



INFORMATION FOR CLIENTS OF TEXAS ATTORNEYS

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Texas' New Trademark Act

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On Sept. 1, 2012, a new trademark law will replace Texas' current trademark laws. The new law is designed to make Texas law more consistent with federal trademark law (the Lanham Act). Some of the more significant changes are summarized in this article.

HEIGHTENED SCRUTINY OF TRADEMARK APPLICATIONS

The most significant revision to the Texas trademark application process requires the Texas Secretary of State to refuse reg-

istration to marks likely to cause confusion with a mark already registered at the U.S. Patent and Trademark Office (PTO). Current law requires rejections based only on marks registered in Texas. Under the new law, the Secretary of State will likely compare each application against the much larger PTO Register before allowing a registration, likely leading to an increase in the number of rejections. The new law also permits third parties to seek cancellation of another's registration if there is proof of likelihood

of confusion with a PTO-registered mark. The application will be required to be signed and verified under oath, which is not required under current law.

The new law also makes it harder for disappointed applicants to challenge rejected applications in court. Under current law, disappointed parties can present whatever admissible evidence they choose and have only to prove their case by a preponderance of evidence. Under the new law, denials can be challenged only under a stricter mandamus standard and



no evidence beyond “the record before the secretary of state” will be allowed.

SHORTER REGISTRATION TERMS; LICENSES AND SECURITY INTERESTS RECORDABLE

The new law shortens the initial (and renewal) terms of a Texas registration from 10 years to five years. But it allows recordation of licenses and security interests in Texas-registered marks for purposes of public notice to competing lien holders and third-party purchasers.

MORE MONETARY REMEDIES (INFRINGEMENT’S PROFITS, TREBLING, ATTORNEY’S FEES)

Under current law, owners of Texas-registered trademarks may seek actual damages and injunctions. But in trademark cases it is usually difficult to prove actual damages. To address this, the new law provides three additional monetary remedies. First, a court can order an infringer to pay over the profits derived from infringement. This creates the possibility of monetary compensation even where actual damages are hard to prove. Courts will likely follow the federal practice of requiring a mark owner only to prove the infringer’s sales revenue, leaving the infringer to prove any expense/cost deductions.

In addition, when the infringer acts with actual knowledge of the infringed mark, or in bad faith, the new law provides that a court may increase the damages and profits award up to 300 percent and/or order an infringer to pay the trademark owner’s attorney’s fees.

ACTIONS FOR TRADEMARK “DILUTION” BETTER DEFINED BUT LIMITED TO FAMOUS MARKS

The current law contains an anti-dilution provision aimed at stopping non-confusing uses that nonetheless harm or erode a trademark owner’s goodwill or tarnish positive associations with the mark. But the current provision is so broad and cryptic that courts have been

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reluctant to enforce it. In response, the new law contains a detailed definition of dilution, and where the dilution is willful, new monetary remedies will apply.

The new law, however, narrows the class of marks entitled to dilution protection. While the current provision applies to any distinctive mark, the new anti-dilution provision is limited to marks that qualify as “famous.” The new provision also expressly lists several defenses to dilution, such as descriptive, comparative advertising, parody, news, and commentary usages.

TIMING OF TRADEMARK APPLICATIONS AND LAWSUITS

The new law implicates timing issues. Marks registered before Sept. 1, 2012, will keep their longer 10-year terms and will be easier to obtain. So it makes sense to apply for registration sooner rather than later to maximize the chances of obtaining a registration before that date.

As the effective date gets closer, it may also make sense to consider postponing a Texas trademark lawsuit until the new law — with its more potent remedies — takes effect, taking into consideration the potential risks of waiting. For example, one risk would be the degree to which waiting would undercut any contemplated request for a temporary injunction.

CONCLUSION

The new law presents a mixed bag for Texas trademarks. Overall, trademarks registered in Texas will have higher

strength and value than under current law. Along with the availability of more monetary remedies for registrants, the new law will encourage Texas businesses, nonprofits, and educational institutions to seek Texas trademark registrations.

But applications will be subject to higher scrutiny, appeals from denials of registration will be harder to win, and registration terms will be cut in half. And while the provisions concerning dilution provide much-needed clarity, the new law makes it harder to qualify for dilution protection. ✪

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