

# SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

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Prepared By: Judiciary Committee

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BILL: CS/CS/SB 2186

INTRODUCER: Judiciary Committee, Commerce and Consumer Services Committee, and Senator Campbell

SUBJECT: Trademarks

DATE: April 21, 2006

REVISED: \_\_\_\_\_

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Gordon</u>	<u>Cooper</u>	<u>CM</u>	<u>Fav/CS</u>
2.	<u>Thompson</u>	<u>Maclure</u>	<u>JU</u>	<u>Fav/CS</u>
3.	_____	_____	<u>TA</u>	_____
4.	_____	_____	_____	_____
5.	_____	_____	_____	_____
6.	_____	_____	_____	_____

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## I. Summary:

This bill makes several changes to Florida's trademark law, which was originally drafted in accordance with the International Trademark Association's 1964 Model State Trademark Bill (MSTB), as amended over time. The changes in this bill will generally conform Florida's law to current federal law regarding trademarks, known as the Lanham Act,<sup>1</sup> and the revised MSTB, where appropriate. The bill makes the following changes:

- Provides a popular name;
- Revises the definition section to make it consistent with federal law;
- Revises which marks may be registered to be generally consistent with federal law;
- Repeals the provision related to the reservation of marks;
- Codifies the application review process used by the Department of State (department);
- Provides a right to an administrative hearing for affected parties;
- Reduces the renewal period of a registered mark from 10 to 5 years;
- Permits a person to file a change of name with the department and specifies recording requirements for such a change;
- Clarifies that security interests in a mark may be created and perfected under the Uniform Commercial Code;

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<sup>1</sup> The Lanham Act, Title 15 of the United States Code, "defines the scope of a trademark, the process by which a federal registration can be obtained from the Patent and Trademark Office for a trademark, and penalties for trademark infringement." AOL Legal Department, Legislation: Lanham/Trademark Act, *at* <http://legal.web.aol.com/resources/legislation/tradeact.html>. (Last viewed April 11, 2006.)

- Conforms the Florida classification system for goods and services to the International Trademark Classification System;
- Authorizes an award of attorney's fees to a prevailing party according to the circumstances of a case where ownership of a mark is disputed;
- Revises provisions allowing the owner of a famous mark to prevent the dilution of the mark by enjoining the use of the mark by another person or seeking additional remedies in the case of willful use of the mark by another person;
- Combines all fees applicable to trademark registrations and related activities into one section of law; and
- Repeals obsolete sections of ch. 495, F.S.

This bill creates the following sections of the Florida Statutes: 495.001, 495.035, 495.145, and 495.191.

This bill substantially amends the following sections of the Florida Statutes: 495.011, 495.021, 495.031, 495.041, 495.061, 495.071, 495.081, 495.091, 495.101, 495.111, 495.131, 495.141, 495.151, 495.161, 495.171, and 495.181.

This bill repeals the following sections of the Florida Statutes: 495.027, 506.06, 506.07, 506.08, 506.09, 506.11, 506.12, and 506.13.

## **II. Present Situation:**

Florida's trademark statute is based on the International Trademark Association's (INTA) 1964 Model State Trademark Bill (MSTB). The Florida law was last amended substantively in 1990 when the Florida Legislature added a name reservation provision to the law.

During the 2005 Legislative Session, SB 678 (HB 845) was introduced, which incorporates the MSTB in most respects. At that time, a subcommittee of the Florida Bar Business Law Section, Intellectual Property Law Committee provided the sponsor with a Technical Input Memorandum, highlighting issues that the committee felt warranted attention before adopting the bills as law. The present proposal is based on the MSTB and the comments contained in the technical memorandum prepared by the Florida Bar Business Law Section, Intellectual Property Law Committee.

## **III. Effect of Proposed Changes:**

### **Popular Name**

Section 1 creates s. 495.001, F.S. This section designates "Registration and Protection of Trademarks Act" as the popular name for ch. 495, F.S.

### **Definitions**

Section 2 amends s. 495.011, F.S., the definitions section of the current statute. Several new terms are added and others are substantially revised to conform to the definitions contained in the Federal Trademark Act (the Lanham Act). Moreover, while the Model State Trademark Bill (MTSB) does not contain definitions of collective and certification marks, this bill retains the

definitions for such marks. The bill adds the following new terms to the definitions section of the statute:

- **Abandoned:** This term applies to a mark when either its use has been discontinued with the intent not to resume such use or when the conduct of the owner causes the mark to lose its significance as a mark. The intent not to resume use may be inferred from the circumstances. The bill also provides that nonuse for three consecutive years constitutes prima facie evidence of abandonment.
- **Applicant:** This term refers to the person who files an application for registration of a mark as well as that person's legal representatives, successors, or assigns.
- **Department:** This term refers to the Florida Department of State or its designee charged with the administration of ch. 495, F.S.
- **Dilution:** This term is defined as the lessening of the capacity of a mark to identify and distinguish goods or services, regardless of the presence or absence of:
  - Competition between the owner of the mark and other parties; and
  - Likelihood of confusion, mistake, or deception.
- **Mark:** This term includes any trademark, service mark, certification mark, or collective mark entitled to registration under ch. 495, F.S., whether or not registered.
- **Service Mark:** This term is defined as any word, name, symbol, or device, or any combination thereof, used by a person to identify and distinguish the services of such person, including a unique service, from the services of others, and to indicate the source of the services, even if that source is unknown.
- **Trademark:** This term is defined as any word, name, symbol, or device, or any combination thereof, used by a person to identify and distinguish the goods of such person, including a unique product, from those manufactured or sold by others, and to indicate the source of the goods, even if the source is unknown.

Several of the definitions in the current statute are revised in the following manner:

- **Certification mark:** This term is currently defined as a trademark or service mark used on or in connection with certain products or services by a person other than the owner of that mark. The revised definition replaces the terms trademark and service mark with "any word, name, symbol, or device, or any combination thereof."
- **Person:** This term is currently defined as any individual, firm, partnership, corporation, association, union, or other organization. The revised definition emphasizes that "person" as used in the chapter means the applicant or other party that receives a benefit from ch. 495, F.S., or is liable under that chapter. The term is also used to describe a natural person (a human being)<sup>2</sup> or a juristic person, which includes, as defined by the Lanham Act and the revised definition, a "firm, corporation, union, association, or other organization capable of suing and being sued in a court of law."<sup>3</sup>
- **Registrant:** The definition of this term is slightly revised to replace the phrase "registrant embraces the person" with "registrant means the person."

<sup>2</sup> Black's Law Dictionary, 6<sup>th</sup> Edition, definition of "person," p. 1142.

<sup>3</sup> 15 USC § 1127, under the definition of "person." This bill adds the term "partnership" to the definition of person contained in the Lanham Act.

- **Related company:** This term is currently defined as a “person who legitimately controls or is controlled by the registrant or owner of the mark.” The definition is revised to remove the word “legitimately.”
- **Trade name:** The term is currently defined as “any word, name, symbol, character, design, drawing or device or any combination,” used to identify a business. The revised definition shortens the meaning to include only a name used to identify a business.
- **Use:** This term is currently defined as “bona fide use” in the ordinary course of trade, but not for the purpose of reserving a right to a trademark or service mark. The revised definition retains most of the current statute’s language describing “use,” but separates “use” related to goods from “use” related to services, placing each in a separate paragraph.

### Registrability

Section 3 revises s. 495.021, F.S., which governs whether a mark is registrable. The bill prohibits registration of marks that consist of or comprise a name, signature, or portrait identifying a particular living individual, except by his or her written consent. This bill also prohibits registration of marks utilizing the name, signature, or portrait of a deceased President of the United States during the lifetime of his widow or her widower, except by the written consent of the widow or widower.

This section also creates a subparagraph under paragraph (e) which includes a list of several types of marks that are excluded from registration and that do not fit into paragraphs (a) through (d) of subsection 495.021(1), F.S. Currently s. 495.021(1)(e)2., F.S., combines marks that are primarily geographically descriptive or deceptively misdescriptive into one subparagraph. The bill places marks that are “primarily geographically deceptively misdescriptive” into a separate subparagraph.

A subparagraph 5., which states, “Comprises any matter that, as a whole, is functional,” is added to paragraph (e) to conform the provision to the federal trademark functionality doctrine. Section 2(e)(5) of the Trademark Act<sup>4</sup> prohibits the registration of “matter that, as a whole, is functional.”<sup>5</sup> The U.S. Supreme Court has stated, “[A] product feature is functional,’ and cannot serve as a trademark, ‘if it is essential to the use or purpose of the article or if it affects the cost or quality of the article.’”<sup>6</sup> The doctrine of functionality “prevents trademark law, which seeks to promote competition by protecting a firm’s reputation, from instead inhibiting legitimate competition by allowing a producer to control a useful product feature.”<sup>7</sup> Under this bill, a mark that is functional may not be registered.

This section of the bill also permits the department to use proof of the continuous use of a mark for five years before a claim of distinctiveness is made as prima facie evidence of distinctiveness.

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<sup>4</sup> 15 U.S.C. § 1052(e)(5).

<sup>5</sup> *Id.* See also, White Paper on Functionality provided by The Florida Bar Business Law Section, Intellectual Property Law Committee, Subcommittee on Proposed Amendments to Florida Trademark Statute, on file with the Committee on Commerce and Consumer Services.

<sup>6</sup> *Qualitex Co. v. Jacobson Products Co., Inc.*, 514 U.S. 159, 165 (1995) (quoting *Inwood Laboratories, Inc., v. Ives Laboratories, Inc.*, 456 U.S. 844, 850, n. 10 (1982)).

<sup>7</sup> *Qualitex*, 514 U.S. at 164.

**Reservation**

Section 4 repeals s. 495.027, F.S., related to the reservation of a mark for future use. The provision was intended to provide protection similar to the federal intent-to-use law, but did not offer the same substantive rights as the federal law. Under federal law, a person who had indicated an intent to use a mark was granted constructive use of that mark, giving the individual priority in pending registration and use of the mark. Florida law does not grant the same constructive use. According to some practitioners, this difference in law created more confusion than benefit. Therefore, removal of the Florida provision would provide clarity regarding which law should be applied.

**Application for Registration**

Section 5 amends s. 495.031, F.S., related to applications for registration. This section of the bill clarifies that an application for registration of a mark must be filed with the department in a manner and form complying with the requirements of the department. In addition, the bill specifies that an applicant who is a business entity must identify the place of incorporation or organization.

This section requires that an applicant state that it is the owner of the mark, the nature of the control over the use of mark, and that the mark is in use. An applicant also must submit a statement stating, to the best of the applicant's knowledge, that no other person except the applicant or a related company has registered the mark in Florida or has a right to use an identical mark or one that is in such near resemblance that it would be likely, when applied to the goods or services of such other person, to cause confusion, mistake, or deception.

This section also authorizes the department to require a drawing of a mark, and requires an applicant to provide three specimens or facsimiles of the mark as actually used. Permitting the submission of facsimiles will allow the department to accept electronic filings.

**Filing of Applications**

Section 6 creates s. 495.035, F.S., which governs the filing of applications. This section permits the department to review an application for conformity with the trademarks chapter once it has been submitted. The bill requires applicants to provide additional pertinent information as required by the department. The bill also authorizes the department to make amendments to the application based on additional information submitted, to require the applicant to disclaim an unregistrable part of a mark that is otherwise registrable, and to require that a new application be filed.

This section also establishes a review process in the event an application is rejected. The bill gives an applicant three months to reply or amend an application that has been rejected. This process may be repeated until the department makes final its refusal to register the mark or the applicant fails to reply or amend within the specified period. The bill also authorizes the department to extend the time for an applicant to respond where there is litigation pending involving the mark.

This section directs the department to judge applications that relate to the same or similar marks based on order of receipt. If a prior-received application is granted registration, the other

application(s) must be rejected. The applicant whose application was rejected may bring an action for prior or superior rights to the mark under s. 495.101(3), F.S.

### **Use by Related Companies**

Section 7 amends s. 495.041, F.S., related to use of a mark by companies other than, but related to, the owner. The bill conforms Florida law to Section 5 of the Lanham Act,<sup>8</sup> which essentially provides that first use of a mark by the registrant or applicant for registration controls the nature and quality of the goods or services and, therefore, such use inures to the benefit of the registrant or applicant.

### **Certificates of Registration**

Section 8 makes technical revisions to s. 495.061, F.S. This section also deletes the provision applicable to the name reservation section, which is repealed by Section 4 of this bill.

### **Duration and Renewal**

Section 9 amends s. 495.071, F.S., to shorten the renewal period of a registration from 10 years to five years. According to the Department of State, this change will reduce the number of “deadwood registrations,”<sup>9</sup> or registrations for marks that are no longer in use. This revision will ultimately result in more up-to-date records in the trademark and service mark database, thereby facilitating the reliability of consumer searches.

This section also permits registrations in effect on January 1, 2007, to remain in effect for the unexpired term. Any renewal of such a registration must be applied for and the fee paid within six months of the expiration of the registration. Moreover, a renewal application must include a verified statement that the mark is still in use in Florida and must include a specimen showing actual use.

The bill further clarifies that the application for registration be in a manner and form that complies with the requirements of the department.

### **Assignments; Change of Name; Security Interests**

Section 10 amends s. 495.081, F.S., to permit the recordation of a photocopy of an assignment of a mark as the true and correct copy of the original assignment.

This section also provides for the recordation of a name change of the registrant or applicant. In the case of a pending application, the department is directed to issue a certificate in the registrant or applicant’s new name. Where a mark has already been registered, the department shall issue a certificate in the registrant’s new name for the remainder of the term of the registration. This section further provides that failure to register a name change does not affect the individual or entity’s substantive rights as to the mark or its registration.

This section also clarifies that security interests in a mark shall be created and perfected under the Uniform Commercial Code. Currently, a business entity or individual may pledge ownership

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<sup>8</sup> 15 U.S.C. § 1055.

<sup>9</sup> See, Florida Bar White Paper, *supra*, note 5.

in a trademark as collateral for some privilege, such as a loan. This change codifies current practice.

### **Records**

Section 11 amends s. 495.091, F.S., to require the department to keep for public inspection records related to assignments and name changes, as provided under s. 495.081, F.S.

### **Cancellation**

Section 12 amends s. 495.101, F.S., to delete an obsolete provision and make technical revisions to the provision addressing registration cancellations. The words “and Trademark” are added to the term “United States Patent Office” to update the name of that federal agency. The phrase, “she or he” is changed to “registrant.” The bill also removes the definition of “abandoned” from this section, as the term is now defined in Section 1 of this bill.

This section directs the department to cancel a mark that has become the generic name for goods or services, or a portion thereof, for which the mark has been registered.

This bill also clarifies that a registrant may use a certification mark in advertising or promoting recognition of its own certification program or of goods or services meeting the certification standards of the registrant, even if the mark is cancelled.

### **Classification**

Section 13 amends s. 495.111, F.S., to adopt the updated International Trademark Classification System, which was revised in 2002. The bill also adopts the United States Patent and Trademark Office’s system for classifying certification and collective membership marks.

### **Infringement**

Section 14 amends s. 495.131, F.S., to conform its provisions to the infringement provisions of the Lanham Act. The bill also clarifies that the basis for infringement is the use of a mark or an imitation or copy of a mark, without the consent of the registrant, in a manner that is likely to cause confusion, to cause mistake, or to deceive.

### **Remedies**

Section 15 amends s. 495.141, F.S., to add a prevailing party attorney’s fee provision. This provision gives courts the discretion to award attorney’s fees to the prevailing party “according to the circumstances of the case.” Florida case law provides that “a court may only award attorney’s fees when such fees are ‘expressly provided for by statute, rule, or contract.’”<sup>10</sup> This revision provides a statutory basis for the award of attorney’s fees in trademark disputes.

### **Forum for Cancellation Actions**

Section 16 creates s. 495.145, F.S., to create a new provision to specify the venue for cancellation actions. This revision clarifies that the department shall not be made a party to such an action and that an action does not have to be filed in Tallahassee, but may be brought in any court.

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<sup>10</sup> *Dept. of Children and Family Services v. J.B.*, 898 So. 2d 980, 981 (Fla. 5<sup>th</sup> DCA 2005) (quoting *Hubbel v. Aetna Cas. & Sur. Co.*, 758 So. 2d 94, 97 (Fla. 2000)).

**Dilution**

Section 17 amends s. 495.151, F.S., to specify factors a court may consider in determining whether a mark is distinctive and famous for the purpose of judging the likelihood of dilution of the mark. The revised section retains the “likelihood of dilution” standard, rather than adopting the federal “actual dilution” standard. A “likelihood of dilution” standard appears to be preferred by members of the Florida trademark bar.

The bill also provides that the owner of a registered mark who proves that another person willfully used the mark would be entitled to injunctive relief and monetary damages, while a plaintiff who does not own a registration would be limited to injunctive relief.

This section of the bill also specifies that certain uses of a mark and forms of media are not actionable under the dilution provision, including:

- Fair use of a famous mark by another person in comparative commercial advertising or promotion to identify competing goods or services of the owner of the famous mark;
- Noncommercial use of the mark; and
- All forms of news reporting and news commentary.

**Common Law Rights**

Section 18 amends s. 495.161, F.S., to delete the words “or diminish” preceding the rights that are protected by ch. 495, F.S.

**Repeal of Conflicting Acts**

Section 19 amends section 495.171, F.S., to provide for the repeal of conflicting acts. This section states that ch. 495, F.S., shall be in force and in effect on January 1, 2007, instead of on October 1, 1967, as the statute currently provides, and shall not affect any suit, proceeding, or appeal pending as of that date.

This section also provides that “sections 506.06-506.13”<sup>11</sup> are repealed as of January 1, 2007. However, the repeal will stand ineffective in relation to any pending legal proceedings until those proceedings reach a final determination.

**Construction of Chapter**

Section 20 amends s. 495.181, F.S., to provide that the purpose of the chapter is to create a system of state trademark registration and protection substantially consistent with the federal system of trademark registration and protection. The bill further provides that the federal law should be used as persuasive authority in interpreting and construing this chapter.

**Fees**

Section 21 creates s. 495.191, F.S., and lists all of the fees related to filing documents regarding the registration of a mark with the department. Currently, fees for the reservation of a mark, the application, a registration renewal, and assignments, which are \$50.00, \$87.50, \$87.50, and \$50.00, respectively, are in separate statutory provisions in ch. 495, F.S.<sup>12</sup> This revision places

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<sup>11</sup> Although the bill uses this reference, it should be noted that s. 506.10, F.S., does not exist.

<sup>12</sup> These fees can be found in ss. 495.027(3), 495.031(6), 495.071(1), and 495.081, F.S., respectively.



those fees, except a fee for the reservation of a mark,<sup>13</sup> in one statute and adds references for fees authorized in other statutory provisions, including: a certificate of name change for \$50.00 as authorized by s. 865.09(4), F.S., and s. 865.09(12), F.S.;<sup>14</sup> a voluntary cancellation of use of fictitious name for \$50.00 as authorized by s. 865.09(12), F.S.;<sup>15</sup> a certificate of registration under seal for \$8.75 as authorized by s. 15.09(1)(b), F.S.,<sup>16</sup> and a certified copy of an application file for \$52.50 as authorized by s. 607.0122(21), F.S. (corporations), s. 617.0122(20), F.S. (corporations not for profit), and s. 620.1109(1), F.S. (partnerships).<sup>17 18</sup>

### **Repeal of Prior Acts**

Section 22 repeals ss. 506.06, 506.07, 506.08, 506.09, 506.11, 506.12, and 506.13, F.S., the remaining provisions of Florida's original trademark law, Florida's Stamped or Marked Containers and Baskets Law, which is no longer in use.

### **Effective Date**

Section 23 provides the act will take effect January 1, 2007.

## **IV. Constitutional Issues:**

### **A. Municipality/County Mandates Restrictions:**

None.

### **B. Public Records/Open Meetings Issues:**

None.

### **C. Trust Funds Restrictions:**

None.

## **V. Economic Impact and Fiscal Note:**

### **A. Tax/Fee Issues:**

While the bill specifically lists the fees in a new section of statute, the fees themselves are not new.

<sup>13</sup> The "reservation of a mark" provision, s. 495.027, F.S., is repealed by this bill.

<sup>14</sup> Section 865.09(4), F.S., requires a business that changes the owner of record to file a cancellation and re-registration with the department. Section 865.09(12), F.S., sets a fee for cancellation and re-registration at \$50.00.

<sup>15</sup> Section 865.09(12), F.S., sets a fee for cancellation of \$50.00.

<sup>16</sup> Section 15.09(1)(b), F.S., authorizes the department to charge \$8.75 for providing any certificate with a seal.

<sup>17</sup> Sections 607.0122(21), 617.0122(20), and 620.1109(1), F.S., state the \$52.50 fee for providing a certified copy of a document filed with the department.

<sup>18</sup> Although not listed in the trademarks statute, these fees constitute current practice by the department in handling corporations and trademarks filings generally.

**B. Private Sector Impact:**

The Department of State, Division of Corporations (Division), reports that the bill will require approximately 500 persons or entities to pay the \$87.50 fee each year for renewal of a registered mark. As a consequence, the number of renewal applications will likely double because of the shortened registration period. However, the Division also indicates that most marks have a life span of approximately three years, which should result in a smaller than estimated fiscal impact.<sup>19</sup>

**C. Government Sector Impact:**

The Division also reports that records maintenance will be improved by the five-year renewal period. This change, from 10 to five years, will result in more up-to-date records in the trademark and service mark database and, consequently, more reliable searches of the database.

**VI. Technical Deficiencies:**

The Legislature may wish to insert the language “when applied to the goods or services of such other person” in s. 495.031(2)(d) to conform to language inserted by this bill elsewhere in the same statute.

**VII. Related Issues:**

None.

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This Senate staff analysis does not reflect the intent or official position of the bill’s introducer or the Florida Senate.

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<sup>19</sup> This can be explained by the fact that as companies fail, they abandon their trademarks and would not be seeking to renew them.

## **VIII. Summary of Amendments:**

None.

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This Senate staff analysis does not reflect the intent or official position of the bill's introducer or the Florida Senate.

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