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**FACING THE SEARS-COMPCO DOCTRINE, WHEN A SERVICE MARK IS USED IN TEXAS AND OTHER  
ISSUES ADDRESSED RECENTLY BY THE STATE TRADEMARK OFFICE**

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The purpose of this article is to provide an update for attorneys who practice before the Trademark Office of the Office of the Secretary of State of Texas. Since \*172 this author's last article on state trademark practice was published,<sup>1</sup> various changes in procedure have occurred. In addition, several notable applications have passed through the Office. These applications have required that the Office develop a policy position regarding requirements for registration. The following is a summary of these recent developments.

## **I. Changes in Office Practice and Procedure**

### **A. Procedures Regarding Mergers**

The Trademark Office continues to strive to conform its practices to federal standards and to meet the needs of prospective registrants. To assist registrants to maintain accurate ownership records of registered marks, the Examining Attorney and the Deputy Director for Corporations reviewed whether the Office's previous policy of denying the filing of merger documents was still appropriate. The Office adhered to this policy because neither a statutory nor an administrative provision expressly permits the Secretary of State to "file" a document showing a change of ownership in a mark other than by filing an assignment,<sup>2</sup> or on account of an amendment of the registrant's name.<sup>3</sup> The Examining Attorney and the Director decided that the policy should be changed to accord with federal practice and to address a recurring need of registrants. Accordingly, the Director issued a policy statement regarding the succession of interest to a trademark as a result of a merger.

Effective July 14, 1995, the Secretary of State will take administrative notice of any merger filed with its office in which the nonsurviving entity is a registrant of a trademark or service mark.<sup>4</sup> Concomitantly, the Office will presume that the certificate of merger is evidence of the succession of the survivor to all rights in the mark held by the merging entity. This recognition of a change in ownership will thus serve to effect a change in the name of a registrant in the same manner as an assignment under section 93.171 of the Texas Administrative Code,<sup>5</sup> or a name \*173 change made pursuant to section 93.154.<sup>6</sup> To maintain the accuracy of the trademark records and to show continuity of ownership, the Trademark Office will file, upon request of a registrant, either a copy of the certificate of merger or a certificate of fact regarding the merger (issued by the certifying team of the Corporations Section, Statutory Filings Division). The Office does not have a specific form for this purpose, such as that issued by the United States Patent and Trademark Office (USPTO).

If the merger is not on record with the Office of the Secretary of State of Texas, the registrant should submit a copy of the certificate of merger (or similar document) or a certificate of fact attesting to the merger issued by a foreign jurisdiction.<sup>7</sup> Finally, because there is not a statutory filing provision per se for this procedure, no filing fee will attach to the making of the record, and no certificate of registration will be issued. However, should a filing party need evidence of the change in the identity of the registrant, it may request a certificate of fact regarding the name of the registrant and submit the applicable fee.

### **B. Streamlining the Review Process**

To decrease the Office response period to initial applications and subsequent responses and to enhance the clarity of the Office objections, the Trademark Office has begun revising its standard responses and objection letters to include many of the standard responses used by the USPTO. However, because all of the information in the USPTO's form paragraphs is not required by the Secretary of State, such as references to the Code of Federal Regulations (CFR), the Trademark Office is tailoring the paragraphs to include references to the state trademark statute and the state administrative rules. The form paragraphs will continue to refer to applicable sections of the Trademark Manual of Examining Procedure (TMEP) and federal case law. Accordingly, for those practitioners having access to or experience with the USPTO's standard responses, that information should be of assistance in anticipating the responses of the Texas Trademark Office. The Trademark Office also uses two reference tools made available to the Office by the USPTO: the Orientation Manual for Examining Attorneys, which complements the TMEP, and the CD-ROM disc for active federal trademark registrations.<sup>8</sup> The CD-ROM disc includes all active registered trademarks from 1884 to present, as well as the TMEP and a current Goods & Services Manual. The Trademark Office uses these sources of information \*174 as a guide only to determine matters such as whether a similar mark has been viewed as "merely descriptive" and when disclaimers have been required. The information is not used to

check for likelihood of confusion between the proposed state mark and any federally registered marks.

### **C. Classification of Services Provided on the Internet**

Based on the Examining Attorney's discussions with the Administrator for Trademark Identifications, Classifications & Practice at the USPTO, the Trademark Office has determined that services offered on the Internet should be classified based on the type of service or information provided. For example, a recent application requested registration of a trademark used in connection with a legal newsletter retrieved using the Internet. The Trademark Office decided that neither class 38 for communications nor class 16 for publications was appropriate. Accordingly, if registered, the mark would be classified in class 42, legal services.

## **II. The Trademark Office Addressed New Substantive Issues**

### **A. Registration of Trademarks for Live Animals**

The Texas trademark statute provides that "[t]his chapter does not apply to the registration or use of livestock brands or other indicia of ownership of goods which do not qualify as a 'mark' as defined in this chapter."<sup>9</sup> Accordingly, the Trademark Office routinely rejects applications submitted for the registration of cattle brands. However, two recent applications<sup>10</sup> raised the related issue as to whether the Secretary of State could register the name of a special breed of horse called "Protoarabian."

In these applications, the applicant sought registration of the trademarks "Protoarabian Horse" and "Protoarabian Horse & Design" for live animals. No specimens for tags were provided with the application.<sup>11</sup> Instead, the applicant averred that the sales agreements transmitted with the horses should be adequate specimens of use. Unlike the Lanham Act,<sup>12</sup> the Texas trademark statute does not provide for the use of documents associated with sale as a substitute for tags where placement of such tags is impracticable. Moreover, the Trademark Office has strictly construed the statutory phrase "placed on" the goods or containers and has required some sort of tag or label. Consequently, the attempt to satisfy the specimen requirement with only the sales agreement posed a problem. Nevertheless, the \*175 Examining Attorney recognized the impracticability of using tags with horses; generally, they are not sold with tags. As a solution, the Examining Attorney suggested that the applicant provide photographs of a point-of-sale display showing the applied-for phrase and design. Upon receipt of the requested specimens, the Trademark Office registered both trademarks.<sup>13</sup>

### **B. Is It a Mark or Merely Ornamentation?**

The Examining Attorney recently determined that registration could not issue for two proposed trademarks: a word used on jewelry<sup>14</sup> and a slogan used on T-shirts.<sup>15</sup> Each of the applicants alleged that the proposed mark functioned as a source indicator, relying principally on *In re Penthouse International Ltd.*<sup>16</sup> and *In re Olin Corp.*,<sup>17</sup> respectively, in support of their arguments.

With regard to the jewelry, the Examining Attorney rejected the applicant's argument, finding the opinion in *Damn I'm Good, Inc. v. Sakowitz, Inc.*<sup>18</sup> more compelling. The commercial impression of the particular word at issue was that it was mere ornamentation, or at best, presented a message. Further, notwithstanding the averred ten plus years of use, the applicant provided no evidence that its customers perceived the word to reflect the source of the jewelry.

With regard to the decorated T-shirt, the Trademark Office recognized the well-settled doctrine that "ornamentation" of a T-shirt can be of a special nature that inherently tells the purchasing public the secondary source of the T-shirt, not its source of manufacture.<sup>19</sup> If the ornamentation functions as a source indicator, it may be registered, even though the matter also serves as part of the aesthetic ornamentation of the T-shirt.<sup>20</sup> However, the Examining Attorney has construed the supporting case law to limit registration to situations where the desired mark is already a registered or recognized trademark for the applicant's principal goods or services. For instance, in *Olin*, the proposed mark had already been registered for skis,<sup>21</sup> and in *Expo '74*, a federal application had been filed for a service mark for the \*176 establishment, publicizing, and promoting of an international exposition for the benefit of sponsors and others, and as a trademark for publications.<sup>22</sup>

In each case cited by the Examining Attorney in the objection letter for the matter before the Trademark Office, the

Trademark Trial and Appeals Board (TTAB) found that the particular design sought to be registered was an arbitrary symbol that already functioned as or was recognized to be a trademark or source indicator with respect to the particular applicant's goods or services. Accordingly, registration could issue in those cases because each mark could serve as a secondary indication of the source when applied to T-shirts.<sup>23</sup>

In contrast to the cases where registration was supported, the applicant in this matter provided no evidence that the slogan was either a registered or recognized trademark for other goods or services. Further, the applicant did not submit other evidence (such as evidence of the promotion of the matter as a mark, survey evidence demonstrating purchaser perception of the matter as a mark, or the like), which would show that purchasers recognize the slogan as an indication of the source of the goods.<sup>24</sup> Therefore, the Examining Attorney concluded that the mark was not distinctive for any goods or services such that the "distinctiveness" carried over to use on the collateral products such as the T-shirts and other products described in the application.<sup>25</sup> The phrase sought to be registered appeared to be a primarily ornamental slogan and did not function as a trademark. Accordingly, registration was not issued.<sup>26</sup>

### **\*177 C. When Is a Service Being Rendered to a Purchasing Public?**

Two recent applications raised the identical issue of whether a homeowners' association, which requires mandatory membership, may provide a "service" (as defined by federal trademark law) to its members for which a mark can be registered.<sup>27</sup> In each application, the service was described as "association services promoting the interests of neighborhood owners." The Examining Attorney objected to registration on the basis that no service was being rendered by the applicants, and supported the objection with the following analysis.

In *In re Canadian Pacific Ltd.*,<sup>28</sup> the applicant attempted to register its mark for the alleged service of offering shares to the public. The Examiner had denied registration on the ground that the applicant was not performing a "service" within the meaning of section 45 of the Lanham Act.<sup>29</sup> The Federal Circuit upheld the Examiner's decision because the only offerees of the service were shareholders who had already purchased or acquired company stock.<sup>30</sup> "Thus, the subsequent services offered by the Plan [[[were]]] inseparably linked to the initial sale or acquisition of stock, and [[[were]]] solely concerned with enlargement of that existing ownership."<sup>31</sup>

Similarly, in one of the applications before the Trademark Office the applicant association's (Deerfield) "services" were also directed to its current members (who were members by virtue of the covenants passing incident to the property). From the specimens provided, the association appeared to be solely concerned with the interests of its own members. Stated in terms of *Canadian Pacific*, there was no "group of the greater public that [was] separate from the applicant--to which (or to whom) the asserted service mark [[[could]]] be directed and be useful."<sup>32</sup> The association booklet indicated that membership was open to all homeowners who had paid their current assessments. Further, the booklet provided that:

The [...] HOMEOWNERS ASSOCIATION, INC. was created to provide a means by which all residents can control *their own* destiny and protect *their* investment in *their homes*.... The Covenants may be enforced by *any homeowner*, ... The By-Laws work \*178 hand-in-hand with the Covenants; they outline the rules under which *we, as a corporation, agree to govern ourselves* through the Board of Directors[.]<sup>33</sup>

Thus, like the shareholders in *Canadian Pacific*, the "public" to whom the Deerfield association services were addressed was the association owners themselves.<sup>34</sup> It was not a "segment of the public which 'purchases' and 'benefits' from a service provided by the owner of a mark."<sup>35</sup> Therefore, the association's "offer" of services was merely akin to an offer to the owner of the corporation, and thus was equivalent to an offer or a service to itself.<sup>36</sup> Further, homeowners belonged to the association upon purchase of the property and upon maintenance of the assessments. Thus, there was no option available to members to go elsewhere for the services.<sup>37</sup> Accordingly, the Examining Attorney found that registration could not issue for the proposed mark described in that application.<sup>38</sup>

With respect to the application by the other association, called Copperfield, the Examining Attorney's initial objection was met with evidence that the applicant was providing a service and that the mark was being used in Texas as a service mark.<sup>39</sup> The applicant's counsel explained that there were no members of the applicant community association, but that the association was created to perform functions on behalf of the various neighborhood associations, which had the individual homeowners as their members. Specifically, the association managed the security, newsletter, trash disposal, and common area maintenance for the various neighborhoods within the Copperfield community. The applicant, who had originally only

provided letterhead and a copy of a contract, provided new specimens that demonstrated service mark usage. For these reasons, the Examining Attorney determined that the proposed mark should be registered. However, the examiner recommended that the applicant first amend its description of services to more clearly state the services it rendered on behalf of others.<sup>40</sup>

#### **\*179 D. May Registration Issue for the Proposed Color Mark?**

Within two months of the United States Supreme Court decision in *Qualitex Co. v. Jacobson Products Co.*,<sup>41</sup> the Secretary of State received two applications, each alleging twelve years of use, for the registration of a combination of “buff” and brown colors for various types of equipment used to store agricultural chemicals.<sup>42</sup> Subsequent to the Supreme Court decision, the Examining Attorney had determined that the Trademark Office would register color as a mark. Upon receipt of an actual application, however, the Office needed to define clearly what evidence would be required to register a color as a trademark. Following *Qualitex*,<sup>43</sup> *In re Owens-Corning Fiberglas Corp.*,<sup>44</sup> *Edward Weck v. IM Inc.*,<sup>45</sup> and the policies of the USPTO set forth in the TMEP,<sup>46</sup> the Examining Attorney requested that the applicant provide an affidavit that would address functionality issues (such as information on colors used by competitors) and provide evidence of acquired distinctiveness.

Upon receipt of the applicant’s responses regarding the two applications, the Examining Attorney determined that the mark described as “buff and wylie rich brown”<sup>47</sup> functioned as a trademark for plastic tanks used to contain agriculture-related chemicals. A review of numerous brochures of various chemical manufacturers in the industry indicated that it was the frequent practice of manufacturers of this type of equipment to use “two-tones” to indicate the source of their products. For instance, some combinations were contrasting colors such as “white and green,” “red and ivory” and “blue and gray.” The examiner did not see evidence that any other manufacturer used the combination “buff and brown” to distinguish its equipment. Further, the applicant used and emphasized the colors buff and brown in the writing and graphics of its advertising. In addition, the applicant had spent approximately one million dollars to advertise the proposed \*180 mark. The Examining Attorney determined that survey evidence was not required to show that this particular mark had acquired secondary meaning.<sup>48</sup>

Review of the other application did not yield the same result. The Examining Attorney declined to register the proposed mark “buff” for the same product line.<sup>49</sup> The evidence submitted with the application indicated that most manufacturers use color combinations to distinguish and to identify their equipment. When only individual colors are used, the appearance of the products is not distinctive as to source. The Trademark Office has not yet received a response to its objection.

#### **E. A Rare Look at Product Configuration**

*Should the Office of the Secretary of State register product configurations as trademarks?*

##### **1. How the Issue Was Presented to the Office of the Secretary of State**

The Trademark Office received five applications this year that requested registration of product designs or configurations as trademarks for products,<sup>50</sup> including one application for the shape of a medicinal drug.<sup>51</sup> In the past, the Trademark Office has denied registration of such proposed marks because the configurations were functional or were not inherently distinctive (nor had the configuration acquired secondary meaning); thus, the designs were precluded from trademark registration.<sup>52</sup> Presumably, had the statutory requirements been met, the Trademark Office would have registered the proposed configuration marks. However, specific guidelines for review of such applications were not established, including how the particular issues of functionality and acquired distinctiveness of the configurations should be addressed.

\*181 Aside from the lack of guidelines, various incongruous issues exist that place in question the propriety and legality of state trademark registration of product configurations. First, a controversy<sup>53</sup> continues to exist concerning the impact of the *Sears-Compco*<sup>54</sup> doctrine, by which the U.S. Supreme Court effectively barred any state statutory scheme that, in contravention of federal patent law, provides for a permanent monopoly in a product design. The state Trademark Office also has limited resources with which to research the functionality issues;<sup>55</sup> therefore, the risk for improper registration is higher than it would be with the United States Patent and Trademark Office. In contradistinction to these two issues are two other factors. First, the drafters of the revised Model State Trademark Bill<sup>56</sup> indicate that state trademark offices should interpret their respective laws and policies in accordance \*182 with the Lanham Act and federal law interpreting the Lanham Act.<sup>57</sup>

Second, the ministerial nature of the Office of the Secretary of State<sup>58</sup> dictates that the Trademark Office should administer the statute according to generally accepted guidelines and let the courts decide preemption issues.

In sum, because of these several incongruous factors, it seemed appropriate for the Examining Attorney to determine whether the Office of the Secretary of State may review this type of application and, if so, what procedures it should follow. Accordingly, the Examining Attorney reviewed applicable case law and scholarly commentary to determine whether registration by the Secretary of State of product configurations as trademarks is preempted by federal patent law<sup>59</sup> pursuant to the Supremacy Clause of the U.S. Constitution.<sup>60</sup> For reasons discussed below, the Examining Attorney has determined that registration of a product configuration pursuant to the Texas trademark statute, *viz.*, sections 16.01-16.18 of the Texas Business & Commerce Code,<sup>61</sup> is not preempted by federal law. However, to comply with the spirit of *Sears-Compco*, the Trademark Office will generally review \*183 such applications in accordance with the procedures set forth in the USPTO's TMEP.<sup>62</sup> These procedures will permit the examiner to deny registration of functional or patentable designs and to register nonfunctional designs that operate to identify the source of the product.

## 2. Context of the Problem

A certificate of registration issued by the Office of the Secretary of State pursuant to Chapter 16 of the Business & Commerce Code is admissible in evidence as prima facie proof of “the registrant’s *exclusive* right to use the mark in commerce in this state in connection with the goods and services specified in the certificate.”<sup>63</sup> Once registered, a registrant may sue for damages and injunctive relief for use or imitation of that mark when such use is likely to deceive or cause confusion or mistake as to the source or origin of the goods or services.<sup>64</sup>

*Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*<sup>65</sup> is the most recent U.S. Supreme Court case that addresses the *Sears-Compco* doctrine. The Florida statute at issue in *Bonito Boats* gave boat hull manufacturers an exclusive right to hull designs by restricting the direct molding of boat hulls.<sup>66</sup> The Florida statute deviates from the normal scheme of protection.<sup>67</sup> A Texas trademark registrant has a more limited right; he can only exercise his exclusionary rights by proving that the public has been harmed.<sup>68</sup>

Coexisting with Texas unfair competition laws is the federal patent scheme, the purpose of which is to promote uniform protection for intellectual inventions, \*184 including industrial designs,<sup>69</sup> and to encourage the creation and eventual disclosure of new, useful, and nonobvious advances in technology and design.<sup>70</sup> In exchange for an inventor’s efforts and eventual disclosure of the “preferred embodiment”<sup>71</sup> of the invention, the inventor is granted a monopoly, *viz.*, an exclusive right to exclude others from making, using, or selling that technology for a limited period of time.<sup>72</sup> During the statutory period, the owner of the patent may exclude others from using the particular design set forth in the utility or design patent; thus, the inventor may reap the benefits of the claimed design.<sup>73</sup> The purpose of the limited exclusive period is to foster creative effort on the part of potential investors and, once the patent has expired, to encourage the development of new inventions based on imitation, reproduction, refinement, and reverse engineering.<sup>74</sup> Thus, patent laws not only create an exclusive property right once stringent standards are met, but they also create a consequent “right to copy and use” the design once it is in the public domain.<sup>75</sup> And therein lies the potential conflict with trademark law:<sup>76</sup> an unpatentable industrial design (or patentable design that is disclosed to the public at large) that is registered as a trademark pursuant to a state statute might appear to exclude from the public domain the *idea*<sup>77</sup> of the design, which patent law provides may be copied and used by others.<sup>78</sup>

Notwithstanding this potential conflict, the patent law need not entirely displace state protection of product configurations. A reasonable review of \*185 applicable case law and commentary indicates that the limited protection of a product configuration or design mark based on a state trademark registration is neither “too great an encroachment on the federal patent system to be tolerated,”<sup>79</sup> nor is it “an obstacle to the accomplishment and execution of the full purposes and objectives of Congress.”<sup>80</sup> Moreover, the mission of the Trademark Office is to review applications in accordance with federal practice so that Texas consumers and business owners who develop marks will be protected.<sup>81</sup> Inasmuch as federal trademark law created by Congress is not considered to be an encroachment on federal patent law, it seems reasonable for the Secretary of State to similarly register product configurations so that its mission may be fulfilled. For these reasons, state trademark registration of a product configuration, under limited circumstances, should be deemed permissible and not preempted by federal law.

### 3. Analysis

#### a) Meaning of the Supreme Court Holdings

The United States Supreme Court ruled in *Sears*<sup>82</sup> and *Compco*<sup>83</sup> that federal patent law preempts a state unfair competition law that imposes liability for copying of industrial designs. The state law at issue in both cases was an Illinois statute that awarded damages for or prohibited the copying of an article where likelihood of confusion existed as to the source of the products.<sup>84</sup> Justice Black determined that a state cannot extend the life of a patent or give patent-like protection to that which patent law allows to be copied.<sup>85</sup> He stated further that “mere inability of the public to tell two identical items apart” is not enough to support a claim for unfair competition.<sup>86</sup> “[W]hen [a] patent expires, the monopoly created by it expires, too, and the right to make the article—including the right to make it in precisely the \*186 shape it carried when patented—passes to the public.”<sup>87</sup> In *Compco*,<sup>88</sup> Justice Black further stated that neither the fact that a design is not functional and not essential to the use of either protected or allegedly infringing article, nor that the configuration of the copied article may have a “secondary meaning” which identifies the maker to the trade, nor that there may be “confusion” among purchasers as to the source of the article, “can furnish a basis for imposing liability for or prohibiting the actual acts of copying and selling.”<sup>89</sup> Thus, Justice Black apparently removed the traditional bases for a claim for trademark infringement of product designs, *viz.*, nonfunctionality, source identification (e.g., by secondary meaning), and likelihood of confusion. Notably, however, the Court stated that a state may require that a copier take precautions to prevent confusion as to the source of the goods.<sup>90</sup>

In *Bonito Boats*,<sup>91</sup> the Supreme Court affirmed the holdings of *Sears* and *Compco*. Justice O’Connor, who wrote the opinion, stated specifically that:

[I]n *Sears*, the state law offered “the equivalent of a patent monopoly” in the functional aspects of a product which had been placed in public commerce absent the protection of a valid patent ... we believe that the *Sears* court correctly concluded that the States may not offer patent-like protection to intellectual creations which would otherwise remain unprotected as a matter of federal law.<sup>92</sup>

Thus, the Supreme Court continues to hold that the states may not interfere with the public’s ability to exploit and develop functional designs that are part of the public domain, since such interference would directly conflict with federal patent law.

However, registration of a product design as a trademark pursuant to the Texas Business & Commerce Code would not violate the Supreme Court’s holdings for the following reasons. First, registration (and consequent protection of the mark) pursuant to the Texas statute would not provide patent-like protection or “the \*187 equivalent of a patent monopoly.”<sup>93</sup> In fact, the Texas statute is substantially different in terms of both content and effect from the statutes reviewed in *Sears-Compco* and *Bonito Boats*. The Florida statute’s purpose was to prevent the exploitation of the design idea by permitting the boat hull manufacturers to exclude others from making or selling copies<sup>94</sup> made by the direct molding process, also called “reverse engineering.”<sup>95</sup> The Florida statute thus constricted useful public knowledge which could have been used to develop new inventions<sup>96</sup> without any guarantee of technological advance (or other benefit to society).<sup>97</sup> Further, unlike traditional state unfair competition laws (such as the Texas trademark statute) that protect the public from deceit, the Florida statute protected the interests of the manufacturers of the product by providing a monopoly for their products without the *quid pro quo* essential to the patent system (i.e., statutory monopoly in exchange for novelty, usefulness, and nonobviousness).

Second, the Court in *Bonito Boats* made it clear that states may act to protect intellectual property rights acquired in their jurisdictions. Justice O’Connor stated that *Sears-Compco* does not stand for the proposition that federal patent law absolutely preempts states’ rights to prohibit deceptive simulation of trade dress.<sup>98</sup> Citing *Sears*, Justice O’Connor reiterated that “the States ‘may protect businesses in the use of their trademarks, labels, or distinctive dress in the packaging of goods so as to prevent others, by imitating such markings, from misleading purchasers as to the source of the goods.’”<sup>99</sup> However, the Court also limited the impact of *Sears-Compco* in stating that:

the States may place limited regulations on the circumstances in which such designs are used in order to prevent consumer confusion as to source. Thus, while *Sears* speaks in \*188 absolutist terms, its conclusion that the States may place some conditions on the use of *trade dress*<sup>100</sup> indicates an implicit recognition that all state regulation of potentially patentable, but unpatented, subject matter is not *ipso facto* pre-empted by the federal patent laws.<sup>101</sup>

Thus, while Justice Black had referred only to “the packaging of the goods,”<sup>102</sup> the later opinion referred to “trade dress” generally,<sup>103</sup> without specifying only state regulation of “packaging.” Thus, in *Bonito Boats*, the Court left the door open to permit state registration of industrial designs of products themselves.

There is another important statement in *Bonito Boats* that assists in distinguishing the Court’s concerns from the effect of registration pursuant to the Texas trademark statute. In reviewing the historical coexistence between federal patent law and state unfair competition law, Justice O’Connor stated that state protection “not aimed exclusively at the promotion of invention itself” is permissible “when the state restrictions on the use of unpatented ideas [are] limited to those necessary to promote goals outside the contemplation of the federal patent scheme.”<sup>104</sup> Texas trademark law promotes goals that are outside the realm of federal patent law. Similar to the purposes of the Lanham Act, its goals are to reduce source confusion and deception in the marketplace.<sup>105</sup> Trademarks also reduce information costs of consumers by providing abbreviations for product sources and quality.<sup>106</sup> Further, the Trademark Office, as will be discussed below, will not register functional product designs.<sup>107</sup> The Texas trademark scheme, \*189 therefore, does not create a “substantial risk” that inventors of patentable articles will fail to apply for a patent,<sup>108</sup> nor does registration pursuant to the Texas statute remove designs from the public domain and thus prevent advances in technology,<sup>109</sup> which would adversely impact the federal patent law system.

To summarize, the Examining Attorney views section 16.26 of the Business & Commerce Code<sup>110</sup> to be a “limited regulation on the circumstances in which marks (i.e., industrial designs that so function) may be used to prevent consumer confusion.” Section 16.26 provides that a person commits an infringement when such use or reproduction of a mark “*in connection with selling, offering for sale, or advertising goods ... is likely to deceive or cause confusion or mistake as to the source or origin of the goods* [..]”<sup>111</sup> Thus, the statute does not prohibit any and all copying of a registered configuration mark, only that use which would cause confusion. The “idea” of the product itself remains in general circulation.<sup>112</sup> Such \*190 protection under the state statute merely proscribes those *methods of copying* “that unfairly usurp the originator’s goodwill.”<sup>113</sup> Thus, registration would not create an obstacle to the accomplishment of the goals of the federal patent scheme.

## b) The Fifth Circuit

The Examining Attorney has not found any opinions issued by the Court of Appeals for the Fifth Circuit that would contradict the foregoing conclusions regarding the registration of product configurations under the Texas trademark statute.<sup>114</sup> The Fifth Circuit<sup>115</sup> has not specifically ruled as to whether Section 16.26 of the Business & Commerce Code provides an appropriate basis for supporting an unfair competition claim for copying of a product design,<sup>116</sup> nor is there a ruling as to whether the Trademark Office may register product configurations. The court of appeal’s opinions that addressed the *Sears-Compco* issues simply appear to support the traditional view of those cases. For instance, dicta from the relevant Fifth Circuit cases include the following statements: “an unpatented part of a patented machine may be copied;”<sup>117</sup> “this principle [in *Sears-Compco*] permits the copying of a \*191 product as long as purchasers are not misled as to the true source of the product;”<sup>118</sup> and “[t]he [Supreme] Court also said that state law could make provision for distinctions as to source, such as labeling, the purpose of which would be to assure that there would be no ‘palming off’ for unfairly competitive purposes.”<sup>119</sup> More recently, the court of appeals stated that “[t]he common law has long recognized that an unpatented article ‘is in the public domain and may be made and sold by whoever chooses.’”<sup>120</sup> However, the Fifth Circuit has seemed to recognize the difference between patent and copyright protection under federal law and trademark protection of “labels.”

*The meshing* [of *Sears-Compco* statements regarding copying and labeling] *grinds when one tries to apply the reasoning of those cases to trademarks.* Unlike a patent (or a copyright), a mark is nothing more than labeling. It is a facial identification attached to something, which is thereby encouraged by protective law to assume a secondary meaning. Therefore, even though a court might not find actual trademark infringement, we feel that it is reasonable to enjoin the use of a “similar” mark if the mark is used by a competitor for purposes of unfairly competing. At times, the only way to provide adequate distinction between marks is to enjoin the use of one. In this sense *the mark area is quite different from the areas of patent and copyright.* A similar but non-infringing mark would not alone be sufficient to support a finding of unfair competition under our decision today. But if there are other elements of proof going to show unfair competition, and if the use of a similar mark has been found to be one such element, and if that mark is used by a competitor unfairly, then *we feel that Sears-Compco does not prohibit injunctive relief against the use of one mark.*<sup>121</sup>

Thus, the Fifth Circuit may have inadvertently, but wisely, stated the position of the Supreme Court as set forth in *Bonito Boats* almost twenty years later, *viz.*, that “the States may place limited regulations on the circumstances in which product design marks are used in order to prevent consumer confusion as to source,”<sup>122</sup> and that “all state regulation of unpatented subject matter is not *ipso facto* preempted by federal patent laws.”<sup>123</sup>

#### **4. Application of Analysis to Particular Applications**

As required by section 1202.03 of the Trademark Manual of Examining Procedure,<sup>124</sup> the examiners in the state Trademark Office will engage in a two-step process when reviewing applications for the registration of product configurations.

##### **\*192 a) Functionality**

The examiner will first determine whether the design of the proposed mark is nonfunctional, merely *de facto* functional, or *de jure* functional. A design will be deemed functional as a matter of law when the design appears to be essential to the use or purpose of the object or if the design affects the cost or quality of the object. The Texas Trademark Office will specifically follow the Fifth Circuit's definition of functionality. A configuration is functional and not entitled to trademark or trade dress protection if it is "dictated by utilitarian characteristics or by the functions that the relevant product or trade dress is intended to serve," such that the protection of a feature or configuration "will hinder competition or impinge upon the rights of others to complete effectively in the sale of goods."<sup>125</sup> Further,

[t]o achieve the status of "functional," a design or feature must be superior or optimal in terms of engineering, economy of manufacture, or accommodation of utilitarian function or performance .... A particular design ... may serve functions demanded by the product's manufacturer, but it is not thereby rendered legally functional--and thus unprotectable--unless the design is only one of a limited number of equally efficient options and free competition would be unduly hindered by according that design trademark protection.<sup>126</sup>

The Trademark Office will look specifically at the following factors.

##### **(1) Existing Patents**

The examiner will ask whether the particular design is or was subject to a design or utility patent and whether any patents exist for similar configurations. Because the Trademark Office is reliant upon information from the applicant,<sup>127</sup> the Office will require that this information be submitted in an affidavit. In addition, the Office will request a copy of the claimed design.

##### **(2) Applicant's Advertising**

The examiner will review whether the applicant's advertising touts the functional characteristics of the design proposed for registration.

##### **(3) Availability of Alternative Designs**

The examiner may also request whether there are alternative designs available to support a claim of *de facto* functionality. If the applicant states in an affidavit that alternative designs are available that are equally efficient and no more costly to manufacture, the Trademark Office may conclude that the design is merely *de facto* \*193 functional. The applicant may supplement the affidavit with copies of advertisements or trade journals that discuss or portray alternative designs.

##### **(4) Impact on Competition**

The examiner will also ask for information on whether the design must be available for others to compete effectively. The configuration will be deemed *de jure* functional if the answer is yes.

If the evidence and affidavits submitted with the application do not support a finding of nonfunctionality or *de facto*

functionality, the Trademark Office will make the objection that the design does not function as a trademark.

#### **b) Inherent or Acquired Distinctiveness**

If the proposed design mark is not *de jure* functional, it may be registered if it is (or may be) recognized by consumers as a source identifier. Such recognition may be accomplished because the design is inherently distinctive or because it has acquired distinctiveness through extensive advertising and sales. The Trademark Office will follow its standard practice in determining distinctiveness of the proposed mark.<sup>128</sup> If the examiner determines that the proposed mark is nondistinctive, the Trademark Office will object that the design does not function as a trademark.

#### **c) Disclaiming Functional or Descriptive Portions of the Configuration**

Both the description of the mark set forth in the application and the drawing of the mark must indicate clearly the portion of the product or container which the mark comprises. Broken or dotted lines should be used in the black and white drawing to indicate the part of the design that is not included in the proposed mark. If dotted lines are used in the drawing, the applicant should indicate in the written description of the mark that the part of the drawing in broken lines does not form part of the mark.

### **5. Disposition of Five Product Configuration Applications Reviewed by the Trademark Office**

The Examining Attorney has applied the process described above to several applications. This section of the article summarizes the disposition or status of five applications involving product configurations. Three of these pertain to a flashlight, one to an agricultural tractor undercarriage, and one to a pill.

**\*194** The Examining Attorney determined that two of the three applications for the Black & Decker® “SnakeLight”® should be registered.<sup>129</sup> Based on the examiner’s knowledge of the product and alternative designs, it was determined that the light portion<sup>130</sup> and the closed storage (or hanging) configurations<sup>131</sup> of the flashlight were not *de jure* functional. Next, the Examining Attorney concluded that the designs were inherently distinctive, and, in particular, that the storage configuration of the flashlight was strongly reminiscent of other space saving products manufactured by the applicant. The trade dress of the product thus clearly functioned to identify its source.<sup>132</sup> An objection letter has been issued by the Trademark Office regarding the application for the coiled configuration of the “SnakeLight.”<sup>133</sup> Because of the applicant’s advertising, which touts the functional aspects of the design and product, the Examining Attorney concluded that the coiled portion of the flashlight is probably *de jure* functional. Therefore, the Trademark Office has requested information concerning the existence of a patent, alternative designs, and the like. The applicant will be required to amend the description of the mark (to exclude that portion of the design) and to amend its drawing to include dotted lines (an effective disclaimer) for the coiled portion of the product.

An objection letter has also been issued for the application for the registration of the design of an agricultural tractor undercarriage.<sup>134</sup> The Trademark Office specifically asked for the information discussed in paragraphs (1) through (5) above. This information must to be submitted by the applicant in affidavit format.

Finally, the Trademark Examining Attorney registered the product configuration of a hexagonal shaped pill with the impression of a triangle thereon.<sup>135</sup> The examiner initially determined that the design was not *de jure* functional and, therefore, focused the review on whether the design acted as a source identifier. The examiner’s determination of the functionality issue might have seemed premature given that any evidence of the design’s utility rests with the applicant.<sup>136</sup> Nevertheless, the Examining Attorney concluded that the design was complex **\*195** (which may increase the cost of the production of the product) and that alternative designs are available to competitors. Therefore, the Trademark Office could move forward to determine whether the design functioned as a source identifier.

Accordingly, in the first objection letter, the Examining Attorney questioned whether the product design functioned as a trademark and requested that the applicant submit evidence of acquired distinctiveness, such as the number of persons to whom the product is sold, use on any related products of the applicant, advertising expenditures, volume of sales, and the like.<sup>137</sup> It was not clear to the Examining Attorney that the purchasing public would immediately recognize the configuration as an indicator of a source of goods, rather than as mere decoration.<sup>138</sup> In response to the objection, the applicant provided

evidence from the *Physicians' Desk Reference*<sup>139</sup> and of federal registrations of similar products that indicated that the particular design was inherently distinctive. Accordingly, the mark was registered pursuant to Section 16.11 of the Texas Business & Commerce Code.<sup>140</sup>

## **F. When Is a Service Mark Used in Texas?**

The other significant action taken recently by the Trademark Office was a final action issued by the Office of the Secretary of State. The action, which was prepared by the Examining Attorney and approved by the Deputy Director of Corporations Section, the Deputy Assistant Secretary of the Statutory Filings Division and the Assistant Secretary of State, denied registration of the phrase "KER & DOWNEY" as a service mark for the services described as "arranging travel and safari services and travel tours" (the description, as amended).<sup>141</sup> The following is a summary of the application and the analysis of the Trademark Examining Attorney, both of which are public information.<sup>142</sup>

### **1. Summary**

The applicant, Ker & Downey Safaris Ltd., sought to register the mark "KER & DOWNEY" for "arranging travel and safari services and travel tours." The Examining Attorney opposed registration on the grounds that the mark proposed for \*196 registration is not "used" in Texas as required by section 16.02(b) of the Texas Trademark Act.<sup>143</sup> That provision requires, *inter alia*, that a mark be used or displayed in connection with selling or advertising of the services.<sup>144</sup> A specimen submitted with an application must show how the mark is used or displayed in commerce. A specimen should also indicate that the applicant is rendering the service described in the application, that such service is performed for the benefit of others, and that the service is sufficiently distinct from the applicant's performance of other services. Further, the specimen must indicate that the service is rendered in the state of Texas.<sup>145</sup>

In the case of the Ker & Downey mark, the Examining Attorney's analysis concluded that the application failed to support registration because the specimens did not show that the applicant was selling, advertising, or rendering in Texas the "service" described in the application; the described "service" was not "sufficiently distinct from the applicant's performance of other services;" and the applicant's actual services were not rendered in Texas. For these reasons, "KER & DOWNEY" did not function as a service mark in the state of Texas and registration could not issue.

### **2. The Applicant Was Not Selling, Advertising, or Rendering in Texas the Services Described in the Application.**

Through its counsel, the applicant asserted that it had been using the mark in Texas in connection with the described services since 1948. The Trademark Office requires that the alleged use of the mark in Texas commerce through the advertising and rendering of services must be demonstrated in the application by means of specimens.<sup>146</sup> Specifically, the specimens must show how the mark is used in connection with the services and, therefore, how the average purchaser would encounter the mark under normal advertising or marketing of such services. Review of the specimens also suggests what the reaction of the average consumer would be to the display of the mark.<sup>147</sup>

The Secretary of State recognizes that "arranging travel safari tours in Africa" is a legitimate service for which registration may issue.<sup>148</sup> However, the numerous specimens submitted with the application did not support service mark use of "KER \*197 & DOWNEY" for those or similar services. The Examining Attorney did not find that the specimens showed the proposed mark used in connection with distinct "arranging travel tours and safaris" services. Instead, the specimens indicated that the applicant arranged and conducted various safaris and made supplemental arrangements for fishing excursions, memberships in clubs, required licenses, and the like, but such arrangements were all part of the safari trip itself. This was clearly seen, for instance, on the applicant's glossy green brochure, which showed a photograph of a truck with riders on a safari, and which was entitled "Ker & Downey Safaris" ... "The Oldest Safari Company in Africa." No elements on that brochure or on any other specimen gave the commercial impression that the applicant provided travel tour services beyond the scope of what was by necessity included in arranging a safari. This conclusion was also supported by the fact that there was no Texas contact or address on the brochure to which a Texas customer could go to alter or clarify services, which is the custom in the travel agency business. Moreover, there was no evidence that the applicant offered these services to persons other than to its own customers who had already committed to purchasing a safari excursion.<sup>149</sup> The specimens showed that arrangements are made by letter, telex, or facsimile with the applicant's office in Kenya or by the customers themselves in conjunction with planning the details of the safari. Moreover, it is clear to this Office that providing information about game

areas, meals, or appropriate clothing and inoculations does not support the distinct service set forth in the description of services.

**\*198 3. Arranging Travel and Safari Services and Travel Tours Was Not Sufficiently Distinct from the Applicant's Other Activities to Support Registration.**

The Examining Attorney discussed this issue at length in the earlier objection letters and, accordingly, referred the applicant's counsel to each of those letters. At the time the final action was prepared, the Secretary of State continued to find that the holdings of the TTAB in *In re Landmark Communications, Inc.*,<sup>150</sup> and related cases<sup>151</sup> (which were discussed in the previous actions) applied to the subject application. That series of cases requires that the Trademark Office examine what is the applicant's principal activity<sup>152</sup> and determine whether the services described in the application are separately recognizable from anything necessarily done in connection with the sale of the principal services rendered by the applicant. Stated otherwise, the examiner must ask whether the activity embraced by the description of services in the application is in any material way a different kind of economic activity than what any purveyor of the principal service necessarily provides.<sup>153</sup>

The applicant's counsel argued that the applicant was rendering services in Texas because it dealt directly with Texas clients and made "substantial arrangements" with them prior to the actual safari excursion. Such alleged "services" include planning meals, discussing game to be viewed, and optional activities (such as fishing or hot air ballooning), and the like. Counsel's argument, however, begged the question whether "KER & DOWNEY" functioned as a service mark in Texas. As discussed in Part II of this article, the applicant did not provide an adequate specimen showing that the described services are advertised or rendered in Texas in connection with the mark. The specimens submitted clearly indicated that the "substantial arrangements" were made in preparation for the safari and were \*199 tied inextricably to the purchase by the Texas clients of the safari services from the applicant.

Counsel attempted to distinguish between *In re Landmark Communications* and related cases and the subject facts based on the specific differences between the various fact situations. For example, the applicants in those cases had already registered a trademark or service mark and "were improperly seeking to obtain a further registration."<sup>154</sup> Admittedly, the Ker & Downey application differed from these cases in that the applicant did not have a current registration for safari services. However, the applicant counsel's argument failed to consider the analyses in subsequent cases before the TTAB and the Federal Circuit regarding the definition of "service." A pattern of decisions<sup>155</sup> supports the conclusion that the Secretary of State must determine whether the applicant's activities are qualitatively different from what sellers of safari services normally provide.<sup>156</sup>

In *In re Forbes*,<sup>157</sup> the applicant sought to register the slogan "NO GUTS NO STORY" for its advertising services. The TTAB determined whether those activities were "sufficiently independent" from the applicant's publishing activities. Pursuant to the test set forth in *In re Advertising & Marketing Development Inc.*,<sup>158</sup> the TTAB inquired as to whether the advertising services of the applicant were wholly separate from its customers' advertising and sale of its services.<sup>159</sup> More relevant to the subject application, the TTAB also asked whether the applicant actually used the mark to identify the services in connection with which registration was sought. The TTAB looked at whether the slogan was used in conjunction with any goods or services other than its advertising services. This use by the applicant of a mark different from that used in connection with the applicant's principal goods or services "tends to show that applicant's advertising services constitute an activity \*200 separate from its principal activity of publishing periodicals."<sup>160</sup> Further, the TTAB determined that the sale of advertising space in a periodical and the sale of the periodical itself confer different benefits on different purchasers.<sup>161</sup> In a similar case, the TTAB found material the following facts: that there was a separate charge for the additional services and that the applicant's goods were available for sale without the additional services.<sup>162</sup>

The cases cited in the final action clearly show that the Secretary of State may review the applicant's specimens to determine its principal activities, how the proposed mark is used by the applicant, whether the proposed mark identifies and distinguishes the services described in the application, and whether the described services constitute a qualitatively different activity from the mainline service. The review by the Trademark Office of the specimens submitted with the application indicated that the applicant's principal activity is to organize and operate safari services. Further, the applicant did not use the mark "KER & DOWNEY" to promote or to identify the services in connection with which registration was sought. The additional activities on the part of the applicant appeared to be inextricably connected to the purchase of the principal service and a necessary or customary accommodation to its customers. The applicant did not show that different purchasers received different benefits, that the applicant charged above its safari fees for the making of the additional arrangements (as opposed to the surcharges for the balloon rides, etc.), or that its travel arrangement "services" were available without the purchase of

the safari. Moreover, while the applicant's safari customers used a travel agent on one occasion to make their flights to Africa and similar arrangements, the applicant's counsel stated that the particular incident was a "rare occasion" and that the "applicant deals directly with an individual Texas client in the arrangement of safari and travel tours." Accordingly, the applicant's customers had no real options regarding from whom they made their travel plans or through whom they can purchase meals or hot air balloon rides, or the like, in conjunction with the purchase of the safari services. Finally, Ker & Downey, Ltd. was not promoting a travel tour service under a distinctive designation such as in the manner discussed in \*201 *In re Holiday Inns*.<sup>163</sup> For these reasons, the Secretary of State determined that "arranging travel and safari services and travel tours" was not sufficiently distinct from the applicant's other activities to support registration; thus, it concluded that the proposed designation was not registrable.

#### **4. The Applicant's Activities Are Not Rendered in Texas.**

Prior to the applicant's amendment of its description of services from "arranging *and conducting* travel and safari services and travel tours" (class 41) (emphasis added) to "arranging travel and safari services and travel tours" (class 39), the Examining Attorney addressed the issue of whether the applicant was rendering its services in Texas. To summarize, the Examining Attorney stated that the Texas trademark statute, as interpreted by the Fifth Circuit, requires that the applicant must render its services in actual trade in Texas so that Texas consumers will actually connect the service mark with the particular services described in the application.<sup>164</sup> This is a more difficult standard to meet than that which exists under federal law. Case law that addresses section 45 of the Lanham Act<sup>165</sup> defines "use in commerce" as "affecting" interstate commerce that Congress lawfully may regulate.<sup>166</sup> Because the applicant had neither provided an adequate specimen to show that "KER & DOWNEY" was used in Texas in connection with "arranging travel and conducting safari services and travel tours" (the original description of services), nor had the applicant shown that there were other activities sufficiently separate from its principal service for registration to issue, the Secretary of State determined that the applicant was not rendering services in Texas.

However, the applicant's counsel averred that the applicant rendered services in Texas because many of its alleged "services" were conducted with Texas clients by correspondence, for example, by letter, facsimile and cable. Alternatively, counsel stated that services are carried out in Texas "in-person." Counsel provided examples of "services" rendered in Texas the provision by hand-delivery of a supply or packing list for its safari customers and receipt of payment from Texas clients in person. The first problem with this argument is that it, again, begged the question as to whether the activities listed by counsel may be viewed as aspects of a registrable service under trademark law.

Second, although the specimens clearly indicated that the applicant advertised its safari services in Texas and that Texas residents purchased those services, such use by Texas residents of services in Africa does not constitute technical use of the \*202 service mark for purposes of obtaining a registration in Texas.<sup>167</sup> Merely affecting Texas commerce does not constitute trademark use; moreover, mere advertising in or contact through reputation in the state does not support registration.<sup>168</sup> That a mark has no existence apart from the goods or services with which it is used is a well-settled principle of trademark law.<sup>169</sup> Section 16.02(b) of the Texas Business & Commerce Code requires actual use of the mark in this state.<sup>170</sup> Accordingly, the Examining Attorney concluded that it should be interpreted in the same manner that section 1 of the Lanham Act was interpreted prior to the Trademark Law Revision Act of 1988.<sup>171</sup> Prior to the amendment, "an applicant for registration of a trademark in the United States was not entitled to file an application until the applicant actually used the mark in the U.S. commerce in connection with particular goods or services."<sup>172</sup> Similarly, the application before the Secretary of State must show that the mark is actually used in Texas commerce.

Further, in *Linville v. Rivard*,<sup>173</sup> the petitioner Linville sought to cancel (on the basis of abandonment) the registration of "ULTRACUTS" owned by Rivard, which had been registered in the United States based on its Canadian registration pursuant to section 44(e) of the Lanham Act.<sup>174</sup> In determining whether the respondent actually used the mark in the United States, the TTAB examined the following factors: that the respondent advertised its services using radio commercials that were heard in Canada and in the United States; that the services were advertised in Canadian newspapers, which were often read by U.S. citizens; that the respondent sold various services and products to U.S. citizens; and that respondent distributed promotional "giveaways" in the United States. The respondent also argued that "his services were rendered in commerce because of 'the effect on commerce' which was \*203 created by his business, that is, customers must travel from the United States to Canada in order to obtain his services, and therefore the customers traveled in commerce."<sup>175</sup> This line of argument is similar to counsel's averments that because the applicant deals with Texas clients and affects Texas commerce, the applicant is rendering services in the state of Texas. The TTAB found that respondent Rivard had not used the mark in the

United States for five years, stating that “activity outside of the United States is ineffective to create rights in marks within the United States.”<sup>176</sup> The Secretary of State similarly concluded that the applicant’s minimal contacts with Texas residents did not equate to actual use of the mark or to rendering of the applicant’s services in this state. Accordingly, registration was not issued.

For the reasons explained above, the Office of the Secretary of State reaffirmed its prior objections to registration and finally rejected, pursuant to section 16.02(b),<sup>177</sup> the application for registration of the proposed mark “KER & DOWNEY” for arranging travel and safari services and travel tours. The applicant may seek further review of this action pursuant to section 16.24 of the Business & Commerce Code.<sup>178</sup> As of January 1, 1996, the Secretary of State has not been informed of any such action.

#### Footnotes

<sup>a1</sup> Corporate and Trademark Examining Attorney, Office of the Secretary of State, Statutory Filings Division, Corporations Section.

<sup>1</sup> Elizabeth B. Yahiel, *Process and Review of State Trademark Applications with the Office of the Secretary of State of Texas*, 3 TEX. INTELL. PROP. L.J. 67 (1995).

<sup>2</sup> TEX. BUS. & COM. CODE ANN. §§ 16.17-.18 (West 1987).

<sup>3</sup> The applicable provision of the Texas Administrative Code, *viz.*, TEX. ADMIN. CODE tit. 1, § 93.154(a) (West 1995), states that “[w]ritten notification of a change of name of a registrant, which does not constitute a change of entity or evidence a change of ownership should be submitted to the trademark office.” The Trademark Office has decided to construe this provision strictly, *i.e.*, that written notice of a registrant’s name change merely should be submitted to the Trademark Office. Any other construction would lead (and has led) to inaccurate trademark ownership records or to forcing the registrant to file an assignment when one did not actually occur.

<sup>4</sup> The Examining Attorney is currently drafting an administrative rule that will support this policy decision. In addition, other rules will be proposed to allow trademark registrants to amend portions of the registration, such as the description of goods or services, and to correct actual mistakes in the original application.

<sup>5</sup> TEX. ADMIN. CODE tit. 1, § 93.171(a) (West 1995).

<sup>6</sup> *Id.* § 93.154.

<sup>7</sup> Generally, certificates issued by the state’s filing officer, *e.g.*, the Secretary of State, are considered to be *prima facie* evidence of the statements or the documents to which the certificate attests. *See, e.g.*, TEX. BUS. CORP. ACT ANN. art. 9.05 (West 1980).

<sup>8</sup> The author gratefully acknowledges the assistance provided by the Office of the Assistant Commissioner for Trademarks, United States Patent and Trademark Office and in particular, the support of Ms. Jessie N. Marshall, Administrator for Trademark Identifications, Classification & Practice.

<sup>9</sup> TEX. BUS. & COM. CODE ANN. § 16.01(b) (West 1987).

<sup>10</sup> Pending numbers 95-646886 and 95-646887.

<sup>11</sup> The applicant did, however, submit specimens that supported retail sale of those horses.

12 Trademark (Lanham) Act of 1946 § 45, 15 U.S.C. § 1127 (1994).

13 Registration numbers 54251 and 54252.

14 Pending number 95-642175.

15 Pending number 95-703177.

16 565 F.2d 679, 195 U.S.P.Q. (BNA) 698 (C.C.P.A. 1977).

17 181 U.S.P.Q. (BNA) 182 (T.T.A.B. 1973).

18 514 F. Supp. 1357, 212 U.S.P.Q. (BNA) 684 (S.D.N.Y. 1981).

19 *See Olin*, 181 U.S.P.Q. at 182, *cited with approval in In re Expo '74*, 189 U.S.P.Q. (BNA) 48, 50 (T.T.A.B. 1975).

20 *In re Watkins Glen Int'l, Inc.*, 227 U.S.P.Q. (BNA) 727, 728 (T.T.A.B. 1985) (citations omitted); *see also In re Paramount Pictures Corp.*, 213 U.S.P.Q. (BNA) 1111, 1113 (T.T.A.B. 1982).

21 *Olin*, 181 U.S.P.Q. at 182.

22 *Expo '74*, 189 U.S.P.Q. at 49.

23 *Paramount Pictures*, 213 U.S.P.Q. at 1113.

24 *See In re Pro-Line Corp.*, 28 U.S.P.Q.2d (BNA) 1141, 1142 (T.T.A.B. 1993). *Cf. In re Dimitri's Inc.*, 9 U.S.P.Q.2d (BNA) 1666, 1668 (T.T.A.B. 1988) (“While the advertisements ... may show the effort made to acquire distinctiveness for an ornamental feature, this evidence does not show the success of such effort”).

25 *Pro-Line*, 28 U.S.P.Q.2d at 1144.

26 The applicant averred that the slogan was inherently distinctive and was only incidentally ornamental or decorative. Counsel supported those conclusions by pointing out that the slogan is explicitly indicated to be a source indicator by virtue of the bold “TM” symbol placed beneath the slogan on the T-shirt. The Examining Attorney viewed differently the significance of the symbol on the T-shirt. In *Pro-Line*, the TTAB rejected the applicant’s arguments that the appearance of the word “PRO-LINE” on the shirts would make it likely that the phrase would be perceived as an indicator of source. The TTAB stated that “we must determine the question of whether the matter asserted for registration functions as a mark without reference to any other mark that may, or may not, appear on the goods.” *Id.* at 1143. “Although the specimens show the phrase[s] ... appearing together on the same shirt, there is nothing to prohibit the applicant from placing the phrase on shirts *without* [the symbol] ... also appearing thereon.” *Id.* *See also In re Astro-Gods, Inc.*, 223 U.S.P.Q. (BNA) 621, 623 (T.T.A.B. 1984) (rejecting applicant’s argument that its phrase would be perceived by purchasers as a trademark because it corresponded to the applicant’s corporate name set forth in the copyright notice). The Texas Trademark Office similarly reviewed the proposed mark in its entirety without regard to the “TM” symbol. That symbol does not affect the commercial impression of the slogan, *viz.*, that it is ornamental in nature.

27 Pending numbers 94-603028 and 95-695592.

28 754 F.2d 992, 224 U.S.P.Q. (BNA) 971 (Fed. Cir. 1985).

29 *Id.* at 993, 224 U.S.P.Q. at 972; *see* Lanham Act § 45, 15 U.S.C. § 1127 (1976).

30 *Canadian Pac.*, 754 F.2d at 995, 224 U.S.P.Q. at 974.

31 *Id.* at 995, 224 U.S.P.Q. at 974. The Federal Circuit also stated, in affirming the Examining Attorney’s decision, that:  
[t]here is no benefit or service conferred upon “another,” and no benefit to be conferred on any member of the relevant buying  
“public.” Instead, every service is rigidly limited to further ownership by the very family of owners of marks sought to be  
registered. The Lanham Act does not afford this kind of intramural or internal protection.  
*Id.* at 996, 224 U.S.P.Q. at 974.

32 *Id.*, 224 U.S.P.Q. at 973.

33 *See* pending number 94-603028 (emphasis added).

34 754 F.2d at 996, 224 U.S.P.Q. at 974 (stating that the “owner” of a corporation is the body of shareholders as a whole).

35 *Id.* at 994, 224 U.S.P.Q. at 973.

36 Promotion and advertising of one’s own goods or services is not a service under either the Lanham Act or the Texas Business &  
Commerce Code. *See In re Heavenly Creations, Inc.*, 168 U.S.P.Q. (BNA) 317, 318 (T.T.A.B. 1971); *In re Reichhold Chems.*,  
*Inc.*, 167 U.S.P.Q. (BNA) 376, 377 (T.T.A.B. 1970).

37 *See American Int’l Reinsurance Co. v. Airco, Inc.*, 570 F.2d 941, 943-44, 197 U.S.P.Q. (BNA) 69, 71 (C.C.P.A.), *cert. denied*, 439  
U.S. 866, 200 U.S.P.Q. 64 (1978) (suggesting that the availability of alternatives weighs towards registration).

38 Application with pending number 94-603028 for “Deerfield & design” was denied registration. *See Wells Fargo & Co. v.*  
*Stagecoach Properties, Inc.*, 216 U.S.P.Q. (BNA) 480, 484 n.6 (9th Cir. 1982) (distinguishing the facts at issue from *Airco*, and  
stating that there was no evidence that the applicant purposefully promoted its lunchroom services in connection with the  
stagecoach design to the general public or to its employees).

39 Application with pending number 95-695592 for “Copperfield.”

40 The Examining Attorney recommended the following description of services:  
Applicant provides promotional and informational services to future and current residents of the master-planned, mixed-use  
development known as “Copperfield,” and provides other services to residents, including oversight of committee activities, and  
selection of and contracting with various contractors for security, trash disposal, common area maintenance, publication of the  
community newsletter, and other related services.

41 115 S. Ct. 1300, 34 U.S.P.Q.2d (BNA) 1161 (1995).

42 Pending numbers 95-688880 and 95-688881.

- 43 115 S. Ct. 1300, 34 U.S.P.Q.2d (BNA) 1161.
- 44 227 U.S.P.Q. (BNA) 417 (Fed. Cir. 1985).
- 45 17 U.S.P.Q.2d (BNA) 1142 (T.T.A.B. 1990).
- 46 TRADEMARK MANUAL OF EXAMINING PROCEDURE (TMEP) § 1202.04(e) (2d ed. 1993).
- 47 Pending number 95-688881.
- 48 *See In re Owens-Corning Fiberglas Corp.*, 227 U.S.P.Q. (BNA) 417, 425 (Fed. Cir. 1985) (“[T]here is nothing in the statute which expressly or impliedly imposes an unreasonable burden of proof upon an applicant for registration [under the Lanham Act], nor is it within our province to read such rigid provisions into it.”) (citation omitted) (quoting *In re Hollywood Brands, Inc.*, 214 F.2d 139, 141, 102 U.S.P.Q. (BNA) 294, 296 (C.C.P.A. 1954); *see also* *Yamaha Int’l Corp. v. Hoshino Gakki Co.*, 840 F.2d 1572, 1583, 6 U.S.P.Q.2d (BNA) 1001, 1010 (Fed. Cir. 1988) (stating that the absence of consumer surveys need not preclude a finding of acquired distinctiveness)).
- 49 Pending number 95-688880.
- 50 Pending applications 95-71427, 95-71428 and 95-71429 address various configurations for a flashlight in a snake-like shape; application 95-593554 addresses the shape of an agricultural tractor undercarriage.
- 51 Pending application 95-668284 requested the registration of a hexagonal shaped pill in the shape of a shield with an impression of a triangle on the face of the pill.
- 52 In past objection letters, the Trademark Office has relied principally on *In re Morton-Norwich Prods., Inc.*, 671 F.2d 1332, 213 U.S.P.Q. (BNA) 9 (C.C.P.A. 1982) and *Sicilia Di R. Biebow & Co. v. Cox*, 732 F.2d 417 (5th Cir. 1984).
- 53 The holdings of *Sears-Compco* were modified by *Goldstein v. State of California*, 412 U.S. 546, 178 U.S.P.Q. (BNA) 129 (1973) (states can prohibit unfair competition not contemplated by federal patent law); *Keweenaw Oil Co. v. Bicon Corp.*, 416 U.S. 470, 181 U.S.P.Q. (BNA) 673 (1974) (federal patent law does not preempt state trade secret protection); and *Aronson v. Quick Point Pencil Co.*, 440 U.S. 257, 201 U.S.P.Q. (BNA) 1 (1979) (federal patent law is not a barrier to enforcing private contract for payment of royalties as long as the design is used). In addition, various lower courts have construed the decisions narrowly. *See, e.g.*, *Hubbell Inc. v. Pass & Seymour Inc.*, 883 F. Supp. 955, 959, 35 U.S.P.Q.2d (BNA) 1760, 1762 (S.D.N.Y. 1995) (“These two bodies of law [patent and trademark] were designed to serve quite different purposes and may operate separately and without unavoidable conflict.”); *see also* *Dallas Cowboy Cheerleaders Inc. v. Pussycat Cinema, Ltd.*, 604 F.2d 200, 204, 203 U.S.P.Q. (BNA) 161, 164 (2d Cir. 1979) (holding that rule in *Sears-Compco* does not apply in a trademark infringement action where plaintiff does not assert exclusive rights to sale of product but merely to a mark indicating its origin or sponsorship); *and* *Ideal Toy Corp. v. Plawner Toy Mfg.*, 685 F.2d 78, 81, 216 U.S.P.Q. (BNA) 102, 105 (3d Cir. 1982) (with regard to federal patent law and state trademark law, the court noted “that although the Supreme Court held that state unfair competition laws must accommodate federal patent law policies, it recognized and did not disturb the states’ power to prevent consumers from being misled as to the source of a product.”) (citations omitted). *See generally* John B. Pegram, *Trademark Protection of Product and Container Configurations*, 81 TRADEMARK REP. 1 (1991); and James N. Dabney, *State Law Protection of Intellectual Creations: Privacy and Preemption*, 38 SYRACUSE L. REV. 653 (1987).
- 54 *See* *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225, 140 U.S.P.Q. (BNA) 524 (1964), *reh. denied*, 376 U.S. 973 (1964); *Compco Corp. v. Day-Brite Lighting, Inc.*, 376 U.S. 234, 140 U.S.P.Q. (BNA) 528 (1964), *reh. denied*, 377 U.S. 913 (1964). *See also* *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 9 U.S.P.Q.2d (BNA) 1847 (1989).

- 55 The first question the trademark examiner must address in reviewing a product configuration is whether the design is functional. *See* TMEP, *supra* note 46, § 1202.03. Currently, the Trademark Office does not have access to various sources of technical information such as the Lexpat® database of the Lexis/Nexis® system or Nexis®, which are used by the USPTO to search for patents involving the applied for or similar configurations and for written material about the product and its functional characteristics. For a related comment, see *In re* Teledyne Indus., Inc., 696 F.2d 968, 971, 217 U.S.P.Q. (BNA) 9, 11 (Fed. Cir. 1982) (“Determination that the design as a whole is not *de jure* functional may well be possible only in light of evidence more readily available to, or uniquely in the possession of, the applicant.”). Further, the additional problem exists pertaining to the limitations of design searches completed by the state Trademark Office. The trademark computer program only permits the search of one design code for each proposed mark entered onto the database. Therefore, only the principal aspect of a proposed design is searched for likelihood of confusion.
- 56 This article refers to the revised Model State Trademark Bill (MSTB) approved by the Board of Directors of the International Trademark Association in August 1992.
- 57 MODEL STATE TRADEMARK BILL § 19 (1992).
- 58 The Office of the Secretary of State is considered to be ministerial in nature. If a document is submitted for filing pursuant to one of the statutes administered by the agency and the document, on its face, meets all statutory requirements, the Secretary of State is required to file that document. *See* Op. Tex. Att’y Gen., No. JM-767 (1987) 3595, 3596-97 (“The question of ‘sufficiency’ [of the document] under section 9.402 [of the Texas Business & Commerce Code] is a legal question for the courts, not a question for the filing officer ... [I]t is not the filing officer’s responsibility to determine whether the financing statement is legally sufficient to perfect a security interest.”). *See also* Fort Worth Cavalry Club, Inc. v. Sheppard, 83 S.W.2d 660, 663 (Tex. 1935) (“All public offices and officers are creatures of law. The powers and duties of public officers are defined and limited by law. By being defined and limited by law, we mean the act of a public officer must be expressly authorized by law, or implied therefrom.”).
- 59 U.S. CONST. art. I, § 8, cl. 8 (the “Patent Clause”) (This provision states that Congress shall have the power “[t]o promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.”). The U.S. Supreme Court stated in *Sears* that:  
Obviously a State could not, consistently with the Supremacy Clause of the Constitution, extend the life of a patent beyond its expiration date or give a patent on an article which lacked the level of invention required for federal patents. To do either would run counter to the policy of Congress of granting patents only to true inventions, and then only for a limited time. Just as a State cannot encroach upon the federal patent laws directly, it cannot, under some other law, such as that forbidding unfair competition, give protection of a kind that clashes with the objective of the federal patent laws.  
*Sears*, 376 U.S. at 231-33, 140 U.S.P.Q. at 527-28 (citation omitted).
- 60 The Supremacy Clause states:  
This Constitution, and the Laws of the United States which shall be made in Pursuance thereof; and all Treaties made, or which shall be made, under the Authority of the United States, shall be the supreme Law of the Land; and the Judges in every state shall be bound thereby, any Thing in the Constitution or Laws of any State to the Contrary notwithstanding.  
U.S. CONST. art. VI, § 2.
- 61 TEX. BUS. & COM. CODE ANN. §§ 16.01-18 (West 1987).
- 62 TMEP, *supra* note 46, § 1202.03.
- 63 TEX. BUS. & COM. CODE ANN. § 16.15(c) (West 1987) (emphasis added).
- 64 *Id.* § 16.26.
- 65 *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 9 U.S.P.Q.2d (BNA) 1847 (1989). The Florida statute at issue in this case allowed the originator of the design to “reassert a substantial property right in the idea, thereby constricting the spectrum of

useful public knowledge.” *Id.* at 159, 9 U.S.P.Q.2d at 1855. The statute also granted boat hull manufacturers, not the purchasing public, control of the most efficient manufacturing process without regard to the patent issues nonobviousness or novelty. “We think it clear that such protection conflicts with the federal policy ‘that all ideas in general circulation be dedicated to the common good unless they are protected by a valid patent.’” *Bonito Boats*, 489 U.S. at 159-160, 9 U.S.P.Q.2d at 1855, (quoting *Lear, Inc. v. Adkins*, 395 U.S. 653, 668, 162 U.S.P.Q. (BNA) 1, 7 (1969)). *See also* Carstens, *Preemption of Direct Molding Statutes: Bonito Boats v. Thunder Craft Boats*, 3 HARV. L. J. OF LAW & TECH. 167 (1990), *reprinted in* 23 INTELL. PROP. L. REV. 137, 156 (1991).

66 Fla. Stat. § 559.94 (1987).

67 “[P]rotection under trademark principles does not remove an industrial design or product configuration from the public domain but merely proscribes those methods of copying that unfairly usurp the originator’s goodwill.” Jay Dratler, *Trademark Protection for Industrial Designs*, 4 U. ILL. L. REV. 887, 935 n.257 (1988).

68 *See* Paul Heald, *Federal Intellectual Property Law and the Economics of Preemption*, 25 INTELL. PROP. L. REV. 3, 49 (1993), *reprinted by permission from* 76 IOWA LAW REV. 959 (1991) (citing J. MCCARTHY, 1 TRADEMARKS AND UNFAIR COMPETITION, § 7:25, at 232-33 (2d ed. 1984)).

69 Compare the subject matter of utility patents and design patents, respectively: “any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof” (35 U.S.C. § 101 (1994)); and, “any new, original and ornamental design for an article of manufacture” (35 U.S.C. § 171 (1994)).

70 “The applicant whose invention satisfies [those requirements], and who is willing to reveal to the public the substance of his discovery and “the best mode ... of carrying out his invention” is granted “the right to exclude others from making, using or selling the invention throughout the United States” for a period of 17 years. *Bonito Boats*, 489 U.S. at 150-51, 9 U.S.P.Q.2d at 1852, (citing 35 U.S.C. §§ 112, 154 (1994)).

71 MANUAL OF PATENT EXAMINING PROCEDURE (MPEP) § 601 (March 1994).

72 *See* 35 U.S.C. § 271 (1994).

73 *Bonito Boats*, 489 U.S. at 150-51, 9 U.S.P.Q.2d at 1852.

74 *See id.* at 146, 160, 9 U.S.P.Q.2d at 1850, 1856.

75 *Id.* at 165, 9 U.S.P.Q.2d at 1857-58.

76 “A state law that substantially interferes with the enjoyment of an unpatented utilitarian or design conception which has been freely disclosed by its author to the public at large impermissibly contravenes the ultimate goal of public disclosure and use which is the centerpiece of federal patent policy.” *Id.* at 156-57, 9 U.S.P.Q.2d at 1854.

77 “The ‘protection’ granted a particular design under the law of unfair competition is ... limited to one context where consumer confusion is likely to result; the design ‘idea’ itself may be freely exploited in all other contexts.” *Id.* at 158, 9 U.S.P.Q.2d at 1855.

78 For a view prior to *Bonito Boats*, see *Classic Instruments, Inc. v. VDO-Argo Instruments, Inc.*, 700 P.2d 677, 226 U.S.P.Q. (BNA) 894, 899-900 (Or. Ct. App. 1985) (finding a claim of state law trademark status for design of auto gauges for which a patent may issue is preempted under the *Sears-Compco* rule).

79 Kewanee Oil Co. v. Bicron Corp., 416 U.S. 470, 482, 181 U.S.P.Q. (BNA) 673, 679 (1974), (citing *Sears*, 376 U.S. at 232, 140 U.S.P.Q. at 528).

80 *Kewanee*, 416 U.S. at 479, 181 U.S.P.Q. at 678 (citing *Hines v. Davidowitz*, 312 U.S. 52, 67 (1941) (other citations omitted)).

81 *See Yahiel*, *supra* note 1, at 83 n.96 and accompanying text.

82 *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225, 140 U.S.P.Q. (BNA) 524 (1964), *reh'g. denied*, 376 U.S. 973 (1964).

83 *Compco Corp. v. Day-Brite Lighting, Inc.*, 376 U.S. 234, 140 U.S.P.Q. (BNA) 531 (1964), *reh'g. denied*, 377 U.S. 913 (1964).

84 *Stiffel Co. v. Sears, Roebuck & Co.*, 136 U.S.P.Q. (BNA) 292, 294 n.7 (7th Cir. 1963), *rev'd*, 376 U.S. 225, 140 U.S.P.Q. (BNA) 524 (1964).

85 *Sears*, 376 U.S. at 231, 140 U.S.P.Q. at 524.

86 *Id.*

87 *Id.* at 230, 140 U.S.P.Q. at 527 (citing *Kellogg Co. v. National Biscuit Co.*, 305 U.S. 111, 120-22 (1938); and *Singer Mfg. Co. v. June Mfg. Co.*, 163 U.S. 169, 185 (1896)).

88 *Compco*, 376 U.S. at 234, 140 U.S.P.Q. at 528.

89 *Id.* at 238, 140 U.S.P.Q. at 531.

90 *Compco*, 376 U.S. at 238-39, 140 U.S.P.Q. at 531. Justice Black similarly stated in *Sears* that: Doubtless a State may, in appropriate circumstances, require that goods, whether patented or unpatented, be labeled or that other precautionary steps be taken to prevent customers from being misled as to the source, just as it may protect businesses in the use of their trademarks, labels, or distinctive dress in the packaging of goods so as to prevent others, by imitating such markings, from misleading purchasers as to the source of the goods. But because of the federal patent laws a State may not, when the article is unpatented and uncopyrighted, *prohibit the copying of the article itself* or award damages for such copying. *Sears*, 376 U.S. at 232-33, 140 U.S.P.Q. at 531 (emphasis added).

91 489 U.S. 141, 9 U.S.P.Q.2d (BNA) 1847 (1979).

92 *Bonito Boats*, 489 U.S. at 156, 9 U.S.P.Q.2d at 1854 (citations omitted).

93 “Compared to patent protection, trademark protection is relatively weak because it precludes competitors only from using marks that are likely to confuse or deceive the public. Trademark protection is dependent only on public reaction to the trademark in the marketplace rather than solely on the similarity of the configurations.” *Kohler Co. v. Moen, Inc.*, 12 F.3d 632, 637, 29 U.S.P.Q.2d (BNA) 1241, 1245 (7th Cir. 1993) (citing Jay Dratler, *Trademark Protection for Industrial Designs*, 4 U. ILL. L. REV. 887, 896 (1988)).

94 “[T]he Florida statute endows the original boat hull manufacturer with rights against the world, similar in scope and operation to the rights accorded a federal patentee.” *Bonito Boats*, 489 U.S. at 158, 9 U.S.P.Q.2d at 1855.

95 Carstens, *supra* note 67, at 156.

96 “It is difficult to conceive of a more effective method of creating substantial property rights in an intellectual creation than to eliminate the most efficient method for its exploitation. *Sears* and *Compco* protect more than the right of the public to contemplate the abstract beauty of an otherwise unprotected intellectual creation-- they assure its efficient reduction to practice and sale in the marketplace.” *Bonito Boats*, 489 U.S. at 164, 9 U.S.P.Q.2d at 1857.

97 Heald, *supra* note 65, at 31, 35 n.224 and accompanying text. Professor Heald compared the trade secret law discussed in *Kewanee*, which “permits the existence of a system of inferior protection for inferior advances,” to the Florida law, which “is preempted because *it does not guarantee any advance at all.*”

98 *Bonito Boats*, 489 U.S. at 154, 9 U.S.P.Q.2d at 1853.

99 *Id.* (citation to *Sears* omitted).

100 If one defines “trade dress” broadly to include the product itself as well as the product packaging, then it follows that a product design or the trade dress of the product itself can function and be registered as a trademark. This analysis is called the “Lanham Act ‘end around’” by S. Stephen Hilmy in Note, *Bonito Boats’ Resurrection of the Preemption Controversy: The Patent Leverage Charade and the Lanham Act ‘End Around,’* 69 TEX. L. REV. 729, 754 (1991).

101 *Bonito Boats*, 489 U.S. at 154, 9 U.S.P.Q.2d at 1853.

102 *Sears*, 376 U.S. at 232, 140 U.S.P.Q. at 528.

103 *Bonito Boats*, 489 U.S. 141, U.S.P.Q.2d 1847.

104 *Id.* at 166, 9 U.S.P.Q.2d at 1858.

105 Heald, *supra* note 68, at 47 (citing *United Drug Co. v. Theodore Rectanus Co.*, 248 U.S. 90, 97 (1918) and other sources).

106 Heald, *supra* note 68, at 28 n.174 and accompanying text (“In the absence of protection of source identifiers, consumers must spend additional time ascertaining the identity and quality of the goods they buy.”) (citing Landes & Posner, *Trademark Law: An Economic Perspective*, 30 J.L. & ECON. 265 (1987) (explaining trademark law in terms of economic efficiency)).

107 “The application of *Sears* and *Compco* to *nonfunctional* aspects of a product which have been shown to identify source must take account of competing federal policies ....” *Bonito Boats*, 489 U.S. at 166, 9 U.S.P.Q.2d at 1858. “The doctrine [of functionality] acts to separate those configurations that may be protected as property rights or trademarks and those designs that the law will not permit any person to appropriate or monopolize.” *Sicilia Di R. Biebow & Co. v. Cox*, 732 F.2d 417, 422 (5th Cir. 1984). The Fifth Circuit has stated further that:

A finding of functionality will, by definition, encompass a finding that competition would be unduly hindered unless close copying by a competitor is allowed. A finding of nonfunctionality, by contrast, will mean that a wide array of choices remain available to prospective competitors even though the plaintiff producer acquires a property right in a particular design or configuration.

*Id.* at 430.

108 When comparing patent law to trade secret law, the Supreme Court in *Kewanee Oil Co. v. Bicron Corp* cited two principal reasons why inventors would not refrain from filing patent applications to avoid disclosure requirements and loss of monopoly: (1) those with patentable secrets would file patents to gain the superior benefits of patent laws; and (2) trade secret law will encourage invention in areas not covered by patent law, and the independent innovator will proceed with discovery and exploitation. 416 U.S.

470, 485-88, 181 U.S.P.Q. (BNA) 673, 680-81 (1974). “Certainly the patent policy of encouraging invention is not disturbed by the existence of another form of incentive to invention. In this respect the two systems [patent and trademark law] are not and never would be in conflict.” *Id.* at 470, 484, 181 U.S.P.Q. at 673, 679-80.

109 Heald, *supra* note 68, at 31.

110 Section 16.26 of the Texas Business & Commerce Code provides in relevant part as follows:

(a) Subject to Section 16.27 of this code, a person commits an infringement if, without the registrant’s consent, he

(1) uses anywhere in this state a reproduction, counterfeit, copy, or colorable imitation of a mark registered under this chapter in connection with selling, offering for sale, or advertising goods or services when the use is likely to deceive or cause confusion or mistake as to the source or origin of the goods or services; or

(2) reproduces ... when the use is likely to deceive or cause confusion or mistake as to the source or origin of the goods or services

....

....

(d) A registrant is entitled to recover damages under Subsection (c)(1) of this section *only* for an infringement that occurred during the period of time the infringer had *actual knowledge* of the registrant’s mark.

Tex. Bus. & Com. Code Ann. § 16.26 (West 1987) (emphasis added).

111 *Id.* (emphasis added). The Examining Attorney notes that subsection (d) of the provision limits recovery to when an intentional tort has occurred, which conforms to traditional notions of unfair competition law and distinguishes the Texas statute from the statutes reviewed in *Sears-Compco* and *Bonito Boats*.

112 *Kewanee*, 416 U.S. at 481, 181 U.S.P.Q. at 678 (quoting *Lear, Inc. v. Adkins*, 395 U.S. 653 (1969) (“Federal law requires that all *ideas* in general circulation be dedicated to the common good unless they are protected by a patent.”) (emphasis added).

113 “[T]rademark protection by itself can never wholly thwart competition, for a competitor, by appropriate tagging, labeling, and advertising, can avoid confusion as to product source or sponsorship, and thereby can avoid trademark infringement, even though its product may be a close copy of another’s.” *Dratler, supra* note 67, at 941-42.

114 In *Cable Elec. Prods., Inc. v. Genmark, Inc.*, 770 F.2d 1015, 1033, 226 U.S.P.Q. (BNA) 881, 893 (Fed. Cir. 1985), the Court of Appeals for the Federal Circuit stated that, in applying the *Sears-Compco* doctrine, it “will apply the law that has evolved in the regional circuit in which the case containing the issue was originally tried.”

115 *Compare* *Daboub v. William Frederick Gibbons*, 42 F.3d 285, 289-90, 33 U.S.P.Q.2d 1441, 1443-44 (5th Cir. 1995) (upholding the District Court’s finding *Nightcap*’s state law causes of action, including conversion, misappropriation, plagiarism and defamation claims centered on improper copying, distribution and performance, are “equivalent” to the exclusive rights contained in the federal Copyright Act, and therefore, the state causes of action are preempted); and *Aldridge v. The Gap, Inc.*, 866 F. Supp. 312, 315 (N.D. Tex. 1994) (citing *Sears-Compco*, the Court of the Northern District of Texas held that the state claim for misappropriation for unauthorized copying is preempted by federal copyright law). *Cf.* *Boston Professional Hockey Ass’n, Inc. v. Dallas Cap & Emblem Mfg., Inc.*, 510 F.2d 1004, 1013, 185 U.S.P.Q. (BNA) 364, 370 (5th Cir. 1975) (noting that the *Sears-Compco* cases involved utilitarian articles for which there was a consumer demand regardless of their source or origin, the court stated that [t]he principles involved in those cases are not applicable to a trademark symbol case where the design or symbol has no demonstrated value other than its significance as the trademark [[[of the source].”], *reh’g. denied*, 423 U.S. 991 (1975).

116 Interestingly, however, the plaintiff in *Sicilia*, in trying to protect the shape of the citrus juice bottle, amended its complaint from one based on Texas unfair competition law to one based on section 43(a) of the Lanham Act. *Cf.* *Waples-Platter Cos. v. General Foods Corp.*, 439 F. Supp. 551, 583-84, 196 U.S.P.Q. (BNA) 50, 77 (N.D. Tex. 1977), which stated that “[m]uch of [*sic*] language of the Texas Trademark Act ... is similar to or traces the federal Act .... This Court will, therefore, treat the claims of federal, state, and common law infringement as raising the same issue. Having found infringement under federal law [section 32(1) of the Lanham Act] the Court concludes that Defendants have also infringed on Plaintiff’s ... trademark under ... § 16.26(a).”

117 *B.H. Bunn Co. v. AAA Replacement Parts Co.*, 451 F.2d 1254, 1263, 171 U.S.P.Q. (BNA) 780, 786 (5th Cir. 1971) (citing *Sears and Compco*).

118 North Shore Lab. v. Cohen, 721 F.2d 514, 522, 221 U.S.P.Q. (BNA) 17, 23 (5th Cir. 1983).

119 *B.H. Bunn*, 451 F.2d at 1270, 171 U.S.P.Q. at 791.

120 Roho Inc. v. Marquis, 902 F.2d 356, 360, 15 U.S.P.Q.2d (BNA) 1057, 1060 (5th Cir. 1990) (citing *Sears and Compco*).

121 *B.H. Bunn*, 451 F.2d at 1270, 171 U.S.P.Q. at 791 (emphasis added).

122 *Bonito Boats*, 489 U.S. at 154, 9 U.S.P.Q.2d at 1853.

123 *Id.* See *supra* notes 100 and 101 and accompanying text.

124 TMEP, *supra* note 46.

125 Sicilia Di R. Biebow & Co. v. Cox, Inc., 732 F.2d 417, 429 (5th Cir. 1984) (citing *In re Morton-Norwich Prods., Inc.*, 671 F.2d 1332, 1342, 213 U.S.P.Q. (BNA) 9, 17 (C.C.P.A. 1982)).

126 *Id.* (citations omitted) (cited with approval in *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 23 U.S.P.Q.2d (BNA) 1081 (1992)).

127 See *supra* notes 55 and 58 and accompanying text; see also *infra* note 136.

128 See *Yahiel*, *supra* note 1, at 78; see also TMEP, *supra* note 46, §§ 1209, 1212.

129 Upon verbal notification of that decision to the applicant's counsel, counsel advised the Examining Attorney that the USPTO had made the same ruling regarding the same three configurations.

130 Pending number 95-714217; registration number 55168.

131 Pending number 95-714219; registration number 55169.

132 Compare *Black & Decker Corp. v. International Sales and Mkt*, 36 U.S.P.Q.2d (BNA) 1851, 1853 (C.D. Cal. 1995) (concluding that the "SnakeLight"™) had a distinctive overall image and appearance, and finding its trade dress to be nonfunctional).

133 Pending number 95-714218.

134 Pending number 95-593554.

135 Pending number 95-668284; registration number 55170.

- 136 *See In re Teledyne Indus., Inc.*, 696 F.2d 968, 971, 217 U.S.P.Q. (BNA) 9, 11 (Fed. Cir. 1982) (“Determination that the design as a whole is not *de jure* functional may well be possible only in light of evidence more readily available to, or uniquely in the possession of, the applicant.”).
- 137 *See In re Soccer Sport Supply Co.*, 184 U.S.P.Q. (BNA) 345, 348 (C.C.P.A. 1975).
- 138 *See In re Pierre Fabre S.A.* 221 U.S.P.Q. (BNA) 1210 (T.T.A.B. 1984) (“while ... precise design ... may be somewhat different from other [like items] ... adopted and used by others, it does not follow that said design functions as a trademark ...”). *See also In re Whataburger Sys., Inc.*, 209 U.S.P.Q. (BNA) 429 (T.T.A.B. 1980) (affirming refusal to register because design was appealing ornamentation that did not function primarily to indicate origin).
- 139 PHYSICIANS’ DESK REFERENCE (49th ed. 1995).
- 140 TEX. BUS. & COM. CODE ANN. § 16.11 (West 1987).
- 141 *See* pending number 94-702384.
- 142 TEX. GOV’T CODE ANN. §§ 552.007, 552.022(13)).
- 143 *See* TEX. BUS. & COM. CODE ANN. § 16.02(b) (West 1987).
- 144 *Id.*
- 145 *Id.*
- 146 TMEP, *supra* note 46; *see also* TEX. ADMIN. CODE, tit. 1, § 93.93 (1995).
- 147 *In re Magic Muffler Serv., Inc.*, 184 U.S.P.Q. (BNA) 125, 126 (T.T.A.B. 1974).
- 148 *See, e.g.*, registration number 1708736 (serial number 74-197132) for “PURE WILD,” which was registered by the United States Patent and Trademark Office on August 18, 1992.
- 149 *Cf. In re Integrated Resources, Inc.*, 218 U.S.P.Q. (BNA) 829, 831 (T.T.A.B. 1983) (holding that the applicant’s activity did not constitute a registrable service because the applicant was engaged only in the “one shot” syndication of its own interests and was not “in the business” of syndicating a number of investment partnerships. *Compare with In re Canadian Pac. Ltd.*, 224 U.S.P.Q. (BNA) 971 (Fed. Cir. 1985) (stating that the court must look closely at what is being offered and to whom it is being offered; and denying registration to the applicant based, *inter alia*, on the fact that the subsequent services offered by the stock offering plan were inseparably linked to the initial sale or acquisition of stock, and were solely concerned with enlargement of existing ownership). The Examining Attorney found the subject application comparable to these two cases because the applicant was likewise concerned with its current customers, and its supplemental services were also inseparably linked to the purchase of its safari services. However, citing *In re C.I.T. Financial Corp.*, 201 U.S.P.Q. (BNA) 124 (T.T.A.B. 1978), the applicant’s counsel stated that the Examining Attorney had devised a “but for” test for registrable services. Counsel misconstrued the Examining Attorney’s position. The issue was not that “but for” C.I.T.’s financial services was it offering the additional informational and related financial services; the issue was that C.I.T. was offering a different, not heretofore available service, that benefited its customers. Thus, at one time C.I.T. Financial’s customers could only obtain one type of service under one mark; at some later date, its customers could obtain other services offered in connection with another mark. *Id.* In contrast to the situation in *C.I.T. Financial*, the subject applicant’s specimens indicated that it offered the supplemental arrangements to its customers merely to fit the excursion to the particular customer’s needs and desires. It was not “in the business” of making hotel arrangements, but only

made such arrangements as an integral part of its safari business.

150 *In re Landmark Communications, Inc.*, 204 U.S.P.Q. (BNA) 692 (T.T.A.B. 1979).

151 *See, e.g., In re Shareholders Data Corp.*, 495 F.2d 1360, 1361, 181 U.S.P.Q. (BNA) 722, 723 (C.C.P.A. 1974); *In re Television Digest, Inc.*, 169 U.S.P.Q. (BNA) 505, 506 (T.T.A.B. 1971); *In re John Breuner Co.*, 136 U.S.P.Q. (BNA) 94 (T.T.A.B. 1963); and *Ex Parte Bank of Am. Nat'l Trust & Sav. Ass'n*, 118 U.S.P.Q. (BNA) 165 (Dec. Comm'r Pat. 1958).

152 Such a determination must be tempered by the understanding that the Lanham Act, on which the Texas Trademark Act is based, and relevant trademark case law do not distinguish between services based on whether they are primary, incidental or ancillary, so long as they are services. *In re John Breuner Co.*, 136 U.S.P.Q. (BNA) 94 (T.T.A.B. 1963). Further, a “service” may not only be merely incidental to the sale of goods, it may also be merely incidental to another “main service” rendered by a company. 2 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION, § 19.31 (3d ed. 1992). However, the USPTO does distinguish between principal activities and “an activity [which] is a necessary and customary accommodation to customers and, therefore, is ancillary to the primary service,” e.g., the bagging of groceries by grocery stores. TMEP, *supra* note 42, § 1302.01(a)(iii). *See also In re Holiday Inns, Inc.*, 223 U.S.P.Q. (BNA) 149, 151 (T.T.A.B. 1984) (reversing refusal to register because the applicant’s activity was “one involving a second mark for a major and distinguishable segment of the applicant’s ‘mainline’ service provision activity ... rather than ... something not qualitatively different than what must necessarily be done in connection with the sale of an applicant’s goods or services”).

153 *In re SCM Corp.*, 209 U.S.P.Q. (BNA) 278, 280 (T.T.A.B. 1980) (citing *In re Landmark Communications*, 204 U.S.P.Q. at 695-96 and other cases).

154 *Landmark Communications*, 204 U.S.P.Q. at 696.

155 *See, e.g., In re Forbes Inc.*, 31 U.S.P.Q.2d (BNA) 1315, 1317-19 (T.T.A.B. 1994) (citing *Landmark Communications* and *In re Hartford Courant Co.*, 231 U.S.P.Q. (BNA) 77 (T.T.A.B. 1986)).

156 The TTAB has recognized the “larger significance” of the *Landmark Communications* case, i.e., with respect to the principles of registrability when activities collateral to or inherent in the sale of goods are sought to be registered as service marks. *In re Holiday Inns, Inc.*, 223 U.S.P.Q. (BNA) 149, 151 (T.T.A.B. 1984). The TTAB in that case also referred to “the conceptualization of the *Landmark Communications* case,” *viz.*, an activity is not a service if it is “something not qualitatively different than what must necessarily be done in connection with the sale of an applicant’s goods *or services*.” *Id.* (emphasis added). The TTAB proceeded to reverse the refusal to register because “the Board [could] find no reason why a particular class of service established by a services provider, whose sale and promotion is signified by a distinctive designation, may not support a service mark registration of that designation.” *Id.* at 150.

157 *In re Forbes Inc.*, 31 U.S.P.Q.2d (BNA) 1315 (T.T.A.B. 1994).

158 *In re Advertising & Mktg. Dev. Inc.*, 821 F.2d 614, 620, 2 U.S.P.Q.2d (BNA) 2010, 2014 (Fed. Cir. 1987).

159 *Forbes*, 31 U.S.P.Q.2d at 1319.

160 *Id.* at 1318. *See also In re Mitsubishi Motor Sales of Am. Inc.*, 11 U.S.P.Q.2d (BNA) 1312, 1314-15 (T.T.A.B. 1989) (reversing the refusal to register, stating that “[a]pplicant uses a mark for these services which is totally different from any mark it uses for its other services or any of its products and which is promoted as a service mark for the noted services.”).

161 *Forbes*, 31 U.S.P.Q.2d at 1318.

162 *In re* Otis Eng'g Corp., 217 U.S.P.Q. (BNA) 278, 279 (T.T.A.B. 1982). *See also In re* Lenox, 228 U.S.P.Q. (BNA) 966, 967 (T.T.A.B. 1986) (citing *In re* Orion Research, Inc., 523 F.2d 1398, 187 U.S.P.Q. (BNA) 485 (C.C.P.A. 1975), *aff'g* 184 U.S.P.Q. (BNA) 358 (T.T.A.B. 1974) (finding no evidence that Orion separately offered, charged for, or promoted its guarantee or that its instruments were offered for sale without the guarantee); and *In re* American Int'l Reinsurance Co. v. Airco, Inc., 570 F.2d 941, 943-44, 197 U.S.P.Q. (BNA) 69, 71 (C.C.P.A. 1978) (finding material the fact that the employees had the option of enrolling in the applicant's plan; moreover, they could elect to go to the marketplace to obtain those services and select a different annuity plan).

163 *See In re* Holiday Inns, Inc., 223 U.S.P.Q. (BNA) 149 (T.T.A.B. 1984).

164 For a complete analysis of this argument, see Yahiel, *supra* note 1, at 75-77.

165 Lanham Act § 45, 15 U.S.C. § 1127 (1994).

166 *See* Larry Harmon Pictures Corp. v. Williams Restaurant Corp., 929 F.2d 662, 18 U.S.P.Q.2d (BNA) 1292 (Fed. Cir.), *cert. denied*, 502 U.S. 823 (1991).

167 *See* Linville v. Rivard, 26 U.S.P.Q.2d (BNA) 1508, 1512 (T.T.A.B. 1993), *rev'd on other grounds*, 31 U.S.P.Q.2d (BNA) 1218 (Fed. Cir. 1993).

168 "A foreign trademark may be known by reputation in this country and may even be protectable under concepts of unfair competition, but such mark is not entitled to either initial or continued *registration* where the *statutory requirements* for registration cannot be met." *Imperial Tobacco Ltd. v. Philip Morris Inc.*, 899 F.2d 1575, 1580, 14 U.S.P.Q.2d (BNA) 1390, 1393 (Fed. Cir. 1990).

169 *See* *United Drug Co. v. Theodore Rectanus Co.*, 248 U.S. 90, 97 (1918); *Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403 (1916). "There is no such thing as property in a trademark except as a right appurtenant to an established business or trade in connection with which the mark is employed.... [I]ts function is simply to designate the goods as the product of a particular trader and to protect his goodwill against the sale of another's product as his; and it is not the subject of property except in connection with an existing business." *Person's Co. Ltd v. Christman*, 900 F.2d 1565, 1571, 14 U.S.P.Q.2d (BNA) 1477, 1482 (Fed. Cir. 1990) (citing *United Drug*, 248 U.S. at 97).

170 TEX. BUS. & COM. CODE ANN. § 16.02(b) (West 1987).

171 Lanham Act § 1, 15 U.S.C. § 1501 (1994).

172 *Imperial Tobacco*, 899 F.2d at 1578 n.3, 14 U.S.P.Q.2d (BNA) at 1392 n.3.

173 *Linville v. Rivard*, 26 U.S.P.Q.2d 1508 (T.T.A.B. 1993), *rev'd on other grounds*, 31 U.S.P.Q.2d (BNA) 1218 (Fed. Cir. 1993).

174 Lanham Act § 44(e), 15 U.S.C. § 1126e (1994).

175 *Linville*, 26 U.S.P.Q.2d at 1512.

176 *Id.* at 1512, 1513.

177 TEX. BUS. & COM. CODE ANN. § 16.02(b) (West 1987).

178 TEX. BUS. & COM. CODE ANN. § 16.24 (West 1987).

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