

BILL ANALYSIS

Senate Research Center
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H.B. 3141
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Business & Commerce
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Engrossed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

According to interested parties, Texas' current trademark law does not conform with the most recent version of the model state trademark legislation, which was drafted by an international not-for-profit trademark association of more than 5,000 trademark owners and professionals that supports and fosters uniformity in state and international trademark statutes. The association has revised the model legislation several times over the past 20 years and the legislation serves as the foundation for trademark statutes in most states. H.B. 3141 seeks to protect and promote Texas businesses by bringing Texas trademark laws into alignment with federal trademark infringement and dilution laws, as contained in the model legislation.

H.B. 3141 amends current law relating to the registration and protection of trademarks.

RULEMAKING AUTHORITY

Rulemaking authority is expressly granted to the secretary of state in SECTION 1 (Sections 16.065 and 16.066, Business & Commerce Code) of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Chapter 16, Business & Commerce Code, as follows:

CHAPTER 16. TRADEMARKS

SUBCHAPTER A. GENERAL PROVISIONS

Sec. 16.001. DEFINITIONS. Defines, in this chapter, "applicant," "dilution," "dilution by blurring," "dilution by tarnishment," "mark," "person," "registrant," "service mark," "trade name," and "trademark."

Sec. 16.002. INAPPLICABILITY OF CHAPTER. Provides that this chapter does not apply to the registration or use of a livestock brand or other indicia of ownership of goods that do not qualify as a mark.

Sec. 16.003. WHEN MARK CONSIDERED TO BE IN USE. (a) Provides that a mark is considered to be in use in this state in connection with goods when:

- (1) the mark is placed in any manner on:
 - (A) the goods;
 - (B) containers of the goods;
 - (C) displays associated with the goods;
 - (D) tags or labels affixed to the goods; or

(E) documents associated with the goods or sale of the goods, if the nature of the goods makes placement described by Paragraphs (A) through (D) impracticable; and

(2) the goods are sold or transported in commerce in this state.

(b) Provides that a mark is considered to be in use in this state in connection with services when:

(1) the mark is used or displayed in this state in connection with selling or advertising the services; and

(2) the services are rendered in this state.

(c) Provides that a mark made merely to reserve a right in the mark is not considered to be in use in this state in connection with goods or services.

Sec. 16.004. WHEN MARK CONSIDERED TO BE ABANDONED. (a) Provides that a mark is considered to be abandoned when:

(1) the mark's use has been discontinued with intent not to resume the use; or

(2) the owner's conduct, including an omission or commission of an act, causes the mark to lose its significance as a mark.

(b) Authorizes intent not to resume use of a mark under Subsection (a)(1) to be inferred from the circumstances.

(c) Provides that nonuse of a mark as described by Subsection (a)(1) for three consecutive years constitutes prima facie evidence of the mark's abandonment.

[Reserves Sections 16.005-16.050 for expansion.]

SUBCHAPTER B. REGISTRATION OF MARK

Sec. 16.051. REGISTRABLE MARKS. (a) Provides that a mark that distinguishes an applicant's goods or services from those of others is registrable unless the mark:

(1) consists of or comprises matter that is immoral, deceptive, or scandalous;

(2) consists of or comprises matter that may disparage, falsely suggest a connection with, or bring into contempt or disrepute:

(A) a person, whether living or dead;

(B) an institution;

(C) a belief; or

(D) a national symbol;

(3) depicts, comprises, or simulates the flag, the coat of arms, or other insignia of:

(A) the United States;

(B) a state;

(C) a municipality; or

(D) a foreign nation;

(4) consists of or comprises the name, signature, or portrait of a particular living individual who has not consented in writing to the mark's registration;

(5) when used on or in connection with the applicant's goods or services is merely descriptive or deceptively misdescriptive of the applicant's goods or services, or is primarily geographically descriptive or deceptively misdescriptive of the applicant's goods or services;

(6) is primarily merely a surname; or

(7) is likely to cause confusion or mistake, or to deceive, because, when used on or in connection with the applicant's goods or services, it resembles a mark registered in this state, or an unabandoned mark registered with the United States Patent and Trademark Office.

(b) Provides that Subsection (a)(5) or (6) does not prevent the registration of a mark used by the applicant that has become distinctive as applied to the applicant's goods or services. Authorizes the secretary of state (SOS) to accept as evidence that a mark has become distinctive, when used on or in connection with the applicant's goods or services, proof of continuous use of the mark as such by the applicant in this state for the five years preceding the date on which the claim of distinctiveness is made.

Sec. 16.052. APPLICATION FOR REGISTRATION. (a) Authorizes a person who uses a mark, subject to the limitations prescribed by this chapter, to file an application to register the mark in the office of SOS in the manner prescribed by SOS.

(b) Requires that the application include:

(1) the name and business address of the applicant;

(2) if the applicant is a corporation, the state under whose laws the applicant was incorporated or organized;

(3) if the applicant is a partnership, the state under whose laws the partnership was organized and the names of the general partners;

(4) the names or a description of the goods or services on or in connection with which the mark is being used;

(5) the mode or manner in which the mark is being used on or in connection with the goods or services;

(6) the class to which the goods or services belong;

(7) the date the applicant or applicant's predecessor in interest first used the mark anywhere;

(8) the date the applicant or the applicant's predecessor in interest first used the mark in this state; and

(9) a statement that:

(A) the applicant is the owner of the mark;

(B) the mark is in use; and

(C) to the knowledge of the person verifying the application, no other person has registered the mark, either federally or in this state; or is entitled to use the mark in this state in the identical form used by the applicant, or in a form that is likely, when used on or in connection with the goods or services of the other person, to cause confusion or mistake, or to deceive, because of its resemblance to the mark.

(c) Authorizes SOS to also require a statement as to whether the applicant or the applicant's predecessor in interest has filed an application to register the mark, or a portion or composite of the mark, with the United States Patent and Trademark Office, and, if so, the applicant is required to fully disclose information with respect to that filing, including:

(1) the filing date and serial number of each application;

(2) the status of the filing; and

(3) if any application was finally refused registration or has not otherwise resulted in the issuance of a registration, the reasons for the refusal or nonissuance.

(d) Requires that the application be accompanied by:

(1) three specimens of the mark as actually used; and

(2) an application fee payable to SOS.

(e) Requires that the application be signed and verified by the oath or affirmation of:

(1) the applicant; or

(2) a member of the firm or officer of the corporation or association that is applying for registration of the mark, as applicable.

(f) Authorizes SOS to also require that a drawing of the mark that complies with any requirement specified by SOS accompany the application.

Sec. 16.053. FILING OF APPLICATION; EXAMINATION. (a) Requires SOS, on the filing of an application for registration and payment of the application fee, to examine the application for compliance with this chapter.

(b) Requires the applicant to provide to SOS any additional pertinent information requested by SOS, including a description of a design mark.

Sec. 16.054. AMENDMENT TO APPLICATION. (a) Authorizes an applicant, in response to SOS's rejection of or objection to the registration, to amend, or authorize SOS to amend, the application on reasonable request of SOS or if the applicant considers it advisable.

(b) Authorizes SOS, on agreement by the applicant, to amend the application submitted by the applicant. Authorizes SOS to require the applicant to submit a new application instead of amending the application.

Sec. 16.055. DISCLAIMER OF UNREGISTRABLE COMPONENT. (a) Authorizes SOS to require the applicant to disclaim an unregistrable component of a mark that is

otherwise registrable. Authorizes an applicant to voluntarily disclaim a component of a mark sought to be registered.

(b) Prohibits a disclaimer from prejudicing or affecting:

(1) the rights of the applicant or registrant in the disclaimed matter; or

(2) the rights of the applicant or registrant to submit another application to register the mark if the disclaimed matter is or has become distinctive of the applicant's or registrant's goods or services.

Sec. 16.056. CONCURRENT APPLICATIONS FOR SAME OR SIMILAR MARK.

(a) Requires SOS, when concurrently processing applications for the same or confusingly similar marks used on or in connection with the same or related goods or services, to grant priority to the application that was filed first. Requires SOS, if a prior filed application is granted a registration, to reject any other subsequently filed application.

(b) Authorizes an applicant whose application is rejected under this section to bring an action in accordance with Section 16.106 for cancellation of the previously issued registration on the ground that the applicant has a prior or superior right to the mark.

Sec. 16.057. DENIAL OF REGISTRATION; NOTICE. (a) Requires SOS, if SOS determines that the applicant is not entitled to register the mark, to:

(1) notify the applicant of the determination and the reason for the denial of the application; and

(2) give the applicant reasonable time as prescribed by SOS in which to issue a response to the denial or amend the application, in which event SOS shall reexamine the application.

(b) Authorizes the applicant to repeat the examination procedures described by Subsection (a) until the earlier of:

(1) the expiration of the period prescribed by SOS under Subsection (a)(2); or

(2) the date on which SOS finally refuses registration of the application.

(c) Provides that, if the applicant fails to respond to the denial or to amend the application within the period prescribed by SOS under Subsection (a)(2), the application is considered to have been abandoned.

(d) Authorizes the applicant, if SOS finally refuses registration of the mark, to seek a writ of mandamus against SOS to compel registration in accordance with the procedures prescribed by Section 16.106. Authorizes the writ of mandamus to be granted, without cost to SOS, on proof that all the statements in the application are true and that the mark is otherwise entitled to registration.

Sec. 16.058. CERTIFICATE OF REGISTRATION. (a) Requires SOS, if the application complies with the requirements of this chapter, to cause a certificate of registration to be issued and delivered to the applicant.

(b) Requires the certificate of registration to:

(1) be signed by SOS;

(2) be issued under SOS's official seal;

- (3) indicate the name and business address of the person claiming ownership of the mark;
- (4) if the applicant is a corporation, indicate the state under whose laws the applicant was incorporated or organized;
- (5) if the applicant is a partnership, indicate the state under whose laws the partnership was organized and the names of the general partners;
- (6) include a description of the goods or services on or in connection with which the mark is being used;
- (7) state the class of the goods or services;
- (8) state the date claimed for the first use of the mark anywhere;
- (9) state the date claimed for the first use of the mark in this state;
- (10) show a reproduction of the mark;
- (11) state the registration date; and
- (12) state the term of the registration.

Sec. 16.059. TERM AND RENEWAL OF REGISTRATION. (a) Provides that the registration of a mark under this chapter expires on the fifth anniversary of the date of registration.

(b) Authorizes the registration of a mark under this chapter to be renewed for an additional five-year term by filing a renewal application in the manner prescribed by SOS and paying a renewal fee not later than the 180th day before the date the registration expires.

(c) Requires an application for renewal under this chapter, whether of a registration made under this chapter, or a registration that took effect under a predecessor statute, to include:

- (1) a verified statement stating that the mark has been and is still in use in this state; and
- (2) a specimen of the mark, as actually used on or in connection with the goods or services.

(d) Provides that a mark for which a registration was in effect on August 31, 2012, continues in effect for the unexpired term of the registration and is authorize to be renewed by complying with the requirements for renewal under this section.

Sec. 16.060. RECORD AND PROOF OF REGISTRATION. (a) Requires SOS to keep for public examination a record of all:

- (1) marks registered or renewed under this chapter;
- (2) assignments recorded under Section 16.061; and
- (3) other instruments recorded under Section 16.062.

(b) Provides that registration of a mark under this chapter is constructive notice throughout this state of the registrant's claim of ownership of the mark throughout this state.

(c) Provides that a certificate of registration issued by SOS under this chapter, or a copy of it certified by SOS, is admissible in evidence as prima facie proof of:

- (1) the validity of the registration;
- (2) the registrant's ownership of the mark; and
- (3) the registrant's exclusive right to use the mark in commerce in this state in connection with the goods or services specified in the certificate, subject to any conditions and limitations stated in the certificate.

Sec. 16.061. ASSIGNMENT OF MARK AND REGISTRATION. (a) Provides that a mark and its registration under this chapter are assignable with the goodwill of the business in which the mark is used, or with that part of the goodwill of the business connected with the use of, and symbolized by, the mark.

(b) Requires that an assignment be made by a properly executed written instrument and may be recorded with SOS by:

- (1) filing the assignment; and
- (2) paying a recording fee to SOS.

(c) Requires SOS, if an assignment has been properly filed for record under Subsection (b), to issue in the assignee's name a new certificate of registration for the remainder of the term of the mark's registration or last renewal.

(d) Provides that the assignment of a mark registered under this chapter is void against a purchaser who purchases the mark for valuable consideration after the assignment is made and without notice of it unless the assignment is recorded by SOS:

- (1) not later than the 90th day after the date of the assignment; or
- (2) before the mark is purchased.

(e) Provides that an acknowledgment is prima facie evidence of the execution of an assignment, and when recorded by SOS, the record is prima facie evidence of execution.

Sec. 16.062. RECORDING OF OTHER INSTRUMENTS. (a) Authorizes a certificate of the registrant or applicant effecting a name change of the person to whom the mark was issued or for whom an application was filed to be recorded with SOS by paying a recording fee to SOS.

(b) Authorizes other properly executed written instruments that relate to a mark registered or an application pending with SOS under this chapter, including a license, security interest, or mortgage, to be recorded with SOS, at SOS's discretion.

(c) Provides that an acknowledgment is prima facie evidence of the execution of an instrument other than an assignment under this section, and when recorded by SOS, the record is prima facie evidence of execution.

(d) Requires SOS to accept for recording a copy of an original instrument under this section if the copy is certified to be a true copy by any party to the transaction or the party's successor.

Sec. 16.063. CHANGE OF REGISTRANT'S NAME. Authorizes a new certificate of registration, if a registrant's name is changed during the unexpired term of a mark's registration, to be issued for the remainder of the unexpired term in the new name of the registrant on the filing of a certificate under Section 16.062.

Sec. 16.064. CANCELLATION OF REGISTRATION. (a) Requires SOS to cancel a registration:

- (1) in force on August 31, 2012, that has not been renewed under Section 16.059;
- (2) on receipt of a voluntary request for cancellation from the registrant under this chapter or the registrant's assignee of record;
- (3) granted under this chapter and not renewed under Section 16.059;
- (4) with respect to which a court has rendered a judgment finding that:
 - (A) the registered mark has been abandoned;
 - (B) the registrant is not the owner of the mark;
 - (C) the registration was granted improperly;
 - (D) the registration was obtained fraudulently;
 - (E) the registered mark is or has become the generic name for the goods or services, or part of the goods or services, in connection with which the mark was registered;
 - (F) the registered mark is so similar, as to be likely to cause confusion or mistake or to deceive, to a mark that is registered by another person in the United States Patent and Trademark Office before the date the application for registration was filed under this chapter, and is not abandoned; or
 - (G) the registration was canceled by order of a court on any ground; or
- (5) when a court of competent jurisdiction orders cancellation of a registration on any ground.

(b) Prohibits SOS, if a registrant's mark is considered for cancellation under Subsection (a)(4)(F) and the registrant proves that the registrant is the owner of a mark concurrently registered as a mark with the United States Patent and Trademark Office to cover a geographical area that includes a part of this state, from canceling registration of the mark for the geographical area of this state covered by the federal registration.

Sec. 16.065. CLASSIFICATION OF GOODS AND SERVICES. (a) Requires SOS by rule to establish a classification of goods and services for the convenient administration of this chapter. Prohibits the classifications established under this section from limiting or expanding an applicant's or registrant's rights. Requires the classification of goods and services, to the extent practicable, to conform to the classification of goods and services adopted by the United States Patent and Trademark Office.

(b) Authorizes an applicant to include in a single application for registration of a mark any or all goods or services in connection with which the mark is actually being used and the appropriate class or classes of the goods or services.

(c) Authorizes SOS, if a single application for registration of a mark includes goods or services that belong in multiple classes, to require payment of a fee for each class of goods or services.

Sec. 16.066. FEES. (a) Requires SOS by rule to prescribe the amount of fees payable for the various applications and for the filing and recording of those applications for related services.

(b) Provides that unless specified otherwise by SOS, a fee under this chapter is not refundable.

[Reserves Sections 16.067-16.100 for expansion.]

SUBCHAPTER C. ENFORCEMENT

Sec. 16.101. FRAUDULENT REGISTRATION. Provides that a person who procures for the person or another the filing of an application or the registration of a mark under this chapter by knowingly making a false or fraudulent representation or declaration, oral or written, or by any other fraudulent means, is liable to pay all damages sustained as a result of the filing or registration. Authorizes the damages to be recovered by or on behalf of the injured party in any court of competent jurisdiction.

Sec. 16.102. INFRINGEMENT OF REGISTERED MARK. (a) Provides that, subject to Section 16.107, a person commits an infringement if the person:

(1) without the registrant's consent, uses anywhere in this state a reproduction, counterfeit, copy, or colorable imitation of a mark registered under this chapter in connection with selling, distributing, 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, counterfeits, copies, or colorably imitates a mark registered under this chapter and applies the reproduction, counterfeit, copy, or colorable imitation to a label, sign, print, package, wrapper, receptacle, or advertisement intended to be used in selling or distributing, or in connection with the sale or distribution of, goods or services in this state.

(b) Authorizes a registrant to sue for damages and to enjoin an infringement proscribed by Subsection (a).

(c) Requires the court, if the court determines that there has been an infringement, to enjoin the act of infringement and is authorized to:

(1) subject to Subsection (d), require the violator to pay the registrant all profits derived from or damages resulting from the acts of infringement; and

(2) order that the infringing counterfeits or imitations in the possession or under the control of the violator be delivered to an officer of the court to be destroyed, or delivered to the registrant to be destroyed.

(d) Authorizes the court, in the court's discretion, if the court finds that the violator acted with actual knowledge of the registrant's mark or in bad faith, to:

(1) enter judgment in an amount not to exceed three times the amount of profits and damages; and

(2) award reasonable attorney's fees to the prevailing party.

(e) Provides that a registrant is entitled to recover damages under Subsections (a)(2), (c)(1), and (d) only if the violator acted with intent to cause confusion or mistake or to deceive.

(f) Provides that the enumeration of any right or remedy under this section does not affect the prosecution of conduct under the penal laws of this state.

Sec. 16.103. INJURY TO BUSINESS REPUTATION; DILUTION. (a) Entitles the owner of a mark that is famous and distinctive, inherently or through acquired distinctiveness, in this state, subject to the principles of equity, to enjoin another person's commercial use of a mark or trade name that begins after the mark has become famous if use of the mark or trade name is likely to cause the dilution of the famous mark.

(b) Provides that, for purposes of this section, a mark is considered to be famous if the mark is widely recognized by the public throughout this state or in a geographic area in this state as a designation of source of the goods or services of the mark's owner. Authorizes a court, in determining whether a mark is famous, to consider factors including:

(1) the duration, extent, and geographic reach of the advertisement and publicity of the mark in this state, regardless of whether the mark is advertised or publicized by the owner or a third party;

(2) the amount, volume, and geographic extent of sales of goods or services offered under the mark in this state;

(3) the extent of actual recognition of the mark in this state; and

(4) whether the mark is registered in this state or in the United States Patent and Trademark Office.

(c) Entitles the owner of a famous mark, in an action brought under this section, to injunctive relief throughout the geographic area in this state in which the mark is found to have become famous before the use of the other mark. Entitles the owner, if the court finds that the person against whom the injunctive relief is sought wilfully intended to cause the dilution of the famous mark, also to remedies under this chapter, subject to the court's discretion and principles of equity.

(d) Prohibits a person from bringing an action under this section for:

(1) a fair use, including a nominative or descriptive fair use, or facilitation of the fair use, of a famous mark by another person other than as a designation of source for the person's own goods or services, including a fair use in connection with advertising or promoting that permits consumers to compare goods or services, or identifying and parodying, criticizing, or commenting on the famous mark owner or the famous mark owner's goods or services;

(2) a noncommercial use of the mark; or

(3) any form of news reporting or commentary.

Sec. 16.104. REMEDIES. (a) Authorizes an owner of a mark registered under this chapter to bring an action to enjoin the manufacture, use, display, or sale of any counterfeits or imitations of a mark.

(b) Requires a court, if the court finds that a wrongful act described by Subsection (a) has been committed, to enjoin the wrongful manufacture, use, display, or sale and authorizes a court to:

(1) subject to Subsection (c), require the violator to pay to the owner of the mark all profits derived from or damages resulting from the wrongful acts; and

(2) order that the wrongful counterfeits or imitations in the possession or under the control of the defendant be delivered to an officer of the court to be destroyed, or delivered to the complainant to be destroyed.

(c) Authorizes the court, in the court's discretion, if the court finds that the violator committed the wrongful acts with knowledge of the registrant's mark or in bad faith, or otherwise as according to the circumstances of the case, to:

(1) enter judgment in an amount not to exceed three times the amount of profits and damages; and

(2) award reasonable attorney's fees to the prevailing party.

Sec. 16.105. OLYMPIC SYMBOLS. (a) Prohibits a person, without the permission of the United States Olympic Committee, from, for the purpose of trade, inducing the sale of goods or services, or promoting a theatrical exhibition, athletic performance, or competition, using:

(1) the symbol of the International Olympic Committee, consisting of five interlocking rings;

(2) the emblem of the United States Olympic Committee, consisting of an escutcheon having a blue chief and vertically extending red and white bars on the base with five interlocking rings displayed on the chief;

(3) a trademark, trade name, sign, symbol, or insignia falsely representing association with or authorization by the International Olympic Committee or the United States Olympic Committee; or

(4) the words "Olympic," "Olympiad," or "Citius Altius Fortius" or a combination or simulation of those words that tends to cause confusion or mistake, to deceive, or to suggest falsely a connection with the United States Olympic Committee or an Olympic activity.

(b) Entitles the United States Olympic Committee, on violation of Subsection (a), to the remedies available to a registrant on infringement of a mark registered under this chapter.

Sec. 16.106. FORUM FOR ACTIONS REGARDING REGISTRATION; SERVICE ON OUT-OF-STATE REGISTRANTS. (a) Requires that an action to require cancellation of a mark registered under this chapter or in mandamus to compel registration of a mark under this chapter be brought in a district court of Travis County. Requires that the proceeding, in an action to compel registration of a mark, be based solely on the record before SOS.

(b) Prohibits SOS, in an action for cancellation, from being made a party to the proceeding but requires that SOS be notified of the filing of the complaint by the clerk of the court in which the action is filed and be given the right to intervene in the action.

(c) Authorizes service, in an action brought against a nonresident registrant, to be made on SOS as agent for service of process of the registrant in accordance with

the procedures established for service on foreign corporations and business entities under the Business Organizations Code.

Sec. 16.107. COMMON LAW RIGHTS NOT AFFECTED. Provides that no registration under this chapter adversely affects common law rights acquired prior to registration under this chapter. Prohibits, however, any common law rights as against the registrant of the mark, during any period when the registration of a mark under this chapter is in force and the registrant has not abandoned the mark, from being acquired.

Deletes existing Subchapters A (General Provisions), B (Registration of Mark), and C (Court Action).

SECTION 2. Amends Sections 32.23(3), (5), and (6), Penal Code, to redefine, respectively, in this section, "protected mark," "service mark," and "trademark."

SECTION 3. Provides that the intent of this Act is to provide a system of trademark registration and protection in this state that is substantially consistent with the federal system of trademark registration and protection under the Trademark Act of 1946, as amended. Provides that, to that end, the construction given to the Trademark Act of 1946 (15 U.S.C. Section 1051 et seq.) should be examined as persuasive authority for interpreting and construing this Act.

SECTION 4. Provides that the changes in law made by this Act do not affect any suit, proceeding, or appeal pending on the effective date of this Act. Provides that any suit, proceeding, or appeal pending on the effective date of this Act is governed by the law in effect on the date the suit, proceeding, or appeal was filed, and the former law is continued in effect for that purpose.

SECTION 5. Effective date: September 1, 2012.