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EASTMAN KODAK v. BELL & HOWELL: A REAFFIRMATION OF THE "REASONABLENESS" STANDARD

Eastman Kodak Company v. Bell & Howell Document Management Products Company, 994 F.2d 1569 (Fed. Cir. 1993)

Vincent T. Sampson†

INTRODUCTION

On June 2, 1993, the United States Court of Appeals for the Federal Circuit, in *Eastman Kodak Co. v. Bell & Howell Document Management Products Co.*,¹ affirmed the decision of the Trademark Trial and Appeal Board (Board) of the Patent and Trademark Office (PTO) that held numeric designators (or "marks") are not presumptively descriptive under the Lanham Act (Act).² The court further held that this presumption was valid when the marks were applied for in intent-to-use applications.³ The court also noted that the issue of whether the marks are descriptive cannot be resolved until the marks are used. Finally, the court stated that the numeric marks in this case did not require a secondary meaning in order for the marks to be valid trademarks.

BACKGROUND

Bell and Howell Document Management Company (B&H) is in the business of manufacturing microfilm reader/printers. On October 12, 1990, B&H filed intent-to-use applications to register the numbers "6200", "6800" and "8100" on the Principal Register.⁴ Eastman Kodak Company (Kodak), a competitor in the manufacture of microfilm reader/printers, filed a timely opposition to each of the three marks. Kodak alleged that marks were merely descriptive in that they were to

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1. 994 F.2d 1569 (Fed. Cir. 1993).

2. ch. 540, 60 Stat. 427 (1946) (codified as amended in the Trademark Law Revision Act of 1988, 15 U.S.C. §§ 1051-1127 (1988)).

3. Pursuant to 15 U.S.C. § 1051(b)(1), an intent-to-use application is filed when "a person who has a bona fide intention, under circumstances showing the good faith of such person, to use the trademark in commerce."

4. *Eastman Kodak Co. v. Bell & Howell Document Management Products Co.*, 23 U.S.P.Q.2d (BNA) 1878 (T.T.A.B. June 8, 1992).

be used only as model designators. Based on this argument, Kodak claimed that registering the marks would be improper.

The issue of descriptiveness was brought before the Board. B&H filed a motion for summary judgment arguing that there were no issues of material fact regarding the alleged mere descriptiveness of the numeric marks and, in the alternative, that Kodak had no standing to oppose the intent-to-use applications. Kodak then filed a cross motion for summary judgment. The Board held that (1) Kodak did have standing to oppose the applications and (2) the issue of mere descriptiveness could not be resolved until use had begun. Accordingly, the Board denied Kodak's motion for summary judgment on the issue of descriptiveness and dismissed the oppositions without prejudice. As a result of the Board's decision, B&H was granted a notice of allowance.⁵ Kodak appealed the Board's decision. Kodak's appeal was based only on the issue of descriptiveness.

DISCUSSION

The court stated at the outset of its decision: "The principal issue in this case is whether the Board's implied creation of a presumption in favor of the applicant for a numerical mark intended for use as more than a model designator is a reasonable interpretation of the Board's authority under the Lanham Act."⁶ The *Eastman Kodak* court concluded that the Board's decision was a reasonable exercise of its authority under the *Chevron* doctrine.⁷

In *Chevron U.S.A. Inc. v. Natural Resources Defense Council, Inc.*,⁸ the Supreme Court established a test to determine the validity of an agency's interpretation of a statute that an agency administers. The *Chevron* doctrine consists of a two-step analysis.⁹ The first step requires the court "to determine whether Congress has directly addressed the precise issue in question."¹⁰ If Congress has directly addressed the issue, the agency and court reviewing the agency's interpretation are required "to give effect to the unambiguously ex-

5. Under the Lanham Act the procedure is as follows: after the Patent and Trademark Office (PTO) issues a notice of allowance, the applicant has six months to file a statement that confirms that the mark is being used in commerce. 15 U.S.C. § 1051 (d)(1) (1988). At the end of this six month period, the intent to use statement is reexamined by the PTO to satisfy itself that the mark is registerable. If the PTO is satisfied, the mark is issued a registration. *Id.* § 1051 (d)(1).

6. *Eastman Kodak*, 994 F.2d at 1571.

7. *Id.* at 1571.

8. 467 U.S. 837 (1984).

9. *Id.* at 842.

10. *Id.*

pressed intent of Congress.”¹¹ If, however, the statute does not directly address the precise issue in question, the second step of *Chevron* is to determine whether the agency’s decision was based on a permissible construction of the statute.¹² Thus, a reviewing court must determine if the agency’s interpretation was “reasonable.”¹³

The court in *Eastman Kodak* began its analysis of the Board’s decision by noting that in order for the Board to dismiss Kodak’s oppositions without prejudice, the Board would have had to conclude that the numeric marks were presumptively not descriptive under section 2(e) of the Act when those marks are applied for in intent-to-use applications under section 1(b) of the Act.¹⁴ As the starting point of its analysis under the *Chevron* doctrine, the court examined the language of the Act, specifically § 2(e), which addresses denial of registration if a mark is descriptive. As a result of this examination, the court concluded that the statute “on its face” did not preclude the Board’s decision. The court then turned to the 1988 legislative history of the Act and concluded that the legislative history did not speak directly to the issue.¹⁵ The court noted that Congress intended most marks applied for by way of intent-to-use applications were to be reviewed for descriptiveness at the initial examination stage. This was interpreted by the court to mean that the PTO has the duty to confirm that the mark applied for actually functions as a mark. The court stated that the legislative history emphasized that the Act permitted the PTO to “raise issues of registrability that might not be evident until the applicant makes available specimens showing the mark as used and/or clarifying the nature of the goods and services involved.”¹⁶ The court concluded that although the legislative history and the express language of the statute did not address the issue precisely, Congress had provided for situations similar to the case at bar. The court’s final point in its discussion of the first step of the *Chevron* doctrine was that Congress, in order to reduce an applicant’s uncertainty with respect to his financial investment before a mark is put into commercial use, dictated that the opposition process be in place before an “intent-to-use mark” had been put into use. The court added that Congress was aware of some issues that may arise that cannot be resolved in the opposition proceedings and must wait until the post-use

11. *Id.* at 842-43.

12. *Chevron*, 467 U.S. at 843.

13. *Id.* at 868; *Eastman Kodak*, 994 F.2d at 1571.

14. *Eastman Kodak*, 994 F.2d at 1571.

15. *Id.* at 1572.

16. *Id.* at 1572, citing H.R. REP. NO. 1028, 100th Cong., 2d Sess. 9 (1988) reprinted in 1988 U.S.C.C.A.N. 5577.

PTO examination period. The court thus concluded that the Board's interpretation of the Act "does not contravene *any* clear and unambiguous statutory meaning."¹⁷

In part II of the court's analysis, it concluded that "the Board's construction is a reasonable interpretation of the Lanham Act."¹⁸ It is at this point that the court set out Kodak's arguments and addressed them individually. Kodak's five arguments were: (1) "the Board's decision [was] unreasonable because it . . . preclude[d] asserting mere descriptiveness as a basis for denying word and number marks in intent-to-use applications;"¹⁹ (2) the Board's decision was unreasonable in that it effectively eliminated § 2(e) of the Act;²⁰ (3) "the Board's decision [was] unreasonable because it allegedly create[d] a different standard for registrability for intent-to-use applications from use-based applications with regard to descriptiveness, contrary to statutory design;"²¹ (4) the timing difference allowed by the Board was prejudicial in that the challenger faces a presumption that the mark is valid and also allows an applicant to "tie up" several numeric marks; and (5) the marks in this case were merely descriptive and required a showing of secondary meaning.²² The court dismissed each argument raised by Kodak.

The court's response to Kodak's first argument, that descriptiveness would be precluded as a reason for denying registration, was threefold. First, the court reasoned that the examining attorney could initially determine that some marks bearing certain words and phrases are *prima facie* merely descriptive.²³ Thus, this type of mark would not survive the initial screening step. Second, § 1051(d)(1) of the Act provides for a second examination of the mark after the statement of use is filed, thus ensuring that descriptive marks will not be automatically passed to registration. The court also noted that this subsection even requires, in some instances, "a complete reexamination" of the application.²⁴ Third, the court pointed out that the Trademark Examination Guide (TEG) 3-89 set forth the standard for examination of the statement of use. This standard is for legal error (i.e., descriptiveness) in an application that is being reviewed. The attorney examining the application must make a "*de novo* determination on any issue that

17. *Eastman Kodak*, 994 F.2d at 1572.

18. *Id.* at 1572.

19. *Id.*

20. *Id.* at 1574.

21. *Id.* at 1574.

22. *Eastman Kodak*, 994 F.2d at 1576.

23. *Id.* at 1573.

24. *Id.*

would effect the legal correctness of registration.”²⁵ The court stated that the descriptiveness of a mark is such an issue and under reexamination, the examining attorney must not refuse the mark unless it is mandated by “changed circumstances.”²⁶ The court stated that even if the use of the mark constituted “changed circumstances,” these circumstances would not be known until after the statement of use is filed and the marks are being reexamined. At this time, if the marks are determined to be descriptive, the examining attorney must refuse the marks or face registering a mark in violation of the Act.

The court regarded Kodak’s contention that § 2(e) of the Act would be in effect eliminated as “unavailing.”²⁷ The court stated that Kodak’s analysis “would eliminate the use of intent-to-use applications for any mark that could possibly be used as a model designator.”²⁸ The court’s reading of the statute showed no language precluding intent-to-use applications that have any type of numeric mark. For this reason, the court concluded that the Board’s decision not to adopt Kodak’s position was reasonable.

As to Kodak’s assertion that the Board created separate standards for intent-to-use applications and use-based applications, the court reasoned that the Board only adopted a presumption that a mark is not merely descriptive “in the absence of evidence of how it is actually used.”²⁹ The court stated that if the PTO judges a mark to be merely descriptive in an intent-to-use application, it will deny registration for that mark just as it would if applied for in a use based application. Thus, “the standard that the PTO applies in either case is the same — only the timing of such review is different.”³⁰ Again, the court concluded that the Board’s interpretation was reasonable.

Kodak had attacked this difference in timing, claiming that the difference “relegates questions of descriptiveness to post-registration cancellation proceedings.”³¹ Kodak claimed that this delay was prejudicial in that there is a presumption of validity in cancellation proceedings. The court responded by stating that the burden of proof in both opposition and cancellation proceedings is a preponderance of the evidence.³²

25. *Id.* at 1573.

26. *Id.*

27. *Eastman Kodak*, 994 F.2d at 1574.

28. *Id.*

29. *Id.* at 1574.

30. *Id.* at 1574.

31. *Id.* at 1575.

32. *Eastman Kodak*, 994 F.2d at 1575, citing 2 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 20.16 (3d ed. 1992).

The court went on to refer to the policy reasons behind placing the opposition proceeding before actual use had occurred. Thus, "any prejudice flowing to Kodak from this arrangement cannot render the Board's decision an unreasonable one in light of the statute."³³ As to the contention that applicants would be able to "tie up" certain marks by requesting extensions for filing a statement of use, the court noted that Kodak's argument "failed to acknowledge . . . certain important requirements that the applicant must meet during the application process."³⁴ In particular the court pointed out that: (1) an applicant must specify in the original application the *bona fide* intention to use the mark and the manner in which it is to be used pursuant to 15 U.S.C. 1051 (b)(1)(A); (2) in order for an applicant to receive the first extension, an applicant must file a verified statement showing a continued *bona fide* intention to use the mark in commerce; and (3) there must be a showing of good cause for each extension thereafter. The court concluded that, since the applicant must provide the PTO with substantive information to delay a filing of a statement of use, an applicant may not indefinitely extend the filing period and "tie up" marks as Kodak argued.

Kodak's final contention was that B&H's marks were to be used as model designators; thus, there needed to be a showing of secondary meaning. Without this showing, Kodak claimed, the marks were not registerable. The court stated that even if Kodak was correct in assuming that the marks may be used for model designators, the conclusion that the marks are not registerable is "not dispositive."³⁵ The court held that "in order for B&H's marks to be found to be merely descriptive, they must be *solely* used as model designators and in any source indicating function."³⁶ The court turned to prevailing Board authority which held that the nature and manner of use of an alphanumeric designation can show that the designation is inherently distinctive.³⁷ As a final comment to Kodak's conclusion that the marks would necessarily be merely descriptive, the court noted that the PTO

33. *Eastman Kodak*, 994 F.2d at 1575.

34. *Id.* at 1575 n.8.

35. *Id.* at 1576.

36. *Id.* at 1576. It is interesting to note that the court did not cite *Intel Corp. v. Advanced Micro Devices, Inc.*, 756 F. Supp. 1292 (N.D. Cal. 1991) in its discussion of secondary meaning. The cases are distinguishable in that they involve different issues. In *Intel*, the court was concerned with whether Intel had shown by a preponderance of the evidence that the mark "386" was not generic in the trademark sense. In the instant case, the court was faced with a trademark issue, but the main focus was the reasonableness of the Board's decision. Thus, although the cases may have appeared somewhat similar, they involve much different issues.

37. *Eastman Kodak*, 994 F.2d at 1576, citing *Neapco Inc. v. Dana Corp.*, 12 U.S.P.Q.2d (BNA) 1746 (T.T.A.B. Aug. 30, 1989).

had already granted registration of one numeric mark and one alphanumeric mark.³⁸

CONCLUSION

The court was charged with addressing the issue of whether the Board created a presumption that was an unreasonable exercise of its authority under the Lanham Act. The court's ultimate conclusion was that the Board's decision was reasonable in light of the *Chevron* doctrine. The court held that the Board's decision passed both steps set forth in the doctrine. First, the decision did not conflict with any Congressional mandate. Second, the decision was a reasonable interpretation of the Act to which the Board is associated. Every argument advanced by Kodak was rebuffed in favor of the Board. Since Kodak could not convince the court that the Board's decision was unreasonable, the court affirmed the decision of the Board as a reasonable exercise of its authority under the *Chevron* test.

38. *Eastman Kodak*, 994 F.2d at 1576, citing *Eastman Kodak v. Bell & Howell Documents Management Prods. Co.*, Nos. 86083, 86093, and 86101, slip op. at 4 (T.T.A.B. June 8, 1992).

