

BILL ANALYSIS

C.S.H.B. 3141
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Business & Industry
Committee Report (Substituted)

BACKGROUND AND PURPOSE

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. C.S.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.

RULEMAKING AUTHORITY

It is the committee's opinion that rulemaking authority is expressly granted to the secretary of state in SECTION 1 of this bill.

ANALYSIS

C.S.H.B. 3141 amends the Business & Commerce Code to amend provisions of law relating to the registration and protection of trademarks. The bill establishes that its intent is to provide a system of trademark registration and protection in Texas that is substantially consistent with the federal system of trademark registration and protection under the Trademark Act of 1946, as amended, and provides that the construction given to that act should be examined as persuasive authority for interpreting and construing the bill's provisions. The bill specifies that its provisions do 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.

C.S.H.B. 3141 establishes the conditions under which a mark is considered to be in use in Texas in connection with goods and in connection with services and establishes that a mark made merely to reserve a right in the mark is not considered to be in use in Texas in connection with goods or services. The bill removes provisions of law relating to the conditions under which a mark is considered to be in use. The bill establishes that a mark is considered to be abandoned when the mark's use has been discontinued with intent not to resume the use or the owner's conduct, including an omission or commission of an act, causes the mark to lose its significance as a mark. The bill provides that intent not to resume use of a mark may be inferred from the circumstances and that nonuse of a mark for three consecutive years constitutes prima facie evidence of the mark's abandonment.

C.S.H.B. 3141 provides that a mark that distinguishes an applicant's goods or services from those of others is registrable except under specified circumstances and establishes that certain circumstances do not prevent registration of a mark used by the applicant that has become distinctive as applied to the applicant's goods or services. The bill authorizes the secretary of state to accept as evidence that a mark has become distinctive proof of continuous use of the mark by the applicant in Texas for the five years preceding the date on which the claim of distinctiveness is made. The bill removes provisions of law relating to registrable marks.

C.S.H.B. 3141 authorizes a person who uses a mark, subject to the limitations prescribed in the bill's provisions, to register the mark in the office of the secretary of state in the manner prescribed by the secretary of state and specifies the information the application is required to include. The bill authorizes the secretary of state also to 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, requires the applicant to fully disclose information with respect to that filing. The bill requires the application to be accompanied by three specimens of the mark as actually used and an application fee payable to the secretary of state. The bill requires the application to be signed and verified by the oath or affirmation of either the applicant or a member of the firm or officer of the corporation or association that is applying for registration of the mark, as applicable. The bill authorizes the secretary of state also to require that a drawing of the mark that complies with any requirement specified by the secretary of state accompany the application. The bill removes provisions of law relating to an application for the registration of a mark.

C.S.H.B. 3141 requires the secretary of state, on the filing of an application for registration of a mark and payment of the application fee, to examine the application for compliance with the provisions of the bill and requires the applicant to provide to the secretary of state any additional pertinent information requested by the secretary of state. The bill authorizes the applicant, in response to the secretary of state's rejection of or objection to the registration, to amend, or authorize the secretary of state to amend, the application on reasonable request of the secretary of state or if the applicant considers it advisable. The bill authorizes the secretary of state, on agreement by the applicant, to amend the application submitted by the applicant and authorizes the secretary of state to require the applicant to submit a new application instead of amending the application. The bill removes provisions of law relating to the examination of an application for registration of a mark and amendments to such an application.

C.S.H.B. 3141 authorizes the secretary of state to require the applicant to disclaim an unregistrable component of a mark that is otherwise registrable and authorizes an applicant to voluntarily disclaim a component of a mark sought to be registered. The bill prohibits a disclaimer from prejudicing or affecting the rights of the applicant or registrant in the disclaimed matter or 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. The bill requires the secretary of state, 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 and, if a prior filed application is granted a registration, to reject any other subsequently filed application. The bill authorizes an applicant whose application is rejected to bring an action, in accordance with the bill's provisions relating to a forum for actions regarding registration, for cancellation of the previously issued registration on the ground that the applicant has a prior or superior right to the mark. The bill removes provisions of law relating to a disclaimer of an unregistrable component of a mark and relating to a concurrent application for the same or similar mark.

C.S.H.B. 3141 requires the secretary of state, if the secretary of state determines that the applicant is not entitled to register the mark, to notify the applicant of the determination and the reason for the denial of the application and give the applicant reasonable time as prescribed by the secretary of state in which to issue a response to the denial or amend the application, in which event the secretary of state is required to reexamine the application. The bill authorizes the applicant to repeat the examination procedures described by the bill's provisions until the earlier of specified dates. The bill establishes that if the applicant fails to respond to the denial or to amend the application within the period prescribed by the secretary of state, the application is considered to have been abandoned. The bill authorizes the applicant, if the secretary of state finally refuses registration of the mark, to seek a writ of mandamus against the secretary of state to compel registration in accordance with the procedures prescribed by the bill's provisions. The bill authorizes the writ of mandamus to be granted, without cost to the secretary of state, on

proof that all the statements in the application are true and that the mark is otherwise entitled to registration. The bill removes provisions of law relating to the denial of an application for registration of a mark, including notification of the denial and review of the decision.

C.S.H.B. 3141 requires the secretary of state, if the application complies with the requirements set out in the bill, to cause a certificate of registration to be issued and delivered to the applicant and provides that the certificate must meet certain requirements and include specified information. The bill provides that the registration of a mark under the bill's provisions expires on the fifth anniversary of the date of registration and authorizes the registration of a mark to be renewed for an additional five-year term by filing a renewal application in the manner prescribed by the secretary of state and paying a renewal fee not later than the 180th day before the date the registration expires. The bill sets out requirements for an application for renewal and establishes 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 may be renewed by complying with the renewal requirements under the bill's provisions. The bill removes provisions of law relating to the registration of a mark by the secretary of state, the term of a registration, notice of the expiration of a registration, and the renewal of a registration and reregistration.

C.S.H.B. 3141 requires the secretary of state to keep certain records relating to marks for public examination and provides that a certificate of registration issued by the secretary of state under the bill's provisions, or a copy of the certificate of registration certified by the secretary of state, is admissible in evidence as prima facie proof of the validity of the registration; the registrant's ownership of the mark; and 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. The bill establishes that registration of a mark is constructive notice throughout Texas of the registrant's claim of ownership of the mark throughout Texas. The bill provides that a mark and its registration under the bill's provisions 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. The bill requires an assignment to be made by a properly executed written instrument and authorizes it to be recorded with the secretary of state by filing the assignment and paying a recording fee to the secretary of state. The bill requires the secretary of state, if an assignment has been properly filed for record, 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. The bill provides that the assignment of a mark registered under the bill's provisions 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 the secretary of state within a specified period of time. The bill establishes that an acknowledgment is prima facie evidence of the execution of an assignment, and when recorded by the secretary of state, the record is prima facie evidence of execution. The bill removes provisions of law relating to records of registrations kept by the secretary of state, registration of a mark as constructive notice of the registrant's claim of ownership of the mark, and the admissibility of a certificate of registration or a certified copy of a certificate in evidence for specified purposes.

C.S.H.B. 3141 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 the secretary of state by paying a recording fee to the secretary of state and authorizes other properly executed written instruments that relate to a mark registered or an application pending with the secretary of state under the bill's provisions to be recorded with the secretary of state at the secretary of state's discretion. The bill establishes that an acknowledgment is prima facie evidence of the execution of an instrument other than an assignment under the bill's provisions, and when recorded by the secretary of state, the record is prima facie evidence of execution. The bill requires the secretary of state to accept for recording a copy of an original instrument if the copy is certified to be a true copy by any party to the transaction or the party's successor. The bill authorizes, if a registrant's name is changed during the unexpired term of a mark's registration, a new certificate of 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 the provisions of the bill. The bill removes provision of law relating to the recordation of other instruments in connection with a mark, the transfer of a mark, and amendments to trademark records to reflect a change in the registrant's name or address.

C.S.H.B. 3141 requires the secretary of state to cancel a registration in force on August 31, 2012, that has not been renewed under applicable provisions of the bill; on receipt of a voluntary request for cancellation from the registrant or the registrant's assignee of record; granted under the bill's provisions and not renewed under an applicable bill provision; with respect to which a court has rendered a judgment making certain findings; or when a court of competent jurisdiction orders cancellation of a registration on any ground. The bill prohibits the secretary of state, if a registrant's mark is considered for cancellation because it is so similar to a certain other mark as to be likely to cause confusion, from canceling registration of the mark for the geographical area of Texas covered by federal registration if 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 Texas. The bill removes provisions of law relating to cancellation of registration, the powers of the secretary of state, requirements relating to electronic filings of certain trademark documents, and authorized formats for reproductions of such documents.

C.S.H.B. 3141 requires the secretary of state by rule to establish a classification of goods and services for the convenient administration of the bill's provisions, prohibits such a classification from limiting or expanding an applicant's or registrant's rights, and requires the classification, to the extent practicable, to conform to the classification of goods and services adopted by the United States Patent and Trademark Office. The bill 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. The bill authorizes the secretary of state, 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. The bill removes provisions of law relating to the classification of goods and services for purposes of registering a mark.

C.S.H.B. 3141 requires the secretary of state 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 and specifies that a fee under the bill's provisions is not refundable unless specified otherwise by the secretary of state.

C.S.H.B. 3141 establishes that a person who procures for the person or another the filing of an application or the registration of a mark under the bill's provisions 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. The bill authorizes damages to be recovered by or on behalf of the injured party in any court of competent jurisdiction. The bill sets out provisions relating to the circumstances that constitute the infringement of a registered mark and authorizes a registrant to sue for damages and to enjoin an infringement proscribed by the bill's provisions. The bill requires the court, if the court determines that there has been an infringement, to enjoin the act of infringement and authorizes the court, subject to other provisions of the bill, to require the violator to pay the registrant all profits derived from or damages resulting from the acts of infringement and 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. The bill authorizes the court, in its discretion, if the court finds that the violator acted with actual knowledge of the registrant's mark or in bad faith, to enter judgment in an amount not to exceed three times the amount of profits and damages and award reasonable attorney's fees to the prevailing party. The bill entitles a registrant to recover damages under the bill's provisions only if the violator acted with intent to cause confusion or mistake or to deceive and establishes that the enumeration of any right or remedy under provisions relating to the infringement of a

registered mark does not affect the prosecution of conduct under the state's penal laws. The bill removes provisions of law relating to the infringement of a registered mark, exceptions to liability for infringement, a review of a decision by the secretary of state to refuse to register a mark or to renew the registration of a mark, and the filing of a suit to cancel the registration of a mark.

C.S.H.B. 3141 entitles an owner of a mark that is famous and distinctive, inherently or through acquired distinctiveness, and 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. The bill establishes the grounds for considering a mark to be famous and authorizes the court, in determining whether a mark is famous, to consider certain factors. The bill entitles the owner of a famous mark, in an action brought under the bill's provisions relating to the injury or dilution of a business's reputation, to injunctive relief throughout the geographic area in Texas in which the mark is found to have become famous before the use of the other mark. The bill entitles the owner to remedies under the bill's provisions, subject to the court's discretion and principles of equity, if the court finds that the person against whom the injunctive relief is sought wilfully intended to cause the dilution of the famous mark. The bill removes provisions of law relating to the procurement of an application or registration by fraud, authorized actions in connection with the likely injury to a business's reputation or trade name or mark, and Olympic symbols.

C.S.H.B. 3141 prohibits a person from bringing an action under the bill's provisions for a fair use of a famous mark by another person, with certain exceptions. The bill removes provisions of law relating to a criminal penalty for certain offenses relating to trademark documents.

C.S.H.B. 3141 authorizes an owner of a mark registered under the bill's provisions to bring an action to enjoin the manufacture, use, display, or sale of any counterfeits or imitations of a mark. The bill requires the court, if the court finds that a wrongful act has been committed, to enjoin the wrongful manufacture, use, display, or sale. The bill authorizes the court, subject to certain provisions of the bill, to require the violator to pay to the owner of the mark all profits derived from or damages resulting from the wrongful acts and to 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. The bill authorizes the court, in its 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 enter judgment in an amount not to exceed three times the amount of profits and damages and award reasonable attorney's fees to the prevailing party.

C.S.H.B. 3141 prohibits a person, without the permission of the United States Olympic Committee, from using for the purpose of inducing the sale of goods or services or promoting a theatrical exhibition, athletic performance, or competition any of the following: the symbol of the International Olympic Committee; the emblem of the United States Olympic Committee; 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 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. The bill entitles the United States Olympic Committee, on violation of such a prohibition, to the remedies available to a registrant on infringement of a mark registered under the bill's provisions.

C.S.H.B. 3141 requires an action to require cancellation of a mark registered under the bill's provisions or in mandamus to compel registration of a mark under the bill's provisions to be brought in a district court of Travis County and requires the proceeding, in an action to compel registration of a mark, to be based solely on the record before the secretary of state. The bill prohibits the secretary of state from being made a party to the proceeding in an action for cancellation but requires the secretary of state to be notified of the filing of the complaint by the

clerk of the court in which the action is filed and to be given the right to intervene in the action. The bill provides that, in an action brought against a nonresident registrant, service may be made on the secretary of state 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.

C.S.H.B. 3141 provides that no registration under the bill's provisions adversely affects common law rights acquired before registration under the bill's provisions. The bill prohibits common law rights as against the registrant of the mark from being acquired during any period when the registration of a mark under the bill's provisions is in force and the registrant has not abandoned the mark.

C.S.H.B. 3141 defines "applicant," "dilution," "dilution by blurring," "dilution by tarnishment," "mark," "person," "registrant," "service mark," "trade name," and "trademark." The bill removes from provisions of law governing trademarks the definitions for "applicant," "mark," "registrant," "service mark," "trademark," and "trade name."

C.S.H.B. 3141 amends the Penal Code to make conforming changes to the definitions of "protected mark," "service mark," and "trademark."

EFFECTIVE DATE

September 1, 2012

COMPARISON OF ORIGINAL AND SUBSTITUTE

C.S.H.B. 3141 differs from the original by establishing that a mark is not registrable if, among other conditions, it 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 an unabandoned mark registered with the United States Patent and Trademark Office, whereas the original establishes that a mark is not registrable under those conditions because it resembles an unabandoned mark or trade name previously used by another person.

C.S.H.B. 3141 differs from the original by establishing that a mark for which a registration was in effect on August 31, 2012, continues in effect for the unexpired term of the registration, whereas the original provides for the continued effect of a registration that was in effect on August 31, 2011.

C.S.H.B. 3141 contains a provision not included in the original establishing that registration of a mark under the bill's provisions is constructive notice throughout Texas of the registrant's claim of ownership of the mark throughout Texas.

C.S.H.B. 3141 differs from the original by specifying that the admissibility in evidence of a certificate or registration, or a certified copy of the certificate, is prima facie proof of the registration's validity in any court action, whereas the original omits the reference to any court action.

C.S.H.B. 3141 contains a provision not included in the original providing that a certificate of registration, or a certified copy of the certificate, is admissible in evidence as prima facie proof of the registrant's ownership of the mark and of the registrant's exclusive right to use the mark in commerce in Texas in connection with the goods or services specified in the certificate, subject to any conditions and limitations stated in the certificate.

C.S.H.B. 3141 differs from the original by requiring the secretary of state to cancel a registration in force on August 31, 2012, that has not been renewed under the bill's provisions for renewal, whereas the original requires cancellation under those circumstances of a registration in force on

August 31, 2011.

C.S.H.B. 3141 contains provisions not included in the original prohibiting the use of certain Olympic symbols and emblems and other trademarks, trade names, signs, symbols, insignia, or words generally associated with the Olympic games for the purpose of inducing the sale of goods or services or promoting a theatrical exhibition, athletic performance, or competition without the permission of the United States Olympic Committee.

C.S.H.B. 3141 differs from the original by providing that no registration under the bill's provisions adversely affects common law rights acquired before registration, whereas the original establishes that nothing in the bill's provisions adversely affects common law rights or the enforcement of common law rights in marks acquired in good faith at any time under common law. The substitute contains a provision not included in the original prohibiting common law rights as against the registrant of the mark from being acquired during any period when the registration of a mark is in force and the registrant has not abandoned the mark.

C.S.H.B. 3141 differs from the original by making a conforming change to the definition of "protected mark" to reflect a change in section numbering in the statutory provision of the Business & Commerce Code protecting a trademark, service mark, or identification mark, whereas the original removes the citation altogether.

C.S.H.B. 3141 differs from the original by making the bill effective September 1, 2012, whereas the original makes the bill effective September 1, 2011.