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January 22, 1985

The Honorable John T. Campbell
Secretary of State
Post Office Box 11350
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Dear Mr. Secretary:

By your letter of January 8, 1985, you have referenced Section 39-15-110 et seq., Code of Laws of South Carolina (1983 Cum. Supp.) and have asked for assistance in distinguishing between trademarks, service marks, and trade or business names. This Office is pleased to provide the following discussion which should prove beneficial in determining into which category a given name or mark should be placed.

Service Mark

The term "service mark" is defined by Section 39-15-110(2) of the Code to mean "a mark used in the sale or advertising of services to identify the services of one person and to distinguish them from the services of others." (Emphasis added.) Categories of services for which a service mark may be registered are found in Section 39-15-200(b) of the Code and include:

- (100) Miscellaneous.
- (101) Advertising and business.
- (102) Insurance and financial.
- (103) Construction and repair.
- (104) Communications.
- (105) Transportation and storage.
- (106) Material treatment.
- (107) Education and entertainment.

An examination of these categories and the language of the definition shows that emphasis is to be placed on the service being rendered.

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The courts of South Carolina apparently have not considered exactly what would constitute a service for the registration of a service mark. Courts in other jurisdictions have addressed the issue, and those decisions may provide the guidance which you seek. Generally, a trademark identifies a tangible product; a service mark, an intangible commodity known as a service; and a trade name identifies a business. The use of a particular word or other symbol may fall into one, two, or all three categories; which category or categories may be appropriate for registration depends upon the use of the word or symbol. Safeway Stores, Inc. v. Safeway Discount Drugs, Inc., 675 F.2d 1160 (11th Cir. 1982). Thus, it may sometimes be difficult to distinguish the three categories.

In determining whether a particular service mark or trademark should be registered, courts have stated that a merely generic or descriptive term or symbol will not be registered. A generic term is one which "conveys information about the nature or class of an article or service." A descriptive term "identifies the characteristics and qualities of the article or service, its color, odor, functions, dimensions, or ingredients." American Heritage Life Insurance Company v. Heritage Life Insurance Company, 494 F.2d 1, 3 (5th Cir. 1974). Instead, the term or other symbol must be an imaginative or arbitrary term or symbol, or one suggestive of a concept. For example, the term "European" in "European Health Spa" is not descriptive of a geographic area but instead represents a concept in fitness and thus is a service mark. Health Industries, Inc. v. European Health Spas, 489 F.Supp. 860 (D.S.D. 1980).

The exception to the denial of registration of either a service mark or trademark when a descriptive or generic term or symbol is involved occurs when that term or symbol has taken on a "secondary meaning." In other words, if the public associates a particular term or symbol with a particular service (or product) available from only one source, then the term or symbol has taken on a secondary meaning and may be registered as a service mark or trademark, whichever may be appropriate for the service or product.

One further consideration in determining whether a service mark should be registered would be whether such mark has the tendency to mislead or be deceptive. Too, the similarity of one service mark to another proposed service mark may be sufficient cause to deny registration to the second if the similarity might cause the public to be misled. Actually being misled is not necessary; the potential to be misled is the consideration.

Under the federal Lanham Act, found at 15 U.S.C.S. § 1051 et seq., service marks may be registered in a manner similar to trademarks. See 15 U.S.C.S. § 1053. In the annotations following

service marks were discussed in the various cases: promotion and advertising of one's own goods; insurance services; entertainment services by musical groups; sponsorship of beauty contests (Miss Universe, Miss America Teenager); sponsorship of sporting events; restaurant services; slogan of hotel ("We Smile More"); speed-reading instructional services; marriage guidance services; credit services provided by retail merchant; hotel and motel services; management and investment services; advisory services to franchisees.

In cases located in 38A Words and Phrases, "Service Mark," the following were found to be service marks: a uniquely-designed building (the roof of a Fotomat drive-in photograph-developing shop); the term "psychocalisthenics," meaning a system for personal development; service marks "Coit" and "Tower Design" to accompany a trade name, "Coit Drapery Cleaners;" the term "European" as a part of "European Health Spa;" entertainer's names and logo ("Elvis," "Elvis Presley," "Elvis in Concert," "The King;" the letters TCB and a lightning bolt to identify Elvis' band); the term "Caesars Palace" (both a trade name and service mark); and the use of the name of a type of candy and a unique design to designate a roller skating rink ("Jellibeans").

The above listings are meant to be illustrative and not exclusive. It would appear that if the intent of the registrant is to identify a service, and the proposed service mark meets the criteria stated above, such may be registered as a service mark even though it may also be technically considered a trademark or trade name.

Trademark

The term "trademark" is defined by Section 39-15-110(1) of the Code as "any word, name, symbol or device or any combination thereof adopted and used by a person to identify goods made or sold by him and to distinguish them from goods made or sold by others." (Emphasis added.) Section 39-15-200(a) contains a list of fifty-two (52) types of goods for which trademarks may be registered. As noted above, a trademark is used to identify goods rather than services or business names, though there may be instances when a given term may be more than just a trademark.

The same principles applicable to service marks are also applicable to trademarks, as far as denying registration to trademarks which are merely descriptive or generic. The rule pertaining to "secondary meaning" is also applicable, as well as the considerations of deception and misleading the public where two similar trademarks are involved.

Due to the voluminous number of trademarks, no attempt here will be made to list various specific examples. Many examples can be found in 42 Words and Phrases, "Trade-mark" and in the annotations following the portion of the federal Lanham Act, 15 U.S.C.S. § 1051 et seq., pertaining to trademarks. § 1051. The South Carolina Supreme Court pointed out a trademark, "Wade Quicklock," denoting a type of coupler, in Triplett v. R.M. Wade Co., 261 S.C. 419, 200 S.E.2d 419 (1973). The common, and essential, element in each trademark case or annotation is the fact that a tangible, salable commodity is involved.

Trade Name

The term "trade name" is defined by Section 39-15-110(4) of the Code to mean "a word, name, symbol, device or any combination thereof used by a person to identify his business, vocation or occupation and to distinguish it from the business, vocation or occupation of others." (Emphasis added.) The key concept in assigning a trade name is that such name identify a business, vocation, or occupation. As stated above, it is possible that a single term could be a trade name and also a trademark or service mark or both.

Examples of trade names found in decisions of the South Carolina Supreme Court include: Workman Dry Cleaners, Teague v. Workman, 256 S.C. 535, 183 S.E.2d 340 (1971); Chrysler Air Temp, Carrier, Fedders Corp., and Trane, Benford v. Berkeley Heating Company, 258 S.C. 357, 188 S.E.2d 841 (1972); Peddler, Peddler, Inc. v. Rikard, 266 S.C. 28, 221 S.E.2d 115 (1975); and United Courier, Greyhound Lines, Inc. v. South Carolina Public Service Commission, 274 S.C. 161, 262 S.E.2d 18 (1980).

Cases annotated in 42 Words and Phrases, "Trade-Name," indicate that a trade name is chosen to identify a particular business; to distinguish similar businesses; to refer to the legal entity which is the business; and to identify the owner of a business and the source of a particular product. The cases distinguish a trade name as referring to the business entity from a trademark as referring to a vendible commodity sold by a business.

You have questioned the registration of names of businesses as service marks and express concern that such registration will defeat one of the purposes of chartering a corporation. As noted above, there have been instances where a single phrase served as both a trade name and a service mark. Caesars World, Inc. v. Caesar's Palace, 490 F.Supp. 818 (D.N.J. 1980). If a single word, phrase, symbol, or mark should represent the identity of a particular business entity as well as the service provided by that entity, it would be appropriate to register both the trade name and service mark. However, the protection offered by incorporation of an entity

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varies drastically from the protection offered by registration of a trade name or service mark; one process could not be a substitute for the other except for whatever protection would be afforded the name of the entity. If the entity is concerned only about protection of its name and not about safeguarding its assets or acting as a corporation without being duly incorporated, that entity is assuming certain risks which might be pointed out by your office as a courtesy prior to taking some other action such as an injunction pursuant to Section 33-7-50 of the Code. The same principles would apply to a general or limited partnership, as well.

I hope that this letter has helped in the distinction between a service mark, trademark, and trade name, and in the distinction between incorporation and registering a trade name. Please advise if we may assist you further.

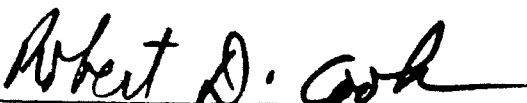
Sincerely,

Patricia D. Petway

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Assistant Attorney General

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REVIEWED AND APPROVED BY:



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