



Outside Counsel

Trademark Disputes in Craft Beer Industry

Jordan Greenberger, New York Law Journal

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Be it the name of a brewery or a type of beer, brewers in the craft beer industry are often drawn to brand names and packaging designs that play on beer styles, colors, ingredients, aromas, flavors and/or popular culture references. But as the craft beer industry continues to grow, so too do trademark disputes amongst breweries. The Brewers Association reports on its website that between 2012 and 2015, the number of craft breweries nationwide increased from 2,401 to 4,225. Craft beer is beer made by a small, independent and traditional brewer.

The growth of craft breweries within New York State mirrors this trend, with the number of in-state craft breweries more than doubling during the same period. The growth of in-state craft breweries can be attributed, in part, to Governor Andrew Cuomo's support of the industry, including the passage of recent legislation creating a farm brewers license, raising production caps, exempting small breweries from certain fees and tax-filing requirements, expanding the ability to operate certain retail establishments on or adjacent to the manufacturing premises, and dedicating funds to a marketing and promotion campaign.

However, new entrants into the market and established players are bumping into each other in their branding efforts. A recent federal lawsuit between an established New York craft brewer and a California start-up brewer concerning the use of the mark "Black Ops" illustrates the type of arguments that are often raised in such disputes, and the ability of a trademark owner to enjoin the use of a confusingly similar mark even when the infringing mark is used on the other side of the country. *Brooklyn Brewery Corp. v. Black Ops*

Brewing, 2016 U.S. Dist. LEXIS 1953, 117 U.S.P.Q.2D (BNA) 1424 (E.D. Cal. Jan. 6, 2016).

Black Ops Case

The "Black Ops" case was brought by the Brooklyn Brewery, an established craft brewer in New York known for its "Brooklyn" brand. The Brooklyn Brewery marketed and sold a brand of beer bearing the registered trademark "Brooklyn Black Ops," which was frequently referred to by customers, distributors, the media and others in the trade simply as "Black Ops."

The beer, sold on a limited seasonal basis, was a Russian Imperial Stout aged for four months in bourbon barrels, bottled flat, and re-fermented with Champagne yeast. The Brooklyn Brewery had sold tens of thousands of cases of the "Black Ops" beer since 2007, the beer was available in a number of states, and the brewery was planning to launch its entire beer portfolio—including its "Brooklyn Black Ops" beer—in California.

In 2015, a small brewery opened in California called "Black Ops Brewing." The California brewer only sold its beer in a single California county, and it used the term "Black Ops" only in conjunction with the name of the brewery. All of the California brewer's beers had labels that used the term "Black Ops" in conjunction with the brewery, and other identifying names for each beer (e.g., "Blonde Bomber"). Both its beers and the Brooklyn Brewery's "Black Ops" beer appeared black in color when sold at retail in glass bottles, and both were sold at retail in a single oversize bottle (as opposed to a six-pack or a keg).

In early 2015, the California brewery applied for registration of the trademark "Black Ops Brewing" for beer and taproom services, but several months later the U.S. Patent & Trademark Office rejected the application because it found that the mark was "highly similar in sound, appearance, meaning and overall commercial impression" to the Brooklyn Brewery's "Brooklyn Black Ops" trademark. Nonetheless, the California brewer continued to use the "Black Ops Brewing" mark on its beer and in its advertising and webpage, and disregarded the Brooklyn Brewery's demand that the California brewery cease all use of the marks "Black Ops" and "Black Ops Brewing."

The Brooklyn Brewery then sued for infringement of its federally registered trademark in the Eastern District of California, and promptly moved the court for an order enjoining the California brewer from using the marks "Black Ops Brewing," "Black Ops," and "blackopsbrewery.com." The court agreed with the Brooklyn Brewery's arguments, and entered an order restraining the California brewer from using those marks or any other mark that infringed or unfairly competed with the "Brooklyn Black Ops" mark.

In considering the motion for a preliminary injunction, the court noted that the Federal Rules of Civil Procedure provide that the court may issue a preliminary injunction only if the movant gives security in an amount that the court considers proper to pay the costs and

damages sustained by any party found to have been wrongfully enjoined. Accordingly, an injunction would not be able to go into effect unless the Brooklyn Brewery posted an \$85,000 bond with the court within two weeks.

Preliminary Injunction Issues

The primary issue before the court was whether the Brooklyn Brewery was likely to succeed on the merits of its case. In order to do so, the Brooklyn Brewery was required to establish that it had a protectable ownership interest in the "Black Ops" mark, and that the California brewer's use of the mark was likely to cause consumer confusion. The first prong—protectable ownership interest in the mark—was quickly resolved, as the Brooklyn Brewery had an incontestable federal trademark registration for "Brooklyn Black Ops." Perhaps the whole case might have been avoided if the California brewer, before launching its brand, had conducted a trademark clearance search and been advised of the nationwide rights that federal registration grants to the trademark owner.

The second prong—likelihood of consumer confusion—was where the court focused most of its attention because consumer confusion is the central element of a trademark infringement lawsuit. It is this inquiry, whether consumers are likely to be confused, where the established brand and new entrant to the craft beer market are likely to butt heads. Ultimately, in the "Black Ops" case the court found that the California brewer's use of the marks created a likelihood that the consuming public would be confused as to who makes what product. Below are several arguments that the court addressed.

The name suggests characteristics of the beer. The California brewer argued that the Brooklyn Brewery's mark was not entitled to strong trademark protection because the mark merely suggested characteristics of the beer. Rather than fanciful or arbitrary marks, which are granted strong protection, the name, argued the California brewer, suggested where it was produced (Brooklyn), the dark color of the beer (Black), and the ingredient hops (Ops), and therefore it was not an arbitrary mark for beer referring to a secret military mission, as the Brooklyn Brewery had argued. However, the court rejected that argument, finding that it could not "dissect" the term and review the validity of its component parts individually. Taken as a whole, the court found, "Brooklyn Black Ops" does not describe or suggest a particular quality of the New York beer, and therefore it was a strong mark entitled to greater protection than a suggestive mark.

The beer is a highly specialized product. The California brewer argued that the New York beer was "a highly specialized product" that sold for \$29.99 a bottle, and the California brewer did not make any aged beers or Russian Imperial Stouts and instead they sold less exotic fare like IPAs, browns and reds that retail for less than \$7 a bottle. However, the court found that since both parties used the mark in connection with related goods and the sale of beer, this weighed heavily in favor of the Brooklyn Brewery. In short, beer is beer.

The labels are different. The California brewer pointed to differences in appearance between the labels on the parties' bottles. The court, however, was not persuaded because the sounds and meanings of the two marks were identical. Citing a case from 1961, *A. Smith Bowman Distillery v. Schenley Distillers*, 198 F.Supp. 822, 827-28 (D. Del. 1961), the court stated that, "in the case of alcoholic beverages, the degree of similarity need not be as high as usual since the likelihood of confusion is greater because drinks are frequently purchased at bars and clubs without the purchaser seeing any bottles or labels." Continuing, the court found that "alcoholic beverages are often consumed in environments in which similarity in sound and meaning are likely to factor heavily in building consumer brand recognition and trademark association."

There is no evidence of actual consumer confusion. This argument did weigh in favor of the California brewer, who also noted that the Brooklyn beer was not yet sold in California. But, the absence of any actual consumer confusion was not dispositive because the court's inquiry is the likelihood of confusion, not actual confusion.

The beers are not sold at the same locations. The California brewer argued that it had no sales force or distributors, that its beer was sold only in three restaurants and two bottle shops in California, and that it had never sold any of its products outside of a single California county. However, the Brooklyn Brewery was likely to expand its beers into California, and both brewers used social media to promote their beer. This overlap in marketing channels weighed in favor of finding a likelihood of confusion.

Craft beer consumers exercise a degree of care in their purchasing decisions. The California brewer argued that a craft beer consumer who is willing to pay over \$29 per bottle is not likely to mistake a blonde or IPA produced by the California brewer for a premium and specialty product, like the plaintiff's Russian Imperial Stout, simply because somewhere on the bottle the words "Black Ops" can be found. However, the court found that because beer is a common consumer product purchased multiple times a year, a reasonable consumer is unlikely to exercise a high degree of care in selecting beer due to the relatively inexpensive nature of beer and the "chaotic" environment in which the beer is likely to be purchased. Thus, the type of goods and the degree of care likely to be exercised by the purchaser weighed in favor of finding a likelihood of confusion.

The mark was selected in good faith. The California brewer stated that it was unaware of the Brooklyn Brewery's usage of the "Black Ops" mark, and that it had selected the name to honor the military service of the California owner's family members. The court found that even though the California brewer adopted the mark in good faith, it continued using the mark after it became aware of the Brooklyn Brewery's registered mark.

In addition to considering the merits of the Brooklyn Brewery's trademark infringement claim, in order to restrain the California brewer the court was required to find that the Brooklyn brewer would be irreparably harmed absent the injunction. The court found that the Brooklyn Brewery would be irreparably harmed by the loss of its ability to control its

brand reputation and goodwill, since what could be perceived by consumers as the quality of the Brooklyn Brewery's product risked no longer being within the Brooklyn Brewery's control. Accordingly, an injunction, conditioned on payment of a bond, was entered.

What happened next? The record reflects that approximately one month after the court entered the injunction, the parties stipulated to a dismissal of the case pursuant to a confidential settlement agreement. The record does not show that the Brooklyn Brewery ever paid the \$85,000 bond.

Jordan Greenberger is the founder and managing member of J. Greenberger, PLLC, in Brooklyn.

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