

Protecting Your Brands Through Trademark Law



raft distillers are passionate about their spirits. But having the most innovative, flavorful, hand-crafted spirit in the country will not itself prompt a consumer to buy it. This requires branding: a memorable name and package design that piques a consumer's interest. Even something as simple as a Ball Jar labeled as MOONSHINE communicates something to the consumer about the product's attributes.

What marketers call “branding” is called “trademark” and “trade dress” by lawyers. This article explores some basic considerations about protecting your brands through trademark law.

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WHAT IS A TRADEMARK?

A “trademark” is a sign or symbol that functions as an indicator of a “single source” of goods. This suggests that not all signs or symbols can be protected as trademarks. For example, a generic term such as “Rye Whiskey” cannot be a trademark because that identifies the spirit in the bottle. Everyone who makes a rye whiskey can use the term. Similarly, a descriptive term such as “Great Tasting Rye Whiskey” cannot be a trademark because that simply describes a characteristic of the spirit, i.e., that it “tastes great.” But a distinctive term such as “Stanton Fields Rye Whiskey” can identify a single source of goods, namely, the goods that originate with or from Stanton Fields.

What does this have to do with branding? Plenty. If you want consumers to identify you by your unique brand and you select a name that is generic or descriptive, you have selected a name that stands for multiple sources of goods because anyone can use it. Thus, consumers have no reason to identify the spirit as originating exclusively from you. All they know is that they like the spirits that are called “Great Tasting Rye Whiskey.”

Sometimes, however, a descriptive term is the right one for the product. One winery adopted the mark “Premium Choice” for a table wine. While this was cringe-worthy to their trademark lawyer, the marketing team felt it was the right name for the product and they adopted it.

WHAT IS TRADE DRESS?

“Trade dress” is the non-functional portion of product packaging. It is the “look and feel” of the packaging as a whole. For example, the Maker’s Mark bottle with the dripping wax seal is distinctive and protectable trade dress (as Diageo learned when it was sued by Maker’s Mark for using similar packaging, and lost). Distinctive bottle shapes may also be protected as trade dress. An example might be the long-necked, chamfered-sided bottle used for E & J brandy.

As an example, the brand Jade Absinthe began producing premium absinthes several years ago with diamond-shaped labels showing the degrees of alcohol, a style of label that was commonly used to dress absinthe bottles in the late 1800s in France and up until at least the 1960s by several brands produced in Spain. This style of label was commonly used historically by the Pernod brand, both on absinthe prior to the absinthe bans of the early 1900s and for several years after that on their pastis products, which were marketed as absinthe substitutes in countries that had banned absinthe.

In one case, the Spanish brand, Absenta Argenti, used their diamond-shaped labels until they ceased production in the mid-1970s.

At the time Jade Absinthe started using these diamond-shaped labels, absinthe had just returned to the U.S. market after an absence of more than 80 years. Pernod (now Pernod-Ricard), the company that originally commercialized absinthe in the early 1800s in Europe and now one of the largest spirits producers on the planet, wanted to capitalize on their history to launch their own absinthe product in the U.S. The Jade brands had beaten them to market with a bottle “feel” that was evocative of premium pre-ban absinthes, the segment that Pernod once dominated. As a result, and despite historical evidence that dressing absinthe bottles with diamond-shaped labels was, if not common certainly not exclusive to Pernod, they attempted to stop Jade Absinthe’s use of the diamond-shaped labels. What followed was a lengthy period of legal wrangling, during which the market changed. Jade Absinthes ultimately stopped using the diamond-shaped labels for reasons unrelated to Pernod’s attempts to stop them from doing so, but at least half a dozen other absinthe brands are currently dressing their bottles with diamond-shaped labels.

HOW DO I PROTECT MY TRADEMARKS AND TRADE DRESS?

In the United States, trademarks and trade dress are protected by using them. Outside of the U.S., however, the vast majority of countries require registration with the appropriate national or regional trademark office. A trademark may be used without a registration in those countries, but the trademark owner cannot sue anyone for infringement, even by blatant infringers or pirates, unless it has a registration.

Use-based rights in the United States (also called “common law rights”) are limited to the geographic area in which the spirits are sold. If they are only sold in the five counties surrounding a distillery in upstate New York, that is the extent of the trademark rights. This means that if someone else uses the trademark in a remote geographic area such as Idaho, the New York distillery cannot stop them. If it wanted to expand into Idaho, the distillery in that area could stop them from doing so based on their common law rights.

Recognizing the limitations of common law rights, Congress created a federal registration statute called the Lanham Act. This law allows persons who use, or intend to use, a trademark or trade dress to register it with the United States Patent and Trademark Office (USPTO). When the mark is registered, its owner gets national rights that relate back to the date that

the original application was filed. Thus, going back to our hypothetical, if the distillery in New York was the first to file an application for the trademark, it could stop the newcomer in Idaho from using the mark even though the New York distillery has never sold any goods there.

Filing an application is simple and can be done online. You must specify the trademark and the specific goods—“distilled spirits” is an acceptable description. In the case of an application based on use, you must submit an image showing a bottle, label or necker bearing the trademark and the date of first use. You pay the fee with a credit card.

After approximately three months, an attorney at the USPTO will examine the application. He or she will determine whether the mark is capable of functioning as a trademark (e.g. it is not descriptive or generic) and whether anyone has registered an identical or similar mark for identical or similar goods. For distilled spirits, similar goods generally means any other alcohol beverages and some mixers. If there is a problem, the attorney will issue an “office action” and give you six months to file a response. If you cannot persuade the examining attorney to publish, there is an appeals process. If the application is acceptable, it is published for opposition and interested parties have 30 days to object to it.

Applications filed on a “use” basis will become registrations once they clear publication. Those filed on an “intent to use” basis only become registrations once a statement of use is filed. The Lanham Act gives such applicants three years from the date of “allowance” to file a statement of use, provided that the applicant files an extension request every six months and pays the required fee.

An approved registration can last in perpetuity, provided that you continue using the mark and file the required declarations of continuing use in a timely way.

WHAT ABOUT MY BUSINESS NAME AND DOMAIN NAME(S)?

Business name and domain name registrations do not confer trademark rights. Under some circumstances a business name may support a “trade name” infringement lawsuit, but the mere adoption of a business name is not considered “use” of a trademark. Similarly, domain names are considered to be analogous to street addresses and do not confer any trademark rights unless they are used as trademarks (An example of a domain name used as a trademark is amazon.com). If a domain name incorporates a trademark, the trademark owner may under some circumstances be able to have the domain name assigned to it as part of the Uniform Dispute Resolution

Policy that domain name registrars are required to follow or as the result of “cybersquatting” lawsuit.

HOW DOES THIS RELATE TO COPYRIGHT LAW?

Copyright law protects the expression of ideas in a tangible medium. A label design might be protected by copyright law, but a portion of it could also be protected by trademark law if it functions as an identifier of source (such as a logo.)

WHAT IF SOMEONE IS USING MY MARK?

The Lanham Act protects consumers and, indirectly, trademark owners from a “likelihood of confusion.” If a third party is using an identical or similar mark on identical or similar goods, the owner of the trademark may sue to stop that use and prevent consumer confusion.

An example involved one of the co-author’s Redux trademark for absinthe. A wine producer applied to register Redux as a trademark for wine. It began selling wine with that label, and promoted the brand heavily through social media. Because the distillery had registered the name and it had been in use for years, the winery’s application was rejected. The winery then contacted the distillery and tried to purchase the mark for a tiny amount of money, stating “it’s a good offer, if you don’t take it we’ll just use another mark.” When the distillery said no, the winery said it would stop but did not. This led the distillery to sue the winery in federal court for trademark infringement.

The complaint alleged two things: (a) that consumers who saw the Redux wine were likely to think that it originated with the distillery, or (b) due to the heavy social media and promotion of the wine brand, consumers who saw the distilled spirit with the same name would think that it originated with the winery. Either way, there was trademark infringement. This got the attention of the winery, the case settled, and the distillery was compensated for its time and trouble.

It should be noted in this example that the winery ultimately admitted through their lawyer that they decided to use the mark despite knowing they were infringing on the distillery’s trademark. They did so because they had invested significantly in brand development; including design, printing, media and social media and didn’t want to lose that investment. They thought they could buy their way out of the problem.

What was their mistake? They did not do proper due diligence regarding trademark ownership prior to developing their brand (or what trademark lawyers call a “trademark search.”) Their failure to perform due diligence ended up

costing them not only a significant investment of dollars and time, but ultimately got them sued.

A plaintiff in a trademark case can recover its losses as damages and, in some cases, the defendant's profits. If the infringement is deliberate, the plaintiff can get its attorneys' fees.

From both a business and a legal standpoint, a trademark owner should act quickly to stop any infringement. From a business standpoint, confusion can lead to lost sales and retail opportunities. From a legal standpoint, the law imposes a duty to act diligently and it will bar a lawsuit if the plaintiff waits too long to bring it. (This is called "laches.") In one case, a winery learned of the allegedly infringing trademark and trade dress six weeks before the product was launched nationally because it obtained the sell-in materials provided to the distributors. Instead of acting promptly, it decided to "wait and watch." It sued eight months later after the product had become the best-seller in its category. The court held that the claim was barred by laches.

WHAT ABOUT INTERNATIONAL TRADEMARKS?

Trademark rights are "territorial," which means they must be established separately in each country. Thus, if you want to export your brand you must repeat the due diligence/registration process in each country in which you plan to sell. The European Union has a community-wide trademark registration but you must still search the mark in each country in which you plan to sell. U.S. trademark attorneys are likely to have a network of lawyers across the globe that can do this work on your behalf.

WHAT IF I HAVE A PROBLEM GETTING MY MARK REGISTERED?

A creative trademark lawyer will have experience solving such problems and can sometimes persuade the USPTO that they are wrong and that the mark, should be registered. But sometimes you may have to try to do a business deal with the trademark owner who owns the mark standing in the way of yours. That's what the owner of the Redux wine mark tried unsuccessfully to do.

Another example involved the co-author's gin brand, Golden Moon Gin. When the distillery filed for trademark with the USPTO, the USPTO denied the mark stating that a "foreign equivalent" of the mark already existed. This mark, owned by a winery in Italy, was "Luna d'Or," which loosely translates to "Golden Moon." Due to a treaty, it was registered as a trademark without use in the U.S. The distillery

contacted the Italian winery, discussed the matter, and both parties agreed that their products would not be confused by consumers. The parties then drew up an agreement to co-exist, which was filed with the USPTO, and the Golden Moon trademark was issued.

HOW DO I PROTECT MYSELF FROM AN INFRINGEMENT LAWSUIT?

Infringement lawsuits can be expensive and time-consuming. The mere fact that you are a defendant in a lawsuit can reduce distributor and retailer support for your brand, which will cost you money in lost sales. Unfortunately, trademark infringement is not an insured event under many standard insurance policies, so the carrier may not have a duty to defend.

The standard risk-management tool is called the "trademark search," of which there are two types. The first type is called a "knock-out" search. A trademark lawyer looks at the USPTO and TTB COLA databases, and perhaps does an internet search, to see whether someone else is using the name. The second type is a more in-depth search. The trademark lawyer has a vendor scan multiple databases and truncate the mark, which results in an extensive report. This report is then reviewed by the trademark lawyer, who provides his opinion to the client. If a problem is identified, a trademark lawyer can discuss various options for dealing with it, such as trying to obtain consent.

It is important to understand that there is no guarantee that someone will not crawl out of the weeds and claim infringement. For example, the co-author currently has a case where a winery's trademark registration for wine is being challenged by the owner of a similar mark for a wine club newsletter — wine and newsletters are services that would not normally be considered to be similar.

CONCLUSION

Protecting your brands is important because they are your identity and messaging to your consumer. Understanding trademark law and engaging in proper due diligence prior to investing in your brand minimizes your risk of unnecessary and costly business and legal problems. ■