

WHAT GOODS ARE “RELATED” TO WINE AND WHY IT MATTERS: THE UNITED STATES PERSPECTIVE

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OVERVIEW

- Background: explain the issue.
- Why does it matter?
- The Patent and Trademark Office / Trademark Trial and Appeal Board perspective.
- The Federal Court perspective.

THE ISSUE

- Many of you do not practice trademark law, but this is an issue that has frustrated trademark practitioners around the world, especially in the wine sector. I am asked about it constantly by clients and colleagues. It is a big issue in the United States.
- The purpose of this presentation is to give you the background so that if you or one of your client's encounters the issue, you can explain it. Or at least say: "I went to AIDV in Lausanne and heard a talk about it!"
- **Caveat:** This is a 30,000 foot overview of a complicated issue. As my US colleagues will tell you, I have left some things out in order to keep it as simple as possible. And to my US colleagues: cut me some slack – I only have 25 minutes!

TRADEMARK BASICS:

Trademarks Correspond to Goods

It is important to remember that trademarks do not exist in a vacuum. They only exist in connection with the goods for which they are used. For example:

- CADBURY = chocolate
- MERCEDES = cars
- ROLEX = watches
- MICHELIN = tires

TRADEMARK BASICS:

Likelihood of Confusion

In most countries, trademark infringement or registrability is determined by assessing the “likelihood of confusion” vis-à-vis a prior registered mark.

This analysis looks at the marks/goods of the two companies, asks whether they are similar, and if so, are consumers likely to think that they are made by the same company. Examples:

TRADEMARK BASICS:

The Role of Relatedness

- CADBURY for chocolate vs. CADBUR-E for lingerie
- MERCEDES for cars vs. MERCED-EASE for cheese.
- ROLEX for watches vs. ROLEE for wine
- MICHELIN for tires vs. MICHELLE for cars.

TRADEMARK BASICS:

The Role of Relatedness

Thus, the relatedness of the goods plays a huge role in determining whether a mark may be registered or whether it infringes a third party's mark. As a rule, the more dissimilar the goods, the lesser the likelihood of confusion, e.g., chocolate vs. lingerie, cars vs. cheese, etc. It should be a matter of basic common sense.

A FEW TRADEMARK BASICS: The Role of Relatedness

But, sometimes trademark law lacks common sense.....

A FEW TRADEMARK BASICS: The Global “Objective Test” for Relatedness

- The universe of goods and services is divided by international convention into 45 “classes.” (“Nice Agreement.”) This was intended to be a sorting mechanism for trademark offices.
- But in most countries, the “classes” have become a proxy for the similarity question. If the goods are not in the same class, the likelihood of confusion is presumptively low to non-existent. This is a simple, **objective** test. Common sense or marketplace reality has little to do with it.

TRADEMARK BASICS:

The Global “Objective” Test for Relatedness

It can be very difficult to find relatedness if the goods are in different classes. As Steve Stern knows, it took a landmark decision of the Australia High Court to declare that a beer/shandy (in Class 32) was related to a wine (in Class 33).

E. & J. Gallo Winery v Lion Nathan Australia Pty Limited [2010] HCA 15.

TRADEMARK BASICS:

The Global “Objective” Test for Relatedness

**OBJECTIVE TESTS ARE PREDICTABLE/ BINARY;
THE GOODS ARE IN THE CLASS OR NOT!**

THE HEART OF THE ISSUE

- The United States does not use the “class” number to determine relatedness of goods. It uses a **subjective** test that attempts to determine what **consumers** are **likely** to think irrespective of the “class” of goods.
- This creates significant issues in the wine sector and great unpredictability.
- Each case rises and falls on its own merits.

THE HEART OF THE ISSUE

**SUBJECTIVE TESTS ARE DIFFICULT TO
PREDICT!**

WHAT IS RELATED TO WINE IN THE UNITED STATES?

Wine is in Class 33 (covering alcoholic beverages except beer) so it is not unusual that other spirits (vodka, gin, mixed drinks, mead), have been found to be related to wine. While there is no “per se” rule, it just turns out that way 99% of the time.

WHAT IS RELATED TO WINE IN THE UNITED STATES?

But the following have also been found to be related to wine: restaurant services (43), wine bars (43), cigars (34), sauces (30), coffee (30), cheese (29), gift baskets (30), clothing (25), water (32), fruit juices (32), grape juice (30), jams (29), beer (32), carbonated fruit drinks (32) and more!

SERIOUSLY?

How in the world can the PTO claim that consumers are likely to believe that wineries also make cigars, or cheese, or fruit juice and sell them under the same brand name?



THE PTO APPROACH: Proof and Evidence

- The PTO (and its reviewing court) require that relatedness be proven in each case by “substantial evidence.”
- They have also taken the position that the PTO cannot be required to do very much to make that determination, in large part because they do not operate in the real world; they are bureaucrats in Alexandria, Virginia.
- So, as a practical matter, “substantial” means “not very much.”

THE PTO APPROACH: Proof and Evidence

The PTO relies on **three** kinds of evidence in determining relatedness of the goods:

1. Prior registrations in which both goods have been registered by the same company. (This is called the *Mucky Duck* rule, after the case in which it was adopted.)

- This requires more than a handful of registrations, but not many.

THE PTO APPROACH: Proof and Evidence

2. Internet evidence showing that a wine producer also sells the goods under the same trademark.
 - This requires more than a handful of web hits, but not many.

THE PTO APPROACH: Proof and Evidence

3. Internet evidence showing that wine is used with the other goods in a complementary way (on the same occasion) or sold from the same location (retail, restaurants).

- Restaurants require “something more” which essentially means that the two marks be distinctive. (I think that is wrong but it would take a decision of the PTO’s reviewing court to change it.)

THE PTO APPROACH: Proof and Evidence

How does this lead to results that we in the wine business know are rather silly from a commercial standpoint?

- *Because you can find anything on the internet*, and there are small, mom & pop businesses in the United States that make and sell a variety of goods including wine under the same mark. They may also make mead, or beer, or a spirit, or jams, or fruit juices. If the PTO finds 6-10 of those they have made their case.

THE PTO APPROACH: How Did This Happen?

- Many of these refusals would never have been made 15 years ago, and certainly not when I started practicing law in 1980, because there are few registrations containing both wine and the other goods outside of Class 33.
- The growth of the internet, the PTO's recognition that internet evidence is admissible on the question, and the explosion in small wineries in the United States has broadened what the PTO can "prove" to be related to wine.
- Today it is not unusual for the PTO to refuse registration based solely on internet evidence taken from a handful of web sites.

THE PTO APPROACH: Where is the Perspective?

But what about perspective and common sense? After all, there are over 10,000 producers in the United States and these small producers do not sell very much outside of their stores; they are not supermarket brands.

- **There is no perspective. There is no common sense.** Occasionally, this argument works, but it is usually brushed-off.
- In other words, once the PTO decides that it can prove the goods are related to wine, it is very difficult to change their mind.
- My personal view: the PTO approach may only change if its reviewing Court rejects it.
- But it would have to be a pretty important mark for a winery to slog through the expensive process of going through all the appeals. Most wineries cannot afford that or just give up.

SO IS IT HOPELESS?:

The Federal Court Approach

No. The good news is that *Federal Courts do not apply the PTO approach*. They have common sense and perspective.

- There are admissibility issues with the “evidence” that would be used in a PTO case.
- Federal Courts would insist on the perspective discussed earlier and much stronger evidence of relatedness. They will not accept 8 mom & pop wineries as evidence of what the average consumer in the United States is likely to see in a store. Common sense -- what a concept!

SO IS IT HOPELESS?: The Federal Court Approach

- In other words, the argument that 8 instances of a mom & pop winery making wine and jam and selling them under the same mark is “substantial evidence” of relatedness would be mocked in Federal Court.
- The argument that 8 out of 10,000 proves nothing (which is generally not accepted by the PTO) would be successful in Federal Court.




SO IS IT HOPELESS?: The Federal Court Approach

IS YOUR HEAD SPINNING YET?

SO IS IT HOPELESS?: The Federal Court Approach

The reality is that while trademark cases at both the PTO and in Federal Court arise under the same law (the Lanham Act), the results can be very different because the standards, rules of evidence, and presumptions are different.



But this raises two obvious
questions

1. DOESN'T THE CLIENT NEED A REGISTRATION IN ORDER TO SUE IN FEDERAL COURT?

- No, in the United States, trademark rights are acquired through use of the mark in connection with the goods. Unlike most of the rest of the world, a registration is not required in order to sue for infringement.
- The absence of a registration makes it more difficult to make a prima facie case, but it is not necessary.

2. WON'T THE PTO DECISION BE HELD AGAINST THE CLIENT IN FEDERAL COURT?

- No. There is no preclusive effect to a PTO refusal to register.
- But, if the issue was fully litigated before the Trademark Trial and Appeal Board in an opposition or cancellation action, there could be a preclusive effect under some circumstances.

THE BOTTOM LINE

1. If your client gets an odd refusal at the PTO based on goods that are obviously not related from a common sense standpoint, it is not the end of the world.
2. You may be able to get a consent from the owner of the cited mark because they may agree that the refusal is silly. If properly drafted, the consent would be accepted by the PTO.

THE BOTTOM LINE

3. The client still has use-based rights in the United States and could sue on them even without a registration.
4. The argument made by the PTO is unlikely to be successful in Federal Court.

**Thank You! Merci! Danke! Gracias!
Arigato! Tak! Obrigado!**



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