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Worry Wort: A Path to Acquiring Trademark Rights in the Craft Brewing Industry

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Cover Page Footnote

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Worry Wort: A Path to Acquiring Trademark Rights in the Craft Brewing Industry

Ross Appel*

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INTRODUCTION

The craft brewing¹ industry is not a new frontier, but the industry has exploded in a relatively short period of time. According to a study by market research firm Mintel, the craft beer industry has defied recessionary trends and nearly doubled sales between 2007 and 2012.² Mintel forecasts that the industry's 2007 sales will triple to \$18 billion by 2017.³ Moreover, the Brewers Association⁴ announced that although the total U.S. beer market grew just one percent in 2012, craft brewers saw a fifteen percent rise in volume and a seventeen percent increase in dollar growth.⁵ In fact, as of May 31, 2013, the number of U.S. breweries topped 2,500, representing an increase of nearly one thousand breweries since 2009 and the most since before the Prohibition era.⁶ In fact, only fifty-six U.S. breweries do not qualify as craft breweries.⁷ And it does not appear as if the trend will be slowing down

¹ According to the Brewers Association, "[a]n American craft brewer is small, independent and traditional." *Craft Brewer Defined*, BREWERS ASS'N, <http://www.brewersassociation.org/pages/business-tools/craft-brewing-statistics/craft-brewer-defined> (last visited Apr. 16, 2014). Distinctive characteristics include: (1) annual production of 6 million barrels of beer or less; (2) independence demonstrated by less than 25% ownership or control of the craft brewery by an alcoholic beverage industry member who is not themselves a craft brewer; and (3) a brewer who has either an all malt flagship or has at least 50% of its volume in either all malt beers or in beers which use adjuncts to enhance rather than lighten flavor. *Id.*

² Press Release, Mintel, Rise of Craft Beer in the US—Craft Beer Sales Have Doubled in the Past Six Years and Are Set to Triple by 2017 (Jan. 23, 2013), *available at* <http://www.mintel.com/press-centre/food-and-drink/the-rise-of-craft-beer-in-the-us-craft-beer-sales-have-doubled-in-the-past-six-years-and-are-set-to-triple-by-2017>.

³ *Id.*

⁴ The Brewers Association is the not-for-profit trade and education association for small and independent American brewers, their craft beers and the community of brewing enthusiasts. *Purpose and History*, BREWERS ASS'N, <http://www.brewersassociation.org/pages/about-us/mission-and-history> (last visited Apr. 16, 2014). It is based in Boulder, Colorado. *Staff*, BREWERS ASS'N, <http://www.brewersassociation.org/pages/about-us/staff> (last visited Apr. 16, 2014).

⁵ Press Release, Brewers Ass'n, Brewers Ass'n: Craft Continues to Brew Growth (Mar. 18, 2013), *available at* <http://www.brewersassociation.org/pages/media/press-releases/show?title=brewers-association-craft-continues-to-brew-growth>.

⁶ See *U.S. Brewery Count Passes 2500*, BREWERS ASS'N, <http://www.brewersassociation.org/pages/community/ba-blog/show?title=u-s-brewery-count-passes-2500-> (last visited Apr. 16, 2014).

⁷ Eleazar David Melendez, *Craft Beer Brewers Feel Growing Pains of Industry Boom*, HUFFINGTON POST (July 11, 2013), http://www.huffingtonpost.com/2013/07/11/craft-beer-brewers_n_3580414.html.

anytime soon, as 1,559 breweries are currently in the planning stages.⁸

Meanwhile, increased business and market entrants carry with them the threat of increased litigation. In recent years, trademark disputes have resulted from what might be described as fierce but often jovial and collaborative⁹ competition. Indeed, common sense dictates that the number of available clever and distinctive names for breweries and their brews will wane as more and more enter the market. With potential confusion at issue, not only between different marks and names in the market but also about how and when a brewer actually gains rights to a trademark, this Article discusses the application of trademark laws and proposes that the unique characteristics of the craft brewing industry call for a properly tailored recognition of trademark rights.

Part I summarizes the mechanism upon which trademark law functions, setting the stage for an examination of the legal framework as it applies in the craft beer context. Part II analyzes an illustrative legal dispute and considers the effect in time, money and frustration that trademark disputes can have on small craft brewery owners. It will proceed to observe the differences that distinguish the craft beer industry from many others and the effect those have on obtaining timely trademark rights. Finally, Part III will discuss the timing and manner in which craft brewers should acquire rights to their marks.

I. HOW IT ALL STARTED

After fourteen years of Prohibition, few breweries remained operational. Those that remained generally mass produced uniformly flavored beer; their efficiencies (which came at the expense of flavor and creativity) would eventually force the

⁸ See *U.S. Brewery Count Passes 2500*, *supra* note 6.

⁹ When Seventh Sun Brewing Company opened in Dunedin, Florida, its owners auctioned the first pour. Local competitor Cigar City Brewing placed the winning bid in conjunction with a distributor. See Tom Scherberger, *Tampa Bay Craft Breweries See Collaboration as the Key to Success*, TAMPA BAY TIMES, Jan. 13, 2012, <http://www.tampabay.com/news/business/retail/tampa-bay-craft-breweries-see-collaboration-as-the-key-to-success/1210578>.

smaller breweries out of business.¹⁰ A few regional breweries managed to remain, including Anchor Brewing.¹¹ However, in 1965, days before the struggling Anchor Brewing was set to close its doors, Fritz Maytag, heir to the washing machine dynasty, visited the brewery and left with a fifty-one percent ownership stake.¹² After nearly a decade of bankrolling Anchor's operations, Maytag bought the remaining 49 percent of the brewery.¹³ Maytag instituted policies for Anchor that would eventually form the framework of what a craft brewer is today.¹⁴ He kept the brewery small and independent—out of necessity at first—and returned the beer to its traditional roots, eliminating the use of extract and ingredients like corn syrup.¹⁵

Nonetheless, Anchor did little more than simply remain open during the first handful of years while it essentially brewed the only recipe it had produced for a century.¹⁶ Maytag set up what he called “the lab,” a place in which he could test and tweak recipes with the use of new malts.¹⁷ It was there that he branched out from exclusively brewing steam beer.¹⁸ He brewed with black malt for the first time; although he did not know what to expect, from that malt came Anchor Porter.¹⁹ Anchor turned its first profit in 1974, the year after introducing the porter.²⁰

While Maytag took a chance, Jack McAuliffe took a leap. Maytag took over an already fully equipped, operating brewery and an established commodity. Jack McAuliffe, in contrast, started from nothing. He was a former U.S. Navy mechanic stationed in Scotland, where he fell in love with full-bodied, rich European

¹⁰ See ERIN H. TURNER, *IT HAPPENED IN NORTHERN CALIFORNIA* 90 (1999).

¹¹ See *id.* at 90–91.

¹² See TOM ACITELLI, *THE AUDACITY OF HOPS: THE HISTORY OF AMERICA'S CRAFT BEER REVOLUTION* 4 (2013).

¹³ See *id.* at 9.

¹⁴ See *id.* at 10–11.

¹⁵ See *id.* at 10; IAN COUTTS, *BREW NORTH: HOW CANADIANS MADE BEER AND BEER MADE CANADA* 138 (2012).

¹⁶ See TURNER, *supra* note 10, at 91.

¹⁷ See ACITELLI, *supra* note 12, at 11.

¹⁸ See TURNER, *supra* note 10, at 91.

¹⁹ See *id.*

²⁰ See *id.*

beers.²¹ McAuliffe bought a home-brewing kit and brewed a pale ale over a coal-burning stove.²² His fellow service members and Scottish locals approved.²³ He then founded New Albion Brewing Co. in Sonoma, California about a decade later.²⁴ Motivated by an entrepreneurial spirit and a desire to share quality brews, McAuliffe welded together his brewery out of used dairy equipment and Pepsi-Cola syrup drums.²⁵ Demand for his beer existed but the necessary capital to keep the brewery in business did not.²⁶ After approximately six years in business, New Albion filed for bankruptcy in 1982 and McAuliffe left the brewing business.²⁷

Despite what he may have perceived as failure, those who followed were inspired and learned from his mistakes.²⁸ One of those that McAuliffe managed to inspire was Jim Koch, founder of Boston Beer Company. The brewer of Samuel Adams took ownership of New Albion's trademark in 1993, and later trademarked New Albion Brewing Co.²⁹ Koch was excited to learn that one of his sales reps bumped into McAuliffe in 2011.³⁰ Koch contacted McAuliffe and explained that he owned the New Albion trademark and expressed a desire to revive New Albion Ale.³¹ After a bit of coaxing from Koch, they did it together and all of the profits were given to McAuliffe.³² Koch called it an

²¹ See Devin Leonard, *Jack McAuliffe, Father of American Craft Brew, Brings Back New Albion Ale*, BUSINESSWEEK (Mar. 29, 2013), <http://www.businessweek.com/articles/2013-03-29/jack-mcauliffe-father-of-american-craft-brew-brings-back-new-albion-ale>.

²² See Tom Acitelli, *Four Milestones Made U.S. the World's Craft Beer Champ*, BLOOMBERG (June 27, 2013), <http://www.bloomberg.com/news/2013-06-27/four-milestones-made-u-s-the-world-s-craft-beer-champ.html>.

²³ *Id.*

²⁴ See Leonard, *supra* note 21.

²⁵ See *id.*

²⁶ See JOHN HOLL & NATE SCHWEBER, *INDIANA BREWERIES* 3 (2011).

²⁷ See Leonard, *supra* note 21.

²⁸ See *id.*

²⁹ See John Holl, *The Return of New Albion: America's First Craft Brewery Gets a Revival*, ALL ABOUT BEER MAG., July 30, 2012, <http://allaboutbeer.com/daily-pint/whats-brewing/2012/07/the-return-of-new-albion-americas-first-craft-brewery-gets-a-revival>.

³⁰ See Leonard, *supra* note 21.

³¹ See *id.*

³² See *id.*

attempt to “fix a karmic imbalance.”³³ McAuliffe set the stage for the craft beer boom and was finally being repaid; Koch turned over the New Albion trademark to McAuliffe, whose daughter may be next in the craft beer frontier.³⁴ Today’s rapid proliferation in the craft brewing industry brings with it the need for brewers to protect their marks and understand the legal framework upon which rights in a mark are acquired.

A. Trademark Law Introduction

In its simplest form, trademark protection can be described as a means of preventing the misleading use of marks to avoid consumer confusion about the source and affiliation of a given product or service.³⁵ Trademark protection finds its origin in the law of unfair competition.³⁶ Indeed, the Seventh Circuit has held that the trademark itself is not infringed, but “[w]hat is infringed is the right of the public to be free from confusion and the synonymous right of a trademark owner to control his product’s reputation.”³⁷ The court continued, noting that “[t]he trademark laws exist . . . to protect the consuming public from confusion, concomitantly protecting the trademark owner’s right to a non-confused public.”³⁸ While grounded in rules designed to protect the consuming public, the trademark owner undoubtedly directly benefits as trademark protection provides a mechanism through which businesses built on quality can protect the goodwill they have created while avoiding dilution of their goods and/or services in the minds of their consumers. This allows the owner of the mark to protect her investment in the creation of the mark and her subsequent and related investment in promoting the product or service in association with the mark.

³³ *Id.*

³⁴ *See id.*

³⁵ *See* Margreth Barrett, *Internet Trademark Suits and the Demise of “Trademark Use,”* 39 UC DAVIS L. REV. 371, 376 (2006).

³⁶ *See* *New W. Corp. v. NYM Co. of Cal.*, 595 F.2d 1194, 1201 (9th Cir. 1979) (citations omitted) (“The courts have uniformly held that common law and statutory trade-mark infringements are merely specific aspects of unfair competition.”).

³⁷ *James Burrough, Ltd. v. Sign of Beefeater, Inc.*, 540 F.2d 266, 274 (7th Cir. 1976).

³⁸ *Id.* at 276.

The Lanham Act, which essentially codified the evolution of two centuries of common law, defines the term “trademark” as:

[A]ny word, name, symbol, or device, or any combination thereof—

(1) used by a person, or

(2) which a person has a bona fide intention to use in commerce and applies to register on the principal register established by this chapter, to identify and distinguish his or her goods, including a unique product, from those manufactured or sold by others and to indicate the source of the goods, even if that source is unknown.³⁹

Over the years, the courts have developed a framework to determine if a given mark has the distinctiveness necessary to be properly distinguished from other marks. The court in *Abercrombie & Fitch Co. v. Hunting World, Inc.* identified four categories of terms with respect to the distinctiveness of a mark: (1) generic, (2) descriptive, (3) suggestive, and (4) arbitrary or fanciful.⁴⁰ The *Abercrombie* court tracked the history of trademark law while describing the four categories and their application to the determination of whether trademark protection should be accorded.⁴¹

1. Generic

“A generic term is one that refers to, or has come to be understood as referring to, the genus of which the particular product is a species.”⁴² For example, “light” beer is a generic term for beer.⁴³ Generic terms are incapable of fulfilling the proper function of a mark—they cannot distinguish specific goods from competing goods. A grant of trademark protection for a generic term would provide the party with rights in the mark with a

³⁹ 15 U.S.C. § 1127 (2012).

⁴⁰ *Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F. 2d 4, 9 (2d Cir. 1976).

⁴¹ *Id.* (citations omitted)

⁴² *Id.*

⁴³ *See Miller Brewing Co. v. G. Heileman Brewing Co.*, 561 F.2d 75, 80–81 (7th Cir. 1977).

competitive advantage bearing no relation to the efficiency or quality of the product.⁴⁴ Indeed, it would make it difficult, if not impossible, for competitors to describe and market their own brands.⁴⁵ This has been the case for well over a century, as neither the Trademark Act of 1905⁴⁶ nor the case law that came before it permitted ownership of a trademark based on a generic term.⁴⁷

2. Descriptive

A descriptive mark “describes a product’s features, qualities or ingredients in ordinary language,”⁴⁸ or “describe[s] the use to which a product is put.”⁴⁹ Similar to a generic term, a descriptive term generally relates so closely and directly to a product or service that other merchants marketing similar goods would find the term useful in identifying their own goods. Unlike generic terms, however, descriptive terms can be trademarked when they acquire secondary meaning.⁵⁰ A mark acquires secondary meaning when it “has become distinctive, in that, as a result of its use, prospective purchasers have come to perceive it as a designation that identifies goods . . . produced or sponsored by a particular person . . .”⁵¹ Just as “light” beer would be generic as it refers to beer, “light” would be descriptive as it refers to the weight of a given object, such as a television.

3. Suggestive

A term is suggestive if “it requires imagination, thought and perception to reach a conclusion as to the nature of goods.”⁵² The term *Beautyrest*, as it is used for mattresses, is an example of a suggestive term. While the term “*beautyrest*” may likely connote

⁴⁴ See *Door Sys. v. Pro-Line Door Sys.*, 83 F.3d 169, 171 (7th Cir. 1996).

⁴⁵ See *id.*; *Blau Plumbing, Inc. v. S.O.S. Fix-It, Inc.*, 781 F.2d 604, 609 (7th Cir. 1986).

⁴⁶ See *Standard Paint Co. v. Trinidad Asphalt Mfg. Co.*, 220 U.S. 446, 461 (1911).

⁴⁷ See *Delaware & Hudson Canal Co. v. Clark*, 80 U.S. (13 Wall.) 311, 323 (1872).

⁴⁸ *W.W.W. Pharmaceutical Co. v. Gillette Co.*, 984 F.2d 567, 572 (2d Cir. 1993) (citing *McGregor-Doniger Inc. v. Drizzle Inc.*, 599 F.2d 1126, 1131 (2d Cir. 1979)).

⁴⁹ *Hasbro, Inc. v. Lanard Toys, Ltd.*, 858 F.2d 70, 73 (2d Cir. 1988) (citation and internal quotation marks omitted).

⁵⁰ See RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 13 (1995).

⁵¹ *Id.* § 13(a)–(b).

⁵² *Stix Prods., Inc. v. United Merch. & Mfrs. Inc.*, 295 F. Supp. 479, 488 (S.D.N.Y. 1968).

rest, relaxation, and/or sleep, it is more than a mere description of a mattress or the quality of a mattress. Suggestive terms are “entitled to registration without proof of secondary meaning.”⁵³

4. Arbitrary and Fanciful

Arbitrary or fanciful terms⁵⁴ also do not require proof of secondary meaning. “Arbitrary or fanciful terms bear no relationship to the products or services to which they are applied.”⁵⁵ These terms are the strongest of the categories because any value they possess in terms of name recognition comes from the corporate use of the name, rather than any natural association in people’s minds between a name and a given product. Ultimately, in all but a few circumstances, any question of what class a given mark falls into or may move into over time does not generally have a precise answer as no bright lines exist to delineate from one class to another.⁵⁶

B. Use in Commerce

It requires more than simply creating a distinguishing mark to acquire trademark rights. Rights in the mark are ultimately established by use rather than creativity or even registration.⁵⁷ The Lanham Act defines “use in commerce” as:

⁵³ *Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4, 11 (2d Cir. 1976).

⁵⁴ *See id.* at 11 n.12 (“As terms of art, the distinctions between suggestive terms and fanciful or arbitrary terms may seem needlessly artificial. Of course, a common word may be used in a fanciful sense; indeed one might say that only a common word can be so used, since a coined word cannot first be put to a bizarre use. Nevertheless, the term ‘fanciful[.]’ as a classifying concept, is usually applied to words invented solely for their use as trademarks. When the same legal consequences attach to a common word, i.e., when it is applied in an unfamiliar way, the use is called ‘arbitrary.’”).

⁵⁵ *See Zatarains, Inc. v. Oak Grove Smokehouse, Inc.*, 698 F.2d 786, 791 (5th Cir. 1983) (emphasis removed).

⁵⁶ *See Abercrombie & Fitch Co.*, 537 F.2d at 9 (“The lines of demarcation, however, are not always bright. Moreover, the difficulties are compounded because a term that is in one category for a particular product may be in quite a different one for another, because a term may shift from one category to another in light of differences in usage through time, because a term may have one meaning to one group of users and a different one to others, and because the same term may be put to different uses with respect to a single product. In various ways, all of these complications are involved in the instant case.” (citations omitted)).

⁵⁷ *See* 3 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION §19:3 (4th ed. 2004).

[T]he bona fide use of a mark in the ordinary course of trade, and not made merely to reserve a right in a mark. For purposes of this chapter, a mark shall be deemed to be in use in commerce—

(1) on goods when—

(A) it is placed in any manner on the goods or their containers or the displays associated therewith or on the tags or labels affixed thereto, or if the nature of the goods makes such placement impracticable, then on documents associated with the goods or their sale, and

(B) the goods are sold or transported in commerce, and

(2) on services when it is used or displayed in the sale or advertising of services and the services are rendered in commerce, or the services are rendered in more than one State or in the United States and a foreign country and the person rendering the services is engaged in commerce in connection with the services.⁵⁸

Section 1127 of the Lanham Act further defines commerce as “all commerce which may lawfully be regulated by Congress.”⁵⁹ This definition of commerce is broadly interpreted to include activities that influence interstate commerce.⁶⁰ What may seem to be intrastate use, however, can still qualify as interstate commerce if the intrastate use directly affects a type of commerce that Congress may regulate.⁶¹ Adding to a nuance-laden and fact specific determination was the Senate Judiciary Committee’s

⁵⁸ 15 U.S.C. §1127 (2012).

⁵⁹ *Id.*

⁶⁰ See *Larry Harmon Pictures Corp. v. Williams Rest Corp.*, 929 F.2d 662, 666 (Fed. Cir. 1991).

⁶¹ See *id.* at 665–66 (mark used to identify restaurant services rendered at a single-location restaurant serving interstate travelers is in “use in commerce”); *In re Gastown, Inc.*, 326 F.2d 780, 781, 784 (C.C.P.A. 1964) (automotive service station located in one state was rendering services “in commerce” because services were available to customers travelling interstate on federal highways); see also *In re G.J. Sherrard Co.*, 1966 TTAB LEXIS 94, *1–3 (T.T.A.B. June 29, 1966) (hotel located in only one state has valid use of its service mark in commerce because it has out-of-state guests, has offices in many states, and advertises in national magazines).

report on the Trademark Law Revision Act of 1988 (TLRA)⁶² in which it revised the “use in commerce” definition to be interpreted flexibly to encompass various “genuine, but less traditional, trademark uses,” for example, those made in test markets or ongoing shipments of a new drug to clinical investigators by a company awaiting FDA approval.⁶³ Sales between state lines certainly make for an easy determination of whether the use affects interstate commerce. However, it is ultimately possible that neither sales nor goods/services crossing state lines are necessary to obtain trademark rights based upon use affecting interstate commerce.⁶⁴ Ultimately, rights in a mark depend upon whether the mark has been “use[d] in a way sufficiently public to identify or distinguish the marked goods in an appropriate segment of the public mind as those of the adopter of the mark”⁶⁵

Perhaps with that purpose in mind, some courts have adopted a totality of the circumstances approach when determining whether there has been “use in commerce.” This flexible totality of the circumstances approach turns on evidence of adoption and use “sufficiently public to identify or distinguish the marked goods in an appropriate segment of the public mind.”⁶⁶ Indeed, the Ninth

⁶² Trademark Revision Act of 1988, Pub. L. No. 100-667, §134 (codified as amended at 15 U.S.C. § 1127 (2012)).

⁶³ S. REP. NO. 100-515, at 44–45 (1988); *see also* Paramount Pictures Corp. v. White, 31 U.S.P.Q.2d 1768, 1774 n.8 (T.T.A.B. 1994), *aff’d*, 108 F.3d 1392 (Fed. Cir. 1997).

⁶⁴ For example, a pharmaceutical company may ship samples for testing and/or approval prior to offering a given drug for sale. *See* H.R. REP. NO. 100-1028, at 15 (1988).

⁶⁵ *New England Duplicating Co. v. Mendes*, 190 F.2d 415, 418 (1st Cir. 1951).

⁶⁶ *Rearden LLC v. Rearden Commerce, Inc.*, 683 F.3d 1190, 1205 (9th Cir. 2012) (citing *New W. Corp. v. NYM Co. of Cal.*, 595 F.2d 1194, 1200 (9th Cir. 1979)). The court further noted that:

Our adoption of the “totality of the circumstances” approach reflects a movement away from the previous approach set forth in *Sengoku Works Ltd. v. RMC International, Ltd.*, in which we suggested that parties must “actually use the mark in the sale of goods or services” to acquire ownership in that mark. We have since indicated that evidence of actual sales, or lack thereof, is not dispositive in determining whether a party has established “use in commerce” within the meaning of the Lanham Act. Instead, we have acknowledged the potential relevance of non-sales activity in demonstrating not only whether a mark has been adequately

Circuit Court of Appeals held that in applying the totality of the circumstances approach:

[T]he district courts should be guided in their consideration of non-sales activities by factors such as the genuineness and commercial character of the activity, the determination of whether the mark was sufficiently public to identify or distinguish the marked service in an appropriate segment of the public mind as those of the holder of the mark, the scope of the non-sales activity relative to what would be a commercially reasonable attempt to market the service, the degree of ongoing activity of the holder to conduct the business using the mark, the amount of business transacted, and other similar factors which might distinguish whether a service has actually been rendered in commerce.⁶⁷

This approach allows the courts to go beyond an all-too-simple sales-based formula to determine rights in a mark. Indeed, in *Brookfield Communications, Inc. v. West Coast Entertainment Corp.*, the Ninth Circuit Court of Appeals held that trademark rights can vest prior to the sale of any goods or services.⁶⁸ The court in *Chance v. Pac-Tel Teletrac Inc.* noted that the totality of the circumstances approach is consistent with notable decisions from other parts of the country discussing the “use of commerce” requirement of §1127.⁶⁹ Ultimately, the key is that the trademark

displayed in public, but also whether a service identified by the mark has been “rendered in commerce.”

Id. at 1205 (citations omitted).

⁶⁷ *Chance v. Pac-Tel Teletrac Inc.*, 242 F.3d 1151, 1159 (9th Cir. 2001).

⁶⁸ *Brookfield Communications, Inc. v. West Coast Entertainment Corp.*, 174 F.3d 1036, 1052 (9th Cir. 1999); *see also* *New W. Corp. v. NYM Co. of Cal.*, 595 F.2d 1194, 1200 (9th Cir. 1979) (citation omitted) (advertising, combined with other non-sales activity can constitute prior use in commerce).

⁶⁹ *Chance*, 242 F.3d at 1159; *see also* *Mendes*, 190 F.2d at 418 (“It seems to us that although evidence of sales is highly persuasive, the question of use adequate to establish appropriation remains one to be decided on the facts of each case, and that evidence showing, first, adoption, and, second, use in a way sufficiently public to identify or distinguish the marked goods in an appropriate segment of the public mind as those of the adopter of the mark, is competent to establish ownership, even without evidence of actual sales.”); *Hotel Corp. of Am. v. Inn Am., Inc.*, 153 U.S.P.Q. 574, 576 (1967) (“A party

owner must show that the prior use created an association in the minds of the purchasing public between the mark and the goods.⁷⁰

It is this use requirement described above that creates rights in a mark, whether acquired under common law or by way of registration.⁷¹ While registration of a mark without sufficient use does not create rights in the mark, it does provide certain advantages, including: (1) prima facie evidence of validity, ownership of the trademark, exclusive right to use the trademark, and even that the mark is not confusingly similar to other registered trademarks (because it otherwise would not have been granted), (2) federal jurisdiction for infringement which allows

may acquire rights in a designation . . . through prior use thereof in advertising or promotional material connected with the publicizing and/or offering for sale of goods or services providing that this use has been of such nature and extent as to create an association of the goods or services and the mark with the user thereof.”). Case law does exist, however, that suggests the difficulty of pre-sales activity meeting the necessary threshold for acquiring rights in a mark. *See* Jeffery R. Peterson, *What's the Use? Establish Mark Rights in the Modern Economy*, 5 HOUS. BUS. & TAX L.J. 450, 470, n.157 (citing *Future Domain Corp. v. Trancor Sys. Ltd.*, 1993 U.S. Dist. LEXIS 9177, at *19–22 (N.D. Cal. Apr. 30, 1993) (holding beta software shipments insufficient to establish priority when the company took no orders for its goods); *McDonald's Corp. v. Burger King Corp.*, 107 F. Supp. 2d 787, 790 (E.D. Mich. 2000) (holding that a 17 day promotion in limited geographical area without evidence of effect of advertising on consumers was insufficient to show common law rights). In fact, the Western District of Pennsylvania has held that “the Lanham Act’s reach, while long, does not extend to the full outer limits of the commerce power” and that “the Lanham Act utilizes the term in commerce rather than affecting commerce or the even broader industry affecting commerce.” *Laurel Capital Grp., Inc. v. BT Fin. Corp.*, 45 F. Supp. 2d 469, 478 (W.D. Pa. 1999) (citing *Licata & Co., Inc. v. Goldberg*, 812 F. Supp. 403, 409 (S.D.N.Y. 1993)). This suggests the possibility that courts may take a more strict approach toward determining whether a mark has been used in commerce. The same court did, however, note that “[w]here the parties advertise beyond state borders or claim patrons residing outside the state, the courts have been very liberal in favor of finding jurisdiction.” *Laurel Capital Grp., Inc.*, 45 F. Supp. 2d at 478. This would suggest that, given a degree of flexibility based upon the specific industry and consideration of other circumstances, courts will find trademark rights based upon non-sales activities.

⁷⁰ *See* *T.A.B. Sys. v. PacTel Teletrac*, 77 F.3d 1372, 1375 (Fed. Cir. 1996).

⁷¹ *See, e.g., San Juan Prods., Inc. v. San Juan Pools, Inc.*, 849 F.2d 468, 474 (10th Cir. 1988) (“While federal registration triggers certain substantive and procedural rights, the absence of federal registration does not unleash the mark to public use. The Lanham Act protects unregistered marks as does the common law.”); *Am. Online Latino, Inc. v. Am. Online, Inc.*, 250 F. Supp. 2d 351 (S.D.N.Y. 2003).

recovery of treble damages and attorney's fees, and (3) constructive notice to all others that the mark is already in use.⁷²

Someone who has the bona fide intent to use a mark in commerce may reserve rights in a trademark without first using the mark in commerce by filing an Intent to Use⁷³ application.⁷⁴ After the United States Patent and Trademark Office issues a Notice of Allowance stating that a mark is in compliance with formalities and is registerable, the applicant has a six-month period to place the mark in commerce.⁷⁵ The applicant may seek six-month extensions for a period up to three years so long as the applicant maintains the bona fide intent to use the mark in commerce.⁷⁶ The applicant must, within that three-year period, file a Statement of Use verifying that the mark is used in commerce and, among other things, the date and manner of such use.⁷⁷ Thus, an applicant can reserve rights in a mark and put others on notice about such reservation of the mark, but the applicant must ultimately fulfill the use requirement within three years or lose all rights to the mark.

Craft brewers may be hesitant and, ultimately, unsure of when they have acquired rights sufficient to protect their marks. Some may wait until they are distributing to other states to register for trademark protection, relying on common law rights in the interim. Others may register early and hope their use in commerce is actually sufficient should a dispute challenging their rights arise later. Still others may file an Intent to Use application to reserve

⁷² See Peterson, *supra* note 69, at 454, n.10 (citing 1 MCCARTHY, *supra* note 57, §3:2). Common law rights are generally regional in nature. See G. Heileman Brewing Co. v. Anheuser-Busch, Inc., 676 F. Supp. 1436, 1466, 1482 (E.D. Wis. 1987).

⁷³ The Intent to Use system was implemented by the TLRA as a means of eliminating a party's ability to demonstrate mere "token use" to support trademark rights. See Mountain Top Beverage Grp., Inc. v. Wildlife Brewing N.B., Inc., 338 F. Supp. 2d 827, 834 (S.D. Ohio 2003). Token use is one in which the only purpose of the use is to support an application for trademark registration, such a single sale or shipment made solely to demonstrate (in a somewhat deceptive fashion) that the mark is "in commerce." See Chere Amie, Inc. v. Windstar Apparel, Corp., 01 Civ. 0040 (WHP), 2002 U.S. Dist. LEXIS 4950, at *11 (S.D.N.Y. Mar. 25, 2002) (citations omitted).

⁷⁴ See Spin Master, LTD. v. Zobmondo Entm't, LLC, 778 F. Supp. 2d 1052, 1060 (C.D. Cal. 2011) (citing 15 U.S.C.S. § 1051(b)(1) (2012)).

⁷⁵ See Spin Master, 778 F. Supp. 2d at 1060; Mountain Top Beverage Grp., 338 F. Supp. 2d at 828-29.

⁷⁶ Mountain Top Beverage Grp., 338 F. Supp. 2d at 829.

⁷⁷ See *id.* (citing 15 U.S.C.S. § 1051(d)(1)).

rights in their marks. Craft brewers invest significant goodwill in their marks and should not need to worry that they will be required to rebrand and reinvest altogether as a result of a trademark dispute.

C. *Infringement*

In order to infringe a mark owner's rights, the alleged infringer must have used a mark in commerce in a manner that is likely to cause consumer confusion as to the source of the goods or services.⁷⁸ Likelihood of confusion is key, and different courts have identified specific factors to be weighed in assessing likelihood of confusion. The Ninth Circuit, for example, considers the "(1) strength of the mark; (2) proximity or relatedness of the goods; (3) similarity of sight, sound and meaning; (4) evidence of actual confusion; (5) marketing channels; (6) type of goods and purchaser care; (7) intent; and (8) likelihood of expansion."⁷⁹ These factors provide a roadmap but no specific formula should set forth exactly how likelihood of confusion should be determined in any given case.⁸⁰ In essence, this sets forth a totality of the circumstances approach toward determining the likelihood of confusion. As noted earlier, the ultimate purpose is "to protect the consuming public from confusion, concomitantly protecting the trademark owner's right to a non-confused public."⁸¹

II. A BREWING TREND: TRADEMARK DISPUTE

As described below, brewers often take a protracted path to opening a commercial brewery. The path includes stops as an experimental homebrewer, a competing homebrewer and pouring for patrons at well-attended festivals. Prior to making any sales, these brewers have often spent considerable amounts of time and money developing a business plan, creating signage and

⁷⁸ See 15 U.S.C. §§ 1114(1)(a), 1125(a).

⁷⁹ *Rexel, Inc. v. Rexel Int'l Trading Corp.*, 540 F. Supp. 2d 1154, 1163–64 (C.D. Cal. 2007) (citations omitted) (citing the factors commonly known as the *Sleekcraft* factors).

⁸⁰ See *Rexel, Inc.*, 540 F. Supp. 2d at 1164.

⁸¹ *James Burrough, Ltd. v. Sign of the Beefeater, Inc.*, 540 F.2d 266, 274 (7th Cir. 1976).

merchandise and generating goodwill amongst prospective consumers.

While the investment in goodwill is not quantifiable, the investment in time, branding and merchandising most certainly is. This section will examine a recent trademark dispute in the industry as a mechanism to understand what upstart breweries have to lose and to appreciate the need for brewers to feel secure with their marks.

Narwhal Brewery began brewing beer under the Narwhal name in 2010.⁸² In April of 2011, Narwhal LLC was created in New York. However, Narwhal was already active in New York homebrewing competitions and served its beer at New York events such as Manhattan's aPORKalypse Now Pork & Craft Beer Festival.⁸³ Pictures posted on Narwhal's Facebook page displayed different merchandise, growler and bottle labels, and a number of different sketches that may potentially serve as Narwhal's logo.⁸⁴ Narwhal was spending for these sketches, for merchandising and for the labeling, all-the-while building their brand so people would recognize their brews once they found their way onto shelves. It was a thorough effort to ensure their branding was the best it could be and that their business plan was carried out as desired.

However, in 2011, Sierra Nevada filed a federal trademark application to use the Narwhal name for its imperial stout.⁸⁵ Narwhal co-founder Basil Lee claimed that Sierra Nevada assured him that it would withdraw its trademark application.⁸⁶ Lee sought a resolution that would allow both brewers to use the name.⁸⁷ Ultimately, Sierra Nevada's counsel advised Lee that it would not withdraw its trademark application and, after brewer-to-brewer

⁸² NARWHAL BREWERY, <http://narwhalbrewery.com> (last visited Apr. 16, 2014).

⁸³ *Narwhal Brewery*, FACEBOOK, <https://www.facebook.com/NarwhalBrewing> (last visited May 27, 2014).

⁸⁴ *Id.*

⁸⁵ *See Trademark Electronic Search System (TESS)*, UNITED STATES PATENT AND TRADEMARK OFFICE, <http://tmsearch.uspto.gov> (last visited May 26, 2014) (search Serial Number 85649068 under Serial or Registration Number Field).

⁸⁶ *See* Eli Rosenberg, *Brooklyn Brewers Battle Sierra Nevada over 'Narwhal' Name*, BROOKLYN PAPER (Dec. 13, 2012), http://www.brooklynpaper.com/stories/35/50/all_narwhalwar_2012_12_21_bk.html.

⁸⁷ *See id.*

discussions, Sierra Nevada was not amenable to a resolution that did not involve a name change for Narwhal Brewery.⁸⁸

It can be quite costly to execute a business plan only to have to turn around and rebrand. It was a reality Rock Art Brewery was staring down in 2009. In September 2009, Hansen Beverage Company (“Hansen”),⁸⁹ the maker of Monster energy drinks, sent Vermont microbrewer Rock Art Brewery a letter demanding that Rock Art cease and desist⁹⁰ its use of “VERMONSTER” as a mark for its American barley wine.⁹¹ The difference between the companies is striking—Hansen had sales of over \$1 billion in 2009⁹² and Rock Art Brewery is a husband-and-wife-owned brewery based in Morrisville, Vermont.⁹³ Rock Art set out on a public shaming campaign that portrayed Monster as a corporate bully seeking to intimidate anyone it perceived to be in its way.⁹⁴ Rock Art owner Matt Nadeau expressed the difficult position small breweries face when big business threatens trademark litigation:

The way the system is set up, I’m being explained by these trademark lawyers, is that this will enter the court system and this \$1 billion corporation will be allowed to fight this in the courts with dollars. If

⁸⁸ See Eli Rosenberg, *Whale War One is over! Narwhal Brewery Harpooned by Big Beer*, BROOKLYN PAPER (Jan. 30, 2013), http://www.brooklynpaper.com/stories/36/5/all_narwhalnowfinback_2012_02_01_bk.html. Narwhal Brewery is now known as Finback Brewery. *Id.*

⁸⁹ Hansen changed its name to Monster Beverage Corporation in early 2012. See Press Release, Monster Beverage Corporation, Hansen Natural Announces Corporate Name, Ticker Symbol Change (Jan. 5, 2012), available at http://files.shareholder.com/downloads/HANS/2602265950x0x532109/ff719ad1-e705-4d72-8e2d-77a18209d622/HANS_News_2012_1_5_General_Releases.pdf.

⁹⁰ With a use it or lose it approach, a trademark owner must police how third parties use the mark or similar marks. Indeed, “[a] trademark owner’s efforts at policing its trademarks is further proof of the strength of those marks.” *Cullman Ventures, Inc. v. Columbian Art Works, Inc.*, 717 F. Supp. 96, 124 (S.D.N.Y. 1989) (citing *E.I. Dupont de Nemours & Co. v. Yoshida Int’l, Inc.*, 393 F. Supp. 502, 512 (E.D.N.Y. 1975)). Thus, it is easy for one to understand why companies aggressively police their marks.

⁹¹ See Leah Chan Grinvald, *Shaming Trademark Bullies*, 2011 WIS. L. REV. 625, 627–28 (2011).

⁹² See 2009 HANSEN NATURAL CORP. ANN. REP. (Form 10-K) 42, available at http://www.sec.gov/Archives/edgar/data/865752/000110465910010880/a10-1407_110k.htm.

⁹³ See Grinvald, *supra* note 91, at 625.

⁹⁴ See *id.* at 625, 645–49.

I win the first round, they can appeal. And if I win the second round, they can appeal. And all the time, this starts at \$65,000 for each court case and goes and goes and goes. And at some point obviously, a small little Vermont brewery is not going to be able to afford this anymore. And what happens at that point when you're involved in this legal battle and can no longer afford to represent yourself, you lose by default. The court system says you default lose. What happens then? I have to change the name of the beer and move on if there's any brewery left.⁹⁵

A Vermont attorney advised Nadeau that there was no infringement but that he should consider his family, his employees and the future of his business and simply change the name.⁹⁶ Nadeau did not give in where others likely would (and, according to advisors, perhaps should). Rock Art and small business supporters alike voiced their displeasure with Hansen for picking on the little guy.⁹⁷ Eventually, the companies settled affably—Rock Art maintained the Vermonster name and agreed not to enter the energy drink business, something it probably never even considered doing.⁹⁸

Narwhal Brewery was not able to secure the same fate. It requested that its fans and followers (and anyone else willing to help) “reach out to [Sierra Nevada] to let them know that you support small businesses.”⁹⁹ Heeding Nadeau’s warning, Narwhal further noted its desire to avoid a lengthy and costly legal battle against a “giant company with deep pockets.”¹⁰⁰ Narwhal eventually bit the bullet and changed its name to Finback Brewery

⁹⁵ See *id.* at 647 (citation omitted).

⁹⁶ See *id.* at 659; *Matt and “The Monster”—Rock Art Brewery vs. Monster Energy Drink*, GREEN RIVER PICTURES, <http://www.grpvt.com/mattvsmonster>, 2:37 (last visited May 26, 2014).

⁹⁷ See Charlotte Albright, ‘Monster’ of a Trademark Dispute Settled, NPR (Oct. 23, 2009), <http://www.npr.org/templates/story/story.php?storyId=114068612>.

⁹⁸ See *id.*

⁹⁹ NARWHAL BREWERY, <http://narwhalbrewery.com> (last visited Apr. 16, 2014).

¹⁰⁰ *Id.*

in early 2013, choosing to move forward with its business rather than a fight, and opened its taproom in 2014.¹⁰¹

Ultimately, while Narwhal made efforts to brand the soon-to-be-brewery and took steps to market and use its mark in public, the use was not likely so open and notorious to put others on notice of the use. Additionally, the use likely would not be considered to be “in commerce.” Indeed, use of the Narwhal name was not as well known as the use of the homebrewers’ marks that will be discussed below, but this dispute nonetheless demonstrates that there is quite a bit to lose and quite a bit of potential disruption to the business plan for breweries in the planning phase. Narwhal would have been best filing an intent-to-use application. It could have reserved its rights to use the mark within three years given that it would put the mark into commerce in that three-year window. As described above, there may exist a worry that they would not have any sales within three years from filing. But as described herein, so long as other steps are properly taken, registering would put others on notice and provide the opportunity to perfect their rights. Given the dearth of case law in this practice area, and specifically in this industry, it is best to register early so long as there is a good faith belief that the mark is used in commerce (or will be within three years) based on all circumstances, putting others on notice of the existence and prior (or reserved) use of the mark.

A. The Beginnings of the Brewery

Craft breweries have their roots in home brewing. Charlie Papazian, founder of the Association of Brewers and the Great American Beer Festival and author of *The Complete Joy of Home Brewing*, noted that “over 90 percent of small brewers I talk to today have roots in home brewing.”¹⁰² For example, New Belgium founder Jeff Lebesch toured Belgium by bike and then returned home to experiment for two years prior to launching the

¹⁰¹ Andrew Benjamin, *Get an Ice-cold Beer at Glendale’s Brewery*, QUEENS CHRONICLE, May 15, 2014, http://www.qchron.com/qboro/stories/get-an-ice-cold-beer-at-glendale-s-brewery/article_94c6fdbf-3591-5978-83b4-dc792f07462d.html.

¹⁰² Greg Beato, *Draft Dodgers*, REASON (Mar. 2009), <http://reason.com/archives/2009/02/24/draft-dodgers>.

brewery.¹⁰³ Jeff Schultz, one of Rogue’s founders, was part accountant and part homebrewer prior to launching Rogue, and Steve Hindy was a homebrewing journalist prior to opening Brooklyn Brewery.¹⁰⁴ The American Homebrewers Association (“AHA”) estimates there are now more than 1 million homebrewers in the U.S.¹⁰⁵ AHA director Gary Glass estimates a homebrewing growth rate between ten and twenty percent.¹⁰⁶

Generally, homebrewers begin simple—experimenting with kits and attempting to find the taste they are looking for—sometimes beginning the process using extract before graduating to all grain recipes. As homebrewers progress, they may join a homebrew club registered with the AHA. California has approximately 175 AHA-registered homebrew clubs.¹⁰⁷ These groups may perform any number of functions, including organizing social events and competing in homebrewing competitions. Some homebrewers go beyond homebrewing competitions and also pour in heavily attended craft beer festivals. For example, some of California’s homebrew clubs had taps at California beer festivals; however, homebrewers are no longer allowed to participate in beer festivals in California.¹⁰⁸

Florida, which has been catching up to the rest of the country in the craft beer craze boasts nearly seventy AHA-registered

¹⁰³ See *From Basement to Brewery: True Tales of Homebrewers Who Turned Pro*, IMBIBE MAG., <http://imbibemagazine.com/Craft-Brewers-From-Basement-to-Brewery> (last visited Apr. 16, 2014).

¹⁰⁴ See *id.*

¹⁰⁵ See Lee Graves, *The Beer Guy: Homebrewing Demographic Is Changing*, RICHMOND TIMES-DISPATCH (July 14, 2013), http://www.timesdispatch.com/entertainment-life/columnists-blogs/the-beer-guy-homebrewing-demographic-is-changing/article_67aa0187-ca90-52f9-b98e-4c9d176ea1ba.html. As of July 1, 2013, homebrewing was legal in all fifty states. See Press Release, Brewers Ass’n, Homebrewing Officially Legal in All 50 States (July 1, 2013), <http://www.brewersassociation.org/pages/media/press-releases/show?title=homebrewing-officially-legal-in-all-50-states>.

¹⁰⁶ See Graves, *supra* note 105.

¹⁰⁷ See generally *Find a Homebrew Club*, AM. HOMEBREWERS ASS’N, <http://www.homebrewersassociation.org/pages/directories/find-a-club> (last visited Apr. 16, 2014).

¹⁰⁸ See Patricia Willers, *Homebrew and Friends*, SACRAMENTO PRESS (July 9, 2013, 12:40 AM), http://www.sacramento.com/headline/84167/Homebrew_and_friends.

homebrewing clubs.¹⁰⁹ In Florida, homebrewed beer may be removed from the premises where made for personal or family use.¹¹⁰ Personal or family use will include “use at organized affairs, exhibitions, or competitions, such as homemakers’ contests, tastings, or judgments” but cannot “be sold or offered for sale.”¹¹¹ This allows upstart homebrewers to pour their product at highly-attended craft beer festivals and donate beer for tastings and/or events (such as a food and beer pairing). It is an important mechanism that can be used to gain recognition for a homebrewer’s (and soon-to-be commercial brewer’s) product before any sales are ever made (and often before commercial brewing premises are even leased or purchased).

Johnathan Wakefield, for example, is a Miami, Florida brewer who has taken full advantage of Florida’s laws. As of May 2014, Wakefield has not opened a commercial brewery, but his name and brand is well-known throughout the industry. Despite falling into the brewery-in-planning phase, one of Wakefield’s brews was ranked as one of the top 50 beers of 2013 by RateBeer, an independent worldwide Internet site for craft beer enthusiasts to provide consumer-driven beer ratings.¹¹² Wakefield brewed the renowned beer as a pilot batch at Cigar City Brewing in Tampa, which released the beers to the public to be rated at their festivals.¹¹³ In June of 2012, Wakefield teamed up with a South Florida restaurant for a beer pairing in which customers would receive a different beer brewed by Wakefield with each item on the three-course menu.¹¹⁴ In October 2013, Wakefield successfully

¹⁰⁹ See generally *Find a Homebrew Club*, AM. HOMEBREWERS ASS’N, <http://www.homebrewersassociation.org/pages/directories/find-a-club> (last visited Apr. 16, 2014).

¹¹⁰ FLA. STAT. § 562.165 (2013).

¹¹¹ *Id.*

¹¹² See *RateBeer Best Top 50 Beers of 2013*, RATEBEER, http://www.ratebeer.com/RateBeerBest/bestbeers_012013x.asp (last visited May 26, 2014) (naming Cigar City Pilot Series Miami Madness as the 13th best beer of 2013).

¹¹³ See Justin Grant, *Tart and Tasty, ‘Florida Weisse’ Beer Style Becoming Sunshine State’s Signature*, TAMPA BAY TIMES, June 27, 2013, <http://www.tampabay.com/things-to-do/food/spirits/tart-and-tasty-florida-weisse-beer-style-becoming-sunshine-states-signature/2128844>.

¹¹⁴ See David Minsky, *World-Ranked Homebrewer, and LoKal Burgers & Beer Team up for Dinner*, MIAMI NEW TIMES (June 28, 2012), http://blogs.miaminewtimes.com/shortorder/2012/06/johnathan_wakefield_world-rank.php.

raised \$111,990 for his future brewery with an online crowdfunding campaign.¹¹⁵ Wakefield poured his brews around Florida—in Gulfport at Berliner Bash; in Boca Raton at Sourfest; in West Palm Beach at the Palm Beach Craft Beer Festival; in Pinellas Park at Sour Fest; in Jupiter at the Jupiter Summer Fest; in Tampa at Cigar City Brewing’s Hunahpuh’s Day; and even at Cigar City Brewing’s Brewpub at the Tampa International Airport CCB—often surrounded by signage (and people) adorned with J. Wakefield Brewing logos.¹¹⁶ A photo of Mr. Wakefield, accompanied by signage associating him and his product with J. Wakefield Brewing appeared in publications across the country, including Los Angeles, and Chicago.¹¹⁷

The laws are similar in Washington, where beer can be removed from the home so long as it is not removed for sale, the quantity removed does not exceed a stated limit and is used privately, which will include “use at organized affairs, exhibitions, or competitions such as homemaker’s contests, tastings, or judging.”¹¹⁸ Adam Robbins opened Reuben’s Brews in August 2012 in the Ballard neighborhood of Seattle.¹¹⁹ Nearly two years earlier, Adam poured his Roasted Rye PA at the Phinney Neighborhood Association’s 23rd Annual Winter Beer Taste

¹¹⁵ Adam Nason, *J. Wakefield Brewing Breaks Crowdfunding Record for a U.S. Brewery with \$112k Round*, BEERPULSE (Oct. 27, 2013), <http://beerpulse.com/2013/10/j-wakefield-brewing-breaks-crowdfunding-record-for-a-brewery-1712>.

¹¹⁶ See, e.g., Doug Fairall, *J. Wakefield Unleashed on Sybarite Pig in Boca, Hopes Brewery Opens in December*, BROWARD PALM BEACH NEW TIMES (June 10, 2013), http://blogs.browardpalmbeach.com/cleanplatecharlie/2013/06/j_wakefield_unleashed_on_sybarite_pig_in_boca_hopes_brewery_opens_in_december.php; *First Cajun Café Sour & Lambic Festival*, BEER ADVOCATE (June 16, 2012), <http://beeradvocate.com/events/info/54889>; Grant, *supra* note 113; David Minsky, *Miami’s Top Brewer Johnathan Wakefield Talks Breweries, Berliners and a Little Math Too*, MIAMI NEW TIMES (Aug. 2, 2012), http://blogs.miaminewtimes.com/shortorder/2012/08/miamis_top_brewer_johnathan_wa.php; Laura Reiley, *Peg’s Cantina Gets Funky with Fruited Beers*, TAMPA BAY TIMES (Apr. 10, 2013, 3:15 PM), <http://www.tampabay.com/things-to-do/food/spirits/pegs-cantina-gets-funky-with-fruited-beer/2114340>.

¹¹⁷ See, e.g., CHICAGO TRIBUNE, <http://www.chicagotribune.com/wsfl-20130418-004,0,7642710.photo> (last visited May 27, 2014); LOS ANGELES TIMES, <http://www.latimes.com/wsfl-20130418-004,0,857948.photo> (last visited May 27, 2014).

¹¹⁸ WASH. REV. CODE § 66.28.140 (2009).

¹¹⁹ See Shane Harms, *Reuben’s Delivers Beer with a Personal Touch*, BALLARD NEWS-TRIBUNE, Aug. 17, 2012, <http://www.ballardnewstribune.com/2012/08/17/features/reubens-delivers-beer-personal-touch>.

(“PNA Beer Taste”) in Seattle using the name Reuben’s Brews (and adorned in t-shirts sporting a Reuben’s Brews logo) and came away with the People’s Choice Award.¹²⁰ Early in 2011, he told his story of entering the event and ultimately taking home the People’s Choice Award in *Brew Your Own* magazine.¹²¹ Reuben’s Brews won Best of Show at the Skagit County Fair and Anacortes Brewery brewed his recipe and entered into the following PNA Beer Taste.¹²² Robbins’ recipe won the People’s Choice Award again. In 2012, Robbins’ brown won silver at the 2012 National Home Brew Conference. Reuben’s Brews officially launched in August of 2012.¹²³ By that time, like Wakefield, Robbins was a known commodity without ever making a sale.

B. Pharmaceutical Industry: A Brief Case Study

Much like the oft-followed path of a homebrewer to commercial craft brewer, the timeline from development to marketing launch in the pharmaceutical industry can be long and arduous.¹²⁴ As described above, the TLRA revised the “use in commerce” definition to be interpreted flexibly to encompass various “genuine, but less traditional, trademark uses.”¹²⁵ This allowed for an industry-specific approach that allows for a consideration of nuance. Indeed, the House Judiciary Committee noted that “the ordinary course of trade” varies from industry to industry and that a pharmaceutical “company’s shipment to clinical investigators during the Federal approval process will also be in its ordinary course of trade.”¹²⁶ Based upon this “industry to industry” approach, United States courts have indicated that

¹²⁰ See Kendall Jones, *Homebrewer Takes Phinney by Storm*, WASH. BEER BLOG (Nov. 24, 2010), <http://www.washingtonbeerblog.com/homebrewers-takes-phinney-by-storm>.

¹²¹ Adam Robbins, *Seattle Taste: Last Call*, BREW YOUR OWN (Mar./Apr. 2011), <http://byo.com/stories/item/2308-seattle-taste-last-call>.

¹²² See Harms, *supra* note 119.

¹²³ See Kendall Jones, *Anniversary Celebration at Reuben’s Brews*, WASH. BEER BLOG (July 20, 2013), <http://www.washingtonbeerblog.com/anniversary-celebration-at-reubens-brews>.

¹²⁴ See Stephanie K. Wade, *Brands in the Boardroom: Side Effects of Pharmaceutical Trademarks*, DICKSTEIN SHAPIRO LLP 24 (2009), available at http://www.dicksteinshapiro.com/files/upload/Intellectual%20Asset%20Mgmt_Wade.pdf

¹²⁵ S. REP. NO. 100-515, at 44–45 (1988).

¹²⁶ H.R. REP. NO. 100-1028, at 15 (1988).

shipping a drug to a clinical investigator for use in clinical trials during the Food and Drug Administration approval process can constitute use sufficient to file a trademark application with the USPTO.¹²⁷

In *Searle*, both parties argued about whose allegedly similar mark was in commerce first.¹²⁸ Defendant Nutrapharm opposed Searle's trademark application and asserted that neither the shipments made for clinical testing nor the pre-sale advertising and promotional activity constitute a bona fide use of the mark in commerce.¹²⁹ Searle struck back by claiming Nutrapharm was infringing upon Searle's rights in the mark.¹³⁰ The court treated Nutrapharm's motion to dismiss as a motion for summary judgment.¹³¹

The declaration of Searle's Winifred Begley set forth the specific applications in which it used the mark.¹³² These included using the "mark on labels affixed to cartons of [the drug] during an 'open label safety study' as part of its Phase III clinical program" and shipments of approximately 1,400 cartons of the drug bearing the mark on the label to selected clinical investigators and hospitals throughout the country.¹³³ Searle continued to make similar shipments of approximately 300 cartons per month.¹³⁴ While Searle relied on pre-sales shipments made for clinical testing, Nutrapharm argued that "such shipments did not meet the requirement of bona fide use because the testing laboratories were not purchasing or otherwise acquiring the drug as consumers, and laboratory testing did not create in a significant segment of the purchasing public any association between the mark and the product."

The court cited the legislative history discussing the 1989 Amendment to the Lanham Act, in which "the Senate Judiciary

¹²⁷ See *G.D. Searle & Co. v. Nutrapharm, Inc.*, 98 Civ. 6890 (TPG), 1999 U.S. Dist. LEXIS 16862, at *3-5, 9 (S.D.N.Y. Oct. 29, 1999).

¹²⁸ *Id.* at *1-2, *6-7.

¹²⁹ *Id.* at *7.

¹³⁰ *Id.* at *6.

¹³¹ *Id.* at *10.

¹³² *Id.* at *5.

¹³³ *Id.*

¹³⁴ *Id.*

Committee Report and the House Report cite as an example of sufficient use in commerce a pharmaceutical company's shipment to clinical investigators during the FDA approval process."¹³⁵ Upon considering the circumstances specific to this case and to the pharmaceutical industry, the court denied Nutrapharm's motion for summary judgment.¹³⁶

The Trademark Manual of Examining Procedure (the "Manual") further clarifies that "[t]he legislative history of the TLRA makes it clear that the meaning of 'use in the ordinary course of trade' will vary from one industry to another."¹³⁷ The Manual is published to provide parties, including USPTO trademark examining attorneys, with guidelines on practices and procedures relative to prosecution of applications to register marks.¹³⁸ The Manual, like the court in *Searles*, cites the House and Senate Judiciary Committees—each of which specifically allude to the less traditional uses of the pharmaceutical industry as those which will be included in the ordinary course of trade.¹³⁹ Unlike the pharmaceutical industry, the craft beer industry does not enjoy the benefit of its non-traditional pre-sale uses being used as a specific example of when a mark has been properly used in commerce.

III. ACQUIRING TRADEMARK RIGHTS AS A CRAFT BREWER

As described above, brewers very well may, even without sales, enter the market in a way sufficient to create an association in the minds of the purchasing public between their mark and the goods that is worthy of trademark protection. Just as an industry-to-industry evaluation allows a nuanced standard with respect to trademark rights in the pharmaceutical industry, such an approach is necessary to provide start-up brewers with confidence that their

¹³⁵ *Id.* at *9 (citing S. REP. NO. 100-515, at 44–45 (1988); H.R. REP. NO. 100-1028, at 15 (1988)).

¹³⁶ *Id.* at *10.

¹³⁷ TMEP §901.02 (5th ed. 2007), available at <http://tmep.uspto.gov/RDMS/detail/manual/TMEP/Apr2013/d1e2.xml#/manual/TMEP/Apr2013/TMEP-900d1e1.xml>.

¹³⁸ *Id.* at Foreword.

¹³⁹ *Id.* §901.02 (internal citations omitted).

marks will be protected even before any sales are made (and perhaps before a brewery is even opened).

While accomplished homebrewers have not completed a sale, they have often used their marks in advertising campaigns (driven, for example, by social media and the marketing departments of those with whom they participate in pairing events) and in front of thousands at competitions, festivals and restaurant events with signage accompanying their setups. Their marks have appeared in news articles and their names on websites intended for sophisticated beer consumers. Their product has been sampled, sometimes throughout an entire state, with the mark prominently displayed alongside it. Despite all the work performed to create a quality product worthy of such attention, worry might remain that rights in the mark(s) do not exist.

Congress has stated its desire that “use in commerce” be interpreted “flexibly” to encompass legitimate but less conventional trademark uses.¹⁴⁰ Indeed, “use analogous to trademark use,” such as in advertising campaigns can be considered with other non-sales uses to establish trademark priority.¹⁴¹ As noted above, the Ninth Circuit has noted that those seeking to show trademark rights without actual sales can do so if the owner adopts and uses the mark “in a way sufficiently public to identify or distinguish the marked goods in an appropriate segment of the public mind” as those of the owner.¹⁴² Other courts have held similarly, noting that the key is that the trademark owner show that prior use created an association between the mark and the goods in the minds of the purchasing public.¹⁴³

In certain circumstances involving successful soon-to-be commercial brewers, parties would be hard-pressed to claim such an association has not been made. Tasting a quality product that is closely associated with nearby signage may create an association.

¹⁴⁰ S. REP. NO. 100-515, at 44–45.

¹⁴¹ Susan J. Keri et al., *Tricky Trademark Use Issues: United States and Canada*, 68 INT’L TRADEMARK ASS’N BULLETIN (“INTA BULLETIN”) (Feb. 15, 2013), available at <http://www.inta.org/INTABulletin/Pages/TrickyTrademarkUseIssuesUnitedStatesandCanada.aspx>.

¹⁴² See *Chance v. Pac-Tel Teletrac Inc.*, 242 F.3d 1151, 1159 (9th Cir. 2001).

¹⁴³ See *T.A.B. Systems v. PacTel Teletrac*, 77 F.3d 1372, 1375 (Fed. Cir. 1996).

Reading about the product and seeing a picture of the beer in a glass adorned with the brewer's logo may create an association. Reading that the well-received beer has won awards and/or been ranked as one of the world's best beers may create an association. Reading promotional materials about upcoming appearances for the beer along with the logo and then following that up by attending an event and tasting the prominent product may create an association. All of these situations combined are even more likely to create an association with the consuming public. This is the purpose of the totality of the circumstances analysis.

The totality of the circumstances analysis considers a number of non-sales activities, including "whether the mark was sufficiently public to identify or distinguish the marked service in an appropriate segment of the public mind as those of the holder of the mark"¹⁴⁴ The uses noted directly above are likely sufficient to create the necessary association between the mark and the goods and, given the nature of the festivals (which can attract people from all over the state) and the competitions which are sometimes at a national level, the use is likely "sufficiently public" to reach a great deal of consumers.

Another consideration would include "the scope of the non-sales activity relative to what would be a commercially reasonable attempt to market the service"¹⁴⁵ For soon-to-be breweries, social media driven marketing campaigns, appearances in the news and appearances at the variety of events mentioned earlier are above and beyond what one may expect from a yet unopened brewery. Of course, comparing the activities to other homebrewers who may never even remove any beer from their home would be unfair and unhelpful, but in conjunction with the other factors, it becomes a helpful element in a fact intensive analysis. As to the degree of ongoing activity of the mark(s) holder, consistent involvement in public events along with regular marketing efforts and/or appearances in the media as a result of participation in events would provide a good faith reason to find in favor of acquisition of rights in the mark.

¹⁴⁴ *Chance*, 242 F.3d at 1159.

¹⁴⁵ *Id.*

Finally, as to the genuineness and commercial character of the activity, partaking in pairing events at restaurants and participating in craft beer festivals may very well satisfy this portion of a totality of the circumstances analysis. In *Larry Harmon Pictures Corp. v. Williams Restaurant Corp.*, the court held that a restaurant with only a single location satisfied the “rendered in commerce” requirement of the Lanham Act based upon providing services to some interstate travelers.¹⁴⁶ The court also noted that the restaurant was mentioned in a handful of publications that appeared in cities across the country.¹⁴⁷ One would expect craft beer festivals, which attract locals and tourists alike, to get similar legal treatment when it comes to consideration as “in commerce.” These festivals offer the ability to sample brews from across the country (affecting commerce) and bring with them advertising opportunities.¹⁴⁸ A consistent presence at well-attended and publicized events and at restaurant events should go a long way towards the acquisition of rights in a mark.

While a common sense approach and application of the totality of the circumstances analysis suggest that this must be the case, consideration of legislative history and the application of more case law do as well. For example, the Senate Judiciary Committee specifically cited use in test markets as the kind of use that it intended to fall within the revised “use in commerce” definition (depending on the uniqueness of the industry and the applicability of the use within that industry).¹⁴⁹ Entering beers in tasting contests, pouring at large craft beer festivals, and serving at restaurants ultimately acts as a test market for the product that will eventually be produced in the commercial brewery. It is through these trials and the resulting feedback that brewers can ensure that

¹⁴⁶ *Larry Harmon Pictures Corp. v. Williams Restaurant Corp.*, 929 F.2d 662, 665–66, 669 (Fed. Cir. 1991).

¹⁴⁷ *Id.* at 663. The dissent noted that unsolicited mentions in an article may not be sufficient to rise to the level of exposure necessary to affect the consuming public. *Id.* at 669 (Newman, J., dissenting).

¹⁴⁸ For example, the Florida Craft Brew and WingFest in Vero Beach, Florida has attracted thousands of patrons for each of the past two years and served over 100 craft brews. See Joe Fenton, *Brew Fest Draws Thousands for a Good Cause*, VERO NEWS (Feb. 24, 2013), http://www.veronews.com/news/vero_beach/spotlight/brew-fest-draws-thousands-for-a-good-cause/article_11399f7c-7e96-11e2-a3c9-0019bb30f31a.html.

¹⁴⁹ S. REP. NO. 100-515, at 44–45 (1988).

their product is what consumers are seeking. Of course, were it simply brewing in the home and sharing with close friends and family and making adjustments based on that feedback, there would be no claim for rights in a mark. But the use described herein by upstart brewers goes far beyond that; it places the product in the hands of the consuming public closely accompanied by its mark. And, as is a consistent theme in the case law, the consuming public is the key.¹⁵⁰

Moreover, while upstart homebrewers in the commercial planning phase are generally not bottling and labeling their brews, their product is almost always accompanied by signage displaying the name and/or logo for the brewer.¹⁵¹ The plain language of the Lanham Act, when considering “use in commerce,” specifically includes marks placed on “the displays associated” with the goods.¹⁵² When attending craft brewing events, upstart brewers typically exhibit signage and merchandise displaying the brewer’s adopted mark. The close association between the product and the mark in public settings, such as restaurants and festivals, is likely to create a sufficient association between the mark and the goods in the minds of the consuming public.

CONCLUSION

Ultimately, a determination of whether rights in a mark have been acquired prior to the making of any sales requires a fact intensive inquiry. Courts must be willing to give proper consideration to the distinctive nature of the craft beer industry, including the early life-cycle and path of a homebrewer turned professional. As noted throughout, a narrow approach focusing on sales is inappropriate, especially in view of the fact that the

¹⁵⁰ See, e.g., *T.A.B. Systems v. PacTel Teletrac*, 77 F.3d 1372, 1375 (Fed. Cir. 1996).

¹⁵¹ The Lanham Act does not require the mark be directly attached to the specified goods. However, there is case law that suggests that the marks must be affixed to the merchandise actually intended to bear the mark in commercial transactions. See, e.g., *Blue Bell, Inc. v. Farah Mfg. Co.*, 508 F.2d 1260, 1267 (5th Cir. 1975). This can be misleading, however, as this generally refers to the importance that the mark actually be associated with the correct product rather than simply *any* product of the party seeking ownership in a mark. *Id.*

¹⁵² 15 U.S.C. §1127 (2012).

essential consideration must be whether the use has created an association in the minds of the purchasing public between the mark and the goods.¹⁵³ Indeed, the overarching purpose of the trademark laws are to keep the public safe from confusion and the trademark's owner free from reputational damage.¹⁵⁴

Craft brewers and homebrewers alike can and often have created an association between their marks and their goods in the minds of their consumers (and their potential purchasing public) without ever making a sale. It is the nature of today's craft brewing industry. While neither case law nor legal scholarship directly addresses this issue as it relates to the craft brewing industry, one would hope, and expect, that the unique nature of the craft brewing industry would, under the proper circumstances, lead to acquisition of trademarks rights prior to any sales activity.

¹⁵³ *T.A.B. Systems*, 77 F.3d at 1375.

¹⁵⁴ *James Burrough, Ltd. v. Sign of Beefeater, Inc.*, 540 F.2d 266, 274 (7th Cir. 1976).