

# **WINE WHINING: A PERSPECTIVE ON TRADEMARK ISSUES IN THE WINE WORLD**

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# OVERVIEW

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- A Brief History of Wine Labels
- Surname Issues
- Geographic Issues
- Foreign Equivalents Issues
- Relatedness Issues
- Quality Control Issues
- Trade Dress: A Case Study

# CAVEAT

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There are many, many issues related to trademarks in the wine business, both in the United States and internationally. It could be a day long course. I have stuck to United States issues that occur regularly, although I am happy to take questions on any wine-law related issue. This is your program; I am here for you.

# A BRIEF HISTORY OF WINE LABELS

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- Old World labels: the primacy of place.
- The primary wording on the label was the geographic location, which reflected the importance of what we now call geographic indications.
- Producer name was secondary.
- There is still a strong bias in the Old World in favor of non-branding (and it forced a French Minister to resign.)

# A BRIEF HISTORY OF WINE LABELS

IMPORTED BY : SEAGRAM CHATEAU & ESTATE WINES CO.® NEW YORK, N.Y.

CONTAINS SULFITES

ALCOHOL 13.5% BY VOL.



# A BRIEF HISTORY OF WINE LABELS

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- But what do you do in California or New York if you are making wine in 1900?
- The old world appellations were used as flavor descriptors, e.g., chianti, burgundy, marsala.
- Differentiation was based on two things: (a) the name of the producer, and/or (b) the geographic location.
- It was all about authenticity.

# A BRIEF HISTORY OF WINE LABELS

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- Personal names as brand names: GALLO, HEITZ, MONDAVI, FRANZIA, BERINGER, CARLO ROSSI
- Geographic names as brand names: STAG'S LEAP, NAPA RIDGE, RUTHERFORD HILL

## A BRIEF HISTORY OF WINE LABELS

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- Today, this tradition still predominates.
- Yes, there are fanciful names (e.g. YELLOWTAIL) but wine marketers still want the authenticity that comes from grounding the wine in a person or a place.
- So as trademark lawyers, you can appreciate how the Lanham Act is not very accommodating to labeling tradition.



# ISSUE 1: SURNAMES

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- Cannot register a term that is primarily merely a surname. *In re Hall Wines, LLC*, Serial No. 78926151 (TTAB 2009) (not precedential)(refusal reversed).
- Can protect only with secondary meaning; first to achieve it has priority. *E. & J. Gallo Winery v. Pasatiempos Gallo, S.A.*, 905 F.Supp. 1403 (E.D. CA 1994). But cannot fully enjoin surname use. *E. & J. Gallo Winery v. Gallo Cattle Company*, 967 F.2d 1280 (9th Cir. 1992).
- This is a huge issue with German and Italian imports.

## ISSUE 2: GEOGRAPHIC TERMS

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- Section 2 (e) objections to geographic marks.
- Non-deceptive marks can be registered with secondary meaning.
- NAFTA prohibited the registration of geographic indications; PTO went overboard and applied to all geographic marks for wine; eventually moderated that position. (Redwood Creek in Redwood National Park, Humboldt County.)

## ISSUE 3: FOREIGN EQUIVALENTS

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- Literal and exact translation, common language, does not have to “stop and think.”
- The languages of the major wine producing countries all qualify as “common” languages (Italy, Argentina, Chile, Germany, France, Italy)
- Make sure that the translation is the only literal and direct translation.

## ISSUE 4: RELATEDNESS

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- “There is no per se rule” but everything is related.
- Totally non-real world: (a) *Mucky Duck* run amok, (b) Internet evidence out of control, (c) TTAB bends over backwards to affirm.
- PTO/TTAB follow *Opus One* even though that methodology was overturned sub rosa by *In re Coors Brewing Company*, 343 F.3d 1340 (Fed. Cir. 2003)(holding that context is required in order to show the “something more” required by *Jacobs*.)

## ISSUE 4: RELATEDNESS

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- Federal Courts used to have a broader view of “relatedness” than the TTAB. That is no longer the case.
- It is a rare case where the TTAB will not affirm an Examining Attorney, and they will go out of their way to affirm. And it is a rare case where the TTAB does not find relatedness of any of these goods.
- So what is related to wine?

## ISSUE 4: RELATEDNESS

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- **Beer.** *In re Kysela Pere et Fils, Ltd.*, 98 U.S.P.Q.2d 1261 (TTAB 2011).
- **Restaurants.** *In re Opus One Inc.*, 60 U.S.P.Q.2d 1812 (TTAB 2001).
- **Wine Bars.** *In re The Wine Group*, No. 85/899,446 (TTAB 2014)(not precedential).
- **Tequila.** *In re Maestro Tequilero, S.A. de C.V.*, No. 77/904,774 (TTAB 2012) (not precedential).

## ISSUE 4: RELATEDNESS

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- **Soft Drinks.** *South Beach Beverage Co. v. Schwartz*, No. 91121457 (TTAB 2005) (not precedential).
- **Water.** *Joel Gott Wines, LLC v. Rehoboth Von Gott, Inc.*, 107 U.S.P.Q.2d 1424 (TTAB 2013).
- **Gelatin Shots.** *E.J. Gallo Winery v. Christopher M. Malek*, No. 91199089 (TTAB 2012)(not precedential).

## ISSUE 4: RELATEDNESS

- **Sauces.** *In re Island Grove Winery, LLC*, Serial No. 85/036,344 (TTAB 2010) (not precedential).
- **Vinegar & Food Products.** *Simi Winery, Inc. v. Mr. Container*, No. 92030168 (TTAB 2005) (not precedential).
- **Fruit Drinks.** *In re John A. Komes*, No. 74/078,740 (TTAB 1993)(not precedential).



## ISSUE 4: RELATEDNESS

- **Distilled Spirits.** *Monarch Wine Co. v. Hood River Distillers, Inc.*, 196 U.S.P.Q. 855 (TTAB 1977).
- **Cheese.** *E. & J. Gallo Winery v. Gallo Cattle Co.*, 12 U.S.P.Q.2d 1657 (E.D.Cal.1989), *aff'd*, 967 F.2d 1280 (9th Cir.1992).
- **Mixed Beverage Containing Alcohol and Fruit Juice.** *In re 8 Vini, Inc.*, No. 85/857,391 (TTAB 2014)(not precedential).

## ISSUE 5: QUALITY CONTROL

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- There is a lot of licensing in the wine business (grape contracts, bottling contracts, production contracts, etc.).
- The trademark owner must control the quality of the wine; otherwise, the mark is deemed to have been abandoned. *Barcamerica Int'l v. Tyfield Imports*, 289 F.3d 589 (9<sup>th</sup> Cir. 2002).

## ISSUE 6: TRADE DRESS – A CASE STUDY

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*Kendall-Jackson Winery v. E. & J. Gallo Winery*, 150 F.3d 1042 (9th Cir. 1998) (N.D. Cal.)(Walker, J.)

# STRAW POLL?

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# HISTORICAL PERSPECTIVE: A Clash of Titans

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- This was a precedent-setting case in the Ninth Circuit; pushed the boundaries of trade dress law. *Two Pesos* had been decided only a few years earlier.
- Bitterly fought; highly publicized; settlement was out of the question.
- Huge amount of “behind the scenes” intrigue.
- “The Mole.”

# THE COMPLAINT

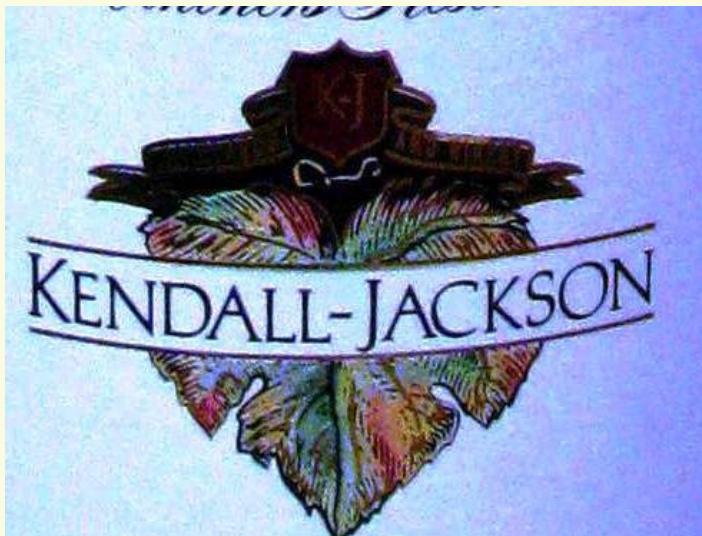
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- The Complaint focused on the trademark claim based on the leaf design and the allegation that infringing the leaf trademark was intentional.
- The trade dress claim was an afterthought.



# TRADEMARK ISSUE

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# TRADE DRESS ALLEGATIONS

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- Extremely vague.
- Inherently distinctive; secondary meaning; non-functional.
- Did not specify the elements of the trade dress that it claimed were protected.



# DEFENSE CONUNDRUM

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- Without knowing what the Plaintiff claimed was protected, the Defendant could not attack the claimed elements of the trade dress as functional or not inherently distinctive.
- The initial strategy was to “divide and conquer” by showing that the Plaintiff had nothing to protect and what they were claiming was functional anyway.

# MOTION TO DISMISS

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- The Defendant argued that the Plaintiff was playing “hide the ball” and had failed to state a claim.
- It is lawful to copy that which is not protected, so Defendant needed to know what the Plaintiff claimed it owned. Otherwise, any wine bottle could be inherently distinctive and non-functional.
- The Defendant also needed the information so that it could determine whether the trade dress was inherently distinctive and functional.
- Did not believe that the motion had much chance of success but needed to smoke out the Plaintiff.

# “TOUT ENSEMBLE”

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- The Plaintiff’s argument was elegant in its simplicity and very troubling; all they had to do was to hold up the two bottles and they could win. “We are the only one that looks like this; therefore, it is inherently distinctive. Obviously the entire package cannot be functional. Therefore, the only question is likely confusion.”

# “TOUT ENSEMBLE” v. ELEMENTS

- This illustrated the competing views of the case that permeated the litigation, and perhaps most trade dress cases.
- If you are required to look at trade dress “as a whole,” is proof of inherent distinctiveness and non-functionality really needed? Is it proper for the defense to break the claimed trade dress into its constituent parts for analytical purposes? And if not, is it (as Plaintiff asserted) solely a matter of whether there was a likelihood of confusion?

# DECISION

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- The Judge denied the motion but ducked the core issue.
- He required the Plaintiff to specify the elements of its trade dress that were allegedly protectable and non-functional.
- From his perspective, this was the right call; since the Defendant was not clearly wrong, let it pursue the defense and see what happened.

# TRADE DRESS ELEMENTS

- Burgundy/Bordeaux style bottle
- Flanged Top
- Cigar Band Wrapper
- White label
- Grape Leaf



# DEFENSE PLAN

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- Make the argument that individually, none of these elements was protectable so, therefore, they could not be protected collectively or “tout ensemble.”
- $0 + 0 + 0 + 0 + 0 = 0$ . It can never equal 1, in part, because there was nothing unique about the way they were combined by the Plaintiff.



# ATTACKING THE ELEMENTS

- Burgundy/Bordeaux style bottle – D’uh, no one can own the industry standard bottles. Generic and functional; incapable of serving as an indicator of source.





# ATTACKING THE ELEMENTS

- Flanged Top – Had been used for many years; Robert Mondavi Winery had tried to register it and failed; functional because it stops drips.



# ATTACKING THE ELEMENTS

- Cigar Band Wrapper – was not a source identifier per se but a platform for branding; functional because it covers the space between the fill line and the cork; all flanged bottles had it; using the standard foil wrapper was impractical due to the flange.



# ATTACKING THE ELEMENTS

- White label – incapable of acting as an indicator of source; functional because it is the best palette for a wine label.





# ATTACKING THE ELEMENTS

- And so it all boiled down to the grape leaf; hundreds of bottles have grape leaves on the label; nothing unique about that; necessary to compete.



# SUMMARY JUDGMENT

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- **Trademark.** The Plaintiff did not prove that the leaf functioned as a trademark separate and apart from the KJ crest. Defendant's motion granted.
- **Trade Dress.** A reasonable jury could find, based on tout ensemble, that 0+0+0+0+0 could equal 1 due primarily to the "distinctive leaf," so the motion was denied, i.e., if the jury believed that leaf was distinctive, then it could find that the packaging "on the whole" was distinctive and non-functional.

# SUMMARY JUDGMENT

## “Dr. Jekyll and Mr. Hyde”

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- Yes, the two portions of the decision were mutually exclusive. As a result both parties filed motions for reconsideration which were denied.
- And so, the leaf was not distinctive for trademark purposes but was distinctive for trade dress purposes and could be the sole basis for a verdict on the trade dress claim.

# SUMMARY JUDGMENT

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- Stated somewhat differently, according to the Judge, a symbol that was not inherently distinctive could be the sole basis for finding the trade dress inherently distinctive.
- This meant that we were going to try the trademark case under the guise of a trade dress case **but under a lower standard of proof**; from the Plaintiff's standpoint it was all about the leaf anyway.

# TRIAL STRATEGY

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- Breaking the trade dress into its component parts was too “down in the weeds” for a jury. Needed to do it for record purposes but it could not be the theme. Needed a unifying trial theme as to why the claimed trade dress was not inherently distinctive and was functional.



# TRIAL STRATEGY

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- Enter - - “THE CALIFORNIA LOOK.”
- “This is the way California wines look and Plaintiff did not originate it. Tout ensemble functioned to tell consumers that this was a California table wine. They had nothing to protect.”

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# TRIAL STRATEGY

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There was no Pre-trial Order!

# PLAINTIFF'S CASE

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- Over the objection of the defense, the Plaintiff tried the “leaf” case, so the trade dress case morphed into a trial about the leaf and the allegations of copying it.
- Plaintiff's expert witness opined (over the objection of the defense) that the trade dress was inherently distinctive and non-functional. Destroyed on cross so his testimony hurt Plaintiff.

# TRIAL DEFENSE

- 25 bottles of similar looking wines in the courtroom at all times.
- Cross examination of the Plaintiff's witnesses on the trade dress elements; all admitted.
- Testimony of Michael Mondavi on their use of the flanged bottle and leaves on labels.
- Client testimony on the "California Look" and why this was necessary to compete.
- (There was also extensive survey expert testimony.)

# VERDICT

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- No infringement.
- Juror interviews: they did not believe that Plaintiff had anything to protect; this was the “California Look.” “Look at all the similar bottles in the courtroom.” Plaintiff overpromised and under-delivered on the copying argument.

# PLAINTIFF'S JNOV MOTION

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- As a matter of law, the Judge should find based on tout ensemble that the jury could not have reached the verdict it did because (as the Judge had found) the leaf was distinctive; should have been instructed on this.
- Defense: yes there was enough evidence, but there was ample evidence to find no confusion so any error was harmless.



# DECISION

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- Motion denied.
- By this point, having heard the evidence, the Judge understood and agreed with the defense. He found for the defense on the state law claims and on laches (6 month delay).

# NINTH CIRCUIT DECISION

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- Affirmed. 150 F.3d 1042 (9<sup>th</sup> Cir. 1998)
- Foreshadowed at oral argument when Judge Choy asked to see the bottles and remarked: “These don’t look similar at all.”

# NINTH CIRCUIT DECISION

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- Plaintiff was correct on the law: the question is whether the packaging as a whole was non-functional and inherently distinctive.
- The jury could have found for Plaintiff based on its evidence but judgment for Plaintiff as a matter of law was unwarranted.
- There was sufficient evidence for a reasonable jury to find that the California Look (the trade dress as a whole) was functional and/or non-distinctive.

# NINTH CIRCUIT DECISION

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“Gallo's evidence also showed that the combination of an exposed cork, a rounded flange, and a neck label create the "California look," which consumers come to expect from a California wine.... A reasonable jury could conclude from this evidence that Kendall-Jackson's trade dress as a whole is functional and nondistinctive.”

# NINTH CIRCUIT DECISION

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“For instance, a reasonable jury could conclude that these features — an exposed cork, a rounded flange, and a neck label — constitute a significant part of Kendall-Jackson's trade dress and that granting Kendall-Jackson exclusive use of this combination of features would put competitors at a significant non-reputation-related disadvantage.”

## HOISTED ON THEIR OWN PETARD

“Likewise, a jury could conclude from this evidence that the "California-look" tells consumers what the product is or at least describes a characteristic of the product, namely that it is wine from California. This conclusion would support a finding that the trade dress was generic or descriptive and therefore nondistinctive. *The fact that Kendall-Jackson's grape-leaf design is distinctive does not necessarily mean that the entire trade dress is distinctive because, as Kendall-Jackson itself emphasizes, trade dress must be analyzed as a whole.*”



# ASSESSMENT

- Plaintiff was correct about the “tout ensemble” approach to the law.
- Defendant’s strategy of breaking the trade dress into component parts was also affirmed because it provided the basis on which the jury could conclude that tout ensemble was not protectable or functional.
- Most notably, the Court held that Plaintiff was not entitled to judgment as a matter of law on the protectability of its trade dress.

# IMPLICATIONS

- Taken literally, the Ninth Circuit said that a party can get to a jury on the tout ensemble theory – every.....single .....time.
- In the wine and beverage area, the case is still a template for how to approach these issues.
- The brand name seems to be relevant only to the actual confusion element, yet this is (and is intended to be) the most distinctive element of the packaging because most competitive packaging is similar.

# AFTERMATH

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- Defendant sued Plaintiff for malicious prosecution.
- Jaw-dropping documents confirmed what we had suspected all along.
- Massive amnesia in the Plaintiff's camp.
- 5<sup>th</sup> DCA – “unclean hands” means a defendant can be excused from liability if the plaintiff is a bad egg, generally, even on allegations from the 1950's.
- Rather than face a trial, Plaintiff's carrier paid a significant settlement.
- Malpractice claim by Plaintiff against its lawyers.

# Thank You!

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