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International report - Federal Circuit expands generics – including ZERO for soft drinks

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On 20 June 2018 in *Royal Crown Co, Inc et al v The Coca-Cola Co*, 2016-2375, the Federal Circuit vacated and remanded the Trademark Trial and Appeal Board's (TTAB's) decision that the term 'zero' is not generic for soft drinks and sports drinks. It found that Coca-Cola had acquired distinctiveness in ZERO for these goods, such that disclaiming the term on registration is unnecessary. The court ruled that the TTAB:

- "asked the wrong question" in its genericness inquiry;
- failed to assess the degree of the marks' descriptiveness; and
- did not properly evaluate the evidence.

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The claimants were companies within the Dr Pepper Snapple Group which have been fighting the case for more than a decade. They asserted that ZERO is either generic for or highly descriptive of soft drinks and sports drinks which contain no calories. Therefore, disclaimers to the term should be required in registrations for the applicant's ZERO-inclusive marks.

Genericness

The court held that the TTAB had applied the wrong standard in determining whether ZERO is generic.

According to the TTAB, the genus of goods was "soft drinks, sports drinks or energy drinks", as defined in Coca-Cola's applications, which encompasses the narrow category of beverages containing zero calories. However, because consumers do not consider ZERO as a generic name for the broad genus of goods as a whole, the TTAB found that ZERO was not generic.

The Federal Circuit overruled this approach, holding that the TTAB should have instead asked whether consumers consider ZERO as a key aspect of the beverages. According to the court, "a term is generic if the relevant public understands the term to refer to part of the claimed genus of goods or services, even if the public does not understand the term to refer to the broad genus as a whole". The court made clear that, even if a term is generic only for a category or class of products "where some but not all of the goods identified in an application fall within that category", it should not be treated differently from other generic terms.

Thus, the court instructed the TTAB to consider on remand whether ZERO is generic because it refers to a key aspect of at least a sub-group of the claimed beverage goods.

Descriptiveness

The court also found that the TTAB was wrong not to assess the level of the marks' descriptiveness before determining whether Coca-Cola had met its burden of proving acquired distinctiveness. If ZERO had been determined as highly descriptive (rather than merely descriptive), Coca-Cola would have faced an elevated burden to establish the acquired distinctiveness. Accordingly, the TTAB should have viewed Coca-Cola's evidence "through an exacting lens".

Therefore, on remand, the TTAB must make an express finding regarding the degree to which ZERO is descriptive, on a scale ranging from generic to merely descriptive. It must also explain how its assessment of the evidentiary record reflects that finding.

Evidence

The court expressed several concerns with the TTAB's treatment of the evidence. It found that, among other things, the TTAB had erred in discounting the claimants' evidence of genericness regarding other parties' use and registrations (with a disclaimer) of the ZERO marks. The court pointed out that, despite the TTAB suggesting otherwise, the claimants were not required to provide direct evidence of consumer perception (eg, a consumer survey or dictionary definition) to support genericness. Therefore, the claimants' evidence, albeit indirect, should have been fully taken into consideration.

The court also found flaws in the TTAB's reasoning that the ubiquity of Coca-Cola's ZERO product, as well as its high sales figures, proved that ZERO was not generic. If a term is generic to begin with, it "cannot be rescued by proof of distinctiveness or secondary meaning, no matter how voluminous the proffered evidence may be".

The court remanded the case to the TTAB for further proceedings.

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