

LETTER OPINION
2002-L-44

July 19, 2002

Honorable Alvin A. Jaeger
Secretary of State
600 East Boulevard Avenue
Bismarck, ND 58505

Dear Secretary of State Jaeger:

Thank you for your letter raising several questions about the propriety of registering certain phrases as trademarks with your office. The phrases in question relate to waiving or paying automobile insurance deductibles. They include phrases like "Free Windshield"; "We don't have to accept your deductible"; "Deductibles Waived"; "Deductibles Paid", etc. The phrases in question were registered under classification number 50, "merchandise not otherwise classified," in N.D.C.C. § 47-22-09.

Under North Dakota law, a "trademark" means "any word, name, symbol, or device or any combination thereof adopted and used by a person to identify goods made or sold by that person and to distinguish them from goods made or sold by others." N.D.C.C. § 47-22-01(4).

As the North Dakota Supreme Court noted:

The general purpose of the law of trademarks and tradenames is "to prevent one person from passing off his goods or his business as the goods or business of another." A trademark is a distinctive mark, symbol, or designation used by a producer or manufacturer to identify and distinguish his services or goods from the services or goods of others. . . . Generally, trademarks identify goods and services and tradenames identify businesses, but the standard of infringement is the same.

KAT Video Productions, Inc. v. KKCT-FM Radio a/k/a Kat Country, 560 N.W.2d 203, 207-08 (N.D. 1997) (citations omitted).

Trademarks are classified under five categories of increasing distinctiveness: generic, descriptive, suggestive, arbitrary, and fanciful; in general, the level of trademark protection available accords with distinctiveness of the mark. Suggestive, arbitrary, and fanciful trademarks are deemed inherently distinctive; descriptive marks receive protection only upon a showing that they have acquired a secondary meaning; and generic marks are not protectable.

A mark is merely “descriptive” if it immediately conveys knowledge of the product’s ingredients, qualities, or characteristics.

74 Am.Jur.2d Trademarks and Tradenames § 33 (2001).

State law provides that certain trademarks are not registrable, particularly a mark which “[w]hen applied to the goods of the applicant, is merely descriptive or deceptively misdescriptive of them.” N.D.C.C. § 47-22-02(5)(a).

“[A] descriptive designation describing the nature, quality or other characteristics of the goods, or a generic designation denominating the general category or type of goods, are very weak marks and are afforded the least protection.” KAT, 560 N.W.2d at 209.

“The strength or distinctiveness of a mark [or name] determines both the ease with which it may be established as a valid trademark [or tradename] and the degree of protection it will be accorded.” The strength is measured by the tendency of a purchaser to identify the goods sold under the designation as emanating from a particular source. Strength depends upon the distinctive quality of the mark in the eyes of the purchasing public. “The use of terms or marks fall into four broad categories for purposes of legal recognition: (1) generic, (2) descriptive, (3) suggestive, and (4) arbitrary or fanciful.” An arbitrary or fanciful designation is considered the strongest and is afforded the greatest protection because it is identified solely with a particular product or service.

Id. (Citations omitted.)

Likewise, a generic term, which is one that refers to the genus of which the particular product is a species, is not registrable, and under federal trademark law a registered mark may be cancelled at any time on the grounds that it has become generic. Park 'N Fly, Inc. v. Dollar Park and Fly, Inc., 469 U.S. 189, 194 (1985).

However, N.D.C.C. § 47-22-02(5)(a) (providing that marks merely descriptive or deceptively misdescriptive are not registrable) does not prevent the registration of a mark used by an applicant which has become distinctive of the applicant’s goods. N.D.C.C. § 47-22-02(5)(c). “The secretary of state may accept as evidence that the mark has

become distinctive, as applied to the applicant's goods, proof of continuous use thereof as a mark by the applicant in this state or elsewhere for the five years next preceding the date of the filing of the application for registration." Id.

I have found no cases in which courts have ruled on the exact kind of phrases that were registered as trademarks in this instance. However, courts have had occasion to rule on similar type of phrases and whether they are nonregistrable as either being generic or merely descriptive. In Best Buy Warehouse v. Best Buy Co., Inc., 920 F.2d 536, 537 (8th Cir. 1991), the court said the phrase "best buy" was generic as a matter of law and was not subject to trademark protection. In Co-Rect Products, Inc. v. Marvy! Advertising Photography, Inc., 780 F.2d 1324, 1331-1333 (8th Cir. 1985), the court said that although the expression "with the Cheapshot he can save you enough money to pay his own salary" may be considered a combination of words used in an attempt to identify and distinguish its goods from those of others, the expression was descriptive in that the mark designated the characteristics, qualities, or other features of the product. The phrase clearly designated the money-saving quality of the product, but the infringement action failed because insufficient time had elapsed to create a secondary meaning. In Application of Standard Oil Co., 275 F.2d 945, 947 (C.C.P.A. 1960), an attempt to register the phrase "guaranteed starting" as a service mark for inspecting and servicing vehicles for cold weather operation and for payment of starting expenses if the vehicles failed to start after service was denied because the words had not become distinctive of the applicant's service in commerce and they had not acquired a secondary meaning in the minds of the public. See also First Bank v. First Bank System, Inc., 84 F.3d 1040, 1045 (8th Cir. 1996) (generic terms are not entitled to protection under trademark law because they are in the public domain and available for all to use); Home Builders Ass'n of Greater St. Louis v. L&L Exhibition Management, Inc., 226 F.3d 944, 949 (8th Cir. 2000) (generic mark which is the common name of a product or service may not be registered or used exclusively by one competitor even if it has acquired secondary meaning);

With regard to the phrases in question here, the observation by the court in Application of Standard Oil Co., supra, relating to the phrase "guaranteed starting" is instructive.

The words are well understood, English words in common use. Taken together, they amount to no more than a sort of condensed announcement that the applicant will guarantee the work done in order to insure the starting of the customer's car. It must be assumed that the ordinary customer reading the advertisements displayed by an automobile service station would take the words at their ordinary meaning rather than read into them some special meaning distinguishing the services advertised from similar services of other station operators. Whatever may have been the intention of the applicant using them, their use has not accomplished what the applicant wished to do. Hence, they are not a service mark.

275 F.2d at 947. "In the present case it may be conceded that using the words 'guaranteed starting' in order to bring its services to the attention of the public the applicant intended and hoped, or perhaps expected, that they would distinguish them from similar services offered by others. However, having chosen words which, taken in their normal meaning, do no more than inform the public with reasonable accuracy what is being offered, it did not succeed." Id.

Likewise, in the situation you present, if the words in question are well understood and in common use in the industry they would not be a valid mark, unless they had become distinctive or acquired secondary meaning in the minds of the public. If a court were faced with ruling on whether the phrases concerning insurance deductibles in the auto glass replacement business were registrable under state law, and if, as represented in your letter, those phrases or similar ones would be common in that industry, it would likely determine that either the phrases are generic, as did the Eighth Circuit in Best Buy, or that the phrases were merely descriptive as the court found in Co-Rect Products.

As the North Dakota Supreme Court noted, a descriptive designation describing the nature, quality, or other characteristics of the goods, or a generic designation denominating the general category or type of goods are very weak marks and are afforded little protection under the trademark laws. KAT, 560 N.W.2d at 209. See also N.D.C.C. § 47-22-02(5) (marks which are merely descriptive when applied to goods of the applicant are not generally registrable.)

Consequently, it is my opinion that to the extent the phrases in question here are properly characterizable as trademarks, they are not registrable under N.D.C.C. ch. 47-22 unless, in the case of merely descriptive marks, the Secretary of State is presented with evidence that the mark had become distinctive as applied to the applicant's goods by proof of continuous use as a mark by the applicant in this state or elsewhere for the five years preceding the date of filing the application for registration. N.D.C.C. § 47-22-02(5)(c).

You also question whether the phrases are in fact service trademarks rather than goods or products trademarks.

A service mark is a trademark relating to services rather than products. Service marks are intended to identify and afford protection to things of an intangible nature, such as services, as distinguished from the protection already provided for marks affixed to things of a tangible nature, such as goods and products. . . . A service mark is different from a mark for goods, especially in the manner it is used in commerce; the legally significant use giving rise to rights in a mark for goods is derived from the placing of the mark in some manner on the goods either directly or on their containers or packaging, while a service mark entails use in conjunction with the offering and providing of a service. . . .

74 Am.Jur.2d Trademarks and Tradenames § 3 (2001).

The North Dakota Supreme Court has noted that state trademark law does not permit registration of service marks.

North Dakota's trademark law does not specifically allow service trademarks to be registered. Therefore, even though KAT Productions registered its trademark, Kat Country argues the registration was improper and should not be upheld. However, although the trademark chapter may not provide a statutory avenue to register service trademarks, N.D.C.C. § 47-22-13 specifically states "nothing herein shall adversely affect the rights or the enforcement of rights in trademarks acquired in good faith at any time at common law." Accordingly, even if KAT Productions could not register its service trademark under state law, common law provides protection for service trademarks, and KAT Productions' infringement claim is valid.

KAT, 560 N.W.2d at 208, n.5.

You indicated that your office has traditionally viewed the term "goods made or sold" within the meaning of N.D.C.C. § 47-22-01(4) as including services because you state that they are in fact goods and are similar in nature to having a product on the shelf. Obviously, the sale and installation of a windshield involves both elements of goods and services. The "goods" elements include the windshield itself and any related seals and trim pieces. The "services" elements include the installation of the windshield or replacement glass into the motor vehicle. Whether in this particular industry the phrases in question are more properly characterized as a trademark for goods or a service mark for services or some sort of a hybrid is a factual matter which, as a matter of policy, is generally not determined in an Attorney General's opinion. Consequently, I would defer to your determination in regard to this point. In this instance, however, whether these phrases are more properly characterized as trademarks or service marks is immaterial since service marks are not registrable under N.D.C.C. ch. 47-22, and if such phrases are legitimate trademarks,¹ they would not be registrable since they are either generic or merely descriptive (neither of which is subject to trademark registration and protection).

Your remaining questions relate to whether the Secretary of State has the authority to cancel the registrations of trademarks that may have been improperly registered or service marks that may have been erroneously registered. Cancellation of registrations is governed by N.D.C.C. § 47-22-08, which provides only limited authority for the Secretary

¹ The distinction would be material if at the time of presenting these to the Secretary of State for registration the applicants supplied proof of five years of continuous use as a mark by the applicant in this state or elsewhere as proof that the marks have become distinctive, in which case, if the phrases were deemed trademarks, they would be registrable, as provided in N.D.C.C. § 47-22-02(5)(c).

of State to administratively cancel a registration. See N.D.C.C. § 47-22-08(1), (2), and (5). Those involve situations where the registrant or its assignee voluntarily and in writing requests cancellation from the registrar, where registrations are not renewed in accordance with the law, or where trademarks are owned by certain business entities that have ceased to exist for six months. In all other cases, registration may only be accomplished by order or findings of the district court. See N.D.C.C. § 47-22-08(3) and (4) (court may order cancellation when registrations were granted improperly or obtained fraudulently or are deceptively similar to other federal registrations). This statute is consistent with the general rule that registration of a mark wrongfully procured under a state statute may be cancelled or annulled in a proper court proceeding. See, e.g., 87 C.J.S. Trade-Marks, Trade Names, and Unfair Competition § 150 (2000). Consequently, it is my further opinion that the Secretary of State does not have the independent authority to cancel trademark registrations, which were improperly granted because they are generic or merely descriptive, or to cancel service marks, which may have been erroneously registered under N.D.C.C. § 47-22-09, classification number 50.²

I am aware that a number of jurisdictions do specifically permit the registration of service marks. And, as is apparent from the discussion above, it is sometimes difficult to properly characterize marks as either being exclusively a service mark or a trademark when they have elements of both. I am also aware that some practitioners in this state advise their clients to file service marks under N.D.C.C. § 47-22-09, number 50. To alleviate these problems and to conform North Dakota law to the practice in many other jurisdictions, you may wish to consider offering amendments to chapter 47-22 in the upcoming legislative session to permit registration of service marks. This office is always available to assist you in drafting any such amendments.

Sincerely,

Wayne Stenehjem
Attorney General

jjf/tmb

² The Secretary of State's authority to cancel a trade name, N.D.C.C. § 47-25-07, is similar to N.D.C.C. § 47-22-08 concerning trademarks. This office previously determined that the Secretary of State could cancel the registration of a trade name despite lacking specific statutory authority for the cancellation. 1998 N.D. Op. Att'y Gen. L-183. However, that opinion was addressing a trade name that was illegal for the registrant to use because the trade name included the phrase "State of North Dakota." In this instance, the trademarks that were improvidently registered are not illegal, they are just not valid for registration as a trademark.