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State Trade Name Registration Is Insufficient To Clear a Trademark

BY DAVID M. KOHANE

Many practitioners are aware of federal laws for the protection and registration of trademarks. Federal trademark protection, however, extends only to marks used in interstate commerce. Although the constitution's interstate commerce clause is broadly interpreted, it does not extend to purely intrastate commerce or, therefore, to trademarks used only within New Jersey's borders.

New Jersey law partially fills this gap. Trademarks and business names enjoy protection under this state's common law. In addition, the New Jersey Trademark Act, N.J.S.A. 56:3-13a et seq, offers certain protections similar to federal law for companies doing business only in this state. This article reviews those state law protections. It also explains why New Jersey's state and county procedures for reserving and registering business names are insufficient to "clear" a trademark.

Trademarks, Service Marks and Trade Names

Kohane is a member of Cole, Schotz, Meisel, Forman & Leonard in Hackensack.

A trademark is a designation used to distinguish a company's goods from another's goods and identify those goods as originating from a particular source. A service mark serves the same function for a company's services. Mark refers to both trademarks and service marks. A mark can be a word, name, symbol, or device, or any combination thereof. N.J.S.A. 56:13.1a. A trade name, in contrast, identifies the business itself.

The Nature of Trademark Protection

Protection of trademarks and trade names is part of unfair competition law. The law protects against the use of marks likely to cause confusion with a prior user's mark. The imitation of a name, mark, product appearance that enjoys the goodwill of the purchasing public can constitute unfair competition. *Red Devil Tools v. Tip Top Brush Co.*, 50 N.J. 563 (1967).

Marks do not get trademarked by some governmental process. A business becomes the owner of a mark by using the mark in commerce to identify its goods or services. The federal and state governments do, however, register marks. Registration is permissive, but it affords substantial advantages.

Federal law spells out those advantages in detail. As discussed below, New Jersey's Trademark Act is less specific about the advantages of registration, and it remains to be seen how courts will interpret those protections.

New Jersey's Registration Scheme

New Jersey's system for registering marks is generally modeled on the federal scheme. It provides for registration of marks — not trade names — by which a company's goods or services "may be distinguished" from those of others. N.J.S.A. 56:3-13.2. This "distinctiveness" requirement is common to statutory and common law trademark protection schemes and refers to whether the term operates as an identifier of source rather than as a statement of the nature of the product or service (e.g., one can claim trademark protection for using "apple" on computers but not on apples).

Like the federal system, New Jersey will refuse registration even to a distinctive mark under certain circumstances. Most important, registration is to be refused if the mark is "likely, when used on or in connection with the goods or services of the applicant, to cause confusion or mistake or to deceive" with a mark previously registered in New Jersey or a mark or trade name already in use in the state. N.J.S.A. 56:3-13.2(f).

New Jersey's registration procedures in many ways resemble their

federal counterparts, including disclaimer of unregistrable components of the mark and opportunities to contest or appeal (to the Office of Administrative Law) refusals. State registrations may be cancelled on application of a third party. N.J.S.A. 56:3-13.3-13.b.

There are, however, some differences between the state and federal schemes. State registration is filed on paper; federal registrations are usually accomplished on-line. New Jersey has no "Official Gazette" to publish pending applications for opposition and no "Supplemental Register" for descriptive marks that may acquire distinctiveness. State registrations must be renewed every five years. N.J.S.A. 56:3-13.5. A federal presumption of abandonment through nonuse now arises after three years, 15 U.S.C. § 1127; New Jersey presumes abandonment after two years. N.J.S.A. 56:3-13.1a.

A certificate of registration is admissible to prove the registration in New Jersey's courts. N.J.S.A. 56:3-13.4. Unlike the federal statute, however, New Jersey's statute says little about what legal rights registration establishes. Where federal registration grants federal registrants nationwide priority in the use of the mark (15 U.S.C. § 1057), the New Jersey Trademark Act makes no explicit statement whether state registration grants statewide priority. Federal registration affords a presumption of validity, ownership and exclusive rights, 15 U.S.C. § 1057(b), 1115(a); New Jersey's Trademark Act does not spell out that equivalent presumptions arise from state registration. The act leaves these issues to the courts, but it does provide some guidance. It states it is intended to "provide a system of state trademark registration and protection substantially consistent with the federal system of trademark registration and protection" and instructs that federal law is "persuasive authority" in interpreting New Jersey's act. N.J.S.A. 56:3-13a.

Regardless of how these issues are decided, New Jersey registration can deter infringers and establish a mark owner's dedication to protecting its mark, helping avoid disputes and

litigation. For small businesses without an interstate nexus, New Jersey registration can be a relatively inexpensive way to enhance a mark's value.

New Jersey Statutory Trademark Remedies

The New Jersey Trademark Act includes remedies for infringement of both registered and common-law marks similar to those afforded by federal law. The owner of a mark may bring a civil action, for example, against persons who use any "reproduction, counterfeit, copy or colorable imitation" of a mark in a way "likely to cause confusion or mistake or to deceive as to the source of origin of the goods or services." N.J.S.A. 56:3-13.16.a.

Remedies can include injunctive relief, destruction of goods or materials bearing infringing marks, disgorgement of profits and damages. Treble damages and attorneys' fees are available, in the court's discretion, if the infringement was knowing, in bad faith or "egregious." N.J.S.A. 56:3-13.16.d. Under specified circumstances, the court may order ex parte seizures and injunctive relief of goods bearing counterfeit marks. The statute authorizes the attorney general to intervene if the infringement poses a threat to the public health, safety or welfare. N.J.S.A. 56:3-13.16.c.

New Jersey also has an "unfair competition" statute that protects marks, business names and a business's goodwill. N.J.S.A. 56:4-1 prohibits the appropriation of another's "name, brand, trade-mark, reputation or good will...." The statute authorizes injunctive relief and damages; the court may award treble damages in its discretion. N.J.S.A. 56:4-2.

Federal law often relies on multifactor tests to determine when marks are confusingly similar and therefore infringing. New Jersey's test is substantially the same. *Buying for the Home, LLC v. Humble Abode, LLC*, 459 F. Supp.2d 310 (D.N.J. 2006); *American Home Mortgage Corporation v. American Home Mortgage Corporation*, 357 N.J. 273 (App. Div. 2003).

Finally, New Jersey's stat-

ute prohibits use of a "famous" mark that "causes dilution of the distinctive quality of the owner's mark." N.J.S.A. 56:3-13.20. The protection is somewhat narrower than current federal protections. New Jersey's statute prohibits dilution of the distinctive quality of a mark ("blurring"); federal law protects against blurring but also protects against "tarnishment" of a famous mark through use of the defendant's mark on goods or services of lesser quality. Unlike federal law, furthermore, New Jersey's statute requires actual dilution, not just a likelihood of dilution. 15 U.S.C. § 1125(c).

Registering a Trade Name Does Not "Clear" It for Trademark Purposes

A common misconception is that registration or reservation of a trade name protects against a charge of trademark infringement. The willingness of the county clerk (for sole proprietorships and general partnerships) or the state (for corporations, limited liability companies and limited partnerships) to register or reserve a name does not give the registrant the trademark or ensure that a business's name will not infringe another business's mark or trade name.

Although the statutes provide that a corporation, limited liability company or limited partnership may only register its actual name if it will "distinguish it" from another company's name, for example, a company can register an alternate name regardless of whether the name will "distinguish it" from another company's name. N.J.S.A. 14A:1-2.1, 42:2A:6.1, 42:2B-4.b. The divided state/county system for registering and reserving trade names does not provide for cross-checking of state and county records. The trade name registration/reservation process also does not check for registrations and uses of marks and names outside New Jersey or for unregistered uses of marks with common-law protection. Generally speaking, therefore, a trademark search is needed to "clear" a name or mark for trademark purposes — preferably before a company invests time, money and effort to develop goodwill in the mark. ■