citation

Lawrence E. Evans Jr., *A Primer on Trademarks and Service Marks.*, 18 ST. MARY'S L.J. (1986).  
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## A PRIMER ON TRADEMARKS AND SERVICE MARKS\*

LAWRENCE E. EVANS, JR\*\*

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The field of trademarks and service marks is a narrow area of the law which is frequently overlooked and often plagued by popular misconceptions. This is a brief, practical overview which attempts to clarify the misconceptions and to answer the most common questions raised by lawyer and layman.

## I. COMMON TRADEMARK MYTHS

It is commonly believed that filing an "assumed name" or "d/b/a" with the county clerk will reserve and protect a trademark or service mark. It is also generally assumed that incorporation of a business with the Secretary of State protects a trade name. These ministerial acts performed by the county clerk<sup>1</sup> and the Secretary of State<sup>2</sup> are irrelevant to trademark protection. A trademark cannot be reserved; trademark rights can only be acquired through actual use.<sup>3</sup> Case law firmly establishes that incorporation is no defense in a suit for trademark infringement.<sup>4</sup>

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1. See *McCarley v. Welch*, 170 S.W.2d 330, 332 (Tex. Civ. App.—Dallas 1943, no writ) (filing assumed name with County Clerk irrelevant to trademark protection). The Texas Business and Commerce Code specifically states that the filing of an assumed name certificate shall afford no trademark protection. See TEX. BUS. & COMM. CODE ANN. § 36.17 (Vernon Supp. 1986).

2. See OFFICE OF THE TEXAS SECRETARY OF STATE, FILING GUIDE FOR CORPORATION, LIMITED PARTNERSHIP & ASSUMED NAME DOCUMENTS § 79.48(11), at 86 (1984). The Texas Secretary of State's filing guidelines on corporate name availability provide as follows: "Matters Not Considered. Only the proposed corporate name and the names of active (not dead or dissolved) corporations on file are considered in determining name availability. Among the matters not considered are . . . (11) *whether or not infringement or unfair trade practice has occurred or might occur.*" [Emphasis added.] *Id.*; see also *Smart Shop v. Colbert's*, 250 S.W.2d 431, 433 (Tex. Civ. App.—El Paso 1951, no writ) (protection achieved from incorporation prevents use as name for new corporation; incorporation irrelevant to trademark protection).

3. Devitt, *Coping With Statutes Which "Muddy the Waters" of Trademark Practice*, 11 A.P.L.A. Q.J., 236, 236 (1983) (impossible to reserve trademark by incorporation or otherwise; trademark must be used to be protectible); J. Gilson, *Trade Name Infringement, Trap for the Unwary Corporation*, 59 TRADE-MARK REP. 582, 582 (1969) (trademark must be used to be protectible; cannot be reserved); see also Gottlieb, *Corporate Name "Clearance"—Potential Trademark Trouble Spot*, 33 BUS. LAW. 2263, 2263 (1978) (mere incorporation without use insufficient).

4. See, e.g., *Seaboard Fin. Co. v. Martin*, 244 F.2d 329, 331-32 (5th Cir. 1977); *Radio Shack Corp. v. The Radio Shack, Inc.*, 180 F.2d 200, 206 (7th Cir. 1950); *Armstrong Cork Co. v. World Carpets, Inc.*, 448 F. Supp. 1072, 1078 (N.D. Ga. 1978), *cert. denied*, 444 U.S. 932 (1979).

## II. TRADEMARKS VERSUS SERVICE MARKS

Without exception, every business uses some kind of brand name, logo or design as a means of identification, although these words and symbols may not be formally recognized as a trademark or service mark per se. Trademarks are used by merchants and manufacturers to identify goods. Trademarks are also referred to as brand names. A trademark is statutorily defined to include any word, name, device or symbol, or any combination of the same, adopted and utilized by a merchant or manufacturer to identify his or her goods and to distinguish them from goods manufactured or sold by others.<sup>5</sup> For example, LEVI'S jeans, NABISCO cookies, BIC pens, FORD trucks, ROLEX watches, HEINZ ketchup, WINCHESTER firearms, dBase III computer software, etc.

Service marks identify services rather than goods. If a business is not manufacturing a product, it will typically be offering some type of service. A service mark is statutorily defined to include any mark which is used in connection with the sale or advertising for sale of services in order to identify and distinguish the services of one person from the services of others.<sup>6</sup> Many services are easy to recognize,

5. See Lanham Act, 15 U.S.C. 1127 (1982). Section 1127 provides:

The term "trademark" includes any word, name, symbol, or device or any combination thereof adopted and used by a manufacturer or merchant to identify and distinguish his goods, including a unique product, from those manufactured or sold by others and to indicate the source of the goods, even if that source is unknown.

*Id.*; see also TEX. BUS. & COMM. CODE ANN. § 16.01(a)(5) (Vernon 1968). Section 16.01(a)(5) provides:

"trademark" means a word, name, symbol, devise, slogan or any combination thereof which, whether registered or not, has been adopted and used by a person to identify his goods and distinguish them from the goods manufactured or sold by others.

*Id.*

6. See Lanham Act, 15 U.S.C. 1127 (1982). A service mark is defined as follows:

The term "service mark" means a mark used in the sale or advertising of services to identify and distinguish the services of one person, including a unique service, from the services of others and to indicate the source of the services, even if that source is unknown. Titles, character names and other distinctive features of radio or television programs may be registered as service marks notwithstanding that they, or the programs, may advertise the goods of the sponsor.

*Id.*; see also TEX. BUS. & COMM. CODE ANN. § 16.01(a)(4) (Vernon 1968). Service marks are defined under Texas law as follows:

"service mark" means a word, name, symbol, device, slogan or any combination thereof which, whether registered or not, has been adopted and used by a person to identify his services and distinguish them from the services of others, and includes the titles, designations, character names, and distinctive features of broadcast or other advertising.

*Id.*

such as KWIK-KOPY printing services, ROTO-ROOTER plumbing services, BEKINS moving and storage services, COLDWELL BANKER commercial and residential real estate services, GEM-CRAFT home construction services, ALLSTATE insurance services, ALLIED banking services, THE BEACH BOYS entertainment services, etc.

Other types of services, such as those provided by retail stores, are not readily apparent and are often overlooked as service marks. Retail stores provide valuable services to consumers in two ways. First, they select and assemble a vast array of interesting products, and second, they provide a pleasant location for shopping and display of the goods. The following examples illustrate the incredible breadth of retail store services: SEARS retail department store services, CASUAL CORNER retail clothing store services, RADIO SHACK retail store services featuring electronic components, KROGER retail food store services, COMPUTERCRAFT retail store services in the field of computer hardware and software, STOP-N-GO retail convenience store services, HI/LO retail store services specializing in auto parts, FINGERS retail furniture store services, etc.

The law which protects trademarks and service marks is designed to prevent customer confusion, and to prevent unfair competition by a competitor who capitalizes on the goodwill and reputation of another.<sup>7</sup>

### III. REGISTRATION

With few exceptions, legal rights in a trademark or service mark can only be acquired through actual use of the mark; a mark cannot be reserved.<sup>8</sup> Use of an unregistered mark gives rise to common law protection which is strictly limited to the geographic area in which

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7. See *Zippo Mfg. Co. v. Rogers Imports, Inc.*, 216 F. Supp. 670, 679 (S.D.N.Y. 1963) (trademark law prevents deception of public and protects owner from misappropriation); *National Color Laboratories, Inc. v. Phillips Foto Co.*, 273 F. Supp. 1002, 1004 (S.D.N.Y. 1963) (unfair competition law is balance between public confusion, § rights of alleged trademark owner, and free and fair competition); see also 1 J. T. MCCARTHY, *TRADEMARKS AND UNFAIR COMPETITION* § 2:12, at 74 (1973) (fundamental purposes of trademark law are protection of public from confusion and business owner from usurpation of rights).

8. See *Blue Bell, Inc. v. Farah Mfg. Co.*, 508 F.2d 1260, 1267 (5th Cir. 1975) (trademark cannot be reserved for future; mark must be actually used); see also 1 J. T. MCCARTHY, *TRADEMARKS AND UNFAIR COMPETITION* § 16:1, at 720-21 (2d ed. 1981) (no way to "reserve" mark before commencing business, except in Louisiana).

the mark is used.<sup>9</sup> Because trademark rights are acquired through use, the filing of an "assumed name" or articles of incorporation is irrelevant to trademark protection.<sup>10</sup>

There are two tiers of registration in the United States, i.e., state<sup>11</sup> and federal.<sup>12</sup> Each state has an administrative system to register marks used within that state which is autonomous from the systems used in other states and also from the federal system. In Texas, the Trademark Section of the Secretary of State, located in Austin, is charged with the responsibility of registering trademarks.<sup>13</sup> The federal system is administered by the United States Patent and Trademark Office, located near Washington, D.C.

A federal registration has a term of twenty years<sup>14</sup> which may be renewed for additional twenty-year terms upon a showing of continued use.<sup>15</sup> In order to keep the list of federal registrations current, an affidavit verifying continuous use of the mark must be filed with the Trademark Office between the fifth and sixth anniversary of the registration.<sup>16</sup> If the affidavit is not filed, the registration is cancelled;<sup>17</sup> this procedure eliminates dead wood and is a pitfall for the unwary. A Texas registration has a term of ten years and may be renewed for additional ten year terms upon a showing of continued use.<sup>18</sup>

9. See *Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403, 416 (1916) (common law trademark protection limited to geographic area of actual use); see also 1 J. GILSON, *TRADEMARK PROTECTION AND PRACTICE* § 5.06, at 5-55 (1985) (common law limits protection to geographic area of actual use).

10. See *Consumers Petroleum Co. v. Consumers Co. of Illinois*, 169 F.2d 153, 161 (7th Cir. 1948); see also 3 R. CALLMAN, *THE LAW OF UNFAIR COMPETITION TRADEMARKS AND MONOPOLIES* § 20.7, at 389 (4th ed. 1983) (incorporation irrelevant to trademark protection); 1 J. GILSON, *TRADEMARK PROTECTION AND PRACTICE* § 2.14, at 2-139 (1985). But see CAL. BUS. & PROF. CODE §§ 14411, 14415, 14416 (Deering 1976) (providing rebuttable presumption of ownership of mark to first one to file articles of incorporation or assumed name certificate).

11. See TEX. BUS. & COMM. CODE ANN. §§ 16.01-28 (Vernon 1968). Enacted in 1968, the Texas Trademark Rules of Practice and Procedure sets forth the provisions, rules, and regulations pertaining to the registration of marks in Texas. See *id.* at §§ 16.01-28.

12. See Lanham Act, 15 U.S.C. §§ 1051-1127 (1982). The Lanham Act comprises the rules and regulations pertaining to federal registration of trademarks and service marks. See *id.*

13. See TEX. BUS. & COM. CODE ANN. § 16.11 (Vernon 1968).

14. See Lanham Act, 15 U.S.C. § 1058 (1982).

15. See *id.* § 1059.

16. See *id.* § 1058(2).

17. See *id.*

18. See TEX. BUS. & COMM. CODE ANN. § 16.12 (Vernon 1968) (initial registration of ten years); *id.* § 16.14 (renewal for ten years upon showing of continued use).

### A. *Registration of Trademarks*

To register a trademark under the federal system, the mark must be "used in commerce."<sup>19</sup> There are two requirements for a mark to be used in commerce.

The first requirement is that proper trademark usage must be established. Proper usage requires that the mark be applied either to the goods themselves or used in close proximity to the goods. Proper usage can be established by any of the following four ways. First, the mark can be applied to labels or tags which are affixed to the goods.<sup>20</sup> Secondly, the mark can be applied to a display directly associated with the goods. Point-of-sale displays, such as banners and window displays, are acceptable. These items must be designed to catch the attention of prospective purchasers as an inducement to consummate a sale. In addition, the display must prominently show the mark and relate it to the goods.<sup>21</sup> Thirdly, the mark can be applied to the containers for the goods.<sup>22</sup> Finally, the mark can be placed in any manner on the goods. For example, the mark may be imprinted in the body of the goods as with metal stamping; it may be applied by a rubber stamp; or it may be inked on by using a stencil.<sup>23</sup> Advertising material does not establish proper usage for a trademark, e.g., business cards, price lists, advertising brochures, publicity releases, or listings in catalogs or trade directories.<sup>24</sup>

The second requirement for a mark to be used in commerce is that the goods bearing the mark must be sold or transported in commerce.<sup>25</sup> The term "commerce" is broadly defined as any type of commerce which may lawfully be regulated by Congress.<sup>26</sup> The most common example is the sale or delivery of goods from one state to another.<sup>27</sup> Another example is the sale or delivery of goods from the

19. See Lanham Act, 15 U.S.C. § 1127 (1982).

20. See TRADEMARK MANUAL OF EXAMINING PROCEDURE § 808.04(a) (1983).

21. See *id.* § 808.06.

22. See *id.* § 808.04(c).

23. See *id.* § 808.04(b).

24. See *id.* § 808.05.

25. See Lanham Act, 15 U.S.C. §§ 1051, 1127 (1982).

26. See *id.* § 1127. "[C]ommerce means all commerce which may lawfully be regulated by Congress." *Id.* "The Congress shall have Power To . . . regulate Commerce with foreign Nations, and among the several States, and with the Indian Tribes." See U.S. CONST. art. 1, § 8, cl. 3.

27. See, e.g., *Maternally Yours, Inc. v. Your Maternity Shop, Inc.*, 234 F.2d 538, 542 (2d Cir. 1965) (interstate commerce is proper "use" in commerce); *Li' L' Red Barn, Inc. v. Red*

United States to a foreign country.<sup>28</sup>

### B. *Registration of Service Marks*

Unlike a trademark, which is used to identify a particular brand of goods, a service mark is used to identify services. In the case of trademarks, the goods can be easily marked and identified by attachment of labels or tags. Services, however, are intangible; there is no product to label, no container to mark. The key question is, therefore, how to identify a service.<sup>29</sup> In most cases, services are identified through advertisements.<sup>30</sup> Any type of advertisement is acceptable, including newspapers, magazines, brochures, outdoor signs, etc.<sup>31</sup> The services must actually be performed concurrently and in direct association with the advertisement.<sup>32</sup> For example, if a restaurant announces its grand opening thirty days prior to the event, the date of first use of the service mark is the date the restaurant actually opens for business, not the first day that the advertisement was published.<sup>33</sup> The advertisement or announcement of the availability of future services alone

Barn Sys., Inc., 322 F. Supp. 98, 102 (N.D. Ind. 1970) (mark must be used in interstate commerce); *Marita Spirits, Ltd. v. Charles Jacquin Et Cie., Inc.*, 161 U.S.P.Q. 240, 241 (B.N.A) (T.T.A.B. 1961) (interstate commerce proper use of mark).

28. See Lanham Act, 15 U.S.C. § 1127 (1982) (foreign commerce proper use); see also TRADEMARK MANUAL OF EXAMINING PROCEDURE § 806.05(2)(1983) (commerce between United States and foreign nation proper use "in commerce").

29. See generally 1 J. T. MCCARTHY, TRADEMARKS AND UNFAIR COMPETITION § 19.30 (2d ed. 1964) (critical issue is identification of "service").

30. See *id.* § 16.11 (services commonly identified through advertisements). All that is necessary in order to establish the proper use of the service mark is to prove the mark "is used or displayed in the sale or *advertising* of services." See Lanham Act, 15 U.S.C. § 1127 (1982) (emphasis added).

31. See TRADEMARK MANUAL OF EXAMINING PROCEDURE § 1301.06 (1983) (acceptable advertising includes newspaper ads, magazine ads, brochures, billboards, car cards, handbills, etc.).

32. See Lanham Act, 15 U.S.C. § 1127 (1982). "For the purposes of this chapter a mark shall be deemed to be used in commerce . . . (b) on services when it is used or displayed in the sale or advertising of services *and the services are rendered in commerce*, or the services are rendered in more than one State or in this and a foreign country and the person rendering the services is engaged in commerce in connection therewith." *Id.* (emphasis added). The advertisement must be directly associated with the services. See *Application of Universal Oil Prod. Co.*, 476 F.2d 653, 655 (C.C.P.A. 1973) (requiring direct association between advertisement and services).

33. See *Steer Inn Systems, Inc. v. Laughner's Drive-In, Inc.*, 405 F.2d 1401, 1402 (C.C.P.A. 1969) (mere use of mark on door sign, letterheads, and architectural drawings prior to commencement of business insufficient); 1 J. T. MCCARTHY, TRADEMARKS AND UNFAIR COMPETITION § 19:29, at 937 (2d ed. 1984) (use prior to actual rendition of services does not establish priority).



not constitute use as a service mark.<sup>34</sup> To qualify for a federal registration, the services must be rendered "in commerce," or in more than one state or in this and a foreign country.<sup>35</sup>

Regulation of a service by a federal agency is accepted as an indication that the services are performed "in commerce."<sup>36</sup> For example, national banks to which charters have been issued by the federal government are deemed to render services "in commerce."<sup>37</sup> Likewise, restaurants and hotels fall within the purview of the Civil Rights Act and, therefore, restaurant services are performed "in commerce."<sup>38</sup> If a service activity is local in nature, such as dry cleaning or shoe repairs, and is not subject to federal regulation, it may not qualify as being "in commerce" for purposes of a federal service mark registration.<sup>39</sup> In these situations where the service is local in nature, the mark can be registered as a state trademark.

### C. *The Difference Between ® and ™*

If a federal registration has been issued by the United States Patent and Trademark Office for a trademark or service mark, then the letter R enclosed within a circle should appear as a superscript adjacent to the mark to obtain the full measure of federal protection,<sup>40</sup> e.g., LEVI'S® jeans. It is possible to register a mark under the trademark laws of each of the fifty states. However, state registration alone does not confer the right to use the R-within-a-circle symbol. Although not required by statute, it is customary to use the superscript ™ with

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34. See Trademark Manual of Examining Procedure § 1301.02 (1983); see also 1 J. T. MCCARTHY, TRADEMARKS AND UNFAIR COMPETITION § 16:4, at 730 (2d ed. 1984) (use of mark in preparation to do business insufficient).

35. See Lanham Act, 15 U.S.C. § 1127 (1982).

36. See TRADEMARK MANUAL OF EXAMINING PROCEDURE § 1301.03(c) (1983) (federal regulation is indication services are performed in commerce).

37. See *id.* (national banks to whom charters are issued by federal government perform services "in commerce").

38. See *In re Smith Oil Corp.*, 156 U.S.P.Q. 62, 63-66 (B.N.A.) (T.T.A.B. 1967) (providing services to interstate consumers sufficient use "in commerce" for federal registration purposes); see also 1 J. T. MCCARTHY, TRADEMARKS AND UNFAIR COMPETITION § 19:36(B), at 960-61 (2d ed. 1984) (discussion of effect of civil rights act and subsequent cases on interpretation of "in commerce" for federal service mark registration purposes).

39. See TRADEMARK MANUAL OF EXAMINING PROCEDURE § 1301.03(b) (1983) (purely local activities do not provide service "in commerce"). But see *In re Application of Silenus Wines, Inc.*, 557 F.2d 806, 809 (C.C.P.A. 1977) (use "affecting interstate commerce" of local importer held to be use "in commerce" for purposes of federal registration).

40. See Lanham Act, 15 U.S.C. § 1111 (1982).

a trademark and the superscript <sup>SM</sup> with a service mark for common law marks and marks which are the subject of one or more state registrations. Application of the symbols <sup>TM</sup> and <sup>SM</sup> serves as a warning to others that the user considers the mark to be exclusively his.<sup>41</sup>

#### IV. ADVANTAGES TO REGISTRATION

A Texas trademark registration and a federal registration are constructive notice of the registrant's claim of ownership.<sup>42</sup> A federal registration provides coast-to-coast protection; it precludes subsequent users from adoption of a confusingly similar mark anywhere in the United States.<sup>43</sup> A Texas registration only affords protection within the state; it precludes subsequent intrastate use of a confusingly similar mark.<sup>44</sup> The constructive notice provisions of the Texas and federal trademark laws are analogous to the benefits derived from filing a real estate deed with the county clerk. The recorded deed cuts off subsequent purchasers for value; the trademark registration cuts off subsequent use by a third party. No one would fail to record a general warranty deed for his client; however, registration of trademarks and service marks is frequently overlooked. If a trademark or service mark is not registered, the common law will protect the mark only in the geographic area of actual use.<sup>45</sup>

A federal registration is like a fine bordeaux wine; it improves with

41. 1 J. T. MCCARTHY, *TRADEMARKS AND UNFAIR COMPETITION* § 19:55, at 1008 (2d ed. 1984) (<sup>SM</sup> used as warning to others of assertion of ownership). *But see* R. J. Reynolds Tobacco Co., v. Phillip Morris, Inc., 210 U.S.P.Q. 34, 36 (BNA) (T.T.A.B. 1981) (use of (<sup>SM</sup>) confers no protection; wishing does not make trademark or service mark).

42. *See* Lanham Act, 15 U.S.C. § 1072 (1982) (federal registration provides nationwide constructive notice of claim of ownership); TEX. BUS. & COMM. CODE ANN. § 16.15(b) (Vernon 1968) (registration affords statewide constructive notice of ownership).

43. *See* Lanham Act, 15 U.S.C. § 1072 (1982); *Value House v. Philips Mercantile Co.*, 523 F.2d 424, 429 (10th Cir. 1975) (protection under section 1072 is nationwide constructive notice); *John R. Thompson Co. v. Holloway*, 366 F.2d 108, 114-15 (5th Cir. 1968) (protection is nationwide regardless of area of actual use). *See also* 1 J. GILSON, *TRADEMARK PROTECTION AND PRACTICE* § 4.02[1], at 4-6 (1985) (federal registration protection is geographically unlimited).

44. *See* TEX. BUS. & COM. CODE ANN. § 16.26(2) (Vernon 1968) (protecting registered marks from subsequent use *within state* of mark likely to deceive or cause confusion); *American Hosp. Ass'n v. Bankers Commercial Life Ins. Co.*, 275 F. Supp. 563, 565 (N.D. Tex. 1967) (state registration not binding in federal trademark infringement case), *aff'd*, 403 F.2d 718 (5th Cir. 1968), *cert. denied*, 394 U.S. 1018 (1969).

45. *See* 2 J. T. MCCARTHY, *TRADEMARKS AND UNFAIR COMPETITION* § 26:8, at 301 (2d ed. 1984). Some courts will grant the senior user a "zone of natural expansion" larger than its actual trade area. *See id.* § 26:8, at 301-02. However, this theory has fallen into disfavor in

age. If a trademark has been in continuous use for five consecutive years after issuance of a federal registration and if the appropriate affidavits have been filed,<sup>46</sup> the mark becomes incontestable<sup>47</sup> as a matter of law. An incontestable mark is a lethal weapon in federal court and is subject only to seven meager statutory defenses<sup>48</sup> and a handful of equitable defenses which are applicable in only narrow fact situations.<sup>49</sup> In a recent decision, the United States Supreme Court

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many areas and has been totally rejected by the First Circuit. *See Raxton Corp. v. Anania Assocs.*, 635 F.2d 924, 930-32 (1st Cir. 1980) (rejecting "zone of natural expansion" theory).

46. *See* Lanham Act, 15 U.S.C. § 1065(3) (1982). Within one year of expiration of any five year period of registration an affidavit must be filed with the Commissioner of Patents and Trademarks setting forth the present and continuous use of the mark in commerce. *See id.*

47. *See id.* § 1065.

48. *See id.* § 1115(b). The only statutory defenses available after a mark has become incontestable under 15 U.S.C. § 1065 are the following:

- (1) That the registration or the incontestable right to use the mark was obtained fraudulently; or
- (2) That the mark has been abandoned by the registrant; or
- (3) That the registered mark is being used, by or with the permission of the registrant or a person in privity with the registrant, so as to misrepresent the source of the goods or services in connection with which the mark is used; or
- (4) That the use of the name, term, or device charged to be an infringement is a use, otherwise than as a trade or service mark, of the party's individual name in his own business, or of the individual name of anyone in privity with such party, or of a term or device which is descriptive of and used fairly and in good faith only to describe to users the goods or services of such party, or their geographic origin; or
- (5) That the mark whose use by a party is charged as an infringement was adopted without knowledge of the registrant's prior use and has been continuously used by such party or those in privity with him from a date prior to registration of the mark under this chapter or publication of the registered mark under subsection (c) of section 1062 of this title: *Provided, however*, That this defense or defect shall apply only for the area in which such continuous prior use is proved; or
- (6) That the mark whose use is charged as an infringement was registered and used prior to the registration under this chapter of publication under subsection (c) of section 1062 of this title of the registered mark of the registrant, and not abandoned: *Provided, however*, That this defense or defect shall apply only for the area in which the mark was used prior to such registration or such publication of the registrant's mark; or
- (7) That the mark has been or is being used to violate the antitrust laws of the United States.

*Id.* § 1115.

49. *See generally* 2 J. T. MCCARTHY, TRADEMARKS AND UNFAIR COMPETITION §§ 31.1-20 (2d ed. 1984) (discussion of equitable defenses of laches, estoppel, acquiescence, and unclean hands); 1 J. GILSON, TRADEMARK PROTECTION AND PRACTICE §§ 8.12[12], 8.12[13](1985) (general discussion of laches, acquiescence, and unclean hands as equitable defenses); *see also* Piper Aircraft Corp. v. Wag-Aero, Inc., 741 F.2d 925, 933 (7th Cir. 1984) (defining laches as negligent, unintentional failure to protect and acquiescence as intentional abandonment of trademark). A trademark plaintiff whose conduct relative to his own mark has been illegal or unconscionable has "unclean hands" and will not be afforded relief. *See*

reiterated the value of an incontestable registration, holding that it is virtually impenetrable.<sup>50</sup> Once a mark has matured and become incontestable, it is like a mighty two-edged sword.

If a mark is registered and a third party is thinking of using a similar mark, the third party will typically locate the registered mark during its initial trademark search. These initial searching procedures, when employed, help to eliminate confusion, misunderstanding, and ill will. Registration of a trademark or a service mark is not required under either the state or federal laws;<sup>51</sup> however, those companies which are well advised always seek registration.

## V. SELECTION OF A NEW TRADEMARK

Selection of a new trademark is an exciting, but sometimes frustrating experience. In most situations, several potential marks will be under consideration for ultimate selection as the new trademark. Before a new mark is adopted and funds are spent on advertising, two threshold questions need to be answered. First, is the mark protectable? The following section on "The Relative Strength of Trademarks" discusses those categories of marks which are protectable.

Second, is the mark available for registration? If the same mark has been previously used and/or registered by another company for the same type of product, the mark is unavailable. A preliminary screen and full trademark search should be conducted to determine if a potential mark is available for registration. If a new mark passes both the preliminary screen and the full search, applications to register the mark should be prepared and filed on the first day that the new mark is used.

### A. Preliminary Screen

The preliminary screen should be conducted when the selection process has narrowed the field of potential marks to approximately

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Precision Instrument Mfg. v. Automotive Maintenance Mach. Co., 324 U.S. 806, 814 (1945) (one asking for equity must do so with clean hands).

50. See *Park 'N Fly v. Dollar Park and Fly, Inc.*, — U.S. —, 105 S. Ct. 658, 665, 83 L. Ed. 2d 582, 589 (1985) (incontestable mark only challenged on few specified grounds).

51. See *Boston Prof. Hockey Ass'n v. Dallas Cap & Emblem Mfg.*, 510 F.2d 1004, 1010 (5th Cir. 1975) (use of another's *unregistered* mark can constitute violation of law); *Pulitzer Pub. Co. v. Houston Printing Co.*, 4 F.2d 924, 926 (S.D. Tex. 1925) (registration not prerequisite to protection; common law affords protection), *aff'd*, 11 F.2d 834 (5th Cir. 1925), *cert. denied*, 273 U.S. 694 (1926).

five or fewer prospects. The preliminary screen should include one or more of the following:

1. Call the Trademark Section of the Secretary of State and inquire as to whether the same or a similar mark has already been registered;
2. Search the appropriate classes of goods or services in *The Trademark Register of the United States*,<sup>52</sup> an annual non-governmental publication available at the public library. If this publication is not available, several on-line computer services provide similar information;<sup>53</sup>
3. Check the local telephone book;
4. Check the local assumed name records;
5. Call the Corporations Division of the Secretary of State and inquire as to whether there are any corporations or limited partnerships with the same or similar name.

The trademark screen may further narrow or eliminate the field of prospects.

#### B. *Full Trademark Search*

After a candidate has passed the preliminary screen and has been selected as the new trademark, a full trademark search should be conducted. Thomson & Thomson of Boston, Massachusetts, conducts an excellent full trademark search. The search report identifies similar state and federal trademark registrations and provides additional information regarding common law marks; however, they do not provide legal advice. Any search report should be interpreted by an attorney familiar with trademark law.

## VI. THE RELATIVE STRENGTH OF TRADEMARKS

Courts and commentators have traditionally divided potential trademarks into four categories: (A) generic; (B) descriptive; (C) sug-

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52. *The Trademark Register of the United States*, published by the Trademark Register, 422 Washington Building, Washington, D.C. 20005, is the annual computer printout of all the presently subsisting trademark registrations.

53. TRADEMARKSCAN, produced by Thomson & Thomson, One Monarch Drive, N. Quincy, Mass. 02171-2126, telephone 1-800-692-8833, is an on-line database containing only those registrations and applications filed with the U.S. Patent and Trademark Office. *The Compu-Mark Directory of U.S. Trademarks* is published by Compu-Mark U.S., 1333 F. Street, N.W., 6th Floor, Washington, D.C. 20005.

gestive; and (D) arbitrary and fanciful.<sup>54</sup> These categories define a continuum from weak to strong. However, a weak mark can be strengthened and enhanced through a federal registration which becomes incontestable after five years.<sup>55</sup> “Although meant as pigeon-holes, these useful labels are instead central tones in a spectrum; they tend to merge at their edges and are frequently difficult to apply.”<sup>56</sup>

### A. *Generic Terms*

The generic name of a product can never function as a trademark.<sup>57</sup> The terms “trademark” and “generic” are mutually exclusive.<sup>58</sup> A mark can initially be generic, or a registered mark may become generic at any time with respect to a particular article.<sup>59</sup> For example, in 1921, Judge Learned Hand held that the word aspirin had become generic with respect to all brands of acetylsalicylic acid.<sup>60</sup> Other marks have gradually become generic through usage and have been invalidated as trademarks, e.g., escalator<sup>61</sup> multistate bar exam,<sup>62</sup>

54. See *Soweco, Inc. v. Shell Oil Co.*, 617 F.2d 1178, 1183 (5th Cir. 1980) (terms for which protection is sought traditionally grouped into four categories: generic; descriptive; suggestive; and arbitrary or fanciful); 3 R. CALLMAN, *THE LAW OF UNFAIR COMPETITION TRADEMARKS AND MONOPOLIES* §§ 18.01-.30 (4th ed. 1983) (analysis of strengths of generic, descriptive, suggestive, and arbitrary or fanciful marks).

55. See Lanham Act, 15 U.S.C. 1065 (1982) (mark registered for five years may become incontestable as matter of law). Section 1065 makes no distinctions between relative strengths of marks in providing for incontestable status. See *id.* See also 1 J. T. MCCARTHY, *TRADEMARKS AND UNFAIR COMPETITION* §§ 11:24-:26 (2d ed. 1984) (commentary on relative strengths of marks).

56. *Vision Center v. Opticks, Inc.*, 596 F.2d 111, 115 (5th Cir. 1979), *cert. denied*, 444 U.S. 1016 (1980).

57. See, e.g., *Soweco, Inc. v. Shell Oil Co.*, 617 F.2d 1178, 1183 (5th Cir. 1980) (generic term cannot function as trademark); *Miller Brewing Co. v. G. Heileman Brewing Co.*, 561 F.2d 75, 79 (7th Cir. 1977) (generic term can never be trademark), *cert. denied*, 434 U.S. 1025 (1978); *Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4, 9 (2d Cir. 1976) (generic term can never function as trademark). A generic term, referred to as a “common descriptive name” under the Lanham Act, is often described as referring to a genus or class of things. See 1 J. GILSON, *TRADEMARK PROTECTION AND PRACTICE* § 2.02, at 2-8 (1985). It answers the questions “what do you call it?” or “what is it?” See *id.* at 2-9.

58. See 1 J. T. MCCARTHY, *TRADEMARKS AND UNFAIR COMPETITION* § 12:1, at 520 (2d ed. 1984) (trademark and generic mutually exclusive); 1 J. GILSON, *TRADEMARK PROTECTION AND PRACTICE* § 2.01, at 2-2.1 (1985) (trademark mutually exclusive of generic).

59. See 3 R. CALLMAN, *THE LAW OF UNFAIR COMPETITION TRADEMARKS AND MONOPOLIES* § 18.02, at 6 (4th ed. 1983) (even registered marks may become generic).

60. *Bayer Co. v. United Drug Co.*, 272 F. 505, 510-511 (S.D.N.Y. 1921).

61. See *Haughton Elevator Co. v. Seeberger*, 85 U.S.P.Q. 80, 83 (BNA) (Comm’r Pats. 1950).

shredded wheat<sup>63</sup> and thermos.<sup>64</sup>

In holding aspirin as generic, Judge Learned Hand formulated the test used to determine genericness: "What do the buyers understand by the word for whose use the parties are contending? If they understand by it only the kind of goods sold, then, I take it, it makes no difference whatever efforts the plaintiff has made to get them to understand more."<sup>65</sup>

### B. *Descriptive Marks*

Descriptive marks identify a quality or characteristic of a service or good; for example, color, dimension, function, odor, or ingredients.<sup>66</sup> They also describe the intended use of the goods,<sup>67</sup> the size of the articles,<sup>68</sup> the class of the users of the goods,<sup>69</sup> the end effect of the goods upon the user<sup>70</sup> or a desirable characteristic of the goods,<sup>71</sup> such

62. See *National Conference of Bar Examiners v. Multistate Legal Studies, Inc.*, 692 F.2d 478, 488 (7th Cir. 1982).

63. See *Kellogg Co. v. National Biscuit Co.*, 305 U.S. 111, 116 (1938), *reh'g denied*, 305 U.S. 674 (1938).

64. See *King-Seeley Thermos Co. v. Aladdin Indus.*, 321 F.2d 577, 579 (2d Cir. 1963).

65. *Bayer Co. v. United Drug Co.*, 272 F. 505, 509 (S.D.N.Y. 1921); see also *Surgicenters of America, Inc. v. Medical Dental Surgeries Co.*, 601 F.2d 1011, 1016 (9th Cir. 1979) (courts consistently follow test formulated by Judge Learned Hand). A different test was formulated by the Ninth Circuit in which a term would be held generic unless a majority of consumers are motivated to buy a product because they know the trade name used by the company which produces the product. See *Anti-Monopoly, Inc. v. General Mills Fun Group, Inc.*, 684 F.2d 1316, 1324-26 (9th Cir. 1982), *cert. denied*, 459 U.S. 1227 (1983), *reh'g denied*, 460 U.S. 1104 (1983). However, in 1984 Congress specifically rejected consumer motivation as a test for determining genericness. See *Trademark Clarification Act of 1984*, Pub. L. 98-620, § 1, 98 Stat. 3336 (1984).

66. See *Soweco, Inc. v. Shell Oil Co.*, 617 F.2d 1178, 1183 (5th Cir. 1980) (descriptive marks identify characteristics or qualities of goods or services); *American Heritage Life Ins. Co. v. Heritage Life Ins. Co.*, 494 F.2d 3, 11 (5th Cir. 1974) (descriptive terms include color, odor, function, dimension, or ingredients); see also 3 R. CALLMAN, *THE LAW OF UNFAIR COMPETITION TRADEMARKS AND MONOPOLIES* § 18.03, at 7 (4th ed. 1983) (definition of descriptive marks).

67. See *In re W. A. Sheaffer Pen Co.*, 158 F.2d 390, 391 (C.C.P.A. 1946) (mark descriptive of intended use of goods).

68. See *Bada Co. v. Montgomery Ward & Co.*, 426 F.2d 8, 11-12 (9th Cir. 1970) (*MICRO* held descriptive of wheel size), *cert. denied*, 400 U.S. 916 (1970).

69. See *Shaw-Barton, Inc. v. John Baumgarth Co.*, 313 F.2d 167, 168 (7th Cir. 1963) (*HOMEMAKERS* calendars found descriptive of class of users), *cert. denied*, 374 U.S. 831 (1963).

70. See *Jean Patou, Inc. v. Jacqueline Cochran, Inc.*, 201 F. Supp. 861, 864 (S.D.N.Y. 1962) (*JOY* Perfume held descriptive of effect on user).

71. See *Devcon Corp. v. Woodhill Chemical Sales Corp.*, 455 F.2d 830, 832 (1st Cir.

as CHAPSTICK ointment, ANIMAL CRACKERS cookies, REALEMON reconstituted lemon juice, INSTANT BREAKFAST drink and BUFFERIN buffered aspirin.

Although descriptive marks may not be automatically protectable,<sup>72</sup> they can be registered provided they have acquired sufficient secondary meaning.<sup>73</sup> The “secondary meaning doctrine” holds that terms which have a primary significance of their own “may by long use in connection with a particular product, come to be known by the public as specifically designating that product.”<sup>74</sup> To establish secondary meaning, the plaintiff “must show that the primary significance of the term in the minds of the consuming public is not the product but the producer.”<sup>75</sup> Once a federal registration becomes incontestable, it cannot be challenged on the grounds that it is merely descriptive.<sup>76</sup>

### C. *Suggestive Marks*

Suggestive marks suggest rather than describe “some characteristic of the goods to which it is applied and requires the consumer to exercise his imagination to reach a conclusion as to the nature of the goods,”<sup>77</sup> e.g., COPPERTONE suntan oil; DIEHARD batteries; ACCENT seasoning; and SURE deodorant. Suggestive terms require no proof of secondary meaning in order to be protected.<sup>78</sup>

1972) (5-MINUTE Glue descriptive of desirable characteristic), *cert. denied*, 409 U.S. 845 (1972).

72. See Lanham Act, 15 U.S.C. 1052(e)(1) (1982). Section 1052(e)(1) prohibits registration of any mark which, “when applied to the goods of the applicant is merely descriptive . . . of them.” *Id.*

73. See *id.* § 1052(f). Section 1052(f) provides: “Except as expressly excluded in paragraphs (a)-(d) of this section, nothing in this chapter shall prevent the registration of a mark used by the applicant which has become distinctive of the applicant’s goods in commerce.” *Id.*; see also *Soweco, Inc. v. Shell Oil Co.*, 617 F.2d 1178, 1183 (5th Cir. 1980) (descriptive marks may be registered if they have acquired secondary meaning).

74. *Volkswagenwerk Aktiengesell-Schaft v. Rickard*, 492 F.2d 474, 477 (5th Cir. 1974).

75. *Kellogg Co. v. National Biscuit Co.*, 305 U.S. 111, 118 (1938).

76. See *Park ‘N Fly v. Dollar Park and Fly, Inc.*, — U.S. —, 105 S. Ct. 658, 665, 83 L. Ed. 2d 582, 589 (1985) (descriptiveness of mark no defense to infringement if mark is incontestable).

77. *Vision Center v. Opticks, Inc.*, 596 F.2d 111, 115-16 (5th Cir. 1979), *cert. denied*, 444 U.S. 1016 (1980).

78. See *Soweco, Inc. v. Shell Oil Co.*, 617 F.2d 1178, 1184 (5th Cir. 1980) (suggestive terms require no proof of secondary meaning) (citing *Vision Center v. Opticks, Inc.*, 596 F.2d 111, 116 (5th Cir. 1979), *cert. denied*, 444 U.S. 1016 (1980)).



#### D. *Inherently Distinctive Marks (Fanciful and Arbitrary)*

Fanciful marks consist of words which have been "coined" solely for the purpose of functioning as trademarks,<sup>79</sup> such as EXXON gasoline, CLOROX bleach, KODAK photographic supplies, and YUBAN coffee.

Arbitrary marks are words, symbols, or pictures in common linguistic use which, when used in connection with the services or goods at issue, neither describe nor suggest any quality, ingredient or characteristic of those services or goods.<sup>80</sup> The following are examples of arbitrary items which bear no relationship to the products to which they apply: IVORY soap, APPLE computers, CANNON towels, CAMEL cigarettes, GODIVA chocolate, and EAGLE honey roasted nuts. Fanciful and arbitrary marks are the strongest of all trademarks; they require no proof of secondary meaning.<sup>81</sup>

#### E. *Special Cases*

Descriptive marks, geographic marks and surnames are impossible to register when they are first used because they lack secondary meaning.<sup>82</sup> Over time, however, these marks may acquire sufficient secondary meaning to be registered.<sup>83</sup> Use for five years preceding an application is considered prima facie evidence of acquired secondary meaning required for registration on the principal register<sup>84</sup> and one

79. See *Tisch Hotels, Inc. v. Americana Inn, Inc.*, 350 F.2d 609, 611 (7th Cir. 1965) (fanciful marks are words coined solely for trademark purposes); 1 J. T. MCCARTHY, TRADEMARKS AND UNFAIR COMPETITION § 11.3, at 436 (2d ed. 1984) (fanciful words invented to serve as trademarks).

80. See *Tisch Hotels, Inc. v. Americana Inn, Inc.*, 350 F.2d 609, 611 (7th Cir. 1965) (arbitrary marks neither describe nor suggest anything about goods or services); *Soweco, Inc. v. Shell Oil Co.*, 617 F.2d 1178, 1184 (5th Cir. 1980) (arbitrary marks bear no relationship to goods or services to which they apply); see also 1 J. T. MCCARTHY, TRADEMARKS AND UNFAIR COMPETITION § 11.4, at 439 (2d ed. 1984) (arbitrary marks bear no relationship to products).

81. See generally 1 J. T. MCCARTHY, TRADEMARKS AND UNFAIR COMPETITION §§ 11.3, 11.4 (2d ed. 1984) (characterizing fanciful and arbitrary marks as strong; not requiring proof of secondary meaning).

82. See Lanham Act, 15 U.S.C. § 1052(e) (1982) (descriptive marks, geographic marks, and surnames not registrable).

83. See *id.* § 1052(f) (nothing prevents marks from gaining enough distinction to be registered).

84. See *id.* Section 1052(f) provides:

The Commissioner may accept as prima facie evidence that the mark has become distinctive, as applied to the applicant's goods in commerce, proof of substantially exclusive and

year is sufficient for the supplemental register.<sup>85</sup> Many famous surnames are the subject of federal registrations, i.e., HILTON, EDDIE BAUER, L. L. BEAN, BROWNING, etc. These marks were registered because they acquired secondary meaning. Geographic terms alone, seldom, if ever, acquire secondary meaning.<sup>86</sup> However, geographic terms in conjunction with other words and/or a clever logo are frequently the subject of a federal or state registration. The geographic term is usually disclaimed apart from the composite mark as a whole, e.g., CALIFORNIA COOLER. The longer a descriptive mark is used, the more secondary meaning it acquires.<sup>87</sup> With sufficient secondary meaning, the mark can be registered.<sup>88</sup>

## VII. HOW LONG DOES IT TAKE TO REGISTER?

### A. *State Registration*

In Texas, a trademark application will typically be examined within thirty to ninety days after it is received in the Secretary of State's Office. The examiner will conduct his own trademark search to determine if there is any conflict with prior registrations. If there are no conflicts, and the examiner believes that the mark is protectable and that all of the statutory and regulatory rules have been complied with, the trademark registration will be issued and returned to the applicant forthwith.

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continuous use thereof as a mark by the applicant in commerce for the five years next preceding the date of the filing of the application for its registration.

*Id.* The Principal Register is for registration of inherently strong marks or other marks which have been in use for five or more years prior to the filing of the application. *See id.* Marks which are registered on the Principal Register can become incontestable. *See* Lanham Act, 15 U.S.C. § 1065 (1982). A Federal Registration on the Principal Register is constructive notice of the registrant's claim of ownership. *See id.* § 1072.

85. *See id.* § 1091. The Supplemental Register is for registration of weak marks, i.e., marks which are descriptive, geographic or primarily a surname, which have been in use for one year preceding the filing of the application. *See id.* The Supplemental Register does not receive many of the advantages or benefits afforded a Registration on the Principal Register, e.g., it cannot become incontestable, nor is it constructive notice of the registrant's claim of ownership. *See id.* § 1094. However, after a mark has been on the Supplemental Register for five years, it can be upgraded to the Principal Register. *See id.* § 1095 (registration on Principal Register not precluded by registration on Supplemental Register); *id.* § 1052 (use for five years is basis for registration on Principal Register).

86. *See generally* 1 J. T. MCCARTHY, TRADEMARKS AND UNFAIR COMPETITION §§ 14.1-12 (2d ed. 1984) (discussion of difficulty in registering geographic terms).

87. *See generally id.* § 15.20 (length of use is factor in determining secondary meaning).

88. *See* Lanham Act, 15 U.S.C. § 1052(e) (1982) (marks with sufficient secondary meaning may be registered).

If there is a problem with the trademark application, a response from the trademark office will be sent to the applicant's attorney. If the objections presented in the response can be overcome by the applicant's attorney, the entire process from filing of the application to issuance of a registration should not take more than six to eight months.

### B. *Federal Registration*

It currently takes an average of thirteen months to get a federal registration.<sup>89</sup> Below is a simplified step-by-step explanation of the process:

<u>STEP</u>	<u>ACTION</u>	<u>TIME</u>
1	File trademark application.	Day 1
2	The examiner conducts a search of prior registrations and issues an Office Action. If the mark does not conflict with prior registrations, it passes to publication. If there is a problem, the attorney is notified.	3-6 months
3	The attorney prepares a response to the Office Action. (The response must be filed within six months after the date of the Office Action).	Up to 6 months
4	The examiner considers the response. If acceptable, the mark passes to publication. If unacceptable, the rejection is made final.	2-3 months
5	The trademark is published for opposition in the <i>Official Gazette</i> . <sup>90</sup>	2 months
6	Thirty day waiting period after publication.	1 month

89. As of October, 1986, the average length of time required is thirteen months. As recently as 1980, it took more than two years to register a mark. See *Bottleneck in Trademark Office Disrupts Many Companies' Plans*, The Wall Street Journal, Aug. 7, 1980, at 19. col. 1.

90. See Lanham Act, 15 U.S.C. § 1063 (1982). Section 1063 provides for the filing of oppositions to registrations:

Any person who believes that he would be damaged by the registration of a mark upon the principal register may, upon payment of the required fee, file an opposition in the Patent and Trademark Office, stating the grounds therefor, within thirty days after the publication under subsection (a) of section 1062 of this title of the mark sought to be registered. Upon written request prior to the expiration of the thirty-day period, the time for filing opposition shall be extended for an additional thirty days, and further extensions of time for filing opposition may be granted by the Commissioner for good cause when requested prior to the expiration of an extension. The Commissioner shall notify the

- 7 If the mark is not opposed, it passes to the 2 months Issue Branch.<sup>91</sup>

### VIII. PROPER TRADEMARK USAGE

Regardless of whether the mark is common law or the subject of a federal registration, it must be used properly. A trademark is a proper adjective which modifies a noun. Failure to properly use a trademark can result in the mark becoming generic.<sup>92</sup> Trademark misuse can be avoided by following five simple rules outlined in the six page article "How to Use a Trademark Properly," published by the United States Trademark Association.<sup>93</sup> This easy-to-read article should be on the desk of everyone who uses trademarks or prepares advertising copy.

### IX. BUYING AND SELLING TRADEMARKS

In the midst of a major corporate acquisition or asset purchase, trademarks are often overlooked. Trademarks are, however, valuable corporate assets which should be included in the purchase agreement. The trademarks should be specifically identified by name in the warranties and representations section of the purchase agreement, and if registered, copies of the registrations should be attached.

If the purchase includes the entire business and all trademarks, the agreement must recite that the mark is being assigned or sold "with the goodwill of the business in which the mark is used," or words to

applicant of each extension of the time for filing opposition. An opposition may be amended under such conditions as may be prescribed by the Commissioner.

*Id.* The *Official Gazette* is issued on Tuesday of every week by the Superintendent of Documents, Government Printing Office, Washington, D.C. The Trademark Section of the *Official Gazette* includes the following: (1) Notices of Suit; (2) Orders and Condition of Trademark Applications; (3) Miscellaneous Notices; and (4) Specific Marks. *See* A. SEIDEL, WHAT THE GENERAL PRACTITIONER SHOULD KNOW ABOUT TRADEMARKS AND COPYRIGHTS § 7.02, at 60-64 (5th ed. 1986) (explanation of nature and function of *Official Gazette*).

91. It is common for larger corporations to maintain a watch over their trademark portfolio by reviewing the *Official Gazette* on a weekly basis for confusingly similar marks. If a potential problem is spotted in the *Official Gazette*, an Opposition can be filed in the Trademark Office. *See* Lanham Act, 15 U.S.C. § 1063 (1982). A successful opposition will prevent issuance of a trademark registration.

92. *See* Lanham Act, 15 U.S.C. 1064(c) (1982) (mark which has become generic may be cancelled); *see also* 1 J. GILSON, TRADEMARK PROTECTION AND PRACTICE § 2.02, at 2-9 (1985) (improper use may cause trademark to become unprotectible generic name).

93. A copy of this article can be obtained by writing the United States Trademark Association, 6 East 45 Street, New York, New York 10007.

that effect.<sup>94</sup> If only a portion of the business is purchased, the agreement must recite that the mark is being assigned or sold "with that part of the goodwill of the business connected with the use of and symbolized by the mark" or words to that effect.<sup>95</sup> Many courts have held that an assignment in gross is invalid, i.e., an assignment of the mark without the associated goodwill.<sup>96</sup>

A trademark assignment should be prepared separate and apart from the purchase agreement. The assignment, like the purchase agreement, must reflect a conveyance of goodwill associated with the mark. It should be acknowledged and recorded with the Patent and Trademark Office and/or Secretary of State within three months after execution.<sup>97</sup> Failure to record renders the assignment void against any subsequent purchaser for valuable consideration without notice.<sup>98</sup>

Trademark licensing requires application of quality control provisions. Many courts have held that trademark rights are forfeited or abandoned by a naked license, i.e., a license without adequate quality control provisions.<sup>99</sup>

## X. TRADEMARK INFRINGEMENT

If a third party is using your mark, a polite letter may solve the problem; unfortunately, many companies develop what appears to be

94. See Lanham Act, 15 U.S.C. § 1060 (1982); TEX. BUS. & COMM. CODE ANN. § 16.17 (Vernon 1968).

95. See *id.* § 1060; TEX. BUS. & COMM. CODE ANN. § 16.17 (Vernon 1968).

96. See generally 1 J. T. MCCARTHY, TRADEMARKS AND UNFAIR COMPETITION §§ 18.1-12 (2d ed. 1984) (thorough discussion of rule against assignment-in-gross and analysis of cases applying same).

97. See Lanham Act, 15 U.S.C. § 1060 (1982) (assignment must be recorded with Commissioner within three months); TEX. BUS. & COMM. CODE ANN. § 16.18(c)(1) (Vernon 1968) (assignment must be recorded with Secretary of State within three months).

98. See Lanham Act, 15 U.S.C. § 1060 (1982); TEX. BUS. & COMM. CODE ANN. § 16.18(c)(1) (Vernon 1968).

99. See, e.g., *Franchised Stores of New York, Inc. v. Winter*, 394 F.2d 664, 668-69 (2d Cir. 1968); *Dennison Mattress Factory v. Spring-Air Co.*, 308 F.2d 403, 409 (5th Cir. 1962). *Dawn Donut Co. v. Hart's Food Stores, Inc.*, 267 F.2d 358, 366-67 (2d Cir. 1959). Section 1055 of the Lanham Act provides:

Where a registered mark or a mark sought to be registered is or may be used legitimately by related companies, such use shall inure to the benefit of the registrant or applicant for registration, and such use shall not affect the validity of such mark or of its registration, provided such mark is not used in such manner as to deceive the public.

See Lanham Act, 15 U.S.C. § 1055 (1982). Thus, it is considered that a licensor owed an affirmative duty to prevent the use of his mark to deceive the public. See *Siegel v. Chicken Delight, Inc.*, 448 F.2d 43, 51 (9th Cir. 1971), *cert. denied*, 405 U.S. 955 (1972).

an emotional bond to a particular mark. In some situations, polite letters, stern letters, even wild horses cannot separate a company from its chosen mark. The remedy of last resort is a lawsuit for trademark infringement.

If the mark at issue is the subject of a federal registration, the lawsuit can be filed in either federal or state court.<sup>100</sup> If the mark at issue is the subject of a state registration or is a common law mark, the lawsuit can only be filed in state court unless there are other facts which justify federal jurisdiction.<sup>101</sup>

In most trademark infringement cases, the plaintiff will request a preliminary injunction hearing and ask the court to issue a temporary order preventing the defendant from further acts of infringement.<sup>102</sup> The temporary order only lasts until the case can be tried on the merits, at which time the judge can issue a permanent injunction<sup>103</sup> or deny plaintiff's request for relief.

In state court, a preliminary injunction can typically be scheduled within thirty to sixty days after filing of the original petition. In federal court, scheduling can be somewhat more problematic depending on the judge's calendar. In either case, the preliminary injunction

100. See Lanham Act, 15 U.S.C. § 1116(a) (1982). Section 1116(a) refers to: "The several courts vested with jurisdiction of civil actions under this chapter." *Id.* There is no language in the Lanham Act which confers jurisdiction exclusively in the federal courts. See 2 J. T. MCCARTHY, *TRADEMARKS AND UNFAIR COMPETITION* § 32.1, at 680 (2d ed. 1984) (state court has jurisdiction to hear federal trademark infringement case); 1 J. GILSON, *TRADEMARK PROTECTION AND PRACTICE* § 8.02, at 8-9 (1985) (jurisdiction proper in state court). Further, the plaintiff may, at his option, file suit over a federal registration in state court without fear of removal to federal court. See *Postal Instant Press v. Clark*, 741 F.2d 256, 257 (9th Cir. 1984) (presence of federal registration alone will not support removal to federal court); *Vitaroz Corp. v. Borden, Inc.*, 644 F.2d 960, 964 (9th Cir. 1981) (state court trademark action not removable to federal court).

101. See 4 R. CALLMAN, *THE LAW OF UNFAIR COMPETITION TRADEMARKS AND MONOPOLIES* § 23.17, at 69 (4th ed. 1983) (common law actions heard only in state court absent diversity of citizenship).

102. See *Dallas Cowboy Cheerleaders, Inc. v. Scoreboard Posters, Inc.*, 600 F.2d 1184, 1187 (5th Cir. 1979). The standards for granting a preliminary injunction include the following:

[1] that the movant has a substantial likelihood of success on the merits; [2] that irreparable injury will be suffered unless the injunction issues; [3] that the threatened injury to the movant outweighs the damage which the injunction may cause the opponent; and [4] that the injunction would not be adverse to the public interest.

*Id.*; see also *Texas v. Seatrain International, S.A.*, 518 F.2d 175, 179 (5th Cir. 1975) (reciting same factors); 2 J. T. MCCARTHY, *TRADEMARKS AND UNFAIR COMPETITION* § 30:15, at 483 (2d ed. 1984) (listing factors considered for issuance of preliminary injunction).

103. See Lanham Act, 15 U.S.C. § 1116 (1982) (providing for issuance of injunctions).

hearing provides a sure, swift and effective remedy in clear cut cases of trademark infringement. As a practical matter, many cases are settled after the preliminary injunction hearing, especially if the court grants the plaintiff's request for relief.

In a trademark case, there are several threshold issues. First, the plaintiff must establish that the mark is protectable.<sup>104</sup> If the plaintiff's mark is descriptive, he must show that the mark has acquired secondary meaning to prevail.<sup>105</sup> However, in the case of an incontestable federal registration, the mark cannot be challenged as being merely descriptive;<sup>106</sup> there is, therefore, no need to prove secondary meaning.<sup>107</sup> The second threshold issue concerns who has a superior right in the mark. A superior right simply means that the plaintiff was the first to use the mark *vis a vis* the defendant.<sup>108</sup>

If the plaintiff establishes these threshold facts, the ultimate legal issue is whether there is a "likelihood of confusion"<sup>109</sup> between the plaintiff's mark and the mark used by the defendant. The United States Court of Appeals for the Fifth Circuit typically considers the following facts as probative of the issue of "likelihood of confusion:"<sup>110</sup>

104. See generally 1 J. GILSON, TRADEMARK PROTECTION AND PRACTICE § 2.01 (1985) (general discussion of protectability of marks).

105. See, e.g., *Armstrong Paint & Varnish Works v. Nu-Enamel Corp.*, 305 U.S. 315, 335 (1938) (descriptive marks must have acquired secondary meaning to be protectible), *reh'g denied*, 305 U.S. 675 (1938); *Sun Banks of Fla. v. Sun Fed. Sav. & Loan*, 651 F.2d 311, 315 (5th Cir. 1981) (descriptive service marks must acquire secondary meaning); *Soweco, Inc. v. Shell Oil Co.*, 617 F.2d 1178, 1183 (5th Cir. 1980) (descriptive mark with secondary meaning protectible).

106. See *Park 'N Fly v. Dollar Park and Fly, Inc.*, — U.S. —, 105 S. Ct. 658, 665, 83 L. Ed. 2d 582, 589 (1985). Where a mark is federally registered as a trademark of the principal register, descriptiveness may not be advanced as a defense to an infringement action if the registration has achieved incontestable status. See *id.* at —, 105 S. Ct. at 665, 83 L. Ed. 2d at 589. "Congress expressly provided in §§ 33(b) and 15 that an incontestable mark could be challenged on specified grounds, and the grounds identified by Congress do not include mere descriptiveness." *Id.* at —, 105 S. Ct. at 665, 83 L. Ed. 2d at 589.

107. See *id.* at —, 105 S. Ct. at 662-63, 83 L. Ed. 2d at 586-87.

108. See 1 J. GILSON, TRADEMARK PROTECTION AND PRACTICE § 3.03, at 3-1 (1985) (legal protection dependent upon priority of use).

109. See Lanham Act, 15 U.S.C. § 1114(1) (1982) (likelihood of confusion is key factor in determining infringement). See generally 2 J. T. MCCARTHY, TRADEMARKS AND UNFAIR COMPETITION §§ 23:1-35 (2d ed. 1984) (analysis of "likelihood of confusion" element of infringement). "Likelihood of confusion" is the basic test of both common law trademark infringement and federal statutory trademark infringement." *Id.* § 23:1, at 42-43.

110. See *Fuji Photo Film Co. v. Shinohara Shoji Kabushiki Kaisha*, 754 F.2d 591, 595 (5th Cir. 1985) (listing factors considered for likelihood of confusion); *Armco, Inc. v. Armco*

1. type of trademark, that is, the strength of the prior owner's mark;
2. degree of similarity between the two marks;
3. similarity between the two products;
4. identity of retail outlets and purchasers;
5. identity of advertising media utilized;
6. defendant's intent; and
7. actual confusion.

Other facts which are probative of the issue may also be considered such as relative costs of the two products.<sup>111</sup>

Given all of these complicated factors, what does it really take to win a trademark infringement case? Although proof of actual confusion is not required, it is the most substantial and positive proof of the likelihood of confusion. Moreover, as one court stated, "reason tells us that while very little proof of actual confusion would be necessary to prove the likelihood of confusion, an almost overwhelming amount of proof would be necessary to refute such proof."<sup>112</sup> If the mark is incontestable and there is an abundance of confusion, especially among customers, the defendant is a dead duck, absent some meritorious defense.

Some trademark cases are not settled after the preliminary injunction hearing. In state court, the judge will schedule a trial date which is typically three to four months after the date that a temporary injunction is issued. The trial date must be included in the order issuing the injunction.<sup>113</sup> Failure to schedule an early date for a trial on the merits may constitute reversible error.<sup>114</sup> In federal court, a trial date

Burglar Alarm, Inc., 693 F.2d 1155, 1159 (5th Cir. 1982) (seven factors considered for "likelihood of confusion").

111. See *Armco, Inc. v. Armco Burglar Alarm, Inc.*, 693 F.2d 1155, 1560-61 (5th Cir. 1982) (list of seven factors not exhaustive; relative costs may be compared); *Roto-Rooter Corp. v. O'Neal*, 513 F.2d 44, 45 (5th Cir. 1975) (factors to be considered *include* but not limited to seven listed).

112. *World Carpets, Inc. v. Dick Littrell's New World Carpets*, 438 F.2d 482, 489 (5th Cir. 1971) (while proof of actual confusion not required, it is best proof of likelihood of confusion).

113. See TEX. R. CIV. P. 683.

114. See, e.g., *Texas Foundries, Inc. v. International Moulders & Foundry Workers' Union*, 248 S.W.2d 460, 464 (Tex. 1952) (failure to timely set trial on merits after issuance of temporary injunction constitutes reversible error); *Walker v. Race*, 612 S.W.2d 685, 687 (Tex. Civ. App.—Houston [14th Dist.] 1981, no writ) (early trial on merits avoids error); *Gonzales v. Norris, Inc.*, 575 S.W.2d 110, 112-13 (Tex. Civ. App.—Houston [14th Dist.] 1978, writ ref'd n.r.e.) (trial judge must specify prompt trial date in order issuing temporary injunction).



is more problematic, again depending upon the court's calendar. At the trial on the merits, if the case is decided in favor of the plaintiff, the court can award (a) both actual<sup>115</sup> and punitive damages,<sup>116</sup> (b) a permanent injunction,<sup>117</sup> and (c) destruction of the infringing material.<sup>118</sup> In a federal case, the court may treble the actual damages<sup>119</sup> and, in exceptional cases, award attorney's fees.<sup>120</sup> In some trademark cases, damages can be considerable. For example, in the *Bigfoot*<sup>121</sup> case, the plaintiff recovered \$678,302 in actual damages and \$4,069,812 in punitive damages.<sup>122</sup> If the plaintiff fails to give notice of registration through the use of the symbol ®, no profits and damages shall be recovered unless the defendant had actual notice of the registration.<sup>123</sup>

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115. See Lanham Act, 15 U.S.C. § 1117(2) (1982) (providing recovery of actual damages including lost profits); TEX. BUS. & COMM. CODE ANN. § 16.26(c)(1) (Vernon 1968) (allowing recovery of actual damages).

116. See 2 J. T. MCCARTHY, TRADEMARKS AND UNFAIR COMPETITION § 30:29, at 517 (2d ed. 1984) (punitive damages for infringement may be awarded in jurisdictions which allow punitive damages in tort cases). *But see* Electronics Corp. of America v. Honeywell, Inc., 358 F. Supp. 1230, 1234-35 (D. Mass. 1973) (punitive damages *not* recoverable under *Lanham Act*), *aff'd*, 487 F.2d 513 (1st Cir. 1973), *cert. denied*, 415 U.S. 960 (1974). See also *Caesars World, Inc. v. Venus Lounge, Inc.*, 520 F.2d 269, 274 (3rd Cir. 1975) (exemplary damages not available under Lanham Act).

117. See Lanham Act, 15 U.S.C. § 1116 (1982) (granting power to enjoin infringement of federally registered marks); TEX. BUS. & COMM. CODE ANN. § 16.16(c) (Vernon 1968) (granting power to enjoin use of mark infringing upon state registered mark).

118. See Lanham Act, 15 U.S.C. § 1118 (1982) (providing for destruction of infringing material); TEX. BUS. & COMM. CODE ANN. § 16.26(c)(2)(c) (Vernon 1968) (court may order infringing material destroyed).

119. See Lanham Act, 15 U.S.C. § 1117 (1982). Section 1117 allows the court discretion to increase an award of damages up to treble damages, and either increase or decrease an award of the defendant's profits by *any* amount if the court finds that the recovery of profits is "either excessive or inadequate." See *id.* In addition, congress recently strengthened penalties for counterfeiting a mark. See Trademark Counterfeiting Act of 1984, PUB. L. 98-473, 98 STAT. 2182. Congress provided criminal penalties for the intentional traffic in counterfeited goods or services. See 18 U.S.C.A. § 2320 (West. Supp. 1986). Except in extremely unusual circumstances, the Act mandates award of treble damages and attorneys' fees upon finding of a violation. See 15 U.S.C.A. § 1117(b) (West Supp. 1986). Provision was also made for the *ex parte* seizure of counterfeit goods. See *id.* § 1116(d)(1)(A) (West Supp. 1986).

120. See *id.* § 1117 (in exceptional circumstances, court may award reasonable attorney's fees).

121. See *Big O Tire Dealers, Inc. v. Goodyear Tire & Rubber Co.*, 408 F. Supp. 1219 (D.C. Colo. 1976), *aff'd and modified*, 561 F.2d 1365 (10th Cir. 1977), *cert. denied*, 434 U.S. 1052 (1978).

122. See *Big O Tire Dealers, Inc. v. Goodyear Tire & Rubber Co.*, 561 F. 2d 1365, 1375-76 (10th Cir. 1977), *cert. denied*, 434 U.S. 1052 (1978).

123. See Lanham Act, 15 U.S.C. 1111 (1982).

## XI. REGISTRATION OF FOREIGN TRADEMARKS

Practically every foreign country has some legal framework for the registration of trademarks. With the exception of certain treaties, the trademark system in each foreign country is separate and autonomous from other jurisdictions.<sup>124</sup>

Most foreign countries, unlike the United States, do not require use prior to registration.<sup>125</sup> It is, therefore, possible to register in foreign markets before committing to an enormous advertising budget. Before applying for registration in a foreign country, a foreign language specialist should be consulted to verify that there are not any vulgar translations of the mark or false connotations. Foreign countries do require subsequent use of the trademark, usually within three to five years after registration.<sup>126</sup> Many foreign countries require trademark licenses to be recorded.<sup>127</sup>

Sometimes people ask about an international trademark. The Madrid Arrangement,<sup>128</sup> an international treaty among more than twenty countries, is the nearest thing to an international trademark. Under the treaty, deposit of a trademark registration with the Central Registration Bureau in Berne, Switzerland will extend the registration to the other signatory countries.<sup>129</sup> Unfortunately, the United States is not a party to the Madrid Arrangement. In order to take advantage of this treaty, a corporate division or subsidiary located in a Madrid Arrangement country could file for registration under the treaty.<sup>130</sup>

## XII. FINAL ADMONITIONS

For many attorneys, it has become a standard operating procedure to consider preparation of a buy-sell agreement concurrent with the

124. See generally 1 J. GILSON, *TRADEMARK PROTECTION AND PRACTICE* §§ 9.01-.02 (1985) (analysis of foreign trademark protection).

125. See *id.* § 9.01[6], at 9-10.

126. See *id.*

127. See *id.* § 9.01[4], at 9-6.

128. Arrangement of Madrid for the International Registration of Marks, April 14, 1891. Signatory countries: Algeria, Austria, Belgium, Czechoslovakia, Egypt, France (including Metropolitan Departments, Departments of Guadeloupe, Guiana, Martinique and Reunion and Overseas Territories), German Fed. Rep., German Dem. Rep., Hungary, Italy, Korea (North), Liechtenstein, Luxembourg, Monaco, Morocco, Netherlands, Portugal with Azores and Madeira, Romania, San Marino, Spain, Switzerland, Tunisia, U.S.S.R., Vietnam, and Yugoslavia.

129. See 1 J. GILSON, *TRADEMARK PROTECTIONS AND PRACTICES* § 9.01[1], at 9-3.

130. See *id.*

formation of a closely held corporation. It should also be a standard operating procedure to consider what type of trademark or service mark the new corporation will use. There are currently more than 600,000 active federal registrations and more than 30,000 active Texas registrations. Adoption and use of a new trademark or service mark without a preliminary screen and a full trademark search is an invitation to disaster. The last thing a fledgling corporation needs is a letter demanding that it cease and desist from further use of a newly chosen trademark. Older, well established clients have spent considerable sums advertising their marks. In many cases, these trademarks were never registered at the fledgling stage. In other cases, registration of the entire trademark portfolio has never been achieved because of day-to-day operating pressures. Since these marks have become extremely valuable corporate assets through years of use, they should be reviewed and protected through complete and proper registration.