



AGENDA ITEM: 7  
DATE OF MEETING: July 18, 2012  
ACTION:     X      
INFORMATION:                     

## **POLICY FOR SERVICE MARK**

### **SUMMARY OF REQUEST**

First 5 California has a legal responsibility to protect and manage its registered service mark. As more focused attention is paid throughout the country on quality early childhood education and intervention, it is in the best interest of First 5 California to support organizations and programs providing similar services to children zero through five, while reasonably protecting its own intellectual property in its logo. Staff will present for proposed approval a policy that will delegate to the Executive Director the responsibility and authority to take actions in keeping with these twin aims.

### **BACKGROUND**

First 5 California is a progressive statewide agency charged with promoting, supporting and improving the early development of children ages 0 to 5. The mission of First 5 California is to be recognized as the unequivocal voice for children 0 to 5 to ensure greater equity in their readiness for school. To that end, the Commission designed and adopted a logo, or service mark, to distinguish the Commission's role as a statewide leader in promoting public awareness of issues affecting early childhood development.

The logo for First 5 California was first used in commerce in 2002. In 2006, it was identified, registered and accepted as a service mark by the United States Patent and Trademark Office (USPTO) under Federal Trademark Registrations No. 3,043,254 for the

mark  and No. 2,862,041 for the mark . As such, First 5 California is recognized as the owner and original user of these marks, including both the English and Spanish language versions of the logo. The word mark is specified as "First 5", with the numeral; however "First Five" is deemed sufficiently similar as to cause confusion, so that word mark must be protected as well. The service mark includes the word mark plus the design. The service mark registered with the USPTO does not specify a color scheme.

### **LEGAL FRAMEWORK**

Service marks are governed by federal trademark legislation known as the Lanham Act, state trademark law, and the common law. Other than general terms and conditions

applicable to information technology contracts, no state control agency has provided rules or other guidance for state agencies to manage and protect its intellectual property such as service marks.<sup>1</sup> The state and federal laws governing trademarks and service marks impose specific duties upon owners of those marks in order to maintain the viability of the property interest. Therefore, the importance of the service mark to First 5 California necessitates a policy and corresponding procedures, to identify, manage and protect it.

A service mark is any name, word, symbol, or combination which is adopted and used in association with the source or provider of services.<sup>2</sup> The hope of an owner of such a mark is that the distinctiveness of the mark will attach to the service and establish a particular quality or association in the minds of the consumer that the service is superior to those of any competitor. This quality is known as “good will.” The notion of good will is fundamental to the law’s recognition of an ownership interest in such marks, and of the right of the owner to protect against infringement or other confusingly similar marks used by others.

Property rights in a service mark may continue only as long as the owner 1) continuously uses the mark, 2) adequately assures control over the quality of services associated with the mark, and 3) actively protects against unauthorized use of the mark. If the owner of the mark allows its uncontrolled use by others, it could result in a finding of abandonment of the mark.

While registration with the USPTO is not necessary to protect a mark, there are some benefits to registration. The registered owner is presumed to be the first user of the mark. It also confers national ownership rights, even if the geographic area of use is more limited. There are added benefits, including but not limited to: prevention of the registration of similar, confusing marks; elimination of the defense of “innocent adoption” by other users; and injunctive relief and damages against infringers. Maintaining an active registration requires the periodic filing of declarations of continual use.

Where the owner of a service mark has a business interest in permitting someone else to use the mark, the owner is permitted to license such use. The Lanham Act premises trade mark and service mark licensing on the “related companies” doctrine, i.e. the notion that the owner of the mark will exercise control over the nature and quality of the goods or services in connection with which the mark is used to avoid confusion or deception over the use of the mark.<sup>3</sup> Therefore, an essential element of a valid license is that the owner must exercise adequate quality control over the services of the licensee. In addition, a valid license requires: 1) the requirement that the licensee notifies the owner of potentially infringing marks, and 2) the “good will of the business associated with the

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<sup>1</sup> California State Auditor, “Intellectual Property: An Effective Policy Would Educate State Agencies and Take Into Account How Their Functions and Property Differ,” Report 2011-106 (November 2011).

<sup>2</sup> This is distinguished from a trademark, which identifies the source or provider of products.

<sup>3</sup> *Dawn Donut Co. v. Hart’s Food Stores, Inc.*, 267 F.2d 358 (2<sup>nd</sup> Cir. 1959).

mark”. Without these elements, any attempt to assign or license the use of a mark will be deemed invalid, and may also lead to the abandonment of the ownership rights.<sup>4</sup>

## **STAFF RECOMMENDATION**

Staff recommends that the Commission ratify the proposed policy which outlines the essential business practices that First 5 California should implement in order to identify, maintain and protect its registered trademark, to ward against potentially infringing uses that would confuse the public about First 5 California’s services and to avoid inadvertent abandonment of our intellectual property.

## **DISCUSSION**

First 5 California is the federally recognized owner of the above-referenced service marks. This was affirmed in 2009 when First 5 San Diego attempted to register a similar mark with the USPTO and the application was rejected in recognition of our registration. Nonetheless, First 5 California has informally permitted the Proposition 10 county commissions to utilize the service mark in connection with First 5 programs and services. Because the mission of the county commission and quality of their services is established in statute by Proposition 10, the use of the service mark by the counties has been consistent with First 5 California and has not presented confusion to the public.

The need for a service mark policy has arisen within the last year upon staff identification of other organizations outside of California using the words “first five” in their names, at least one which also uses a graphic of a child’s hand. In at least one case, the mission and services of the organization is very similar to that of First 5 California; in others, the mission and programs are less aligned. At least one organization has requested that First 5 California extend a license agreement to use the logo.

Thus, we have a recognized exclusive property interest in the First 5 California service mark. However, in order to maintain our ownership interest, we have an affirmative duty to identify, maintain and protect its use. The proposed policy lays out concise practical steps to meet the “care and feeding” requirements set forth in federal and state intellectual property law, and will also provide clear guidance to staff to resolve questions presented by potentially infringing uses of our logo. The proposed policy is summarized here:

### *Identification*

- By registering our service mark, including both the English and Spanish language versions, we have fulfilled the requirements for identifying the mark. The application submitted to the USPTO clearly defines the specifications and applicable uses of the service mark.

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<sup>4</sup> *Barcamerica International USA Trust v. Tyfield Imports, Inc.*, 289 F.3d 589-598 (9<sup>th</sup> Cir. 2002).

*Maintenance*

- The validity of a service mark depends on the original and continued usage of the service mark. Failure to correctly use and protect the service mark could result in losing exclusive rights to the service mark. The proposed policy would meet First 5 California's legal responsibilities to maintain the service mark through the following business practices:
  - The preparation and regular review and revision of the Identity Program Style and Usage Guide (Guide) to direct the proper use of the logo and service mark.
  - The submittal of a periodic declaration of continued use, and renewal of the registration every ten years, to the USPTO.

*Protection*

- The validity of the service mark also depends on affirmative protection from potentially infringing uses. Failure to appropriately protect against confusing uses can lead to legal abandonment of the property interest. The proposed policy would meet First 5 California's responsibilities to protect the service mark through the following business practices:
  - Negotiating a written license agreement with potential licensees where the services they provide are consistent in quality to those of First 5 California.
  - Issuance of cease and desist letters to potentially infringing users.

Working assumptions underlying the proposed policy include:

- The desire to permit Proposition 10 counties to use the service mark. Legally, First 5 California can permit the county commissions to use the service mark. Because the services of the county commissions are defined by statute, and because First 5 California has an oversight role through the review of the counties' annual audits and through monitoring of performance through local assistance agreements.
- The requirement to enter into a written license agreement with each of the county commissions. For adequate protection of the service mark and to avoid legal abandonment, First 5 California should enter into written license agreements with each of the county commissions. The Chief Counsel would draft and offer a simple agreement that meet the essential elements of the law. Staff is recommending that the license agreements to the California counties not include any annual license fee.
- The collection of an annual license fee from out-of-state licensees. To underscore that the license is a thing of value, and to recoup reasonable costs associated with negotiating, administering and monitoring the agreement, First 5 California would negotiate an annual license fee for out-of-state users, estimated to be in the range

of \$1,000 to \$5,000 per year depending on the scope of the proposed use by the licensee.

- Delegation to the Executive Director to decide whether out-of-state use is appropriate. The policy includes specific factual determinations that will guide the Executive Director's decision-making, in discerning whether the any given out-of-state use is consistent with the quality of First 5 California services, or whether it would confuse the public.
- Seeking direction from the Commission on legal action beyond a cease and desist letter. Although the policy delegates to the Executive Director the authority to issue a cease and desist letter, the Commission would retain the authority to decide whether any further legal action would be initiated in a given case of potentially infringing use.

## **FISCAL IMPACT**

It is difficult to quantify the monetary value of the First 5 California logo. Similarly it is difficult to quantify the fiscal impact of service mark infringement where the owner is a government agency and service provider like First 5 California. For an organization like the State Commission, the value of the service mark is more intrinsic, in that it identifies First 5 California as a recognized leader in early childhood development – both inside and outside the state – and also directly serves our mission of being recognized as California's unequivocal voice for children 0 to 5 to ensure greater equity in their readiness for school.

There are costs associated with the staff work necessary to properly “care and feed” the service mark, such as the upkeep of and compliance with the Identity Program Style and Usage Guide, the detection of and legal response to potentially infringing uses, and the negotiation of written license agreements. Conversely, the failure to properly maintain and protect the service mark could result in the abandonment of the service mark, and the resultant lack of branding could erode public and consumer awareness and appreciation of the unique and important value that First 5 California services provide to California's children and families.

## **ATTACHMENTS**

Proposed Policy for Intellectual Property: Service Marks

## **INTELLECTUAL PROPERTY: SERVICE MARK**

**8001**

Replaces Section: N/A

Reviewed By: Reneé Webster-Hawkins

Effective Date: July 18, 2012

Approved By: Kris Perry

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### **POLICY PURPOSE**

This policy is intended to provide guidance to executive management and staff to identify, manage and protect the service mark of First 5 California (also, the State Commission.)

### **BACKGROUND**

First 5 California is a progressive statewide agency created by voter-approved Proposition 10 charged with promoting, supporting and improving the early development of children ages 0 to 5. The mission of First 5 California is to be recognized as the unequivocal voice for children 0 to 5 to ensure greater equity in their readiness for school. To that end, the State Commission designed and adopted a logo, or service mark, to distinguish its role as a statewide leader in promoting public awareness of issues affecting early childhood development. The importance of the service mark to First 5 California necessitates a policy and corresponding procedures, to identify, manage and protect it.

Service marks are governed by federal trademark legislation known as the Lanham Act, state trademark law, and the common law. Other than general terms and conditions applicable to information technology contracts, no state control agency has provided rules or other guidance for state agencies to manage and protect its intellectual property such as service marks.<sup>1</sup>

### **POLICY & PROCEDURES**

#### **A. Identification of the Service Mark**

The logo for First 5 California was first used in commerce in 2002. In 2006, it was identified, registered and accepted as a service mark by the United States Patent and Trademark Office (USPTO) under Federal Trademark Registrations No. 3,043,254 for the

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both the English and Spanish language versions of the logo. The word mark is specified as “First 5”, with the numeral; however, “First Five” is deemed sufficiently similar as to cause confusion, so that word mark must be protected as well. The service mark includes the word mark plus the design. The service mark registered with the USPTO does not specify a color scheme.

There are no further procedures necessary to identify the First 5 California service mark.

## **B. Management of the Service Mark**

The validity of a service mark depends on the original and continued usage of the service mark. Even though “First 5” and the logo are federally registered to the State Commission, the continued ownership of the marks depends on proper management, protection and correct usage. Failure to correctly use and protect the service mark could result in losing exclusive rights to the service mark.

Since the service mark was registered, First 5 California has prepared and from time to time revised an Identity Program Style and Usage Guide (Guide) to direct the proper use of the logo and service mark.

In addition, First 5 California has historically retained outside counsel specializing in intellectual property to assist with managing the registration of the service mark with the USPTO. Pursuant to the federal trademark legislation known as the Lanham Act (Title 15 of the United States Code of Federal Regulations), registrants of service marks must periodically submit a declaration of continued use, and also renew the registration every ten years.

To ensure proper management of the First 5 California service mark:

1. Commissioners, staff and contractors of First 5 California shall consistently and diligently apply the guidelines in the First 5 California Identity Program Style and Usage Guide. All materials and publications produced and distributed on behalf of First 5 California shall utilize the logo and taglines as specified in the Guide to maintain a strong, consistent image associated with First 5 California services.
2. External and Governmental Affairs staff shall review and revise the Guide on at least an annual basis, and more frequently if needed, to incorporate instructions for using the logo in new applications or to eliminate obsolete ones.

3. The Chief Counsel shall retain and consult with outside counsel as appropriate to ensure that all required filings with USPTO are properly and timely submitted to maintain the legal recognition and validity of the federal registration.

### **C. Protection of Service Mark**

To protect the ongoing validity of the service mark, First 5 California must take action against other marks that are likely to cause confusion, including the word marks “First 5” and “First Five”. In the event that another mark is detected that may cause confusion:

1. In consultation with outside counsel as appropriate, the Chief Counsel shall advise the Executive Director of the existence of the other mark, and whether the other mark is likely (meaning more probably than not) to cause confusion.
2. Where the other mark is likely to cause confusion, First 5 California has the option of either:
  - a. Offering a written license agreement, or
  - b. Issuing a cease and desist letter.

Upon ratification of this policy by the State Commission, the Executive Director has delegated authority to consult with and direct the Chief Counsel to pursue either one of these options on behalf of First 5 California, and to approve such action.

3. Written license agreements may only be offered where the Executive Director determines in writing that:
  - a. The purpose of the licensee’s services are to promote, support and improve the early development of children ages 0 to 5 years of age through the establishment, institution, and coordination of appropriate standards, resources, and integrated and comprehensive programs emphasizing community awareness, education, nurturing, child care, social services, health care, and research;
  - b. Licensee’s services are targeted for children ages 0 to 5;
  - c. Licensee’s services are designed to ensure that children ages 0 to 5 are ready to enter school;
  - d. The licensee’s services are consistent in quality to those of First 5 California. Hallmarks of consistent quality may include but are not limited to:
    - i. Implementation of innovative programs and services that extend beyond entitlement programs or those traditionally funded.

- ii. Programs that invest in childhood development, families as primary caregivers, and the professional standards of early childhood educators.
    - iii. Collaboration with public and private partners, building on existing systems.
    - iv. Incorporation of highest quality, evidence-based standards to evaluate program effectiveness;
  - e. Licensee has demonstrated a willingness to accept the good will of First 5 California; and
  - f. The delivery and quality of licensee's services will be sufficiently transparent and accountable to facilitate First 5 California's continual responsibility to monitor quality control.
4. Any written license agreement must include the following elements at a minimum:
- a. The good will of First 5 California;
  - b. Specific terms and conditions describing the allowable use of the First 5 California service mark;
  - c. A provision enabling First 5 California to unilaterally terminate the agreement with cause upon the Executive Director's determination that the licensee's use no longer is consistent in quality with the services of First 5 California;
  - d. A process that enables First 5 California to monitor and control the nature and quality of the services in connection with which the mark will be used by the licensee;
  - e. A requirement that the licensee notify First 5 California if it detects any potentially infringing uses of the service mark; and
  - f. For any organization that is not a California county first five commission created under Proposition 10, an annual license fee computed to cover First 5 California's costs to negotiate, administer and monitor the license agreement.
5. In the event that the facts and circumstances do not support a determination that the confusing or potentially infringing use may be consistent in quality to the services of First 5 California, or for any other good cause determined by the Executive Director, a cease and desist letter may be drafted and sent to the infringing party upon the Executive Director's direction and under the Chief Counsel's signature. If the infringing party does not comply with the cease and desist letter, the Executive Director shall consult with the State Commission for further direction on legal or other appropriate action to protect the service mark of First 5 California.