

LexVid | Beverage Law Series

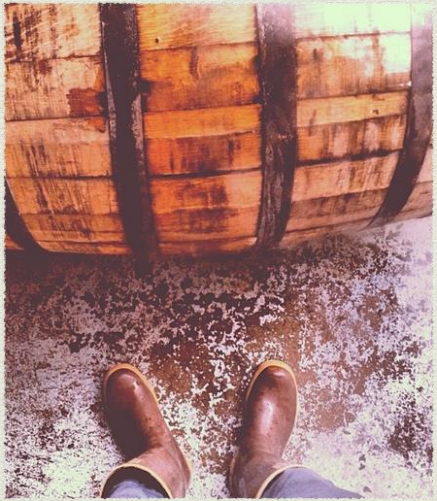
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Part 2: Brewery IP Concerns

- **Goal**: Cover the basics of (1) trademark; (2) copyright; and (3) trade secret, and apply those concepts to emerging issues in alcoholic beverage law, covering best practices for proactive brand protection.

Part 2C: Trademark

First, let's dig into trademark law, where there's a lot of interest (and conflict) right now among beverage producers.



Part 2A: Trademark

- What is a trademark?
  - A word, phrase, symbol, device, or combination of them that identifies or distinguishes the source of one provider's goods/services from those of others.













Part 2A: Trademark

- Spectrum of distinctiveness:
- **Generic**—cannot distinguish or identify source. E.g., “beer.”
- **Descriptive**—won't get you on the USPTO register unless you can establish extensive and substantially exclusive use. E.g., “Breckenridge Brewery,” “Hoppy."

———————— Inherently Distinctive ————————

- **Suggestive**—indicates something about the quality or nature of the goods, but doesn't describe, requires some imagination. E.g., arguably “New Belgium.”
- **Arbitrary**—no connection. E.g., Dogfish Head.
- **Fanciful/Coined**—Uncommon, but offers the most protection. Kodak classic example.



Part 2A: Trademark

- You can obtain trademark rights two ways:
  - Register with the USPTO. (Federal)
  - Engage in ordinary business, selling goods or services under a source-identifying mark. (Common Law)



Part 2A: Trademark

- How do federal and common law TM rights interact?
  - Guiding principle: First in time, first in right.
  - Federal = Constructive Use.
  - Common Law = Established Territory.



Part 2A: Trademark

- Overarching Inquiry:
  - Are the marks confusingly similar such that an ordinarily prudent consumer would believe the goods/services originated from the same source, or were sponsored or affiliated with that source?













Part 2A: Trademark

A preliminary question:

Would you think these products came from the same source?





Part 2A: Trademark

The Trademark Trial and Appeal Board refused registration of “5 Golden Rings” on beer due to an existing registration of “Gold Ring” on wine. Let’s dig into why.





Part 2A: Trademark

- Likelihood of Consumer Confusion Test (Varies by circuit, but USPTO applies the *du Pont* factors)—key factors:
  - Similarity of the marks in their entireties as to appearance, sound, connotation, and commercial impression. (sight/sound/meaning)
  - Relatedness of the goods/services. (beer vs. wine/spirits? Problem)
  - Similarity/dissimilarity of trade channels. (Same as above.)
  - Sophistication of the consumer / market conditions.
  - Evidence of actual confusion. (Trump card.)

Part 2A: Trademark

Now, can you see why?

“Gold Ring” is the dominant portion of the marks. Beer/wine are proximate.

A consumer with a hazy recollection of “Gold Ring” might see “5 Golden Rings” and think they come from the same producer.

“5 Onion Rings” would give quite a different commercial impression.





Part 2A: Trademark

- Here's the dispute that fired everybody up. Bad PR.

Same goods.

Registration for the #9 design.

Ugly PR, with people calling for boycotts of M.H.



Keep in mind, though, TM owners have a duty to police their TM, else lose their strong rights in it.

Part 2A: Trademark

- They eventually resolved it, with West Sixth slightly changing its logo, and both parties agreeing to take steps to avoid consumer confusion.



Now:



Part 2A: Trademark

- Common Law v. Common Law (Neither party registered)
  - 1st: **Apocalypse** IPA (Bend, OR brewery)
  - 2nd: **Apocalypse** Brewing Co. (Medford, OR)

Note: In applying for a TM, you must disclaim generic portions—here, IPA and Brewing Co. would be disclaimed in an application.



New name inspired by the dispute.

Part 2A: Trademark

- **Rogue v. Gone Rogue Pub** - Filed Oct. 2014
  - Gone Rogue Pub took up use after Rogue registered.
  - Rogue believes “Gone Rogue Pub” is confusingly similar.
  - If confusingly similar, Rogue has priority, whether or not Rogue was actually trading in the same territory.
  - Note: Overlap in trading territory, though, is a pre-requisite to filing suit (see *Dawn Donut*.)



Part 2A: Trademark

Here's another.

- Strange Brew (Homebrew shop in Marlborough, MA)
  - Had a TM. Sent C&Ds to the following breweries:
- Strange Brewing (Brewery in Denver, CO) (No TM)
- Strangeways Brewing (Brewery in Richmond, VA) (No TM)

Part 2A: Trademark

- Note:
  - Rebranding can be really expensive.
  - Lost identity—so potential loss of consumer connection.
  - Destruction of old signage and goods.
  - Costs in buying new signage, labels, etc.
  - Design costs and time in the whole rebrand.
- Fortunately, TM disputes are fairly preventable.

Part 2A: Trademark

Registration gives you the right to stop anyone's confusingly similar use, so long as that user took up use after you applied. (You take subject to existing common law use.)

The good news: We can generally know what's on the register now, and who's already using similar marks at common law.

A thorough clearance search, early in the name-selection phase, provides TM application and brand confidence.

Well worth the minor up-front investment. **It's your brand.**

Part 2A: Trademark

- To obtain a federal TM, you must apply through USPTO.
- There are two kinds of applications:
  - Section 1(a) - In Use
  - Section 1(b) - Intent to Use
    - Up to 36 months



Part 2A: Trademark

USPTO Process

1. Apply— Type of Mark, Select Goods/Services, Type of Application.

2. Initial Review by a TM Examiner (3 months until they look)

- Could be rejected (confusingly similar to another registered mark or pending mark, primarily geographically descriptive, geographically misdescriptive, merely descriptive, etc.)
- Opportunity to Respond to the Office Action.
- Examiner reconsiders or issues a final rejection.
- Can pursue an ex parte TTAB appeal. Draft an appellate brief.

Part 2A: Trademark

3. Approved for Publication
   - Others who would be damaged by your registration have 30 days to to oppose or file an extension to oppose.
   - Parties often work out agreements behind the scenes.
4. NOA Issued (Great because it wards off potential users)
5. Up to 36 months to file an SOU (fee + filing every 6 months)
6. Upon acceptance of SOU, registration.

Part 2A: Trademark

Given the increasingly crowded marketplace and that wine/spirits will be reviewed as proximate goods, here are best practices:

- When a brewery has selected a brand (main brewery name, logo, beer name, etc.), conduct a thorough clearance.
- Are other registrations or common law users going to impact this application or brewery's future use? Create a detailed report.
- Clear wine! Clear spirits! Clear bars! Clear restaurants!
- Review Untappd, Beer Advocate, Public COLA registry, etc.
- Consider the dominant portions of the marks. Commercial impression?

Part 2A: Trademark

- Provide the detailed report to the client with recommendations.
- It's okay to be conservative. This is important—and filing for a start-up isn't cheap. ($275 filing fee plus legal).
- More than that, there’s the emotional investment.
- Apprise the client of the risk in moving forward with the mark. (USPTO rejection / opposition / cancelation / suit.)
- Sometimes adding a word can shift the dominant portion.

Part 2A: Trademark

- If the mark is clear, file a 1(b) immediately to establish a priority date. Lots of applications get out there every day—what's clear today may not be tomorrow.
- Be proactive about filings for any and all marks the brewery would be sad to lose. If there’s a big brand investment, silly to skip TM.
- Remember, someone else can register your mark if you don’t—even if they got the idea from you—limiting your trading territory.
- They’d take subject to you, but get the balance of the US—wherever you weren't currently trading. Yikes.

Part 2A: Trademark

Keep in mind, though, this is a friendly industry.

Coexistence agreements are often possible between brewers. Less success pitching them in brewery / wine matters.

- Can overcome rejections by the TM Examiner.
- Can be simple—we won't use your colors.
- Agree to work together to resolve confusion.

Part 2A: Trademark

Walkthrough of the process, using a real USPTO example.

Client comes to you wanting to register “SUNNY HAZE” (words) for beer.

Clearance search pulls up existing registration for “PURPLE HAZE” as a word mark for use on beer. Compare SUNNY HAZE / PURPLE HAZE.





Part 2A: Trademark

Is the SUNNY HAZE mark clear?

Same goods. First word frequently considered dominant, but both words here arguably describing haze.





Part 2A: Trademark

Could a consumer, in viewing the mark, have a hazy (sorry) recollection of the other mark, creating confusion?

If this were “ORANGE HAZE” even more problematic.





Part 2A: Trademark

Would your consumer impression of the mark change if it was “SORORITY HAZE” instead of “SUNNY HAZE”?





Part 2A: Trademark

This application was filed on April 13, 2011.

The TM examiner did not refuse the mark and published it.

During the 30-day publication period, the registrant filed an extension of time to oppose the mark (which often buys time to negotiate).

The parties did not resolve this, and the registrant filed an opposition.

This was in December 2011.

It's been before TTAB since then in a litigation-like phase.

October 8, 2014 the TTAB finally decided. Confusingly similar.

Part 2A: Trademark

SUNNY HAZE / PURPLE HAZE

Would you have cleared the mark? It's a tough call.

Keep in mind that if you obtained a registration, the other registrant could still petition to cancel, spawning that same TTAB process. And, if you're using the mark, the other registrant could always file a complaint. Will the applicant seek district court review? So expensive.

Coexistence, if possible, is a much nicer alternative. Perhaps if the applicant here agreed to use only oranges and yellows, and to always use the brewery name in a way more prominent than the beer name, the parties could have avoided this years-long matter. Then again, perhaps not.





Part 2A: Trademark

Last note: Think outside the box. More than just logos, tag lines, and words are potentially protectable. Trade dress:







Part 2A: Trademark Wrap-up

- In sum, trademarks are a huge issue right now. Breweries and beverage producers are releasing new brands all the time.
- Tendency to “name the puppy” before ensuring the name is clear to adopt.
- Too risky to adopt a brewery name without a TM. Flagship beers, too.
- Educate clients, conduct thorough clearance searches.
- Continue to monitor trademarks—TM rights are only as good as you continue to enforce them to maintain a distinctive brand.
- Coexistence agreements, when matters come up, can be an efficient and effective way to satisfy policing duty without generating bad PR.

Part 2B: Copyright

- Copyright Law is federally created and found in 17 U.S.C.
- Arguably one of the most under-utilized methods of brand protection for beverage businesses who are constantly creating innovative label art, logos, and materials for their businesses.
- At times, offers more effective protection than trademark law.



Part 2B: Copyright

- What does copyright law protect? (17 U.S.C. § 102)
  - Original works of authorship.
  - Fixed in a tangible medium of expression.
- But it does not protect ideas, procedures, processes, concepts, etc.



Part 2B: Copyright

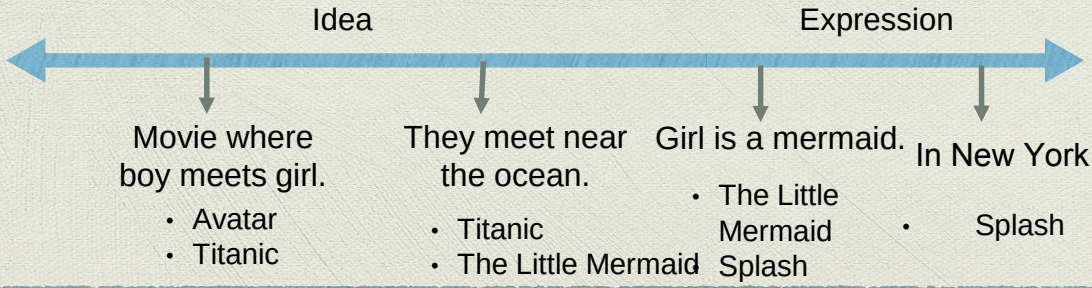
- Why do we have copyright law?
  - We want to encourage the creation of new works. (By giving authors the opportunity to exploit theirs.)
  - This is one reason simple “ideas” or the building blocks of creativity aren’t protected—they're needed to create.



Part 2B: Copyright

- How do you know if something is protectable by copyright?
  - We know expression is protected but ideas are not.
  - Learned Hand's "abstractions test" can help us get there.





Part 2B: Copyright

- What must you do to obtain copyright protection?
  - Technically, nothing, but we'll return to this. Registration very important.
- What does copyright protection get you?
  - Certain exclusive rights, which include:
    - Right to reproduce / make copies
    - Prepare derivative works (such as a translation, a sequel)
    - Distribute copies
    - Perform or stream the work.

Part 2B: Copyright

- **What are the remedies for infringement?**
  - **Unregistered**: Usual suspects, such as…
    - Injunction
    - Actual Damages or Disgorgement of Profits
  - **Registered**: Access to…
    - Attorney's Fees
    - Statutory Damages
      - Not less than $750 per work—and up to $30,000 (the court's discretion)
      - If willful infringement, up to $150,000 per work (!)
      - This is why those music-downloading cases are in the millions.

Part 2B: Copyright

- **So, in the beer context—what material might be eligible for copyright protection?**
  - Brewery logo | Beer labels | Specific beer name logos.
  - Marketing copy / creative language that appears on the bottle.
  - Art / flyers for events and beer releases.
  - Recipes?
    - Not copyright candidates, but a compilation/selection might be.
    - Recipes are considered ideas, not expression—but to the extent you curate a series of ideas into a compilation, copyright law becomes available.

Part 2B: Copyright

- **Keep in mind:**
  - A lot of material is protectable—but not all may be worth spending the time and energy to protect with a registration, given some rights are automatic.
  - All it takes is a minimal degree of expression.
    - Courts don’t inquire to the quality of creativity, it just has to have some degree of creativity.

Part 2B: Copyright

- **How do you register a copyright?**
  - It's not difficult, and can be done online.
  - Either $35 or $55 in filing fees, depending on authorship.
- **When do you register a copyright?**
  - To get those benefits (statutory damages, potential atty fees), within three months of publication.
    - Posting a logo on Facebook / Twitter is publishing it.
  - Failure to timely register means a loss of those rights.

Part 2B: Copyright

- **Practical considerations:**
  - Given the significant benefits of registration, it's wise to develop a proactive approach to protection for valuable material, such as the overarching brewery logo and beer labels the brewery cares about.
  - Education on the benefits of registration—get a system in place to get out in front of beer releases. More on this soon as we discuss the trademarking piece.

Part 2B: Copyright

- **Caveat #1:**
  - Copyright protection extends to authors.
  - What if a brewery owner's friend agrees to create logo and label art for free or on the cheap, as is often the case?
    - Unless a written and signed agreement is in place, making clear the copyright belongs to the brewery, all the brewery owns is a limited right to use the material.
    - The author would retain rights to reproduce the work, distribute it, etc. (subject to principles of TM law).
    - This is the Work Made for Hire doctrine.

Part 2B: Copyright

- **Caveat #2:**
  - Graphic designers, particularly hobbyists, are not necessarily aware of what material is copyrightable and what is not.
  - In creating logo and design material, designers often look to other works for inspiration.
  - Proof of access to those other works and similarities between them can be enough to sustain a claim of copyright infringement.
  - Designers might also use “stock" design material that is not properly licensed for commercial use. Fonts are subject to license restrictions.
  - Strong contract with indemnification provisions recommended.

Part 2B: Copyright

- Those are the basics of copyright law.
- We'll look at some real-world brewery examples after we've covered trademark, so we can compare the benefits.



Part 2B: Trademark & Copyright

- We'll close out this copyright section with a look at copyright and trademark, and how each offers important kinds of protection.



Part 2B: Trademark & Copyright

- A cautionary tale.
- TM was raised, but not C.



Part 2B: Trademark & Copyright

- Again, TM was raised, but not C.
- Given all of the similarities in design elements, Great White could sustain a claim.
- More importantly and practically, however, had copyright remedies been at issue, this might have been resolved earlier, before reaching court.



Part 2B: Trademark & Copyright

- TM remedy is typically an injunction.
- Copyright, if registered:
  - Statutory damages ($750-$30k for a single work, and up to $150k if intentional infringement)
  - Possible attorney's fees.



Part 2B: Trademark & Copyright

- TM Inquiry:
  - Is there a likelihood of consumer confusion as to source/sponsorship/affiliation?
- C inquiry:
  - Has the defendant engaged in copying of protected elements of the plaintiff's work?
  - Note: Independent creation is a defense to copyright infringement. That’s possible here.
  - But, is it also possible a hired graphic designer looked for inspiration elsewhere, and the brewery didn't know?



Part 2B: Trademark & Copyright

- Copyright — Similarities in expression.
  - Shape of glassware.
  - Angle of the shark.
  - Bite from the surfboard.
  - Is the copying only of ideas? Or protected expression?
- TM — Similarities in impression.
  - If I had a hazy recollection of one label, might I grab the other beer from the shelf thinking I was buying the other brand I had tried?



Part 2C: Trade Secret

- Trade secret is a creature of state law.
- The Uniform Trade Secret Act (UTSA) defines a trade secret as:
  - Information, including a formula, pattern, compilation, program, device, method, technique, or process;
  - That derives independent economic value, actual or potential, from not being generally known . . . ;
  - Is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.



Part 2C: Trade Secret

- In other words, it’s:
  - Something like a formula, technique, or process;
  - That itself is valuable because it's not generally known; and
  - It’s kept like a secret.



Part 2C: Trade Secret

- In practice, we haven’t seen a brewery trade secret claim or dispute hit headlines.
- However, brewers have developed their own techniques, processes, and formulas.
  - Beer recipes alone could qualify.
  - Novel techniques are also emerging.

Part 2C: Trade Secret



- New "fresh hop" process by Breakside Brewing in Oregon involved freezing hop cones with liquid nitrogen to shatter them, hoping to better release their oils.
- The brewery shot a video explaining how they got the idea, capturing their first try at it. This is indicative of the industry's spirit generally, and fun PR.
- However, processes like this, if unknown and kept like a secret, have value.

Part 2C: Trade Secret

What are well-known but unknown trade secrets?

And, how are they kept like a secret?



Invented 1886
Not written down.
Written formula used as collateral for a loan.
Placed in vault.
Marketing ploy? Sure.

Unknown what internal steps they take.
Some calls for some oversight, to ensure changes to the formula actually help the public and don't just help Google's other products.



Not patented.
(Patent reveals formula, in exchange for a term of market exclusivity.)
Mixed in three places around the globe.

Part 2C: Trade Secret



What is the scope of trade secret protection?

If someone is able to reverse-engineer the product or independently—through no improper means—comes up with the process or formula, there's no protection. It's protected to the extent it's a secret.

What are improper means?

Theft, bribery, misrepresentation, breach or inducement of a breach of a duty to maintain secrecy, or espionage through electronic or other means. -UTSA § 1.1

Part 2C: Trade Secret

What are the remedies for trade secret misappropriation?

Injunctive Relief — Actual or threatened misappropriation.
Damages — Actual loss due to misappropriation or unjust enrichment.
If willful or malicious, up to 2x damages per UTSA.
Attorney's Fees — If willful or malicious misappropriation.

Caveats:

Claim must be brought w/in three years of learning of the misappropriation or when you should have learned of the misappropriation.

The holder of the trade secret must establish:

(1)Subject matter qualifies for T.S. protection, and is not generally known.
(2)Reasonable precautions were taken to prevent disclosure of the secret info.
(3)The information was misappropriated / wrongfully acquired by another.

Part 2C: Trade Secret

Beer Industry Realities

Not much concern so far about keeping formulas secret.
Highly successful brands have released their recipes.





But Note:

Underpinning recipes are details such as precise water chemistry used, house-developed yeast strains, and other procedural details brewers may not wish to make known—or, especially, have their brewer be able to disclose or use should the brewer leave.

Part 2C: Trade Secret

Practical Trade Secret Protection

- As new breweries look to make room in the competitive marketplace, we're seeing more interest in recipe protection—if only as a branding strategy to create mystery.
- With the increasing number of breweries, more head brewers and brewing staff are moving from place to place, inevitably taking certain knowledge with them.
- Trade secret offers one route for protection, with proven branding upsides.
- But, recall, the information can't be something widely known, and for it to be protected under trade secret law, it also must be reasonably kept like a secret.

Part 2C: Trade Secret

Alternative Strategies

- Broadly define “confidential information” in employment agreements and OAs.
- Include contractual protection for duplicating recipe style lineups or highly specific beers with precise flavor/ingredient adjuncts (hazelnut raspberry porter).
- Address recipes in a non-competition provision, perhaps, as a fallback, with longer geographic restrictions on brewing specific styles geared to directly compete.

Part 2C: Trade Secret

- In sum, a trade secret is:
  - Something like a formula, technique, or process;
  - That itself is valuable because it's not generally known; and
  - That's kept like a secret.



Part 2C: Trade Secret



- The brewing industry is collaborative, and so far has not not been highly concerned with protecting recipes.
- However, as competition continues to increase, some breweries are looking for more protection—and should be aware of trade secret and alternative contractual strategies to keep valuable formulas under wraps.

Part 2: Wrap-Up

- We’ve looked at three facets of brewery brand protection—trademark, copyright, and trade secret.
- The takeaway is that beverage producers generate a sizable amount of protectable brand material.
- Your client may not wish to protect it all—or have the budget to do so—but we can help clients understand what's on the line should they choose to cut certain corners.
- In the increasingly competitive marketplace, proactive protection is a must, ensuring valuable material has the full protection IP has to offer.



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Thank you!

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