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July 22, 2016

VIA FIRST CLASS MAIL and EMAIL

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Re: Alleged Infringement of “Category 3” and “Category 4” Marks (Our Ref.: BCPL 1605282)

Dear Mr. Lohman:

We are outside intellectual property counsel to Big Storm Brewing Co. (“Big Storm”). We are writing in response to your letter of July 15, 2016 on behalf of your client Due South Brewing Co., Inc. As the owner of its own valuable trademarks and as a member of the craft beer industry, our client takes claims of infringement from others in the industry very seriously. Having reviewed your letter, however, we do not see a basis for your client’s claim that Big Storm’s use of the terms “Category 3” and “Category 4” to signify the strength of its Belgian beers infringes on or dilutes your client’s alleged trademark rights.

I. Your Client Will Not Succeed on a Trademark Infringement Claim

To prevail on a trademark infringement claim, your client has the burden of proving that (1) our client is using “Category 3” and “Category 4” as a trademark; (2) Due South owns valid trademark rights in the “Category 3” and “Category 4” marks; and (3) the actual use made by Big Storm of “Category 3” and “Category 4” in the context of its Hurricane series is likely to cause confusion among consumers as to the source of Big Storm’s goods. *See, e.g., Tana v. Dantanna’s*, 611 F.3d 767, 773 (11th Cir. 2010). It is unlikely your client can establish any of these elements.

A. Big Storm’s Use of “Category 3” and “Category 4” is a Fair Use

Your letter starts from the premise that Big Storm is using “Category 3” and “Category 4” *as trademarks* to identify the source of its beer. That premise is wrong and is based on your intentionally ignoring Big Storm’s actual use of the phrases.

Big Storm first used a reference to “Category” in connection with beer in February 2016, when it launched its Belgian Single beer using the designation “Category 1” to identify the strength of the beer—*i.e.*, a low ABV (alcohol by volume) of 6.0. This was closely followed by the launch of Belgian Dubble in March 2016, whose strength was described by using the term “Category 2,” since this offering has a higher ABV than the Belgian Single. Your client never objected to these uses of “Category 1” or “Category 2” or to

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the use by Big Storm of the Saffir-Simpson Hurricane Wind Scale categories to identify the strength of its Belgian beers. Nor does it appear that your client has ever objected to third parties who make similar references to Hurricane strength categories for beer for the same purposes.¹ Seemingly this is due to your client's recognition that it does not own this ratings system and that our client's use of it is merely to describe the strength of our client's beer in terms that most Floridians can appreciate. The uses of "Category 3" and "Category 4" are a continuation of the unobjectionable ratings system that our client has already been using. The ratings have been added as our client's offering under its Hurricane Series of Belgian beers has expanded from two to five different strength Belgian beers. The "Category" references mirror the names of the products: Belgian Single (Category 1), Belgian Dubble (Category 2), Belgian Tripel (Category 3), Belgian Quadrupel (Category 4), and Belgian Quintupel (Category 5). As a result, it is evident that the usage about which you complain is nothing more than a ratings system employed to more colorfully describe an aspect of our client's product and nothing more.

Indeed, nothing about Big Storm's use of the Category references suggests that the phrases are being used as trademarks. That the reference to Category 1 through Category 5 is not intended to be trademark use is made clear by the fact that our client prominently uses its well-known and federally-registered trademark BIG STORM BREWING on all of the products and advertising that include the "Category" designation and further include the identification of the type of beer, *e.g.*, BELGIAN TRIPEL and BELGIAN QUADRUPEL (which as a side note is not a type of beer sold by your client—your client sells India Pale Ale under the Category designations).

Because Big Storm's use of "Category 3" and "Category 4" are not as trademarks but are used fairly to describe an aspect of our client's products the uses are not actionable as a matter of law pursuant to Section 33(b)(4) of the Lanham Act, 15 U.S.C. § 1115(b)(4). *See, e.g., Se. Clinical Nutrition Cts., Inc. v. Mayo Found. for Med. Educ. & Research*, 135 F. Supp. 3d 1267, 1276-1279 (N.D. Ga. 2013) (use of "Lose it!" and "Live It!" were fair use where defendant prominently featured its MAYO CLINIC house mark on its products and used the phrases to "describe its products"); *Dessert Beauty, Inc. v. Fox*, 568 F. Supp. 2d 416, 425 (S.D.N.Y. 2008), *aff'd* 329 F. App'x 333 (2d Cir. 2009) (use of "Love Potion" was fair use where defendant prominently featured its DESSERT trademark on all products and advertising, and used the phrase to "describe the purpose with which consumers will use" defendant's perfume).

B. *It is Questionable Whether Your Client Has Common Law Trademark Rights*

As to ownership of valid trademarks, because your client does not own a registration for either "Category 3" or "Category 4", it bears the burden of proving that it owns common-law rights in these marks under Section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a) and under Florida State Law and common law. To meet this burden, your client would have to

¹ A preliminary search uncovered: Zea Category 5 Ale; Hurricane Category 5 malt liquor by Anheuser Busch; and Category 2 IPA and Category 3 IPA from Holy City Brewery. As explained by Holy City, the strength of its beers correspond to each of the storm categories.

establish “sufficient market penetration” of the marks nationwide or, at the very least, in the State of Florida. *Adray v. Adry-Mart, Inc.*, 76 F.3d 984, 989 (9th Cir. 1995); *see also Planetary Motion, Inc. v. Techsplosion, Inc.*, 261 F.3d 1188, 1195 (11th Cir. 2001) (to establish common law trademark rights, a plaintiff must provide “evidence showing . . . 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 . . .”).

“Sufficient market penetration” is determined by “examining the trademark user’s volume of sales and growth trends, the number of persons buying the trademarked product in relation to the number of potential purchasers, and the amount of advertising.” *Glow Indus., Inc. v. Lopez*, 252 F. Supp. 2d 962, 983 (C.D. Cal. 2002). While your letter claims that your client has “continually used the [“Category 3” and “Category 4”] Marks in advertising campaigns and in the community” since 2012, you provide no *evidence* to support this assertion, and certainly you provide no evidence concerning the volume of sales of or amounts spent on advertising for your client’s “Category 3” and “Category 4” products.

As such, it cannot be said based on your letter that your client has achieved the type of market penetration that would give rise to common-law rights. Further, even if there were common-law rights, those rights would appear to be extremely weak based on the facts that your client did not create these designations, the designations are inherently weak as they are intended to refer to strength, and your client’s limited commercial strength and use of the designations.

C. *There is No Likelihood of Confusion*

Even if your client could establish trademark rights, there simply is no likelihood of confusion, which is the *sine qua non* of your asserted infringement and unfair competition claims. In assessing likelihood of confusion, Courts analyze a number of factors, including (1) strength of the plaintiff’s marks; (2) similarity of the parties’ marks as presented in the marketplace; and (3) similarity of the parties’ trade channels. *See Frehling Enters., Inc. v. Int’l Select Grp., Inc.*, 192 F.3d 1330, 1335 (11th Cir. 1999). Your demand letter fails to address any of these factors in a meaningful way, none of which weigh in favor of a likelihood of confusion.

Your client’s claimed “Category 3” and “Category 4” marks are weak and are therefore entitled to only limited, if any, protection. “The strength of a mark depends on its distinctiveness and on the extent to which third parties have used it.” *Ocean Bio-Chem, Inc. v. Turner Network Television, Inc.*, 741 F. Supp. 1546, 1554 (S.D. Fla. 1990). Trademarks are divided into four categories of distinctiveness in descending order of strength: (1) arbitrary; (2) suggestive; (3) descriptive; and (4) generic. Your client’s use of “Category 3” and “Category 4” is, at best, suggestive, as it “subtly connote[s] something about the [product],” *id.*, namely it refers to a recognized measure of hurricane strength and uses these recognized strengths to connote the increasing ABV of the beer. A suggestive mark “is comparatively weak” on the distinctiveness spectrum. *Stuart J. Kaufman, M.D. & Assocs., P.A. v. Bausch & Lomb, Inc.*, 2013 WL 6154166, at

*7 (M.D. Fla. July 25, 2013). The weakness of the marks is further shown by third parties who also use the Hurricane Category scale to identify their own products. See e.g., <http://www.holycitybrewing.com/beer/category-3-ipa> and <http://www.holycitybrewing.com/beer/category-4-ipa>.

In addition to the inherent weakness of the marks, your client's alleged marks also lack commercial strength. You have offered no evidence to suggest that your client enjoys anything other than limited distribution in a localized area with little market penetration. Further, the fact that there are third parties who are making similar use of the Hurricane Category reference confirms that that your client operates in a crowded field of similar marks and, thus, its mark is weak and entitled to a narrow scope of protection. *Kaufman*, 2013 WL 6154166, at *5, *7.

As to the similarity of the marks factor, you assert that Big Storm's marks are "exactly the same as Due South's Marks." That is incorrect as a matter of fact and law and is based on a review of our clients' use of the at-issue marks in a vacuum without regard to marketplace context. In conducting this faulty analysis, you have ignored black-letter law that in assessing similarity, the parties' respective marks must be analyzed *in their entirety* as they actually appear *in the marketplace*. *Anheuser-Busch, Inc. v. L & L Wings, Inc.*, 962 F.2d 316, 319 (4th Cir. 1992) (Courts "must examine the allegedly infringing use in the context in which it is seen by the ordinary consumer"); 4 J. Thomas McCarthy, *McCarthy on Trademarks & Unfair Competition* § 23:41 (4th ed. 2016) ("Conflicting composite marks are to be compared by looking at them as a whole, rather than breaking the marks into their component parts for comparison"). You failed to conduct the proper analysis.

Your client does not use "Category 3" or "Category 4" alone. Rather, these terms are always presented with the more prominently displayed DUE SOUTH house mark, your client's compass logo, various color blocking and linear graphics on its cans, and the generic designation of the beer (Pale Ale). Our client uses none of these elements, thus presenting its use of the Category designation in a completely distinguishable context.

Our client's current use is not on cans but is on beer pulls or taps. The use is in connection with and always accompanied by our client's BIG STORM BREWING CO. mark as well as our client's long-used shield design. The use is also combined with the generic designation of our client's product, a Belgian beer not offered by your client. The color scheme used by our client is wholly distinct from your client as are the graphics. The overall context of use not only makes it clear that our client's reference to "Category" is not to identify the source of the goods, but also that the beers being sold are not associated in any way with your client. Indeed, the use of a house mark by both of our clients ensures that consumers know the source of our clients' respective beers, thereby avoiding any possible confusion. *Custom Mfg. & Eng'g, Inc. v. Midway Servs., Inc.*, 508 F.3d 641, 652 n.10 (11th Cir. 2007) (explaining it "significant" in a likelihood of confusion analysis "where a mark appears alongside a house brand"); *Nabisco, Inc. v. Warner-Lambert Co.*, 220 F.3d 43, 46 (2d Cir. 2000) (holding that the prominent

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placement of the DENTYNE house mark “significantly reduces, if not altogether eliminates, the likelihood that consumers will be confused as to the source of the parties’ products”).

As to the parties’ respective trade channels, our client’s beer currently is sold only in its BIG STORM BREWING CO. branded taprooms. Obviously, your client’s beer is not sold in these channels of trade. Since our clients’ goods are never sold in the same trade channels, this factor also weighs against a finding of confusion. *See, e.g., Estee Lauder Inc. v. Gap, Inc.*, 108 F.3d 1503, 1511 (2d Cir. 1997) (parties’ channels of trade were “disparate” where defendant’s products were sold only at its own GAP-branded stores).

To the extent that you are relying on alleged instances of actual confusion to support your client’s demand, your letter does not provide any evidence or detail concerning these alleged instances of actual confusion, except to say that some or all of these instances were “telephone calls from consumers and other individuals in the craft beer industry questioning . . . whether [Big Storm’s] names are connected or related to Due South’s Marks.” Such inquiries, however, do not amount to actual confusion. It is well-established that “mere inquiries about the relationship between an owner of a mark and an alleged infringer do not amount to actual confusion.” *Real News Project, Inc. v. Indep. World Television, Inc.*, 2008 WL 2229830, at *18 (S.D.N.Y. May 27, 2008) (citation and internal quotation marks omitted). This is because inquiries about affiliation “reveal[] that the questioner had the difference in mind or else would not have bothered to enquire.” 4 *McCarthy* § 23:16. Accordingly, based on what you have told us, there does not seem to be any evidence of actual confusion, nor could there be when our clients are each using their own distinguishable brand name to sell their product through distinct trade channels.

In light of the above, we do not believe that your client could prevail on a trademark infringement claim under the Lanham Act. And, because an analysis of a claim for trademark infringement under Florida state law mirrors the analysis under the Lanham Act, your client likewise will not succeed on a claim of infringement under Florida law. *Custom Mfg.*, 508 F.3d at 652-53 (“the analysis of the Florida statutory and common law claims of trademark infringement and unfair competition is the same as under the federal trademark infringement claim.”).

II. Your Client Will Not Succeed on a Dilution Claim

Your letter also asserts that Big Storm is liable for trademark dilution, though it is not clear whether you are asserting such a claim under Section 43(c) of the Lanham Act, 15 U.S.C. § 1125(c), or under Florida state law. But it does not matter, as “the standard for establishing a dilution claim under Florida law is essentially the same as that of a dilution claim under the Lanham Act,” since both require the plaintiff’s mark to be “famous.” *Fla. Int’l Univ. Bd. of Trs. v. Fla. Nat’l Univ., Inc.*, 91 F. Supp. 3d 1265, 1286 (S.D. Fla. 2015) (citing cases).

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To prevail on a dilution claim under the Lanham Act or under Florida law, your client must show that: (1) its mark is famous; (2) our client commenced use of the objected-to mark after your client's mark became famous; (3) our client's use was commercial and in commerce; and (4) our client's use of the mark has likely caused dilution. *Id.* "To be 'famous' in the context of a trademark dilution claim, the mark must have a degree of distinctiveness and strength beyond that needed to serve as a trademark; it must be truly prominent and renowned." *Id.*; see also *Brain Pharma, L.L.C. v. Scalini*, 858 F. Supp. 2d 1349, 1357 (S.D. Fla. 2012) ("Trademark dilution claims are limited to truly famous marks such as Budweiser beer, Camel cigarettes and Barbie dolls").

Given the lack of inherent strength of the Category designations used by your client, and the lack of commercial strength above as discussed, your client simply cannot establish the necessary fame even to assert, much less prevail, on a dilution claim. Further, the fact that our client's use of the Category designations is a fair use is a complete defense to your asserted dilution claim. 15 U.S.C. § 1125(c)(3)(A).

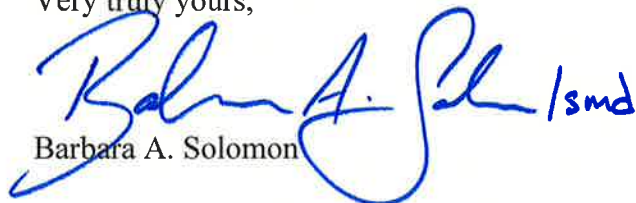
III. Conclusion

In light of the above, our client will not take any of the actions requested in your letter and will not sign the undertaking attached to your letter. Rather, our client considers this matter to be closed.

In the event your client chooses to pursue its claims in Court notwithstanding the above, it subjects itself to potential liability for Big Storm's attorneys' fees should Big Storm be forced to defend against these meritless claims. See, e.g., *Donut Joe's, Inc. v. Interveston Food Servs., L.L.C.*, 116 F. Supp. 3d 1290, 1294-95 (N.D. Ala. 2015) (awarding attorneys' fees to prevailing defendant in a trademark-infringement case).

This letter is not intended to be a complete recitation of our client's claims and defenses all of which are expressly reserved.

Very truly yours,

 /smd
Barbara A. Solomon