



# THINK FORWARD

## Consumer Perception Reigns Supreme in the Supreme Court's Booking.com Decision

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Booking.com's eight-year battle with the USPTO concluded with a victory for Booking.com and for brand owners. On June 30, 2020, the Supreme Court sided with Booking.com and held in an 8-1 decision that Booking.com is not a generic term, but rather a trademark. The Court rejected the U.S. Patent and Trademark Office's ("USPTO") "sweeping rule" that the combination of a generic word and ".com" is almost always *per se* generic and cannot be registered.

### Background and Procedural History

Booking.com, an Internet company offering travel-reservation services through its website of the same name, submitted a trademark application seeking to register the mark "BOOKING.COM" with the USPTO. The USPTO refused registration of the mark on the ground that Booking.com is a generic term for online hotel-reservation services. In the alternative, the USPTO argued that BOOKING.COM is a merely descriptive term that had not acquired distinctiveness as a trademark. Accordingly, the USPTO refused to register BOOKING.COM, a decision that was affirmed by the Trademark Trial and Appeal Board.

Booking.com appealed the decision to the District Court for the Eastern District of Virginia. In an appeal from the USPTO to a district court, the parties have the ability to introduce new evidence. Booking.com took this opportunity to introduce a consumer survey and other evidence demonstrating that consumers perceive BOOKING.COM to function as a trademark. In particular, the District Court considered Booking.com's Teflon survey and found it to be strong evidence that Booking.com functions as a trademark. A Teflon survey is a type of consumer perception test that assesses whether a term functions as a generic word or a brand. The survey demonstrated that over 70% of consumers perceived BOOKING.COM to function as a trademark. The District Court considered this new evidence and determined that the term is not generic, but rather a merely descriptive term that had acquired distinctiveness as a trademark and was therefore registrable on the Principal Register.

The USPTO appealed the decision on the limited question of whether BOOKING.COM is a generic term. The Fourth Circuit affirmed the District Court's decision, and the USPTO again appealed to the Supreme Court. Due to Covid-19, the Supreme Court held oral arguments for this case for the first time by phone.

The sole question on appeal was whether the term "BOOKING.COM," taken as a whole, is a generic term for online travel-reservation services, and accordingly, is ineligible for registration. The parties did not dispute that the word "booking" is generic for hotel-reservation services; nor did they dispute the meaning of the top-level domain ".com." However, the parties disputed the effect of the combination of the terms "booking" and ".com."

## What is a “Generic” Term?

It is a long-standing rule that generic names – the name of the product or services itself – cannot function as a trademark to indicate origin. Determining what terms fall into the category of generic terms has been more challenging. Closely tracking the Lanham Act and citing its own precedent, the Court stated that “a ‘generic’ term names a ‘class’ of goods or services, rather than any particular feature or exemplification of the class.”<sup>[1]</sup> Other guiding principles governing whether a term is generic include (a) for compound terms, the term’s meaning as a whole (not its isolated parts) and (b) the relevant meaning of the term to consumers.<sup>[2]</sup>

## Consumer Perception is Key in Determining Whether a Term Is “Generic”

Relying on a 19<sup>th</sup> Century decision,<sup>[3]</sup> the USPTO argued that the Court should adopt a nearly *per se* rule that the combination of a “generic term” and “.com” would yield a generic mark.<sup>[4]</sup> In this case, there was no dispute that “booking” is a generic term for making hotel reservations. Further, the USPTO argued that the Court should disregard the evidence of consumer-perception, in particular the Teflon survey, which contained strong evidence that BOOKING.COM functioned as a trademark. The USPTO, citing various circuit court decisions, argued that “generic terms cannot be rescued by proof of distinctiveness or secondary meaning no matter how voluminous the proffered evidence may be;”<sup>[5]</sup> the practical result of such an approach is that the USPTO’s assessment, rather than consumer perception, resolves the issue of genericness. Justice Breyer issued the sole dissenting opinion. In his view, the USPTO correctly determined that “booking” and “.com” were both generic terms and the combined term was no greater than the sum of its parts – therefore, assessing consumer perception was not necessary.

The majority explicitly criticized and rejected that reasoning, noting that the “bedrock principle of the Lanham Act is incompatible with an unyielding legal rule that entirely disregards consumer perception.”<sup>[6]</sup> Citing the Lanham Act itself, the Court stated that “[t]he primary significance of the registered mark to the relevant public . . . shall be the test for determining whether the registered mark has become the generic name of goods or services.”<sup>[7]</sup>

The Court’s decision recognizes that only one entity can occupy a particular domain name at a time. Consumers may in fact associate BOOKING.COM with a particular website or entity, understanding that BOOKING.COM refers to the website’s proprietor. Thus, BOOKING.COM can serve a source-identification purpose – based on real world consumer perceptions. In holding that consumer perception cannot be ignored, the Court observed that an “undisputed principle” in trademark law is “that consumer perception demarcates a term’s meaning.”<sup>[8]</sup> Notably, the Court acknowledged that surveys can be helpful evidence of consumer perception (though they require care in both design and interpretation), and that other evidence informing the consumer perception inquiry can include dictionaries, usage by consumers and competitors, as well as other types of support.<sup>[9]</sup> The Court went on to hold that “[b]ecause ‘Booking.com’ is not a generic name to consumers, it is not generic.”<sup>[10]</sup>

## Justice Ginsberg’s Opinion Includes Reminders to Trademark Owners to Select Strong Marks

The USPTO objected to registration of “generic.com” domain names as trademarks by arguing that issuing such registrations would hinder competition by granting trademark owners “an effective monopoly” over basic terms.<sup>[11]</sup> Justice Ginsberg, writing for the majority, made it clear that granting trademark rights in a term does not provide monopolistic powers. The opinion provides several examples of the limitations that the owners of weak trademarks face in enforcing their marks. Weak marks, Justice Ginsberg warned, are harder to enforce because it is more difficult to show a likelihood of confusion. For example, very similarly worded marks, even with close variations, are unlikely to infringe. Moreover, competitors remain free to use descriptive terms in good faith to describe their own

services. In this case, for example, competitors could continue to use the term “booking” to describe their booking/reservation services. Thus, while BOOKING.COM may be a registered mark, the Court noted that the trademark laws provide significant limitations when it comes to enforcing such a mark.

## Takeaways

The Supreme Court offered a powerful endorsement of consumer perception as the fundamental factor underlying an assessment of whether a term functions as a trademark or merely a generic word for a particular good or service. The Court also provided a focused definition of generic marks. As a result, the Court’s holding will expand the number of marks eligible for registration and trademark protection. Finally, the decision also serves as a reminder to trademark owners that, while weak marks might ultimately be registrable, trademark owners have many incentives to select strong, distinctive trademarks.

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[1] *U.S. Patent and Trademark Office v. Booking.com B. V.*, 591 U. S. \_\_\_\_\_, slip op. at 6. This definition is notable. The Federal Circuit has recently sought to expand the definition of “generic” terms to include terms that represent “key aspects” of a class of goods. See, e.g., *Royal Crown Co., Inc. v. The Coca-Cola Co.*, 892 F.3d 1358 (Fed. Cir. 2018) (“a term can be generic for a genus of goods or services if the relevant public . . . understands the term to refer to a **key aspect** of that genus.”) (emphasis added). Notably, “feature” and “aspect” are synonyms, calling into question the validity of the Federal Circuit’s expansive definition of generic terms.

[2] *Booking.com*, 591 U. S. \_\_\_\_\_, slip op. at 6. All parties agreed that eligibility for registration turns on the mark’s capacity to distinguish goods in commerce.

[3] *Goodyear’s India Rubber Glove Mfg. Co. v. Goodyear Rubber Co.*, 128 U.S. 598 (1888) (holding that the addition of “Company” to a generic term does not confer trademark eligibility).

[4] The USPTO would provide exceptions for “tennis.net” and a handful of similar domain names where the combination of elements might create an additional meaning. See, e.g., *In re Oppedahl & Larson Llp*, 373 F.3d 1171, 1175 (4th Cir. 2004) (discussing the combination of a descriptive term “tennis” and a TLD “net” produces “a witty double entendre relating to tennis nets.”).

[5] Brief for Petitioners 41.

[6] *Booking.com*, 591 U. S. \_\_\_\_\_, slip op. at 10.

[7] *Id.*, slip op. at 6; 15 U.S.C. §1064(3).

[8] *Booking.com*, 591 U. S. \_\_\_\_\_, slip op. at 6 n.3.

[9] *Id.*, slip op. at 11 n.6.

[10] *Id.*, slip op. at 6.

[11] Brief for Petitioners 15.