

IP News, Trademark

## Dr. Pepper Savors a Win as the Federal Circuit Overturns Coca-Cola's Favorable 2016 Trademark Decision

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On June 20, 2018, The U.S. Court of Appeals for the Federal Circuit determined that The Coca-Cola Company ("Coca-Cola") might not be granted a federal trademark registration for its "ZERO" branded low-calorie drinks without a disclaimer of the term ZERO. In *Royal Crown Co. v. the Coca-Cola Co.*, No. 2016-2375 (Fed. Cir. June 20, 2018), the Federal Circuit ordered more proceedings on whether the term ZERO is a generic term that describes a key aspect of low-calorie beverages. If the Trademark Trial and Appeal Board (the "Board"), on remand, determines that the term ZERO is generic, Coca-Cola will be allowed to proceed with registering its marks with a required disclaimer of the term ZERO.

This case stems from Dr. Pepper Snapple Group's ("DPSG") opposition of Coca-Cola's application for registration of various trademarks containing the term ZERO; for example,

COKE ZERO, SPRITE ZERO, POWERADE ZERO, etc. DPSG, who also markets low-calorie beverages bearing marks that include the term ZERO, argued that Coca-Cola should be required to disclaim the term ZERO since it is an unregistrable, generic term that is descriptive of a feature of Coca-Cola's beverage goods. Coca-Cola, on the other hand, argued that no disclaimer was necessary since its use of the term ZERO was not generic and had acquired distinctiveness under Section 2(f) of the Lanham Act. In 2016, the Board dismissed DPSG's oppositions and passed Coca-Cola's marks to publication without requiring a disclaimer. DPSG appealed the Board's decision on the consolidated oppositions to the Federal Circuit.

On appeal, the Federal Circuit vacated and remanded the Board's decision. The Federal Circuit criticized the Board for applying the wrong standard in determining whether the term ZERO was generic. The Federal Circuit also determined that the Board failed to make a finding on descriptiveness, which in turn made it impossible for the Federal Circuit to review whether Coca-Cola's evidence of acquired distinctiveness met the precise burden of demonstrating that the relevant public equates the term ZERO with Coca-Cola products.

With respect to the genericness issue, the Board failed to examine whether the relevant public would consider the term ZERO to be generic for a key aspect of a subset of the claimed goods (e.g., diet or low-calorie beverages) instead of the overall genus of the claimed goods (e.g., beverages). On remand, the Federal Circuit directed the Board to reconsider this issue in light of the fact that consumers perceive the term ZERO as a part of a combination mark that also contains a term such as COKE or SPRITE in association with zero calorie beverages as a sub-group.

As for Coca-Cola's acquired distinctiveness claim, the Federal Circuit faulted the Board for not making an express finding regarding the degree of the mark's descriptiveness on a scale

ranging from highly descriptive to merely descriptive before assessing Coca-Cola's evidence of acquired distinctiveness. Because Coca-Cola's burden of proof relating to its acquired distinctiveness claim hinges on the mark's degree of descriptiveness (for example, a highly descriptive mark more requires more proof of distinctiveness whereas a merely descriptive mark requires less proof), the Federal Circuit was unable to review the Board's decision. Here, the Federal Circuit cautioned the Board to consider Coca-Cola's sales and advertising data which it submitted to support its acquired distinctiveness claim with precision after determining the degree of the mark's descriptiveness.

As consumers continue to gravitate towards purchasing low-calorie beverages, companies looking to market their zero and low-calorie drinks under a ZERO mark might be free to do so, pending the Board's resolution of these issues on remand.