This Opinion is Not a Precedent of the TTAB

Mailed: December 17, 2015

UNITED STATES PATENT AND TRADEMARK OFFICE

Trademark Trial and Appeal Board

In re GCSA, LLC

Serial No. 86126673

Jura C. Zibas of Wilson, Elser, Moskowitz, Edelman & Dicker, LLP for GCSA, LLC.

Wendy B. Goodman, Trademark Examining Attorney, Law Office 109, Michael H. Kazazian, Managing Attorney.

Before Zervas, Taylor and Lynch, Administrative Trademark Judges.

Opinion by Zervas, Administrative Trademark Judge:

GCSA, LLC ("Applicant") seeks registration on the Principal Register of the mark CoCo INSURANCE (in standard characters, hereinafter "COCO INSURANCE") for "Insurance agency and brokerage" in International Class 36.[1]

The Examining Attorney refused registration of Applicant's mark under Section 2(e)(1) of the Trademark Act, 15 U.S.C. § 1052(e)(1), on the ground that, if used in connection with Applicant's services, COCO INSURANCE would be merely

[1] Application Serial No. 86126673 was filed on November 22, 2013, based upon Applicant's allegation of a *bona fide* intention to use the mark in commerce under Section 1(b) of the Trademark Act, 15 U.S.C. § 1051(b).

descriptive of them because Applicant's "services include the sale of CoCos, contingent convertible bonds, a hybrid insurance product."[2] When the refusal was made final, Applicant appealed and requested reconsideration. After the Examining Attorney denied the request for reconsideration, the appeal was resumed. The appeal is fully briefed.

I. Evidentiary Issue

Applicant submitted evidence for the first time with its appeal brief.[3] Because the record in an application should be complete prior to the filing of an appeal, *see* Trademark Rule 2.142(d), 37 C.F.R. §2.142(d), we do not consider this evidence or the arguments pertaining to this evidence. *In re Fiat Grp. Mktg. & Corp. Commc'ns S.p.A*, 109 USPQ2d 1593, 1596 (TTAB 2014).

II. Applicable Law and Analysis

A term is deemed to be merely descriptive of goods or services, within the meaning of Section 2(e)(1), if it forthwith conveys an immediate idea of an ingredient, quality, characteristic, feature, function, purpose or use of the goods or services. *In re Gyulay*, 820 F.2d 1216, 3 USPQ2d 1009 (Fed. Cir. 1987); *In re Abcor Development Corp.*, 588 F.2d 811, 200 USPQ 215 (CCPA 1978). A term need not immediately convey an idea of each and every specific feature of the applicant's goods or services in order to be considered merely descriptive; it is enough that the term describes one significant attribute, function or property of the goods or

[2] Examining Attorney's Brief at unnumbered p. 13, 13 TTABVUE 14.

[3] Applicant submitted an article from *The Financial Times* (Exhibit B), copies of third party registrations (Exhibit C) and Applicant's Community Trademark registration. (Exhibit D).

services. *In re H.U.D.D.L.E.*, 216 USPQ 358 (TTAB 1982); *In re MBAssociates*, 180 USPQ 338 (TTAB 1973). It is well-established that the determination of mere descriptiveness must be made not in the abstract, but in relation to the goods or services for which registration is sought. *In re Abcor,* 200 USPQ at 218.

The record contains the following definitions of "cocos":

> ● Contingent convertibles, also known as CoCo bonds, Cocos or contingent convertible notes, are slightly different to [sic] regular convertible bonds in that the likelihood of the bonds converting to equity is "contingent" on a specified event, such as the stock price of the company exceeding a particular level for a certain period of time.
>
> They carry a distinct accounting advantage as unlike other kinds of convertible bonds, they do not have to be included in a company's diluted earnings per share until the bonds are eligible for conversion.
>
> It is also a form of capital that regulators hope could help buttress a bank's finances in times of stress.
>
> CoCos are different to [sic] existing hybrids because they are designed to convert into shares if a pre-set trigger is breached in order to provide a shock boost to capital levels and reassure investors more generally.
>
> Hybrids, including CoCos, contain features of both debt and equity. They are intended to act as a cushion between senior bondholders and shareholders, who will suffer first if capital is lost. The bonds usually allow a bank to either hold on to the capital past the first repayment date, or to skip paying interest coupons on tile notes.[4]
>
> ● CoCos are hybrid capital securities that absorb losses in accordance with their contractual term … when the capital of the issuing bank falls below a certain level. Then debt is reduced and bank capitalisation [sic] gets a boost. Owing to their capacity to absorb losses, CoCos have the potential to satisfy regulatory capital requirements.[5]

[4] Final Office Action, www.lexicon.ft.com.

[5] First Office Action, www.bis.org.

> ● "Contingent convertible bonds, also known as contingent convertibles, CoCo notes or CoCos, are [a] specific type of securities similar to traditional convertible bonds."[6]

The question, then, is what do contingent convertibles have to do with insurance and particularly the Applicant's services, namely, "insurance agency and brokerage?" The Examining Attorney states that CoCos "fulfill an insurance function" and submitted webpages which discuss CoCos and insurance:

> ● Contingent capital ("CoCo")[7] bonds or capital insurance bonds are debt instruments with the special feature that they will convert mandatorily in ordinary shares or similar instruments of the relevant issuer, mostly banks, when one or more triggers are met.[8]

> ● This site is intended to be an information platform on contingent capital ("CoCo") bonds and related issues. Although we like to call them capital insurance bonds as they fulfill more of an insurance function.[9]

While these articles do mention "insurance" and CoCos, they are using the term "insurance" in the sense of "a means of guaranteeing protection or safety <the contract is your *insurance* against price changes>."[10] For example, "capital insurance bonds," used in one excerpt, means that the bonds protect against loss of

---

[6] Final Office Action, www.bankopedia.net.

[7] "Contingent capital bonds" and "contingent convertible bonds" appear to be used interchangeably. *See* Shang, K., *Understanding Contingent Capital*, p. 20, submitted with Final Office Action.

[8] First Office Action, www.freerisk.org.

[9] First Office Action www.cocobonds.com.

[10] Definition from *Merriam Webster Online Dictionary* (www.merriam-webster.com/dictionary/insurance). We take judicial notice of this definition. The Board may take judicial notice of dictionary definitions from references that are the electronic equivalent of a print reference work. *See University of Notre Dame du Lac v. J. C. Gourmet Food Imports Co., Inc.*, 213 USPQ 594 (TTAB 1982), *aff'd*, 703 F.2d 1372, 217 USPQ 505 (Fed. Cir. 1983); *In re Petroglyph Games, Inc.*, 91 USPQ2d 1332, 1334 n.1 (TTAB 2009).

capital by converting bonds to stock; they insure the issuing company against losses in capital when there is an event that causes losses in the valuation of the company. It appears to us that the term is not being used to mean "coverage by contract whereby one party undertakes to indemnify or guarantee another against loss by a specified contingency or peril,"[11] which is the meaning of "insurance" used in Applicant's recitation of services.

Another example in which the term "insurance" is used is the following:

> There are also other types of contingent capital instruments, including some that have been used by insurance and reinsurance companies as an alternative to traditional protection against catastrophic events (in which case, the company would suffer a loss of income but its balance sheet would be protected and the company would be in a good position to benefit from the premium rate increase pressure to follow such an event) … .[12]

The passage discusses the issuance of contingent capital instruments by insurance companies.[13] When insurance companies are presented with multiple and large claims in the case of a catastrophe such as a natural disaster, the insurer must make large capital outlays, and its continued viability depends on the accuracy of its assessments of potential risks. Insurances companies have turned to reinsurance arrangements and hedging programs, and have raised capital to

[11] We take judicial notice of this definition of "insurance" from the same *Merriam Webster Online Dictionary*.

[12] First Office Action, www.mofo.com.

[13] Req. for Recon., Wikipedia def. of "contingent convertible bond," stating, "A contingent convertible bond is a debt convertible into equity if a pre-specified trigger event occurs. The concept has been particularly discussed in the context of crisis management in the banking industry. It has also [been] emerging as an alternative way for keeping solvency in the insurance industry."

maintain their solvency.[14] They may, however, issue convertible contingency bonds, which convert when there is a catastrophe. The issuance of this type of debt instrument does not fall within the scope of Applicant's recited services, "insurance agency and brokerage."

The Examining Attorney also quotes extensively in her Brief from Kailan Shang's article, *Understanding Contingent Capital*, which states:

> Insurance industry has been utilizing non-traditional capital instruments to transfer risks for a long time. Some of them helped insurers absorb losses and retain their capital in adverse events. For example, catastrophe bonds or catastrophe equity put arrangements protect the insurers from catastrophe losses. Those instruments are normally related to insurance risk, such as natural disasters, mortality, and longevity.
>
> In the recent financial crisis, systemic risk caught a lot of attention. Much discussion happened on how to prevent or mitigate systemic risk. Regulators are also changing their ways to regulate those too-big-to-fail, or systematically important financial institutions. Contingent capital, an innovative type of automatic bail-in hybrid security, is considered as a candidate for providing capital at a predetermined cost in stressed situations and for mitigating systemic risk. Contingent capital instruments are similar to non-traditional capital instruments used by insurance companies except that the trigger is based on financial conditions instead of insurance risk. Different designs of contingent capital have been proposed and some of them are implemented. Though their effectiveness is still too early to tell, it is important for us to understand them and be equipped with knowledge and analytical tools for valuation and risk assessment.
>
> ***
>
> Contingent capital instruments, also known as contingent convertible bonds (CoCo bonds), contingent surplus notes, or enhanced capital notes, provide a mechanism that automatically convert the instruments to equity upon the occurrence of some specified trigger event. These instruments began to attract attention and gain

[14] Final Office Action, Shang, K., *Understanding Contingent Capital*.

> popularity during the financial crisis in 2008. Before that, insurance companies protected themselves from capital deficiency under stressed situations by reinsurance arrangements, hedging programs, and capital raising. Those seem effective when systemic risk is mild in the financial system. However, the recent financial crisis told us that when systemic risk is prevalent, the cost of raising capital may be unaffordable. Much higher liquidity risk and counterparty risk might still put the company in a weak solvency position. Contagion impact is material and the market and regulators have been looking for capital instruments that provide better insulation. Contingent capital appears to be the most promising solution although doubts about it are not rare.
>
> The insurance industry has been utilizing contingent capital instruments for around two decades. Catastrophe equity puts and contingent surplus notes are the most common types. Catastrophe equity puts give the insurer the right to sell stocks at a fixed price in case a specified trigger event happens. Contingent surplus notes give [the] insurer the rights to issue surplus notes in exchange for liquid assets upon the occurrence of a predefined trigger event. The size of the transaction ranges from a few million dollars to around half a billion dollars. However, the trigger events, or in other words, the risks from which the companies have been protected are normally catastrophe risk related. The term of the protection is also relatively short.[15]

The article suggests that insurance companies, like banks, make use of contingent capital instruments, including CoCo bonds. The article notes that "The insurance industry has been utilizing contingent capital instruments for around two decades." It also explains, "[c]atastrophe equity puts give [the] the insurer the right to sell stocks at a fixed price in case a specified trigger event happens. Contingent surplus notes give insurer the rights to issue surplus notes in exchange for liquid assets upon the occurrence of a predefined trigger event." The discussion is not about insurance brokerage or agency, and does not use the term in the context of

[15] Final Office Action.

the applicable definition of "insurance, *i.e.*, "coverage by contract whereby one party undertakes to indemnify or guarantee another against loss by a specified contingency or peril." The article also points out that insurance risk is not a feature of contingent capital instruments.

The Examining Attorney also points to statements in Applicant's website, made of record with the Final Office Action. Applicant's webpages describe Applicant as "a specialized underwriter of insurance products for financial institutions and Financial Market Infrastructure ["FMI"]." Specifically, she points to the following statements:

> ● A cost effective substitute for cash, asset pools, and financial assessments;
> ● A reduction of the need to raise additional capital on public markets;
> ● Recapitalization planning in times of financial stress;
> ● A source of capital with lower correlation with underlying default risk; and
> ● Additional surveillance resources for central banks, regulators, and other authorities.

The Examining Attorney concludes:

> As this short list makes clear, Applicant provides its customers with much more than simple indemnity insurance. Applicant provides its corporate and banking customers with complex intricate forms of insurance, the purpose of which is to help manage capital flow during times of financial stress. "Our mission and business focus is to provide insurance solutions for FMIs and market participants that strengthen the integrity of the markets they serve, while fostering greater financial stability. We seek to accomplish this by reducing contagion risks in times of severe market stress while providing a cost effective form of recapitalization." … These services and products will include the hybrid instrument known as the contingent convertible capital bond -- or CoCo.

The statements in the website do not support her conclusion that Applicant's services "will include the hybrid instrument known as the contingent convertible capital bond -- or CoCo." Applicant is referring to that which is explained in the article, *Is Insurance Suitable for the Default Waterfall of Central Conuterparties [sic]* by Chris Cononico, Applicant's President.[16] This article explains:

> Insurance, when structured properly, can be an excellent tool for credit loss absorption … and there is also an opportunity for it to work within the existing liquidity framework of the CCP [central counterparties] … to meet demands for immediate funds. Some regulators, such as the US Commodity Futures Trading Commission (CFTC), permit the coupling of insurance with unsecured liquidity facilities, so that the combination of tools can work together to meet financial resource requirements- i.e. the liquidity facility provides immediate funds and the insurance ultimately pays back the liquidity facility and absorbs the losses. Other regulators have more stringent "prefunded" requirements for their default resources, which require collateral that could ultimately be posted to committed secured liquidity facilities. We think there exists an opportunity for an insurance consortium to post collateral to an independent trust in conjunction with the coverage afforded by the policy, which can be immediately released upon the submission of a claim. This form of insurance would allow CCPs to have immediate access to collateral that could be posted to their secured credit facilities, committed repurchase agreements, or ultimately sold in the marketplace for liquidity. GCSA has dubbed this alternative "Contingent Convertible (CoCo) Insurance" and it represents an innovation in the way insurance could potentially support CCPs.

The evidence does not establish that the insurance feature depends on or involves the issuance of CoCo bonds. In addition, Applicant submitted a declaration from Mr. Cononico, who states that Applicant's "services [are] in connection with underwriting insurance products for Financial Market Infrastructure, which is entirely different and non-analogous to the issuance of contingent convertible bonds

---

[16] Denial of Req. for Recon.

by insurance companies."[17] Evidently, the insurance does not make use of convertible securities but rather the collateral behind the policy is securitized and sold.

Our decision here is based on the record created by the Examining Attorney and Applicant. For the reasons set forth above, we have doubts as to whether a feature or characteristic of Applicant's insurance brokerage and agency services is the use of CoCo bonds. Because the record has not resolved our doubts, as we are required to do, we resolve those doubts in applicant's favor. *In re Morton-Norwich Products, Inc.*, 209 USPQ 791, 791 (TTAB 1981) (The Board's practice is "to resolve doubts in applicant's favor and publish the mark for opposition"). See also *In re Remacle*, 66 USPQ2d 1222, 1224 (TTAB 2002).

We do find, however, that the term "insurance" is generic for Applicant's insurance brokerage and agency services. A disclaimer of this term is therefore required.

Decision: The refusal to register the mark on the ground that applicant's mark COCO INSURANCE, as a whole, is merely descriptive is affirmed, but will be reversed if applicant enters a disclaimer of the descriptive word "INSURANCE" *within thirty days* from the mailing date of this decision. Once the disclaimer is entered, the application shall proceed to publication of the mark for opposition. Trademark Rule 2.142(g), 15 C.F.R. § 2.142(g).[18]

---

[17] Req. for Recon.

[18] The disclaimer must read as follows: "No claim is made to the exclusive right to use INSURANCE apart from the mark as shown."