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TRADEMARKS AND MERCHANDISING RIGHTS

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It is about time that hard-working entrepreneurs get a break. Trademark owners are allowed to broaden and strengthen protection for their trademarks while improving their bottom-line profits by licensing their marks for use on promotional products. This type of use, generally referred to as "merchandising rights", is nontraditional in the trademark sense because it does not seek to identify the trademark owner as primary source of the promotional goods. Rather the use of the trademark on such promotional goods is decorative. Consumers purchase these promotional goods to express their affiliation with the trademark owner, who is recognized as a secondary source of the promotional product.

For example, a sports fan may purchase a sweatshirt with the symbol of his favorite baseball team. In doing so, he does not expect that the sweatshirt was actually manufactured by the team and is generally not concerned with exactly who the manufacturer is. Rather, he buys the sweatshirt with the intention of demonstrating to the world his loyalty to that team. He probably would not buy a similar sweatshirt if it bore the logo of that team's hated rival, even if that sweatshirt was of the same quality and was made by the same manufacturer.

Typical examples of the use of trademarks on promotional goods include use on such goods as jackets, caps, sweatshirts, T-shirts, bumper stickers, decals, and glassware by sports teams, colleges and universities, automobiles, brands of cigarettes and alcoholic beverages, and motion pictures, television programs, and their characters. In most instances the trademark owner does not produce these promotional products. The licensor or trademark owner can nevertheless register the mark with the United States Patent and Trademark Office for such goods if he can satisfy the traditional requirements for federal trademark protection: adoption of the mark, its use on the goods or their packaging, and the use of the mark in interstate commerce.

Promotional use of trademarks has several advantages for the trademark owner. The licensor receives revenues, plus free advertising. It can expand the scope of the trademark itself, since the trademark owner/licensor can prevent others from using the same or a similar mark on similar goods. The licensor can subsequently manufacture those goods himself if he chooses. Promotional use of trademarks can strengthen the mark and recognition for the traditional products of the trademark owner by consumers.

Registration of promotional uses of trademarks is now widespread. For example, in *In re Olin Corp.*, 181 U.S.P.Q. 182 (Trademk. Trial & Appeal Bd. 1973), Olin Corporation was allowed to register an arbitrary symbol, a stylized "O" for T-shirts. The Trademark Trial and Appeal Board held that such use of the mark was not merely ornamental, but informed the purchasing public of the source of manufacture of Olin products, though not the source of manufacture of the T-shirts. This is called "secondary source" identification.

This "secondary source" concept was expanded in the case of *In re Paramount Pictures Corp.*, 213 U.S.P.Q. 1111 (Trademk. Trial & Appeal Bd. 1982). Here, decals which contained the title of a then-popular television series, "Mork & Mindy," in stylized script, as well as a large picture of the stars of the show was allowed registration. The Board specifically recognized that such licensing of character names and images as trademarks is common today.

The key to the availability of broadened protection is the public perception of the mark. If the public could perceive such a mark as having source-indicating significance, rather than being purely ornamental, registration of the mark for use with such promotional products will be allowed, even though the mark also fulfills an ornamental function. That was clearly the situation with the "Mork & Mindy" decals. The source indicating significance is easiest shown when the mark, symbol or logo, and the products or services of the trademark owner are well known. Thus, marks or logos which are most likely to be licensed and marketed are in fact most likely to be protected.

The licensor must require licensees to actually use the mark in a context where its primary significance is to show such affiliation or loyalty. Overly indiscriminate use of the mark may result in a dilution of its significance and a loss of protection. This happened in *International Order of Job's Daughters v. Lindembourg & Co.*, 208 U.S.P.Q. 718 (9th Cir. 1980). In that case, the permitted production of "unofficial" jewelry bearing the organization's emblem by a large number of jewelers was held to have diluted the fraternal organization/trademark owner's rights.

In conclusion, trademarks on goods unrelated to the trademark licensor's primary business are now readily protected by trademark law. The licensor has to show that consumers purchase the goods out of a sense of loyalty, sympathy, or affiliation with the institution symbolized by the mark. Such use of trademark licensing for promotional products opens up many opportunities for the trademark owner, including licensing as a source of revenues, obtaining publicity for his primary business, expanding the range of coverage for his mark, and increasing the mark's strength and distinctiveness.

The owner of a trademark should always consider the possibility of promotional licensing in his planning for the use of the mark. He must make sure that such promotional use is seen by the consumer as referring to him as a secondary source. The mark must not be used indiscriminately to avoid dilution. That means careful attention to the type of goods on which the mark is to be used, and also to the marketing of those goods.

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