



TOP INTELLECTUAL PROPERTY ISSUES FOR WINE AND SPIRITS PRODUCERS



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Every day, millions of people purchase wine and spirits without ever realizing the unique intellectual property issues that come into play for the wine and spirits manufacturers, producers, and distributors. These businesses face interesting challenges and requirements in labeling and selling their products. Because of the uniqueness of this industry, there are several issues revolving around trademark, copyright, and advertising rights in wine and spirits products. Not only are producers subject to federal and state intellectual property laws, they must also comply with the federal government's Alcohol and Tobacco Tax and Trade Bureau (the TTB) for labeling and other regulatory matters.

This article will introduce the most unique aspects of intellectual property protection for wine and spirits producers, some of which are unique to the industry itself while others have unique application in the industry.

Scope of Potential Trademarks

Traditional trademarks for a wine or spirits producer may include the name of a product (KENDALL-JACKSON®, JACK DANIELS®), an image or wording on a label, or the name of the producer itself (MONDAVI®). In reality, though, anything that denotes the source of a product or service may function as a trademark. In addition to traditional word marks and stylized marks, logos, slogans, designs, taglines, and colors can be protectable assets if used in a way that indicates source. For wine and spirits producers that also sell related products or offer an onsite restaurant, for instance, there are numerous potential trademarks and service marks beyond those used with wine and spirits.

When a customer sees a wine label, she often immediately recognizes her favorite producer. Of course, a consumer expects to be sipping wine from precisely that producer. Wouldn't she be surprised, however, if the wine was from somewhere else? This type of consumer confusion is precisely what trademark law is intended to curtail.



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A mark may be used as a trademark if (1) it serves to identify and distinguish the source of that person's goods and services and (2) the use of that mark is not likely to infringe a prior user's mark.

Of particular interest to wine and spirits producers, use of a family name as a trademark is not always advisable. The relative distinctiveness of the surname may dictate how strong a mark may be to identify a particular owner's goods. The USPTO requires a high threshold for proving distinctiveness of a surname to obtain a registration, often requiring proof of extensive sales and marketing efforts. More preliminarily, though, a producer must determine whether a surname is even available for use in the industry; the fact that a person "owns" their own personal surname does not mean the name is necessarily available for use as a trademark. For instance, a hypothetical winery owned named Harold Kraft would incur substantial risk in calling his business "Kraft Vineyards," based on the prior rights in the mark KRAFT® for arguably related goods, namely cheese.

The selection of strong, protectable trademarks can be the building blocks to long-term success of any business, but particularly for alcohol producers, who can develop uniquely strong brand loyalty.

Federal Registration vs. Common Law Rights

There is a common misconception that a business needs to procure a federal trademark registration in order to protect a mark from infringement. Under U.S. trademark law, a party simply needs to "use" the mark "in commerce" in order to obtain protectable trademark rights. For instance, as soon as a wine bottle bearing the mark on a label is sent to a customer, trademark rights accrue. These rights are commonly referred to as "common law trademark rights."

While it is not necessary to obtain a federal trademark registration to enforce rights against a would-be infringer, there are substantial benefits to seeking registration of a mark with the United States Patent and Trademark Office (USPTO). For instance, a federal registration provides nationwide priority, constructive notice to others of a party's rights in a mark, and the ability to sue in federal court for trademark infringement.

Both the federal and state governments issue trademark registrations, but there are significant differences between them. State registrations are relatively inexpensive and easy to obtain. The

registration process varies by state, but generally the Secretary of State's office handles the application process. Most importantly, a state registration provides exclusive rights *only within that state's boundaries*. Alternatively, a federal trademark registration provides the owner with presumptive trademark rights in all fifty states.

For example, an Oregon winery, with only a state trademark registration, cannot enforce its Oregon trademark rights against a Washington winery using an identical or confusingly similar name within the State of Washington. Instead, the Oregon proprietor would have to rely upon its federal common law rights to proceed against the infringer in Washington, which is a much more difficult standard.

The vast majority of wine and spirits businesses engage in commerce across state lines, thus seeking a federal registration is usually appropriate. Whether a trademark is registered or unregistered, a mark owner must be diligent in protecting its rights in the mark, lest they be lost. A producer has an affirmative duty to monitor unauthorized uses of its mark or third party uses of marks that could be considered "confusingly similar" to its own.

Copyright Ownership in Artwork

Copyright law protects original works of authorship that are fixed in some tangible form. Traditional examples include books, sculpture, music, video and audio recordings, and photography. For wine and spirits businesses, the artwork used on a label or certain textual elements may be copyrightable. For instance, a proprietor named Mountaintop Whiskey may use imagery of a mountain on its label. This artwork could be copyright protectable, depending on the circumstances of its creation. It may also serve as a trademark, if it acquires a level of recognition that consumers would recognize the design as designating Mountaintop Whiskey as the source of the product.

Assuming the work is copyrightable, a key concern is determining who owns the copyright in that work. Most often, a producer would hire an artist to create original artwork for a label. It is in the producer's best interest to have a written agreement signed by the artist that vests ownership of the copyright in that work with the producer as a "work made for hire" or via an assignment. Without a signed agreement, ownership disputes may arise and the artist may seek to reproduce her work in other

mediums or for other businesses. If a winery owner herself or one of her employees is the artist, an agreement should still be drafted.

On a tangential topic, caution must be used when considering whether to use another party's artwork already in existence. A common misperception is that any logo, image, or design found on the internet is in the public domain and thus usable without permission. A prudent owner should always seek permission before using artwork on a label or website, unless it is explicitly clear that the artwork is available for public use. The cost of obtaining a license from a party such as Getty Images to use a particular copyrighted image is always worth the investment versus risking infringement.

Finally, to the extent a producer owns a copyrightable work, it may seek registration with the U.S. Copyright Office. There are substantial benefits to obtaining a registration, although it is not required. It is a best practice to use language such as "Copyright © 2011, Mountaintop Whiskey" for all copyright protectable works, registered or not.

Unique Trade Dress

Wine and spirits businesses may utilize bottle designs or patterns that could be protectable intellectual property known as "trade dress." Trade dress is essentially the combination of elements on packaging, containers, wrappers, or labels that is unique to a particular brand or producer. It may include features such as size, shape, color, color combinations, texture, or graphics. For instance, a restaurant's distinctive décor may be so unique that it is identified with a specific brand. Similarly, it is possible that a wine label's look and feel, or the distinctive shape of a spirits bottle, may be unique enough to constitute trade dress. A die-cut label design in the shape of a mountain range and with wording on the inside of a label could be unique enough to qualify as trade dress.

The key in determining whether a producer owns protectable trade dress is whether the label art, packaging or bottle design has become unique enough that consumers associate that design with a particular brand. While it is technically possible that certain types of packaging could be inherently distinctive, this is unlikely to be the case with alcohol-related products. Proving that would-be purchasers have come to identify a label or design as trade dress is indeed a high threshold. For

instance, elements that are commonly used by competitors would not be unique enough to qualify for protection.

If elements of a label or design are indeed sufficiently distinctive to qualify as trade dress, a producer could attempt to halt the use of the same design by a later user.

Advertising Considerations

Goods such as tobacco and alcohol are subject to stringent advertising standards under federal and state law, particularly with regard to advertisements targeted towards minors. Well-known examples of advertising campaigns that created controversy in this area include Spud Mackenzie for Budweiser, and Joe Camel for Camel Cigarettes. Even today, companies such as Anheuser-Busch and MillerCoors spend millions of dollars in general consumer advertising that inevitably is viewed by children.

Potentially deceptive and offensive advertising practices are subject to review by the Children's Advertising Review Unit (CARU) of the Council of Better Business Bureaus. Moreover, a COLA will not be issued to a producer unless its product label abides by government requirements, including the disclosure of alcohol content. The TTB website contains a plethora of information on this topic.

Viticultural Areas and Geographic Indications

In the United States, the American Viticultural Area (AVA) requires that 85% of wine must come from grapes grown within the geographical AVA boundaries for the wine to bear that designation on a label. For wine, geographic locations are referred to as "appellations." Well known appellations include regions such as Napa Valley and Sonoma in California. The best-known international example is Champagne, which is a specific type of sparkling wine from the Champagne region of France. Another example is the use of the term "Tequila," which is limited to spirits produced in certain states in Mexico.

Parties applying for trademarks that feature geographic terms may encounter a "geographically misdescriptive" rejection if the label is used in such a way that could confuse customers about the geographic origin of goods. For instance, a Michigan-based winery called Sonoma Vineyards could encounter a deceptiveness or misdescriptive refusal, based on its use of the name Sonoma.

There are also international treaty obligations related to geographic indicators. Under Article 23 of the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights ("TRIPS"), all governments must provide the owners of a geographic indicator the right, under their laws, to prevent the use of a geographical indication identifying wines not originating in the place indicated by the geographical indication. This can apply even in the absence of public confusion, such as cases where the true origin of the goods is indicated but not prominent. Similar protection applies to geographical indications for spirits products.

For more information on this topic, we recommend the following article: Julia Lynn Titolo, *A Trademark Holder's Hangover: Reconciling the Lanham Act with the Alcohol and Tobacco Tax and Trade Bureau's System of Designating American Viticultural Areas*, 17 J. Intell. Prop. L. 173 (Fall 2009).

Importation of Counterfeit Product

There are a plethora of international considerations related to the import and export of alcohol. The TTB has stringent requirements for importation from a foreign producer, including the application for a COLA by a U.S. distributor. While there are many technical requirements beyond the scope of intellectual property, there are measures that a U.S. mark owner can take to prevent the importation of potentially infringing and/or counterfeit products into the United States.

Specifically, a wine or spirits producer may register its trademarks with the U.S. Customs and Border Protection. By doing so, if a producer becomes aware of a potentially infringing product entering the U.S. from overseas, it can report that infringing conduct to the CBP, who can stop the importation at the border. This is often a good option when the true identity of the producer is difficult to locate, which is often the case for a foreign producer. This also provides the benefit to the producer of not having an infringing or counterfeit product in the U.S. marketplace.

Trademark Rights Versus Receipt of COLA

U.S. wine and spirits producers and distributors are required to submit proposed labels for approval by the TTB, before commencing sales within the United States. Unlike the USPTO, the TTB does not assess potential confusion with another's label, but only rejects a label if there is an exact match with a prior label. The TTB's primary concern is the accuracy of the alcohol-related content on the label. If all appears in order, the TTB will issue a Certificate of Label Authority ("COLA") to the producer or distributor, granting it the right to sell the wine or spirits product featured on the label. In some cases, state-level approval may also be required before distributing a spirits product within a particular state.

Thus, it is possible, if not likely, that multiple COLAs will be granted for the same name, either as a "brand" name or as a "fanciful" name, in TTB parlance. Accordingly, acceptance by the TTB of a label does not necessarily mean the brand name or fanciful name is clear for use as a trademark, as it is possible that a confusingly similar (but not identical) label is in use. Similarly, the grant of a legal business name by a state Secretary of State office does not clear a mark for use as a trademark.

Under U.S. trademark law, use of a mark which results in consumer confusion constitutes trademark infringement and is actionable under state and federal trademark laws. A trademark clearance search is necessary to determine if a name used on a label is truly protectable and non-infringing for trademark purposes, even if a COLA has been issued.

Scope of Protection for an Entire Label

Another related common misunderstanding is that a label as a whole functions as a trademark and should be protected as such. While nearly anything that indicates source may be a protectable trademark, commonly utilized elements such as a color scheme or the shape of a wine bottle usually lack the distinctiveness to warrant trademark protection. In the context of trademark applications, many owners make the mistake of seeking a trademark registration for the label as a whole, rather than the individual elements of the label that are truly distinctive, such as the label name or a design mark. Submitting a drawing of an entire label with a trademark application increases costs and difficulty in obtaining a trademark registration and only provides very narrow benefits versus a registration solely for the brand or label name.

Differences Between Alcoholic Beverages

There are often trademark disputes between a beer company and wine or spirits producer over potential infringement of a product name when both entities are using the same or similar names with their respective products. To many consumers, beer and wine are readily distinguishable and not likely to be confused for one another. To the USPTO, though, the goods are related enough that an application for a mark for use with wine may be refused based on a prior mark with beer, or vice versa.

In *In re Kyselá Pere et Fils, Ltd.*, 98 U.S.P.Q. 2d 1261 (T.T.A.B. 2011) [precedential], an applicant sought to register the mark HB with wine. The well-known Bavarian brewer HB owned a registration for an identical mark with beer, and its registration was cited by the USPTO in refusing registration of the wine mark. In addition to refusing registration of a wine mark based on a prior mark with beer, the USPTO has also found wine and spirits to be related, not surprisingly. While in practice it seems unlikely that a beer owner would expand into wine, the USPTO precedent is clear on this issue and will refuse registration based on a prior use with another alcohol product.

Consequently, a producer seeking registration of a mark should review all prior registrations and uses by any alcohol producers, not merely the same type of alcohol.

COLA Applicant vs. Trademark Owner

An applicant for a COLA may be the trademark owner, but the applicant could also be a U.S.-based importer of a foreign product, a special bottler or distributor, a custom crush business, or a parent or affiliated company. Under trademark law, the owner of rights in a trademark is the party that actually uses the mark in commerce, absent an agreement assigning rights to another party. Thus, it is often the case that a winery grants a license to a distributor to use the owner's mark in connection with the sale of wine, but the winery itself owns all rights in the name and would be the proper party to seek a trademark registration, if desired. Moreover, only the winery itself, not its distributor, would have the right to seek the cessation of use by an infringing party.

Imitation is Sincerest Form of Flattery

With well-known alcohol marks, there is a frequent tendency for businesses (which often having nothing to do with alcohol) to use an imitation of a popular trademark to increase demand for their product. A hypothetical example could be the use of a red wax seal on the top of a candle, as an ode to Maker's Mark famous red seal. Of course, if this type of imitation was used on a bottle of wine, the use would likely be infringing and the owners of the Maker's Mark trademarks could seek to stop its use.

However, use of an imitation on a candle may not constitute trademark infringement of a spirits product, because the respective goods are not closely related. A mark such as the Maker's Mark seal, though, could be famous enough to warrant a finding of trademark dilution under federal law. For most marks, though, a producer may have to rely on state-based dilution law to seek the removal of an offending use from the market or they may consent to such use on fair use grounds. Moreover, for many small wine and spirits businesses, the owner may not be interested in pursuing a cease-and-desist strategy, particularly when the use could draw positive attention to the product. In addition, an owner may be risk adverse, especially if its own mark could be vulnerable to attack on the grounds of descriptiveness or otherwise.

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In sum, much of IP law is not unique to wine and spirits producers, but there are unique applications of the law in the context of these goods. Considerations such as TTB labeling requirements and advertising restrictions, though, pose evolving issues for producers to consider from an IP perspective as well.