

## Food Industry Update

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Our latest update summarizes selected cases in the food industry that demonstrate issues to consider when selecting a trademark or when operating under a trademark license.

### Can someone adopt a well-known food trademark for use on a non-food product?

American Dairy Queen Corporation (“ADQ”) and its franchisees operate about 4,500 restaurants in all states except Vermont, and all of them feature BLIZZARD® **frozen semi-soft ice cream** treats, billions of which allegedly have been sold to consumers since 1946.



W.B. Mason Co., Inc., which delivers office supplies to more than 300,000 offices, says that it began to offer BLIZZARD **paper products** in 2003 and BLIZZARD **spring water** in 2010.



When Mason sought to register marks containing BLIZZARD for spring water, ADQ opposed. Settlement discussions ensued, and Mason claims they were still in progress when ADQ filed an infringement action against Mason in the U.S. District Court for Michigan, where ADQ is located. ADQ’s complaint seeks redress for the use of BLIZZARD for bottled water.

Three days later, Mason filed a declaratory judgment action against ADQ in the U.S. District Court for Massachusetts, where Mason is located, seeking a judgment of non-infringement as to paper and bottled water. The Massachusetts District Court has stayed that proceeding, and the Minnesota District Court is considering a motion by Mason either to dismiss that case on jurisdictional grounds or to transfer it to the Massachusetts District Court.

**American Dairy Queen Corporation v. W.B. Mason Co., Inc.**, Case No. 1:18-cv-00693 (D. Minn. March 12, 2018); **W.B. Mason Co., Inc. v. American Dairy Queen Corporation**, Case No. 1:18-cv-10488 (D. Mass. March 15, 2018).

Compare the foregoing case with an action filed January 1, 2018 by Wm. Wrigley Jr. Company, owner of the registered trademarks STARBURST and SKITTLES candies.



Wrigley sued Get Wrecked Juices LLC for allegedly selling **e-liquid for electronic cigarettes** under the marks STARBURST and SKEETLEZ. Wrigley's complaint began, "There is a growing concern, shared by the FDA, the Senate and others, that the marketing of e-cigarette materials in chocolate, fruit and/or candy flavors harmfully targets children under 18 years of age."



Pink Starburst

MG

0mg

PG/VG

50pg/50vg

\$ 8.00

Add to Cart



Skeetlez

MG

0mg

PG/VG

50pg/50vg

\$ 8.00

Add to Cart

Judgment was entered for Wrigley after Get Wrecked failed to appear or defend.

**WM Wrigley Jr. Company v. Get Wrecked Juices LLC**, Case No. 1:18-cv-00642 (N.D. Ill. April 12, 2018)

**Does yellow identify the source of SPLENDA® sucralose sweetener?**

The no-calorie sweetener market consists primarily of saccharin (Sweet 'N Low® in pink packets), aspartame (Equal® in blue packets), stevia (Truvia® in green packets) and sucralose (Splenda® in yellow packets).



Heartland, the current owner of American-made SPLENDA sucralose sweetener, sued the owners of Applebee's and IHOP for providing their customers with a sweetener in a yellow packet, claimed to be a lower-quality sucralose product from China, allegedly being misrepresented as genuine SPLENDA sweetener.

The defendants moved to dismiss the lawsuit, arguing that the yellow packaging is a functional generic signifier for sucralose sweetener regardless of its source, and that in any case consumers do not associate the yellow color with any single source. The defendants also counterclaimed to cancel the registrations of the term SPLENDA on the ground that it is generic for sucralose sweetener and therefore is unregistrable.

District Judge Sarah Evans Barker denied the defendant's motion to dismiss. She referred to the U.S. Supreme Court decision in *Qualitex Co. v. Jacobson Prod. Co., Inc.*, 514 U.S. 159 (1995), which held that color alone can be a protectable trademark if it develops secondary meaning as a source indicator and does not serve a functional purpose that would place competitors at a non-reputational disadvantage.

**Heartland Consumer Products LLC v. Dineequity, Inc. et al, Case No. 1:17-cv-01035, 2018 U.S. Dist. LEXIS 7983 (S.D. Ind. January 18, 2018).**

Do most consumers understand that all yellow packages of low-calorie sweetener come from the makers of SPLENDA or do they understand that the product is sucralose, regardless of its source? We may never know because the parties settled this case and all the asserted claims and counterclaims were dismissed with prejudice.

**Is ZERO really recognized as a trademark for no-calorie soft drinks?**



The Coca-Cola Company filed a number of applications to register trademarks for various soft drinks and sports drinks. All of these trademarks contained the term ZERO as an element.

The Examining Attorney viewed ZERO as merely describing a feature of the goods, and accordingly required Coke to disclaim the exclusive right to the term ZERO apart from the marks as a whole. Coke refused the disclaimer and submitted that each of its marks had acquired distinctiveness. The Examining Attorney accepted that submission and passed the applications to be published for opposition.

Royal Crown Company, Inc. and Dr Pepper/Seven Up, Inc. (together “Royal Crown”) opposed, claiming that the term ZERO, used by many beverage companies, was merely descriptive of, or generic for, attributes of soft drinks (and sports drinks) containing minimal or no calories, and thus could not indicate source. The only relief Royal Crown requested was that Coke be required to disclaim exclusive rights in the term ZERO.

This started a chain of events that may seem very technical, but the parties and courts are battling them out.

The Trademark Trial and Appeal Board concluded that Royal Crown had not demonstrated that ZERO was generic because it had not shown that the public used ZERO as the common descriptive name for soft drinks (or sports drinks). The TTAB also found that the magnitude of Coke’s use meant that its use of ZERO was substantially exclusive use as compared to third party uses, so Coke had acquired source distinctiveness (“secondary meaning”) in that descriptive term and was not required to disclaim it.

Royal Crown appealed to the United States Court of Appeals for the Federal Circuit. The CAFC reversed and remanded, holding that the TTAB had applied the wrong standards. These included, among other things:

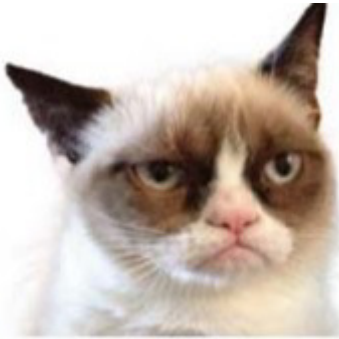
1. In finding that ZERO was not generic, the TTAB had failed to examine whether the public *understood* ZERO to be the common descriptive (generic) name for a key aspect of a subset of the soft drink genus, even if the public did not *use* the term for the genus or that subset.
2. In finding that ZERO had acquired secondary meaning, the TTAB also had failed to determine the degree of descriptiveness of the term ZERO on the scale ranging from generic to merely descriptive, because a more descriptive term requires more evidence of secondary meaning. Further, the TTAB had erred in considering a survey asking consumers whether they *associated* ZERO with the products of one or more companies rather than testing what the consumers *understood* by the term ZERO in the context of referring to the products.

Esoteric arguments about how to define generic terms, and how to define secondary meaning for merely descriptive terms, have been raging for decades. It is fun to see them being fought over consumer product trademarks in such widespread use. We can look forward to further decisions in this case.

***Royal Crown Co., Inc. v. The Coca-Cola Co., Case No. 2016-2375, 892 F.3d 1358 (Fed. Cir. June 20, 2018).*** On September 27, 2018, the TTAB resumed this proceeding and issued a briefing schedule so the parties could discuss the critical evidence of record relevant to the legal standards set forth by the CAFC.

## What trademark issues made the Grumpy Cat so grumpy?

Tabitha and Bryan Bunderson own a cat named Tardar Sauce who first became famous after internet postings of her image went viral in 2012 under the title GRUMPY CAT. Grumpy Cat Limited was formed to hold and exploit the intellectual property rights relating to Grumpy Cat, and it has registered a number of copyrights and trademarks that have been licensed for use on such items as shirts, mugs, books, pens, bags, socks, plush toys, slippers, cushions, phone cases, balloons, stickers, calendars, dinner plates, candy, towels and key rings.



Grumpy Cat licensed Grenade Beverage LLC to manufacture and sell solely “a line of Grumpy Cat-branded coffee products, or other additional products within the Product Category that may, upon the Parties’ mutual approval, be marketed hereunder.” The License Agreement defined “Product Category” as “non-alcoholic beverages.”

Grumpy Cat alleged that Grenade was authorized to sell only Grumpy Cat Grumppuccino iced coffee products but exceeded the scope of its license, after having been warned not to do so, by creating and selling a Grumpy Cat-branded ground coffee product. Grumpy Cat brought suit for willful trademark and copyright infringement, not just for breach of contract, in the U.S. District Court for the Central District of California.

After a jury trial returned a verdict in favor of Grumpy Cat, the Court awarded damages totaling \$710,001, consisting of statutory copyright infringement damages of \$230,000; statutory trademark infringement damages of \$480,000, and contract breach damages of \$1. On June 22, 2018, Grumpy Cat asked the Court to award it \$322,000 in attorneys’ fees.

***Grumpy Cat Limited v. Grenade Beverage LLC***, Case No. 8:15-cv-02063, 2018 U.S. Dist. LEXIS 91342 (C.D. Calif. May 31, 2018). Grenade has appealed the ruling against it to the U.S. Court of Appeals for the Ninth Circuit. ***Grumpy Cat Limited v. Paul Sandford***, Case No. 18-55925 (9th Cir. July 10, 2018).

On August 22, 2018, District Judge David O. Carter ruled that Grumpy Cat was not entitled to attorneys’ fees on its infringement claims because Grenada had not acted frivolously or in bad faith, which are requirements under the Trademark Act. However, he also ruled that Grumpy Cat was entitled to attorneys’ fees on its breach of contract claim.

***Subsequent Development.*** In a 48-page opinion dated October 26, 2018, and filled with pictures of evidentiary submissions, the Trademark Trial and Appeal Board affirmed an Examining Attorney’s refusal to register the Grumpy Cat image as a mark for videos, games, paper goods, stuffed toys and a website. The TTAB held that, although the image functioned as a trademark, it was merely descriptive of the goods and services, since all of them were about the Tardar Sauce cat. Further, the TTAB held that the evidence did not support a finding that

the mark had acquired distinctiveness as a source designation because (1) previous registrations of the same image were not for sufficiently similar or related goods or services, and (2) the social media following and website evidence promoted the cat as an “internet celebrity” but did not direct the attention of consumers to the goods and services for which registration was sought. ***In re Grumpy Cat Limited***, Application Nos. 85838010 and 85836812 (T.T.A.B. October 26, 2018).

The TTAB's affirmance of the refusal to register the Grumpy Cat image as a trademark should not affect the District Court's award of \$1 in damages for breach of contract or \$230,000 for copyright infringement damages. But perhaps it might provide a ground for Grenade to challenge the \$480,000 award of statutory trademark infringement damages.

### **ABOUT COWAN, LIEBOWITZ & LATMAN**

We know the food industry. Our clients include farms, food manufacturers, bakeries and retailers. We represent start-ups as well as some of the world's leading companies, food writers and critics.

Our accumulated knowledge and experience enable us to approach legal problems from an advanced starting point, so we do not have to learn at your expense. Our focus is on delivering practical and positive results.

We were founded over 60 years ago and are recognized worldwide as a leading intellectual property law and litigation firm. We are also experienced in the areas of corporate and commercial law, customs, international cargo and regulatory compliance, information technology, real estate law, tax law, trusts and estates and military law. We draw talent from our different practice groups to meet your unique needs in the most efficient, and cost-effective manner.

Our attorneys with experience in the food industry include William M. Borchard, Mary A. Donovan, Kieran G. Doyle, Robert J. English, Midge M. Hyman, Meichelle R. MacGregor, Joel Karni Schmidt, and Deborah K. Squiers.

***Prior results do not guarantee a similar outcome.***