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## What The 2nd Circ. Missed In Religious Trademark Case

By **Paul Tarr** (November 15, 2018, 1:12 PM EST)

Among the various forms of intellectual property, trademarks serve a unique dual purpose: They protect not only the rights of the owner of the mark but also the consuming public from being misled. Without strong trademark protection, consumers could be taken advantage of by profit-seeking impostors falsely claiming another's brand as their own. Consumers must have confidence that trademarks and service marks reliably connect to the specific product, service or brand they believe it does.



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Such protection from impostors is important, perhaps especially so, in the realm of organized religion, and religious trademarks provide it. But a decision issued on Nov. 2, 2018, by the U.S. Court of Appeals for the Second Circuit, *The Universal Church Inc. v. Toellner*,<sup>[1]</sup> has diluted this measure of protection. The decision appears to threaten trademark protection routinely afforded to nonprofits and businesses with marks that have established secondary meaning from common or historical terms.

Churches, with their complex legal and financial interests, are far more than just spiritual ventures. They operate as tax-exempt, nonprofit organizations that are structured like businesses and have "a responsibility to operate and serve in responsible business ways."<sup>[2]</sup> In this regard, churches and other nonprofits must honor stringent fiduciary obligations and demonstrate proper stewardship of charitable donations in order to maintain their tax-exempt status.<sup>[3]</sup> Churches are also subject to regulation by state attorneys general. In New York, the Charities Bureau of the Attorney General's Office exercises oversight over churches while the New York Religious Corporations Law imposes unique regulations on particular denominations and on religious entities generally. Also, a New York-based church must obtain permission from the AG or the court and may require the approval of a majority of its congregants before selling real property.<sup>[4]</sup>

If churches are religious analogs of nonprofit business, their congregants and worshipers are in a sense "consumers" who seek spiritual enlightenment rather than charity or goods and services. For this reason, trademark protection is vital for churches. Just as commercial entities compete for clients and customers, most churches compete for the congregants and donations they need to pursue their mission in a crowded spiritual "marketplace" with many options. And just as businesses use branding and trademarks to protect and grow their businesses, churches have long sought to maintain and grow their brand equity, and hence their memberships, through trademarks.

The U.S. Patent and Trademark Office website lists more than 1,000 active marks containing the word "church." Many of these marks use common words that have taken on secondary meaning — much in the same way American Airlines, Apple Computer, Universal Studios or Amazon have become leading protected brands in the business world. Without branding and trademark protection, religious "consumers" could be taken advantage of by charlatans claiming to represent their churches, just as nonprofits' consumers may be vulnerable to impostors pilfering the brand equity of, for example, the Salvation Army or the Red Cross.

Courts have recognized this danger in holding that churches and nonprofits may avail themselves of trademark protections, even for descriptive or ancient terms that may have held different meaning

thousands of years ago. One federal district court stated the matter succinctly: "Distinct identity is just as important to such a [charitable organization], oftentimes, as it is to a commercial company. Its financial credit — its ability to raise funds, its general reputation, the credit of those managing it and supporting it, are all at stake if its name is filched away by some other organization, and the two become confused in the minds of the public." [5]

Further, courts have resolved the potential for conflict between First Amendment and trademark rights by holding that one church may appropriate the religious practices but not the goodwill or identity of another. [6] What this means is that an organization cannot use another's trademark or source identifier as its name. By distinguishing between religious practice and identity in this way, trademark law allows churches to forge identities representing coherent spiritual messages, with which their members can align. With such a strong foundation a young church can, after years of hard work, establish valuable goodwill and reputation. These are the qualities the public uses to judge the quality and credibility of a given church's ministry and teachings. [7]

Trademark protection also rewards churches in their capacity as public institutional citizens and stewards of charitable donations. As with any type of nonprofit organization, religious "consumers" are inclined to donate to churches with a trustworthy and inspiring brand. Over time, churches build up substantial secondary meaning in their names, even when these names consist of descriptive or historical terms. A church's existing and potential membership relies on these qualities in deciding where to worship and donate money. [8]

All of this is to say that religious trademarks are no different than any other type of trademark in their essential functions. In that regard, the Universal Church decision may endanger not only the protections that religious trademarks provide, but also the trademark rights of institutions and organizations with more worldly concerns.

Universal Church was an appeal of a district court decision [9] that invalidated the trademarks of the Universal Church, a fast-growing evangelical Christian church with approximately 300 locations in the United States. At stake was the church's right to the trademark their name, "Universal Church," which was challenged by an organization called "Universal Life Church." These are both tax-exempt organizations operating as churches. What Universal Life offers is instant, online, nondenominational ordinations — not spiritual ministry in brick-and-mortar churches, which the Universal Church provides. Instead, Universal Life offers instant clerical "credentials."

No one contests the right of Universal Life to turn out instant ministers online. At issue in this case is the online entity's misappropriation and misuse of Universal Church's name and brand equity, and the confusion this may cause. The Universal Church does not purport to own the first word in its name any more than "Universal Studios" does; but both the church and the Hollywood studio are entitled to the intangible assets they have developed in connection with their names. Further, the Universal Church does not suggest that other organizations should be prohibited from using the phrase "universal church" descriptively when addressing religion or any other topic. Nor does the Universal Church assert that the instant-ordination service should change its name.

At issue is the Universal Church's right to have its trademarked name honored just as "Universal Studios" — or "Apple Computer," "Mickey Mouse," or any other trademarked term — is honored. Since the Universal Church has had its registered trademark for more than 12 years, another church should not be allowed to call itself "Universal Church" in order to sow confusion in the spiritual marketplace in a way that may improperly lure congregants away from the trademark holder.

The Universal Church maintains that is just what happened in this case. In the lawsuit, it alleged efforts by Universal Life to confuse internet users who were searching for it specifically. Universal Life registered universalchurch.org (purchased by Universal Life when the registration lapsed), and then knowingly used the trademarked name as a landing page for its online ordination service, referring to itself on that site as "The Universal Church." Universal Life then allegedly used search engine optimization techniques to manipulate the search results so that people looking for the Universal Church would be sure to land on universalchurch.org. Also, it is alleged, Universal Life essentially misappropriated the Universal Church's physical locations by linking each brick-and-mortar church to the website universalchurch.org, which Universal Life now controls.

In affirming the district court, the Second Circuit held that, despite the well-established brand the

Universal Church has developed across the United States, “the term ‘Universal Church’ is generic in the context of ‘evangelistic and ministerial services, namely, conducting religious worship services,’ and that the term ‘The Universal Church’ is generic in the context of ‘religious counseling and ministerial services,’ the classes for which the trademarks are registered.”[10]

In finding the term “Universal Church” to be “generic,” the Second Circuit overlooked the fact that the defendants presented no evidence of how the “Universal Church” is understood by contemporary consumers of religious services and held that the term has no protected secondary meaning tied to the fast-growing institution that bears it as a name. The court so held even though “the organization ‘promote[s] this brand’ to its 30,000 members and in its weekly television program (which may reach up to 800,000 people).”[11]

The Universal Church decision has implications well beyond the concerns of the Universal Church and its members, and those of the Universal Life’s aspiring ministers. At the outset, the decision could impact churches of all sizes and denominations, nationwide. Those seeking spiritual guidance surely need — and are entitled to — assurance that the church they are joining is the one they intend to join. Religious trademarks help provide this assurance. And the logic of the Universal Life decision may impact nonprofits and commercial entities with names and brand identities that sound in tradition or antiquity, from Universal Studios to American Airlines and beyond.

Should the Universal Church choose to file a petition for writ of certiorari, it would do so in defense of the principle that religious trademarks must perform their essential functions as trademarks. Ultimately, this is not a religious principle. It is as true for religious trademarks as for the marks of nonprofits and commercial entities. And it is as important for people of faith as for the secular. On this point, no lawyer should be agnostic.

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[1] **The Universal Church, Inc. v. Toellner** (No. 17- 2960-cv), 2018 U.S. App. LEXIS 31153 (2d Cir. Nov. 2, 2018)

[2] Ruth Moon, Should Churches Trademark Their Names and Logos, Christianity Today (Dec. 8, 2011), <https://www.christianitytoday.com/ct/2011/december/churches-trademark-names.html>.

[3] See U.S. Department of the Treasury. Internal Revenue Service. (2015) Tax Guide for Churches & Religious Organizations, (Cat. No. 21096G). Retrieved from <https://www.irs.gov/pub/irs-pdf/p1828.pdf>.

[4] See New York Not-For-Profit Corporation Law §§ 511-511-a and NYRCL § 12.

[5] **Nat’l Bd. of YWCA v. YWCA of Charleston**, S.C., 335 F. Supp. 615, 622 (D.S.C. 1971) (internal citation omitted).

[6] *Id.* at 624-25, quoted in **Gen. Conference Co. of Seventh-Day Adventists v. Perez**, 97 F. Supp. 2d 1154, 1164 (S.D. Fla. 2000).

[7] See, e.g., Kenneth Liu, “Should Churches and Ministries Care About Trademarks?” Church Executive (July 1, 2011), <https://churchexecutive.com/archives/should-churches-and-ministries-care-about-trademarks>

[8] For example, the USPTO has registered trademarks for churches including: Church of Religion of God, Divine Church of God, The World’s Church of the Living God, Church of God Ministry of Jesus Christ, The United States Church, The Lord of the Universe Church, The Church of Good Karma,

Church of God in Christ, Living Church of God, True Jesus Church, Church of the King, Christ's Sanctified Holy Church, The Episcopal Church, New Apostolic Church, United Church of God and Worldwide Church of God.

[9] **Universal Church, Inc. v. Universal Life Church/ULC Monastery** , No. 14-CV-5213 (NRB), 2017 U.S. Dist. LEXIS 127362, 2017 WL 3669625 (S.D.N.Y. Aug. 8, 2017)

[10] Universal Church, 2018 U.S. App. LEXIS 31153, \*2.

[11] Id. at \*3-4.

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