



IDEAS ON INTELLECTUAL PROPERTY LAW



YEAR END
2018

Federal Circuit revives soda trademark battle over “ZERO”

Shot down

Photogs lose DMCA case over metadata removal

Supreme Court allows patent owner to recover lost foreign profits

Phonetic alphabet fails patent-eligibility test



Cantor Colburn LLP

Federal Circuit revives soda trademark battle over “ZERO”

When most people hear the word “generic,” it brings to mind a consumer product without a brand name. But its meaning is much more significant in the trademark world, where a term deemed generic isn’t eligible for trademark protection. The U.S. Court of Appeals for the Federal Circuit recently clarified the test for so-called genericness.

GROUND ZERO

Royal Crown and Coca-Cola compete in the beverage market, and both companies (as well as other companies) manufacture and distribute beverages that use ZERO as an element of their marks. Royal Crown sought trademark protection for two marks featuring the term but disclaimed it apart from the marks as a whole (meaning it didn’t seek exclusive right to the ZERO component of the marks).

Coca-Cola filed 17 trademark applications for marks with the term ZERO. In each, the U.S. Patent and Trademark Office (PTO) requested that the company disclaim the term because it merely described a feature of the product, “namely, calorie or carbohydrate content.”



After Coca-Cola overcame the disclaimer requirement and its applications were published for opposition, Royal Crown opposed registration, arguing that Coca-Cola should be required to disclaim the ZERO component. The Trademark Trial and Appeal Board (TTAB) dismissed the oppositions and granted registration of Coca-Cola’s marks for soft drinks and sports drinks without the disclaimer. Royal Crown appealed to the Federal Circuit.

TASTE TEST

Royal Crown argued that ZERO is generic, or at least highly descriptive with no acquired distinctiveness (see “Another TTAB error” on page 3), when applied to certain beverage products. As such, the term couldn’t indicate the products’ source. As the Federal Circuit noted, generic terms “are the antithesis of trademarks, and can never attain trademark status.”

The courts generally apply a two-step test to determine whether a term is generic:

1. What is the genus of goods or services at issue?
2. Is the term understood by the relevant public primarily to refer to that genus?

Evidence of the public’s understanding of the term can come from any “competent” source, including purchaser testimony, consumer surveys, dictionaries, trade journals, newspapers and other publications.

For the first prong of the test, the TTAB determined the relevant genus to be soft drinks, sports drinks and energy drinks. Royal Crown challenged this genus designation, arguing that the TTAB should have drilled down more, beyond the broad genus of drink

ANOTHER TTAB ERROR

The U.S. Court of Appeals for the Federal Circuit also found another point on which to fault the Trademark Trial and Appeal Board (TTAB) in the *Royal Crown Co., Inc. v. The Coca-Cola Co.* case: the TTAB's assessment of whether Coca-Cola satisfied its burden of proving its marks had "acquired distinctiveness." Descriptive marks that wouldn't otherwise qualify for trademark registration may do so if consumers have come to associate them with a particular source of goods or services.

A trademark applicant's burden of showing acquired distinctiveness increases with the level of descriptiveness — the more descriptive a term, the more evidence of acquired distinctiveness required for a trademark. But the TTAB in this case failed to make any finding about the degree of descriptiveness the term ZERO in the marks conveys. As a result, it didn't assess Coca-Cola's evidence through the requisite "exacting lens."

The court therefore vacated the TTAB's finding on acquired distinctiveness. It ordered the TTAB to make an express finding on the degree of descriptiveness and explain how its assessment of the record reflects that finding.



products generally. Specifically, the company argued that ZERO should be deemed generic if it clearly refers to a particular characteristic of a subset of beverages, particularly those with few or no calories or carbs.

FAILED GENUS

The Federal Circuit found that the TTAB had indeed asked the wrong question in assessing the genericness of ZERO. The TTAB, it said, had failed to consider that a term can be generic for a genus of goods or services if the relevant public understands it to refer to a key aspect of that genus. Any term the relevant public understands to refer to the genus — or part of the genus — is generic.

For example, the term "pizzeria" would be generic for restaurant services even though the public doesn't understand it to refer to the broad class of restaurants as a whole. It's enough that the public understands that the term refers to a particular subgroup or type of restaurant.

Similarly, the court explained, if the public understands ZERO, when used in combination with a designated beverage name, to refer to a subgroup of type

of beverages with specific characteristics, that would be enough to render the term generic. And, because Coca-Cola sought to use ZERO only in such combination marks, the TTAB was wrong to divorce the public's perception of the term from its perception of the term as part of a beverage combination mark.

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ANOTHER ROUND

The Federal Circuit vacated the TTAB's finding on the genericness of Coca-Cola's marks and sent the case back to the TTAB for further proceedings. It instructed the TTAB to examine whether the term ZERO, when appended to a beverage mark, refers to a key aspect of the genus. The term, the court emphasized, need not be equated by the general public with the entire broad genus to be generic and ineligible for trademark registration. ■

Shot down

Photogs lose DMCA case over metadata removal

More than two decades after its enactment, portions of the Digital Millennium Copyright Act (DMCA) continue to confound both copyright holders and accused infringers. What, for example, must a copyright holder establish to win a lawsuit over removal of copyright management information (CMI)? The U.S. Court of Appeals for the Ninth Circuit provided some clarity on the issue in a case involving digital photographs.



THE DEVELOPING CASE

The plaintiffs were professional real estate photographers who license photos of listed properties to real estate agents. The agents use CoreLogic software to upload the photos to Multiple Listing Services (MLS) databases of listed properties.

The software resizes large image files using pre-written code that can't read certain data from them. As a result, the metadata attached to the images isn't retained after resizing.

The photographers sued CoreLogic, alleging that the company removed CMI — that conveys the copyright owner and the nature of the copyright — from their photos and distributed them without the information. The trial court dismissed the case before trial, and the photographers appealed.

THE COURT'S FOCUS

The DMCA generally prohibits the removal or alteration of CMI, as well as the distribution of copies of works with removed or altered CMI. The statute requires the defendant to possess the mental state of knowing, or having a reasonable basis to know, that his or her actions “will induce, enable, facilitate, or conceal infringement.”

The Ninth Circuit found that the photographers didn't satisfy this requirement. The plaintiffs argued only that, because one method of identifying an infringing photograph had been impaired, someone *might* be able to use their photos undetected — a general possibility that exists whenever CMI is removed.

A plaintiff must make an affirmative showing that the defendant was aware of the probable future impact of its actions.

But the court rejected this showing as insufficient. According to the court, the mental state requirement requires specific allegations as to how identifiable infringements “will” be affected by the removal or alteration.

Because the DMCA is written in the future tense, the photographers weren't required to show that any specific infringement had already occurred. Nor did they need to show certainty as to a future act of

infringement. But a plaintiff must make an affirmative showing that the defendant was aware of the probable future impact of its actions. This can be done by demonstrating a past pattern of conduct or modus operandi.

Applied here, the court found that the photographers needed to provide evidence from which one could infer that future infringement was likely to occur as a result of the removal or alteration of CMI. Instead, the court concluded that the evidence didn't support such an inference.

One photographer, for example, testified that he'd never looked at any metadata information on any MLS system photograph before the lawsuit began. On the two occasions he became aware of unauthorized use of his photos, he learned of it from the real estate agent who commissioned the photographs.

The other photographer similarly testified that he'd never looked at the metadata on an MLS listing

photo and didn't think the information could be pulled off a listing. Their testimony "undermined any ostensible relationship between the removal of CMI metadata and their policing of infringement."

Further, the photographers identified no instance in which the removal of CMI metadata from a photograph ever induced, enabled, facilitated or concealed an infringement. And, the court pointed out, a party that intends to use a copyrighted photograph undetected could remove any CMI metadata, thereby precluding detection through a search for the associated metadata.

PHOTO FINISH

The Ninth Circuit affirmed the trial court, making one aspect of the DMCA crystal clear: The mere possibility of encouraging infringement isn't enough to support allegations of infringement based on the removal or alteration of CMI. □

Supreme Court allows patent owner to recover lost foreign profits

A new U.S. Supreme Court ruling brings welcome news to patent holders who have found their inventions infringed overseas. The Court held that plaintiffs can recover lost foreign profits generated by the unlawful shipping of U.S. parts abroad for assembly into an infringing product.

JURY AWARD

WesternGeco LLC owns patents for a system used to survey the ocean floor. ION Geophysical Corporation began selling a competing system built from components manufactured in the United States but shipped to companies abroad that assembled them into systems indistinguishable from WesternGeco's.

A jury found ION liable for patent infringement and awarded WesternGeco lost profits. ION asked the trial court to set aside the verdict, arguing that the lost profits weren't recoverable because the relevant provision of the U.S. Patent Act didn't apply outside the United States. The court denied the request, but on appeal the U.S. Court of Appeals for the Federal Circuit reversed. The case was appealed to the Supreme Court.

SCOTUS UPHOLDS DAMAGES

The Court began its analysis by noting the presumption against the extraterritorial application of



federal laws. It described the two-step framework for deciding extraterritoriality questions:

1. Whether the presumption has been rebutted, and, if not,
2. Whether the case involves a domestic application of the law.

Courts acknowledge
the presumption against the
extraterritorial application
of federal laws.

The second question is answered by identifying the law’s “focus” and then asking whether the conduct relevant to that focus occurred in the United States. The Supreme Court explained that a statute’s focus can include the conduct it seeks to regulate, as well as the parties and interests it seeks to protect or vindicate.

The Court exercised its discretion to skip the first prong of the test and proceeded straight to considering the focus of Section 284 of the Patent Act. Section 284, the Act’s general damages provision, states that “the court shall award the claimant damages adequate to compensate for the infringement.” The Court identified its focus as “the infringement”

the patent owner has suffered and compensating the owner for that.

But the Court explained that, when determining focus, the provision at issue isn’t examined in a vacuum. If it works in tandem with other provisions, it must be assessed in concert with them. Here, the Supreme Court determined that the type of infringement that occurred must be identified to determine Section 284’s focus in a given case.

Section 271 enumerates several ways a patent can be infringed; Section 271(f)(2) was the basis for WesternGeco’s infringement claim and the lost profits award. According to the Supreme Court, that provision regulates the domestic act of supplying components of a patented invention in or from the United States to be combined outside the country in an infringing manner.

Thus, the Court said, the focus of Section 284 in a case involving Section 271(f)(2) is on the act of exporting components. And the conduct in the case that was relevant to this focus clearly occurred in the United States.

WITH CAVEATS

While the Supreme Court specified in a footnote that its analysis was limited to infringement under Section 271(f)(2), patent owners may attempt to extend application of the decision to recover lost foreign profits for other types of infringement. Whether they’re successful remains to be seen. ■

Phonetic alphabet fails patent-eligibility test

Despite what movies and television shows might suggest, not every great idea is worthy of — or, more importantly, eligible for — a patent. The inventor of a new phonetic alphabet learned this lesson the hard way.

SOUND IDEA DENIED PATENT

The claimed invention was a phonetic symbol system formed by phonetic symbols using letters of the English alphabet. The patent application distinguished the system from existing phonetic symbol systems that use diacritics and symbols that aren't English alphabet letters, such as accents and other symbols.

The U.S. Patent and Trademark Office (PTO) rejected the patent application after finding that the symbols didn't fall within one of the four categories of invention laid out in the U.S. Patent Act. The Patent Trial and Appeal Board agreed with the PTO that “defining phonetic symbols in language, using strings of English letters,” is a patent-ineligible abstract idea. The inventor appealed.

ELIGIBILITY RULES SPELLED OUT

The Patent Act provides that inventors may obtain patents for “any new and useful process, machine, manufacture, or composition of matter, or any new



and useful improvement thereof.” All of the categories except “process” require an invention to exist in some physical or tangible form.

For a machine, the invention must be a “concrete thing, consisting of parts, or of certain devices and combination of devices.” A manufacture must be a tangible article given a new form, quality, property or combination through man-made or artificial means. And a composition of matter requires the combination of two or more substances; it includes all composite articles. Because the phonetic symbol system didn't satisfy any of these definitions, it didn't meet the physical or tangible form requirement.

A process can be an act or a series of acts, performed on something to be transformed and reduced to a different state or thing.

The court also found that it didn't qualify as a process. A process is any process, art or method that includes a new use of a known process, machine, composition of matter or material. It can be an act or a series of acts, performed on something to be transformed and reduced to a different state or thing. The symbol system, however, didn't require an act or step or anything that must be performed.

COURT WOULDN'T HEAR OF IT

Having found the system to constitute an abstract idea, the court then considered whether it contained any “additional features” embodying an inventive concept that would make it patent-eligible. But the court found the invention merely encompassed strings of English letters representing sounds. No inventive concept rescued the invention from patent ineligibility. □



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