

This Opinion is not a  
Precedent of the TTAB

Oral Hearing: April 7, 2021

Mailed: May 12, 2021

UNITED STATES PATENT AND TRADEMARK OFFICE

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Trademark Trial and Appeal Board  
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*In re Electronic Payments Inc.*  
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Serial No. 87239532  
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Sean L. Ingram of Ingram IP Law PA,  
for Electronic Payments Inc.

George Murray, Jr., Trademark Examining Attorney, Law Office 121,  
Richard White, Managing Attorney.

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Before Taylor, Goodman and English,  
Administrative Trademark Judges.

Opinion by Goodman, Administrative Trademark Judge:

Electronic Payments Inc. (“Applicant”) seeks registration on the Principal  
Register of the mark ELECTRONIC PAYMENTS (in standard characters,  
“Payments” disclaimed) for

Business to business commerce services, namely, providing  
a network of independent sales representatives that earn  
bonus incentives to promote multi-function point of sale  
credit card and debit card processing equipment and  
supplies of others to merchants that enable payment  
authorization processing and inventory management

solutions for merchants; and not available to cardholder markets in International Class 35.<sup>1</sup>

The Trademark Examining Attorney has refused registration of Applicant's mark on the basis that the activity recited in the identification is not a registrable service<sup>2</sup> and on the basis of genericness, both under §§ 1, 2, 3, and 45 of the Trademark Act, 15 U.S.C. §§ 1051, 1052, 1053, and 1127.<sup>3</sup> The Examining Attorney also has refused registration on the basis of mere descriptiveness under Trademark Act Section 2(e)(1), 15 U.S.C. § 1052(e)(1), and that Applicant's evidence of acquired distinctiveness is insufficient due to the highly descriptive nature of the mark.

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<sup>1</sup> Application Serial No. 87239532 was filed on November 16, 2016, under Section 1(a) of the Trademark Act, 15 U.S.C. § 1051(a), based upon Applicant's claim of first use anywhere and first use in commerce since at least as early as January 29, 2004. Section 2(f) claimed for the entire mark.

Page references to the application record refer to the online database pages of the USPTO's Trademark Status & Document Retrieval (TSDR) system. One of Applicant's requests for reconsideration, filed June 29, 2020, was filed only with the Board via ESTTA, so reference to that document will be made to TTABVUE, the Board's docket system. References to the briefs on appeal refer to TTABVUE. Applicant's brief appears at 15 TTABVUE and the Examining Attorney's brief appears at 21 TTABVUE. Applicant's reply brief appears at 22 TTABVUE.

<sup>2</sup> In the initial refusal, the Examining Attorney described the refusal as "failure to function as a service" stating that Applicant's services are not registrable. October 18, 2019 Office Action at TSDR 1. In the final Office Action, the Examining Attorney stated that Applicant was not providing registrable services. April 24, 2020 Office Action at TSDR 1. In its brief, the Examining Attorney describes the refusal as failure to function as a service mark arguing that the services are not "registrable services." 21 TTABVUE 3, 6.

<sup>3</sup> The Examining Attorney's brief references Trademark Act Sections 23(c) and 45 as the basis for the genericness refusal. However, Applicant seeks registration on the Principal Register and did not amend its application to the Supplemental Register during prosecution. On reconsideration, (May 2, 2018) Applicant did submit a disclaimer of "payments" which the Examining Attorney indicated would be necessary for registration on the Supplemental Register but the TSDR status shows that the application remains on the Principal Register. November 03, 2017 Office Action at TSDR 1; May 2, 2018 Request for Reconsideration at TSDR 1.

When the refusals were made final, Applicant appealed and requested reconsideration multiple times.<sup>4</sup> After the Examining Attorney denied each request for reconsideration, the appeal ultimately was resumed on October 31, 2020. An oral hearing was held in which Applicant's counsel and the Examining Attorney appeared.

We affirm the refusal to register that Applicant is not offering a registrable service and, because we find that Applicant is not offering a registrable service, we do not reach the refusals based on genericness or the insufficiency of the Section 2(f) evidence.

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<sup>4</sup> Applicant sought reconsideration on May 2, 2018, July 22, 2019, June 29, 2020, September 21, 2020, and January 20, 2021.

The prosecution history of this case is long and convoluted. The Examining Attorney initially refused registration on mere descriptiveness grounds under Section 2(e)(1). After the final refusal on the Section 2(e)(1) grounds, Applicant sought reconsideration, amending its application to alternatively claim acquired distinctiveness under Section 2(f) based on five years use. The Examining Attorney then refused registration based on the finding that the claim of five years use was insufficient, maintaining the Section 2(e)(1) refusal. The Examining Attorney concurrently suggested registration on the Supplemental Register, also requiring Applicant to disclaim "payments," if so amended. After the Section 2(e)(1) refusal and insufficient evidence of acquired distinctiveness refusals were made final, Applicant appealed and sought reconsideration, submitting additional evidence of acquired distinctiveness. The Examining Attorney then approved the mark for publication under Section 2(f). Subsequently, the application was withdrawn from publication, and the Examining Attorney issued a genericness refusal, while also maintaining the Section 2(e)(1) refusal and stating that the submitted Section 2(f) evidence was insufficient. These refusals were made final and Applicant once again sought reconsideration. Based on statements made by Applicant on reconsideration, the Examining Attorney issued a new refusal of "failure to function as a [service] mark" based on Applicant not offering a registrable service. On April 24, 2020, the Examining Attorney made the genericness and failure to function as a service mark refusals final, and stated that a Section 2(f) claim cannot overcome a genericness refusal. Applicant filed its final request for reconsideration on September 21, 2020 in which it claimed ownership of prior registrations. (It appears that a duplicate request for reconsideration was filed on January 20, 2021 in TSDR.). The Examining Attorney denied reconsideration on October 28, 2020, finding that the prior registrations did not overcome the refusals, and maintained and continued the following refusals: "failure to function"; "acquired distinctiveness claim denied"; and the "mark is generic." After the October 28, 2020 denial of reconsideration, this appeal resumed.

I. Whether Applicant is offering services in connection with the mark.

We consider the refusal that the identified services are not registrable services as contemplated by Trademark Act Sections 1, 2, 3, and 45.

The Examining Attorney argues that Applicant's services are not registrable services "because they are merely incidental and necessary activities to Applicant's principal activity of merchant acquiring and offering payment processing services."

21 TTABVUE 7-9. In particular, the Examining attorney argues that

Applicant's "sales representatives are not the service Applicant provides but rather the means by which Applicant sells and provides its payment processing and merchant acquirer services to merchants. Applicant cannot provide its payment processing and merchant acquiring services without the merchants having the payment processing equipment supplied by these sales representatives."

*Id.* at 9.

Applicant, on the other hand, contends that providing independent sales organizations (ISO) are real activities, are "separate and distinct services," and are recognized as separate services by the merchant processing industry and by the Office. 15 TTABVUE 12-13. Applicant argues that its services confer a benefit on third-party product suppliers, stating that its "ISO services are provided for the benefit of third-parties that provide equipment and supplies to merchants in the relevant payments industry." *Id.* at 13. Applicant references its substitute specimen as reflecting that the network of independent sales representatives "utilize applicant's ELECTRONIC PAYMENTS incentive program to promote products of others." *Id.* (emphasis in original).

To qualify as a “service,” a service must be (1) a real activity; (2) performed to the order of, or for the benefit of, someone other than the applicant; and (3) the activity performed must be qualitatively different from anything necessarily done in connection with the sale of the applicant’s goods or the performance of another service. *In re Can. Pac. Ltd.*, 754 F.2d 992, 224 USPQ 971, 973-74 (Fed. Cir. 1985); *In re Husvarna Aktiebolag*, 91 USPQ2d 1436, 1437 & n.3 (TTAB 2009); TRADEMARK MANUAL OF EXAMINING PROCEDURE (TMPEP) §§ 1301.01(a) and 1301.01(a)(i)-(iii) (Oct. 2018).

In assessing this refusal, “[w]e must look closely at what is being offered here and to whom it is being offered.” *In re Can. Pac. Ltd.*, 224 USPQ at 973; *see also In re Landmark Commc’ns., Inc.*, 204 USPQ 692, 695 (TTAB 1979) (“we should first ascertain what is an applicant’s principal activity under the mark in question ... and then determine whether the activity embraced by the description of services or goods in the application is in any material way a different kind of economic activity than what any purveyor of the principal service or tangible product necessarily provides”).

As stated, Applicant submits that the ISO service is a real activity. In support, it references trade show materials that identify an ISO as a separate category of service. June 29, 2020 Request for Reconsideration, exhibits, 11 TTABVUE 16-20. Applicant also points to third-party registrations as offering cognizable services under an ISO such as “Installation, maintenance, repair, updating of card readers and electronic devices all for handling financial and associated transactions” and “equipment leasing, namely, leasing of computer hardware and peripheral equipment for use in

point of sale transactions.” *Id.* exhibits, at 11 TTABVUE 21-31. However, none of these third-party registrations specifically recite the ISO services that Applicant has identified in its application.<sup>5</sup> Moreover, while those above-referenced third-party activities may be recognized and registered as cognizable services, they are not among the services for which Applicant currently seeks registration. Nonetheless, we acknowledge that providing an independent sales organization is a real activity, as it is a sales force that employs independent contractors to sell products or services of others.

We next consider whether the identified activity in Applicant’s application is performed to the order of, or for the benefit of, someone other than Applicant, and whether the activity is something necessarily done in connection with the performance of Applicant’s other services.

Applicant identifies itself as a “merchant acquirer within the payment card industry,” “offering services ... directly to merchants and acquiring banks.”<sup>6</sup>

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<sup>5</sup> Notably, during prosecution of its application, Applicant sought to amend the recitation of services to “providing a network of independent sales representatives that earn bonus incentives to install, maintain, repair, and update multi-function point of sale credit and debit card processing equipment and supplies of others to merchants that enable payment authorization processing and inventory management solutions for merchants; and not available to cardholder markets.” June 29, 2020 Request for Reconsideration 11 TTABVUE 6-7.

The Examining Attorney rejected the amendment as outside the scope of and unrelated to the services of promotion. July 20, 2020 Denial of Reconsideration at TSDR 1.

<sup>6</sup> A merchant acquirer is generally a bank service provider that facilitates the communication and settlement of payments. April 24, 2020 Office Action at TSDR 3. The merchant acquirer maintains a merchant’s account so that the merchant can accept credit and debit cards and it settles debit and credit card transactions for a merchant. *Id.* Under merchant acquirer agreements, the merchant acquirer will charge a per transaction fee, a monthly fee, and other fees to service the account. *Id.*; See also October 18, 2019 Office Action at TSDR 2 [ithandbook.ffiec.gov](http://ithandbook.ffiec.gov). (“Acquiring banks typically do not process their merchants’ transactions

Declaration of Michael Nardy, CEO and founder of Applicant (Nardy Declaration), ¶¶ 3, 4, May 2, 2018 Request for Reconsideration, at TSDR 1. Applicant is the 30<sup>th</sup> largest merchant acquirer in the United States. *Id.* at ¶¶ 3, 4, 5. Applicant’s “principal activity is obtaining transaction authorization codes from an acquiring bank to approve or decline a sales transaction while cardholders remain at a point of sale such as a merchant’s store.” April 10, 2020 Response to Office Action at TSDR 1 (referencing Declaration of Michael Nardy, ¶ 18 submitted with the May 2, 2018 Request for Reconsideration at TSDR 4). Merchants are “relevant consumers of applicant’s services.” Nardy Declaration, ¶¶ 4, 6, 26-27, May 2, 2018 Request for Reconsideration, at TSDR 1. “[P]lacing equipment and supplies of others with merchants is an overhead expense to merchant acquirers.” April 10, 2020 Response to Office Action at TSDR 1. Applicant provides the point of sale (POS) devices to merchants through its independent sales representatives. Nardy Declaration, ¶¶ 13, 27, May 2, 2018 Request for Reconsideration, at TSDR 1. The POS devices are programmed to send “an authorization request to [Applicant] that includes information identifying the cardholder, the merchant, the acquiring bank, and the issuer” during the checkout process. *Id.* ¶15, Applicant then “relays the identifying information to an acquiring bank for ultimate delivery to the issuer” for a response either granting or declining authorization to complete the checkout. *Id.* at ¶¶ 16-17.

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directly so this function may be outsourced to a third-party service provider (merchant acquirer) that performs the data processing functions of authorization and clearing and settlement.”). Applicant confirms that “Merchant acquirers such as applicant generate revenue through sales commissions tied to merchant sales.” April 10, 2020 Response to Office Action at TSDR 1.

Once Applicant “obtains authorization codes or results from the acquiring bank” it “forwards these authorization codes to the POS device located at the merchant site” so that the checkout transaction can be completed or declined. *Id.* at ¶ 18.

Applicant explains the primary purpose or function of its independent sales representatives:<sup>7</sup>

The purpose/function of the independent sales representatives is to promote multi-function point of sale credit and debit card processing equipment and supplies to merchants that enable payment authorization processing and inventory management solutions for merchants. . . . Specifically, the independent sales representatives promote POS equipment and supplies to merchants that enable payment authorization processing through EPI. (Nardy Declaration, ¶¶ 13 and 15). The POS equipment is also capable of providing merchants with inventory management solutions. (Nardy Declaration, ¶ 13). ... To date, EPI’s network of independent sales representatives has placed EPI’s POS devices at over 40,000 merchant outlets across the 50 U.S. States. (Nardy Declaration, ¶ 5). EPI’s POS devices are programmed to route the authorization process through EPI. (Nardy Declaration, ¶ 15). . . . Merchants understand that EPI’s POS devices participate in the authorization process prior to transfer of any funds to the merchant. (Nardy Declaration, ¶ 19).

May 2, 2018 Request for Reconsideration, at TSDR 1.

Applicant also explains that “acquirers such as applicant generate revenue through sales commissions tied to merchant sales. ... merchant acquirers such as applicant pay commissions to independent sales representatives for securing new merchant accounts.” April 10, 2020 Response to Office Action at TSDR 1.

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<sup>7</sup> The reference to “EPI” in the following quotation is a reference to Applicant.



Following is the substitute specimen submitted during prosecution which appears to be directed at the independent sales representatives that form Applicant's ISO.



In its July 22, 2019 Request for Reconsideration at TSDR 1, Applicant stated that “[t]he ELECTRONIC PAYMENTS mark is used with applicant’s incentive program, having the purpose and nature of providing a network of independent sales representatives that earn bonus incentives for converting a potential merchant to a merchant account.”<sup>8</sup>

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<sup>8</sup> Although Applicant’s counsel, without support, has stated that the primary beneficiaries of Applicant’s independent sales representative services are third-party suppliers who experience increased sales volume, we find that Mr. Nardy’s declaration and the accompanying explanation of Applicant’s services referencing the Nardy Declaration which declare merchants as the primary beneficiaries of Applicant’s services are entitled to more weight in our analysis. Mr. Nardy, as Applicant’s CEO, is in a position to know intimately the nature of his business, including the primary role of the independent sales representatives. May 2, 2018 Request for Reconsideration at TSDR 2-7; April 10, 2020

Applicant further explained that:

The specimen of record illustrates that applicant's ELECTRONIC PAYMENTS incentive program provides a network of independent sales representatives who earn financial incentives "to score bonuses like never before!" The "ELECTRONIC PAYMENTS" incentive program provides a network of independent sales representatives who earn financial incentives to promote applicant's products and services. For example, the network of independent sales representatives may include independent sales organizations ("ISO") that earn financial incentives to convert a potential merchant to a merchant account and to place equipment and supplies at a merchant facility.

July 22, 2019 Request for Reconsideration at TSDR 1.

It is apparent that offering POS equipment is a necessary and integral part of Applicant's merchant acquiring services. Applicant's website indicates that Applicant offers "all services under one roof" such as customizable state of the art equipment and affordable processing packages to make credit card acceptance easy. October 28, 2020 Denial of Reconsideration at TSDR 2. Original specimen, November 16, 2016 at TSDR 1. For example, Applicant offers "innovative equipment packages, intuitive software, and reliable support at no upfront cost" and offers a "flagship point of sale product Exatouch" and a "Vault Payment Gateway." Original specimen, November

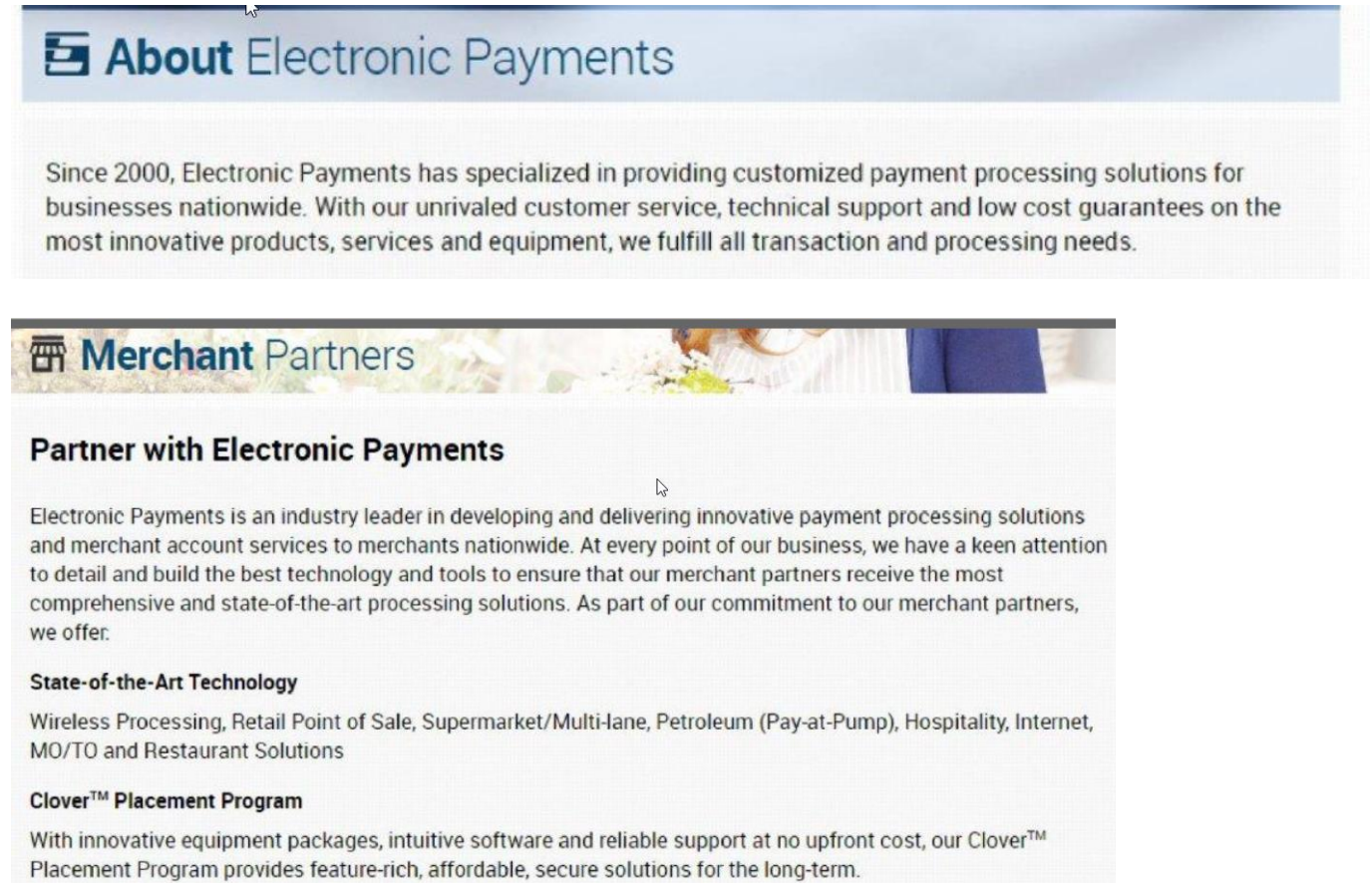
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Response to Office Action at TSDR 1; June 29, 2020 Request for Reconsideration 11 TTABVUE 6-9.

We note that Applicant's argument in the June 29, 2020 Request for Reconsideration 11 TTABVUE 6-7, was in the context of its proposed amended recitation of services that the Examining Attorney rejected. *See* n.5.

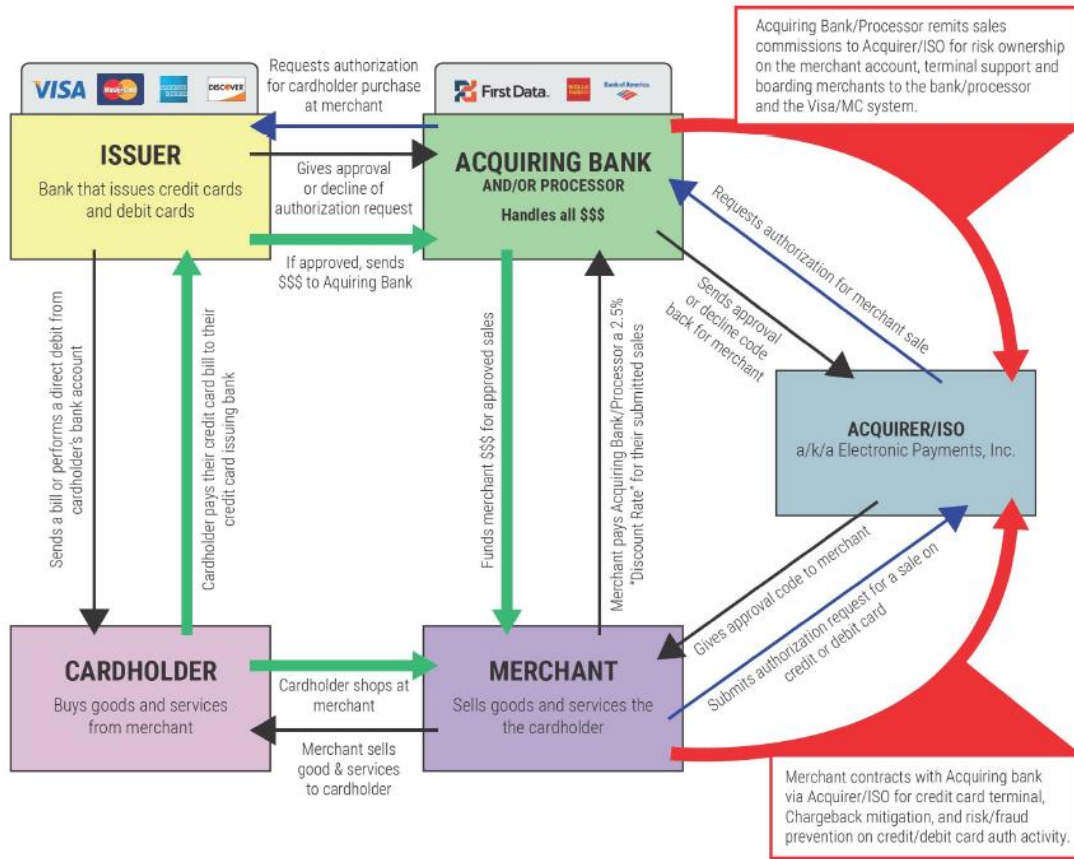
16, 2016 at TSDR 2-3; October 18, 2017 Response to Office Action at TSDR 2; April 6, 2017 Office Action at TSDR 8.

Excerpts of November 16, 2016 Original Specimen at TSDR 1 and 2.



The flow chart from the Nardy Declaration, shown below, illustrates Applicant's services in conjunction with payment processing. May 2, 2018 Request for Reconsideration at TSDR 7.

This chart shows the Acquirer/ISO is identified as "Electronic Payments Inc." and that the "Merchant contracts with Acquiring bank via Acquirer/ISO for credit card terminal, Chargeback mitigation and risk/fraud prevention on credit/debit card auth activity."



The flow chart demonstrates that Applicant's principal business is as a merchant acquirer who requests authorization for merchant sales and gives the approval code to the merchants that process payments through it. These transactions must be sent and received through a point of sale (POS) terminal that has payment authorization enabled through Applicant. Thus, promoting POS hardware and placing it at a merchant's business is an inherent part of marketing Applicant's merchant acquiring services that require POS terminals to process the requests for authorization via Applicant and to transmit the approval back via Applicant to the merchant. Applicant

earns its revenue from these sales transactions by placing the POS hardware at the merchant business, programmed to request authorization through Applicant.

In making our findings, we also may consider “the customs and practices of the industry or business” together with other record evidence in determining whether Applicant’s purported service is qualitatively different from its other services.

*Landmark Commc’ns*, 204 USPQ at 695.

The Examining Attorney submitted evidence showing that:

- Merchant service providers (MSPs) are companies that set businesses up to accept credit cards and have established marketing channels and large sales forces. January 25, 2019 Denial of Reconsideration at TSDR 5-6; July 11, 2018 Office Action at TSDR 8; October 18, 2019 at TSDR 2.
- Businesses that offer electronic payment processing solutions (hardware, software and payment processing) to merchants have sales forces. January 25, 2019 Denial of Reconsideration at TSDR 2-3, 5; July 11, 2018 Office Action at TSDR 8.
- Businesses in the payment processing industry offering integrated payment processing and credit card services include POS systems hardware as part of the package. January 25, 2019 Denial of Reconsideration at TSDR 3, 5. November 3, 2017 Office Action at 2.

Based on the evidence of record, we find that the independent sales agent services that obtain new merchant accounts for Applicant, and promote the POS hardware of others to these merchants, is a routine activity provided in connection with Applicant’s primary service, merchant acquisition services, and is not a sufficiently separate activity to constitute a service rendered for the benefit of others. Therefore, even though the third-party hardware manufacturers may derive some benefit from the placement of their hardware with these merchants, we find that this benefit is incidental to the benefit Applicant obtains from the ISO, which operates primarily

for Applicant's benefit to convert a potential merchant to a merchant account so that Applicant can earn fees for sales transactions and servicing the account.

Consequently, Applicant's recited "Business to business commerce services, namely, providing a network of independent sales representatives that earn bonus incentives to promote multi-function point of sale credit card and debit card processing equipment and supplies of others to merchants that enable payment authorization processing and inventory management solutions for merchants; and not available to cardholder markets" is not a cognizable service that is separate and distinct from Applicant's merchant acquiring services because it is not qualitatively different from anything necessarily done in connection with the performance of those services. *Cf. In re Dr. Pepper Co.*, 836 F.2d 508, 5 USPQ2d 1207, 1209 (Fed. Cir. 1987) ("activities which are 'necessarily done' in connection with the sale of one's goods are the quintessential 'routine or ordinary' activities associated with the sale of one's goods").

II. We do not reach the genericness and insufficient evidence of acquired distinctiveness refusals.

Because the designation ELECTRONIC PAYMENTS fails to identify a registrable service and is ineligible for registration on the Principal Register, we need not reach the genericness or insufficient evidence of acquired distinctiveness refusals. Both of these refusals bear on the same ultimate issue of registrability of the designation ELECTRONIC PAYMENTS based on the present application. *Cf. In re Carlton Cellars, LLC*, 2020 USPQ2d 10150, at \*6 (TTAB 2020) (declining to reach the Section

2(d) refusal because of affirmance of requirement to amend the identification of goods due to indefiniteness and failure to pay additional filing fees).

Moreover, our ability to fully and accurately assess the merits of the genericness refusal and the refusal based on insufficient evidence of distinctiveness are hampered by the lack of a registrable service. *Cf. In re DTI P'ship LLP*, 67 USPQ2d 1699, 1702 (TTAB 2003) (“Applicant’s failure to comply with the Trademark Rule 2.61(b) requirement is a sufficient basis, in itself, for affirming the refusal to register applicant’s mark. Moreover, our ability to fully and accurately assess the substantive merits of the mere descriptiveness issue has been hindered by applicant’s failure to submit the information and materials which were properly requested by the Trademark Examining Attorney under Trademark Rule 2.61(b).”).

**Decision:** The refusal to register Applicant’s mark on the basis that the recited activity is not a registrable service is affirmed.