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## **TRADEMARK OFFICE COMES TO CALIFORNIA**

Nuances of Use in Trademarks

Tuesday and Thursday, June 13 & 15, 2023  
9:15 a.m. – 10:15 a.m.

MCLE: 1 Hour

Speakers:

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### **Conference Reference Materials**

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# **NO TRADE, NO TRADE MARK: An Exploration of the Nuances of Trademark “Use”**

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California Lawyers Association  
The Trademark Office Comes to California  
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# SCOPE OF THIS CHAT

- This is NOT a comprehensive review of the subject. I had to omit many juicy topics in the interests of time. So, we will review some basic concepts and then consider a case study that takes a “real world” look at the concepts we have reviewed.
- Since the program is about the Office coming to California, I will focus on TTAB/Federal Circuit and 9<sup>th</sup> Circuit law. **Other Circuits see some things differently.** Be aware that there is lot of loose language and inconsistencies in the case law because the subject is very fact-sensitive. Decisions can be very “nuanced.”

# TODAY'S ROADMAP

- Four (4) Basic principles:
  - Rights arise from use
  - Priority
  - Continuity
  - Tacking
- Case Study: The Wine Group v. L & R Wine Company (E.D. Cal)

# FIRST PRINCIPLE: TRADEMARK RIGHTS ARISE ONLY FROM USE

**“NO TRADE, NO TRADE MARK”**

*Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403, 413 (1916) (“the right grows out of use, not mere adoption”); *accord Miller v. Glenn Miller Prods., Inc.*, 454 F.3d 975, 979 (9th Cir. 2006); *Hydro-Dynamics Inc. v. George Putnam & Co. Inc.*, 811 F.2d 1470, 1473 (Fed. Cir. 1987).

Lanham Act 15 U.S.C. § 1127: a trademark/service mark is “any word, name, symbol, or device, or any combination thereof  
(1) **used by a person**”

# FIRST PRINCIPLES: But, But, But .....

- **ITU applicants.** They have no substantive rights until they have use. 15 U.S.C. §§ 1051 (d)(1), 1057 (c).
- **Section 44 and 66A registrations.** They are entitled to filing priority and, at least in the 9<sup>th</sup> Circuit, can sue for infringement as long as they are using the mark in the USA and even though that use began after the defendant's. 15 U.S.C. §1141h (a)(3) (use not required for registration); *Lodestar Anstalt v. Bacardi & Co., Ltd*, 31 F. 4th 1228, 1246-1250 (9<sup>th</sup> Cir. 2022).
- **Use analogous to use.** This is not use for application purposes but it may be considered “use” for priority purposes. *T.A.B. Sys. v. PacTel Teletrac*, 77 F.3d 1372, 1375 (Fed. Cir. 1996)(“substantial impact on the consuming public”).

# LANHAM ACT DEFINITIONS

## 15 U.S.C. § 1127

- On **services** when it is used or displayed in the sale or advertising of services and **the services are rendered in commerce**, or the services are rendered in more than one State or in the United States and a foreign country and the person rendering the services is engaged in commerce in connection with the services.
- You must actually render the services. *Aycock Engineering, Inc. v. Airflite, Inc.*, 560 F. 3d 1350, 1360-61 (Fed. Cir. 2009). Mere advertising is insufficient. *The Clorox Company v. Hermilo Tamez Salazar*, 108 U.S.P.Q.2d 1083 (TTAB 2013).

# LANHAM ACT DEFINITIONS

## 15 U.S.C. § 1127

Whether it is goods or services:

- **Mere preparatory activities are not use.** *Lyons v. Am. Coll. of Veterinary Sports Med. & Rehab.*, 859 F.3d 1023 (Fed. Cir. 2017).
- **Advertising and promotion are not use.** *Sinclair Oil v. Kendrick*, 85 U.S.P.Q.2d 1032 (TTAB 2007).
- **Internal use is not use.** *City National Bank v. OPGI Management*, 106 U.S.P.Q.2d 1668 (TTAB 2013).
- **Use on a web site is not use.** *The Clorox Company v. Hermilo Tamez Salazar*, 108 U.S.P.Q.2d 1063 (TTAB 2013).

# LANHAM ACT DEFINITIONS

## 15 U.S.C. § 1127

- It must be “use[d] in commerce”
- It must be “bona fide” use in the “ordinary course of trade.” This was added in 1989 by the TLRA to make it clear that “token use” was no longer “good use.”
- On **goods** when—

(A) it is placed in any manner on the goods or their containers or the displays associated therewith or on the tags or labels affixed thereto, or if the nature of the goods makes such placement impracticable, then on documents associated with the goods or their sale, and

(B) **the goods are sold or transported in commerce**

# LANHAM ACT DEFINITIONS

## 15 U.S.C. § 1127

- Easy peasy or clear as mud?
- There has been a lot of litigation over these very simple words.

# PROVING YOUR CASE

- In most cases, “use” is not an issue. Sales records + oral testimony + packaging = use. But, when it is an issue, it can be devilish. So, before we move into specific cases and issues, think about them with your litigator’s cap on.
- In general, the cases teach us several things:
  - These issues are very fact-sensitive.
  - Marshall your facts early and make sure you can make them admissible.
  - While use issues are not like fraud which must be “proven to the hilt,” the 9<sup>th</sup> Circuit and the Board usually want more than just the client’s word. While oral testimony might be sufficient without corroboration, some quantum of tangible evidence is needed to push the case your way. How much is needed? Who knows? *Tao Licensing, LLC v. Bender Consulting Ltd.*, 125 U.S.P.Q.2d 1043 (TTAB 2017)(it is “just my word to you”); *Scott Stawski v. John Gregory Lawson*, 129 U.S.P.Q.2d 1036 (TTAB 2018)(same).
- See L. Ritchie, "Recognizing the "Use"-fulness of Evidence at the TTAB," 112 Trademark Reporter 635 (May-June 2022).

# IN COMMERCE REQUIREMENT

- **The products do not need to cross state lines.** *Larry Harmon Pictures v. Williams Restaurant*, 929 F. 2d 662, 666 (Fed. Cir. 1991).
- The use must **affect** interstate commerce. *In re Gastown, Inc.*, 326 F.2d 780, 782 (CCPA 1964)(service station located on an interstate highway). This must be construed broadly. *Christian Faith Fellowship Church v. Adidas AG*, 841 F. 3d 986, 990-992 (Fed. Cir. 2016)(sale of two hats from a church yard sale to someone from out-of-state).
- **The use must be in the United States or with a foreign country.** *Person's Co., Ltd. v. Christman*, 900 F.2d 1565, 1568-69 (Fed. Cir. 1990); *Meenaxi Enterprise, Inc. v. Coca-Cola Company*, 38 F.4th 1067, 1073-1075 (Fed. Cir. 2022)(no cause of action for cancellation where the mark was only used outside the United States and there was no reputational injury in the United States); *Fiat v. ISM, Inc.*, 94 U.S.P.Q.2d 1111 (TTAB 2010).

# IN COMMERCE REQUIREMENT

But:

- **9th Circuit** – *Grupo Gigante SA de CV v. Dallo & Co., Inc.*, 391 F. 3d 1088 (9th Cir. 2004)(use of a famous mark in a foreign country may confer rights in the United States if a substantial portion of the relevant consuming public is aware of it.) *Contra, Sun Hee Jung v. Magic Snow, LLC*, 124 U.S.P.Q.2d 1041 (TTAB 2017).
- **Federal Circuit** – *First Niagara Insurance Brokers, Inc. v. First Niagara Financial Group, Inc.*, 467 F.3d 867 (Fed. Cir. 2007)(for purposes of being able to pursue a statutory cause of action, use in commerce is not required; Canadian company had sufficient contacts with the US citizens to satisfy the statutory standard.)

# BONA FIDE USE – 9th CIRCUIT

- *Chance v. Pac-Tel Teletrac Inc.*, 242 F. 3d 1151 (9th Cir. 2001)(“totality of the circumstances”); *accord Rearden LLC v. Rearden Commerce, Inc.* 683 F.3d 1190 (9th Cir. 2012).
- *Parks and Rec. California v. Bazaar del Mundo*, 448 F.3d 1118, 1127 (9th Cir. 2006)(“two brochures, without any evidence of sales activity and extent of distribution, falls far short of what is required to establish genuine prior commercial use”).
- *La Societe Anonyme des Parfums LeGalion v. Jean Patou, Inc.*, 495 F.2d 1265 (9th Cir. 1974)(minimal sales and no genuine plan to use the mark did not give rise to trademark rights; “it is clear to us that Patou has never put its product on the market in any meaningful way; indeed, it has given no indication that it has any current plans to do so”)(Note that this was pre-TLRA where the standard was lower.)

# BONA FIDE USE - TTAB

- “Thus, the issue we must decide is whether opposer’s April 2005 and August 2006 sales were test sales for legitimate commercial purposes in the ordinary course of trade or token sales to reserve the mark for registration. If the sales at issue were made for legitimate marketing or other commercially reasonable reasons in the ordinary course of trade (i.e., genuine use of the mark), then we must find that the sales constitute bona fide use of the mark in commerce.” *Automedx, Inc. v. Artivent Corp.*, 95 U.S.P.Q.2d 1976 (TTAB 2010).
- Must be commercial use of the type common in the industry. *Paramount Pictures Corp. v. White*, 31 U.S.P.Q.2d 1768 (TTAB 1994)(reviewing changes made by the TLRA).
- Under both 9<sup>th</sup> Circuit and TTAB case law, the issue is very subjective and nuanced.

# THE USE MUST BE LAWFUL

- The use must be lawful. *CreAgri, Inc. v. USANA Health Sciences, Inc.*, 474 F. 3d 626 (9th Cir. 2007).
- This is one area where the TTAB diverges somewhat from the 9<sup>th</sup> Circuit. The TTAB requires a *per se* violation of the law or a previous enforcement action. This rationale has been applied in the cannabis cases. *In re Brown*, 119 U.S.P.Q.2d 1350, 1351 (TTAB 2016). One decision suggested this applied this to the sale of alcohol beverages without a Certificate of Label Approval. *Scott Stawski v John Gregory Lawson*, 129 U.S.P.Q.2d 1036 (TTAB 2018)(citing *Tassel Ridge Winery, LLC. V. Woodmill Winery, Inc.*, 2013 WL 5567505 (W.D. NC 2013)); *contra Churchill Cellars, Inc. v. Brian Graham* (Opposition No. 91193930)(not precedential)(TTAB 2012).

# SECOND PRINCIPLE: PRIORITY

- The rights presumptively go to the first to use (or to file an intent to use application). *Sengoku Works Ltd. v. RMC International Ltd*, 96 F.3d 1217 (9th Cir. 1996). But, in the 9<sup>th</sup> Circuit, common law rights are limited to the geographic area of trading. *Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403 (1916)(common law rights limited to the geographic area of trading); *Adray v. Adray-Mart, Inc.*, 76 F.3d 984 (9th Cir. 1995)(common law rights limited to geographic area of market penetration).
- Think of this like a poker game.
- **ACE HIGH.** The first to file presumptively has national priority as of the filing date, provided that a registration is issued. 15 U.S.C. §§ 1057 (b), 1115 (a); *Sengoku Works Ltd. v. RMC International Ltd*, 96 F.3d 1217 (9th Cir. 1996); *Automedx, Inc. v. Artivent Corp.*, 95 U.S.P.Q.2d 1976 (TTAB 2010).

# SECOND PRINCIPLE: PRIORITY

- **TWO PAIR.** The person who uses the mark prior to the filing date of the other party's application in most cases has the right to register the mark unless the registration is incontestable.
- (An incontestable registration is one where an affidavit of continuing use and no actual/pending challenges to ownership is filed between the 5th and 6th year of registration. 15 U.S.C. §§ 1065, 1115 (b); *see Park 'N Fly, Inc. v. Dollar Park & Fly, Inc.*, 469 U.S. 189 (1985)).

# SECOND PRINCIPLE: PRIORITY

- **THREE OF A KIND:** In the 9<sup>th</sup> Circuit, common law rights are limited to the geographic area of use. That means that if the registrant (who was the first to file but not the first to use) has used the mark in a geographic area prior to the first use of the other party in that area, it will have rights in those areas even if its registration is cancelled by the prior user. *See Adray v. Adray-Mart, Inc.*, 76 F.3d 984 (9th Cir. 1995)(common law rights limited to geographic area of market penetration). **Note that the Board and the Federal Circuit apply a broader standard, giving an allowance for zone of expansion.** *Weiner King, Inc. v. The Weiner King Corp.*, 615 F.2d 512 (CCPA 1980); *Pinocchio's Pizza, Inc. v. Sandra, Inc.*, 11 U.S.P.Q.2d 1227 (T.T.A.B. 1989).
- Prior users can petition to cancel a contestable registration even if that use is limited geographically. *See Barnhardt Manufacturing Company v. Wildwood Gin, Inc.*, No. 92053237 (TTAB 2013)(non-precedential)(sales to one customer).

# SECOND PRINCIPLE: PRIORITY

- **FOUR ACES.** If the registration is incontestable, the registration will not be cancelled and the prior user's rights will be frozen in the geographic area of use at the time the application was filed. 15 U.S.C. §§ 1065, 1115 (b)(5).
- **ROYAL FLUSH.** If the registration is incontestable, it resulted from a use-based application, and the prior user knew, prior to the filing date, that the registrant was using the mark, they cannot continue use. 15 U.S.C. §§ 1065, 1115 (b)(5).
- But, the Ninth Circuit has suggested that Section 1115 (b)(5) (the “innocent user defense”) applies to all registered marks, thereby freezing the prior user geographically. *Quicksilver, Inc. v. Kymsta Corp.*, 466 F.3d. 749, 761-762 (9th Cir. 2006); *see* Ninth Circuit Civil Jury Instructions § 15.23 (suggesting that under certain circumstances use before the application was filed may not be enjoined).

# SECOND PRINCIPLE: PRIORITY

- But what if the marks are not inherently distinctive? Does the first to use or file win?

NO

- Where neither of the marks is inherently distinctive, the first to have **acquired distinctiveness** wins priority. *E. & J. Gallo Winery v. Pasatiempos Gallo, SA*, 905 F. Supp. 1403 (E.D. CA 1994); *Perma Ceram Enterprises Inc. v. Preco Industries Ltd.*, 23 U.S.P.Q.2d (TTAB 1992).
- Acquired distinctiveness may be difficult to prove. *See* Ninth Circuit Civil Jury Instructions § 15.11; *Converse, Inc. v. ITC*, 909 F.3d 1110 (Fed. Cir. 2018).

# WHAT HAPPENS IF YOU ARE PREPARING TO USE THE MARK AND SOMEONE BEATS YOU TO IT?

- **Use analogous to use.** This means that you had engaged in activities sufficient to create public awareness of the mark even though sales had not yet begun but they began at a later date. *New West Corp. v. NYM Co. of Calif., Inc.*, 595 F.2d 1194 (9th Cir. 1979); *accord Reardon LLC v. Rearden Commerce, Inc.*, 683 F. 3d 190 (9th Cir. 2012).
- *Aycock Engineering, Inc. v. Airflite, Inc.*, 560 F.3d 1350 (Fed. Cir. 2009)(no analogous use found); *TAB Systems v. Pactel Teletrac*, 77 F. 3d 1372 (Fed. Cir. 1996)(same).
- There must be a substantial impact on the purchasing public; the Board appears to be pretty loose with this requirement.

# THIRD PRINCIPLE: CONTINUITY

- If you are going to claim priority based on common law rights, you must show continuous use. 15 U.S.C. § 1115 (b)(1)(5) (“That this defense or defect shall apply only for the area in which such continuous prior use is proved.”). *See Quicksilver, Inc. v. Kymsta Corp.*, 466 F.3d. 749, 761(9th Cir. 2006).
- Note: This is not the same as abandonment (discontinuance of use without the intention of resuming use.) 15 U.S.C. § 1127.
- But, the Federal Circuit does not require continuity for priority purposes so long as the mark has not been abandoned. *West Florida Seafood Inc. v. Jet Restaurants Inc.*, 31 F.3d 1122 (Fed. Cir. 1994).

# FOURTH PRINCIPLE: TACKING

- Tacking is the ability of a trademark owner who has changed the form of use of the mark to “tack on” the priority date of the earlier form of the mark.
- Must create the same commercial impression. The test is “exceedingly strict” and applies only in “exceptionally narrow” circumstances. Ninth Circuit Civil Jury Instructions §15.14.
- This is disfavored and rarely successful. *One Industries v. Jim O’Neal Distr.*, 578 F.3d 1154 (9th Cir. 2009); *but see Hana Financial, Inc. v. Hana Bank*, 735 F.3d 1138 (9th Cir. 2013), *affirmed*, 135 S.Ct. 907 (2015); *In re Nielsen Bus. Media, Inc.*, 93 U.S.P.Q.2d 1545 (TTAB 2010)(finding THE BOLLYWOOD REPORTER is not the legal equivalent of the registered marks THE HOLLYWOOD REPORTER).

# CASE STUDY

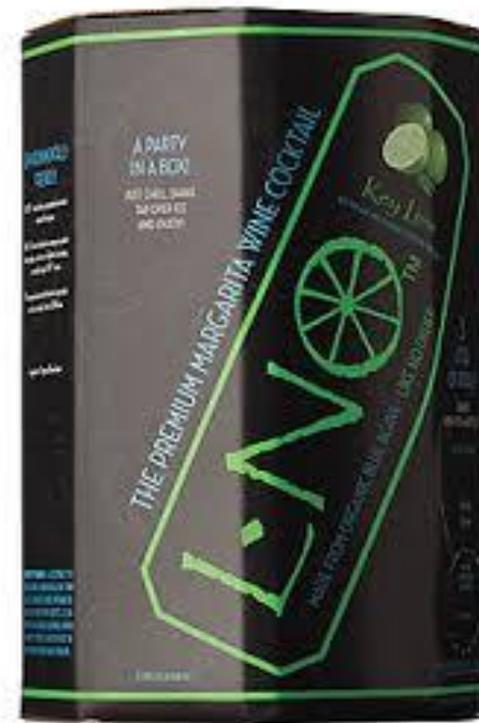
The Wine Group v. L and R Winery,  
2:10-cv-02204-MCE-KJN (E.D. CA 9/7/12).

# TWO OCTAGONAL BOXES

Plaintiff TWG



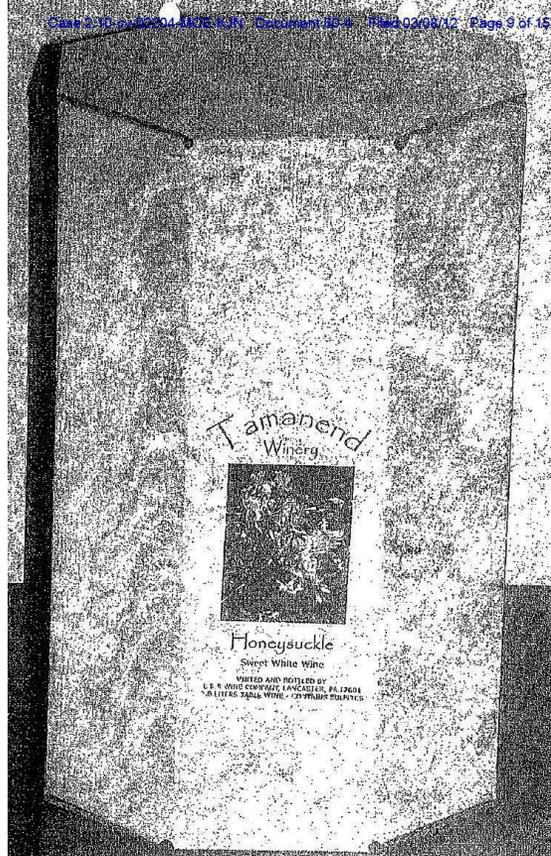
Defendant L & R



# THE PARTIES

- Plaintiff is a California winery; second largest in the USA. It had two federal registrations (filed in 1999 and 2009) for octagonal box designs that were used with its BIG HOUSE brand of wine.
- Defendant was a winery in Lancaster, PA. In its Answer and Counterclaim, it claimed prior use from 2008 based on the use of an octagonal box in 15 states for its TAMANEND brand of wine. (The winery was sold in 2015 and its owner/winemaker is now a wine consultant.)

# THE ONLY PHOTO OF THE BOX L & R ALLEGEDLY USED



Do you notice something missing?  
What is unusual about this photo?

# KEY DATES

- TWG: Filing Date 1st Registration for an octagonal box **April 28, 1999**
- L & R: Claimed F/U Date of TAMANEND in the octagonal box (claimed sales in 15 states) **February 2008**
- TWG: Filing Date of 2d Registration **March 3, 2009**
- TWG: F/U by TWG of 2d Registration for BIG HOUSE in the octagonal box **February 2010**
- L & R: F/U of LNO in the octagonal box **April 2010**

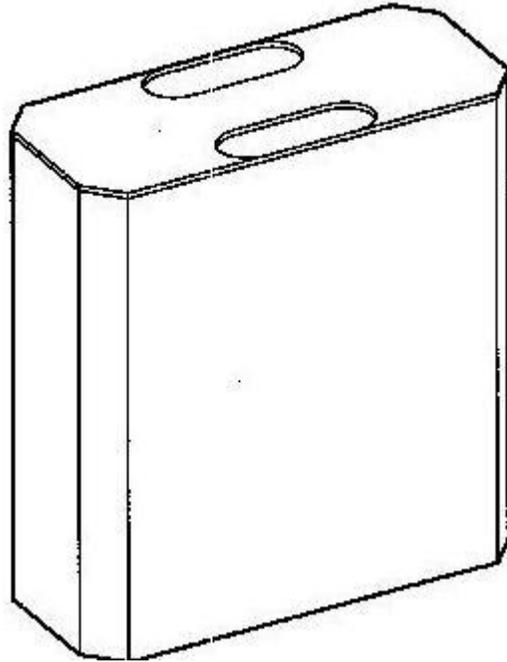
# PRIORITY?

Easy Call, right? TWG wins because it filed first – April 28, 1999 – **before** L & R allegedly used its octagonal box on TAMANEND wine.

# PRIORITY?

BUT LOOK AT THE TWO REGISTRATIONS:

1999 Application



2009 Application



# CAN TWG USE THE PRIORITY DATE OF THE 1999 REGISTRATION?

- **Tacking:** Do the two packages create substantially the same commercial impression? No.
- **Abandonment:** The 1999 package had not been used for three years; no intention to resume use? Yes.
- **Likely Confusion:** Sufficiently similar to the TAMANEND & LNO boxes? Probably not.

**“OOPSY, IF L & R CAN PROVE ITS DEFENSE, THEN THEIR TAMANEND WINE SOLD IN 15 STATES HAS PRIORITY.”**

# SO WHY DID YOU SUE THESE GUYS IF YOU DID NOT HAVE PRIORITY?

- I knew L & M began using the octagonal packaging for LNO wine, and received the Certificate of Label Approval (“COLA”) for the packaging, long AFTER the filing date of the second TWG application for an octagonal box. The only octagonal packaging on their web site was LNO.
- The claimed prior use in 15 states for TAMANEND made no sense. This little winery could not have been selling a sweet, white wine from PA in 15 states; there is no market for it. They did not have the capacity to make enough wine to make that commercially feasible. There was no COLA and no web presence, even with a WayBack search. In short, their claim did not pass the smell test.

# NOW WHAT?

- TWG must “knock out” L & R’s 2008 first use date, which meant we had to show no bona fide commercial use prior the March 3, 2009 priority filing date of the second TWG registration.
- But the second TWG registration was contestable so it might be cancelled.
- If the registration was cancelled, then TWG must also deal with the L & R’s claim that it had common law rights in 15 states prior to the TWG national launch in 2010; TWG could lose these states in addition to Pennsylvania. This would be a huge problem with customers, distributors and retailers.
- To say that the stakes were high for TWG was an understatement.

# WHY DID L & R CARE?

- **Ego.** Their owner genuinely believed that he had rights to the box because he had created it (but mere adoption does not confer rights). *Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403, 413 (1916).
- **Sense of justice.** They thought we were bullying.
- **Free defense.** Their carrier covered the claim so they would not pay for the defense or any damages (which we were not seeking anyway).
- **Money.** They were struggling financially (and ultimately sold 3 years later). They smelled big \$\$\$ in settlement. They knew that losing 15 states or even Pennsylvania would be a huge blow. (PA is a control state and losing it might have had a ripple effect across the entire TWG product line). They made a big push to settle early-on but we wanted to see their cards first. Once we knew that their case was a sham, the value of settlement fell significantly for us. Oddly, they never tempered their demand. “It’s just a flesh wound.”

# KEY LEGAL PRINCIPLES

- The registration is presumed to be valid. 15 U.S.C. §1057 (b), 1115 (a). *Zobmondo Entertainment, LLC v. Falls Media, LLC*, 602 F.3d 1108 (9th Cir. 2010); *Brookfield Communications, Inc. v. West Coast Entertainment Corp.*, 174 F.3d 1036, 1047 (9th Cir. 1999).
- Because prior use is a defense/counterclaim, L & R had the burden of proof, not TWG. *See Tie Tech, Inc. v. Kinedyne Corp.*, 296 F.3d 778, 783 (9th Cir. 2002).

# STRATEGY – THINK OUTSIDE THE BOX (SO TO SPEAK)

- Assuming that L & R had sales or transport of the goods:

Show that any use by L & R on TAMANEND wine was: (a) token, and/or (b) not bona fide because it was inconsistent with what a reasonable winery would be expected to do when launching new packaging. *Chance v. Pac-Tel Teletrac Inc.*, 242 F. 3d 1151 (9th Cir. 2001) (“totality of the circumstances;” cannot be “token” use). In other words, if you are going to sell a new brand of wine in new packaging in 15 states, there are some very basic things you would have to do in order to accomplish that commercially.

# DISCOVERY PLAN

- Requested all documents concerning TAMENEND that we would expect to see such as sales invoices, COLAs, shipment and excise tax records. No tax or no COLA = no lawful use. (Tax could be a criminal problem).
- Coupled that with interrogatories: sales, States, distributors, promotional spend, people with knowledge.
- Third party subpoenas/depositions of the box manufacturer, the lining/spout manufacturer, and a PR firm that allegedly had knowledge.
- Deposition of the owners (husband and wife).
- Expert testimony from a wine expert on the *Chance* standard.

# WHAT DID WE LEARN?

- There was no question that L & R had worked with a vendor prior to March 2009 to develop an octagonal box. But there was a dearth of evidence one would have expected to have seen if any use prior to March 2009 had been bona fide.
- What was missing? **Everything**: sales invoices, marketing data, excise tax data, budget, business plan, invoices, COLAS, distributors, social media references, promotional activities, market research, packaging testing, etc., etc.
- In short, although the owners of L & R testified that there were sales in 15 states, there was nothing to corroborate this testimony. While the wife was supportive of her husband, she would have destroyed in front of a jury. It was all made up.

# WHAT ELSE DID WE LEARN?

- The boxes were comped, hand cut “prototypes.” Perhaps as many as 8.
- There was only one B & W photo of an assembled box; no visible place for the tap. Not what one would have expected for an actual product being sold in 15 States.
- L & R did not place an order for TAMANEND boxes: “too expensive”
- At best, the boxes were hand assembled at the winery and put in the tasting room. But, it is not possible to fill a bladder with wine, seal it, and insert it into the box by hand. Any assembled box had to be empty, which is consistent with L & R’s claim that they wanted to use the box as a marketing tool for the LNO launch.
- The packaging integrity testing had not been completed due to cost issues. You would not launch a new packaging without testing whether it would maintain its integrity when shipped stacked on a pallet to distributors in 15 states.

# BUT WAIT, THERE'S MORE!

- L & R was offered **free PR** by the bag supplier for the octagonal box in March 2009 but eventually used the standard rectangular box for TAMANEND because the octagonal one “was not ready for prime time,” “wasn’t finished,” “not ready to show to customers,” “was still a concept,” and L & R “might not even have accepted an order” for TAMANEND packaged in it.
- Oddly, the damning documents were e-mails to/from L & R and third party witnesses and not produced by L & R. “We could not find them. That’s not what happened.” (This is why you do third party discovery).
- L & R had a damages expert (a forensic accountant) who said that TWG owed them millions in damages and restitution for infringement.

# TWG EXPERT OPINION

- “When I consider all the facts and circumstances, and compare what L. & R. did (and most importantly what it did not do), to what is customary in the wine business, it is my opinion that they did not make a genuine effort to develop the potential for the octagonal box in connection with TAMANEND wine nor did they develop any consumer recognition or goodwill in the octagonal box as a source for their wine. For all the reasons stated above there was not a commercially reasonable effort for the wine business; at best it was a token use.”
- And if you doubt me, compare TAMANEND to what was done for the LNO launch (where L & R did everything that they did not do with TAMANEND).

# SUMMARY JUDGMENT MOTION

- I filed a summary judgment motion because L & R had bet everything on the prior use argument and there was no evidence to support it. The *Sleekcraft* (*duPont*) factors weren't in genuine dispute. We had a survey; they did not.
- I did not focus on the *CreAgri* argument. I felt that we did not need it because there was no evidence of use. Keep it simple. There are a finite number of pages.
- I also did not argue that sales from the tasting room were not use in commerce. You do not need that for priority, and with “commerce” defined as that which can be regulated by Congress, it would be a loser because the alcohol beverage industry is heavily regulated. Also, Lancaster is a popular tourist area and I know from personal experience that people from outside PA travel there. Stick to the winning arguments.

# SUMMARY JUDGMENT GRANTED

“L&R’s prior use claim and defense must fail because the claimed sales of Tamanend wine in the box prior to March 3, 2009 are (a) based entirely on the uncorroborated and self serving testimony of L&R’s executives and there are no facts on which the Court can determine whether that claimed use resulted in common law rights, and (b) even if L&R’s alleged sales of wine in octagonal boxes prior to March 3, 2009, occurred, they were not a genuine commercial use of the box as they were limited to some unknown number of sales of the Tamanend wine made from the Lancaster tasting room and unaccompanied by any demonstrated intent to commercialize those sales prior to TWG’s application for the trademark.”

# WHAT IF L & R HAD WON THE PRIOR USE ARGUMENT?

- **Federal Court.** Their use would have been limited by PA common law to their local area (probably Lancaster County, PA) because at the end of the day the only claimed sales were out of the tasting room in Lancaster. TWG would have gotten the rights in the rest of the country because it was the first to sell there. *See Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403 (1916)(common law rights limited to the geographic area of trading); *Adray v. Adray-Mart, Inc.*, 76 F.3d 984 (9<sup>th</sup> Cir. 1995)(common law rights limited to geographic area of market penetration); *Zimmerman v. Holiday Inns of America, Inc.*, 438 PA 528, 535-38 (Pa. 1970), *cert. denied*, 400 U.S. 992 (1971) (under Pennsylvania common law, prior user's rights are limited to the area in which they had ben perfected).
- **TTAB.** The 2d TWG registration would have been cancelled. *National Bank Book Co. v. Leather Crafted Products, Inc.*, 218 U.S.P.Q. 826 (TTAB 1993).

# ANALOGOUS USE

- L & R did not argue it.
- Would have failed in the 9<sup>th</sup> Circuit because there was no significant impact on the purchasing public; at best up to 8 assembled (and likely empty) boxes were displayed in the tasting room. While in my opinion the Board tends to be liberal about the public recognition portion of the Federal Circuit test, I can't see the Board saying that this was analogous use because the only "evidence" was the uncorroborated testimony of the owners of L & R that they displayed and "sold" TAMANEND wine in the octagonal box from their tasting room in Lancaster. No evidence of substantial recognition among the consuming public.

# WOULD THE TTAB HAVE DECIDED IT DIFFERENTLY?

- Summary judgment would have been unlikely; very hard to get on a good day.
- I can't say whether the Board would have accepted the argument that the use (if there was use) was not bona fide. But, I think this is very much like cases such as *Tao Licensing* and *Stawski* where there was simply no evidence to corroborate the claim of use, i.e., sales or transportation in commerce. The expert report was very helpful on this because he explained what should be there, but wasn't AND because he showed what L & R had done in launching LNO. L & R was unlikely to win that argument in any venue.

# LAW SCHOOL EXAM QUESTION

- **Would the outcome have been different if L & R had invoices for the eight boxes?**
- **9<sup>th</sup> Circuit** – Maybe not - “totality of the circumstances.” At best 8 sales from the tasting room. I would have also argued *CreAgri* (no COLA and no tax paid). But, they may have gotten to a jury on bona fides. Would/should we have tried the case? Not really concerned about the damages risk because their expert probably would have been tossed on a *Daubert* motion: (a) unqualified, and (b) too much voodoo in her analysis (“that’s what we experts do.”) Given the great PA law on the scope of common law rights, the risk of a sweeping injunction that would have harmed the business was low.
- **TTAB** – Maybe. The Board does not require use in commerce on a prior use claim, and given the intent to use the box for LNO (even if the box was slightly different), there was probably no abandonment. *See West Florida Seafood Inc. v. Jet Restaurants Inc.*, 31 F.3d 1122 (Fed. Cir. 1994). *CreAgri*? Would the lack of bona fides have mattered? Would the Board have agreed with the Court’s decision that this was not a genuine commercial use? Would that have mattered?

# PRACTICAL INSIGHTS

- Coverage by the carrier made the case impossible to settle. They made an insane demand at the settlement conference and that really torqued the Judge. They promised evidence that they did not have. Hurt them on SJ.
- L & R's lawyers were neither litigators nor trademark lawyers. They were patent prosecution lawyers. They did not understand that without corroborating evidence, their clients' testimony was insufficient to prove prior use. They thought they had a "slam dunk" case and TWG would eventually cave. We called their bluff. They had a "6 high."
- When you get thrown a Sandy Koufax curveball, don't panic:
  - Trust your nose. This defense smelled fishy from the outset ... and it was.
  - Don't talk yourself into bad decisions to save the ship from sinking. Be creative, bold and brave. They had the burden of proof; hold them to it. At some point their case was reduced to "lawyer's argument," and that is not evidence.
  - Be honest and candid with the client.

# EPILOGUE

- During the Summary Judgment process, L & R's lawyers violated the Court's rules by filing multiple SJ motions. The Judge did not like this (and remember that he was torqued by their position at the settlement conference):

“One would think that before filing this motion, L&R's counsel would have conducted extensive discovery and marshaled the evidence and law in support of these claims and thought long and hard about Federal Rule of Civil Procedure 11(b)'s admonitions regarding representations to the Court before filing this motion. One would be wrong.” Ouch.

- The Court sanctioned L & R and its counsel and was prepared to award TWG its attorneys' fees and impose a monetary sanction. The carrier paid TWG mid-six figures which more than covered the attorneys fees' and costs. Happy client!

# AND FOR THE LITIGATION GEEKS ....

How did we have personal jurisdiction in California over a small winery in Lancaster, PA?

- 9<sup>th</sup> Circuit test for personal jurisdiction – foreseeable impact on **plaintiff** in the forum and **plaintiff's** injury in the forum. *Fiore v. Walden*, 657 F. 3d 838 (9th Cir. 2011). Easy for us to satisfy.
- But don't try this in your next case because the Supreme Court repudiated this test in *Walden v. Fiore*, 571 U.S. 277 (2014)(you have to look whether the **defendant's** actions connect it to the forum in a meaningful way).

**AND REMEMBER, AS LAWYERS WE  
ALL GET PROFESSIONAL COURTESY!**



# Thank you!

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## **Paul W. Reidl**

Paul Reidl has been practicing law for over 40 years, representing clients in trademark matters in both the United States and overseas. He is a frequent litigator before Federal courts and the Trademark Trial and Appeal Board. He has also testified as a trademark expert on numerous occasions.

Paul joined the Intellectual Property group of Dickenson, Peatman & Fogarty as Of Counsel in February 2022 after thirteen years of solo practice. Prior to starting his own firm in 2009, he was Associate General Counsel with E. & J. Gallo Winery for 18 years. Prior to that, he was a litigator with Crowell & Moring in Washington, D.C.

Paul is a current member of the Trademark Committee of the Biodynamic Federation of Demeter International. He is also a member of the Board of Directors of the United States chapter of the International Wine Lawyers' Association (AIDV).

In 2006, he was president of the International Trademark Association (INTA). He is a frequent speaker and writer on trademark issues, and from 1999-2010, he was a faculty member of the Practising Law Institute. Paul has been a guest lecturer on trademark law at George Washington University, and over the years has conducted training sessions on wine trademarks for the USPTO Examining Attorneys.

In addition, Paul recently published his first book, a biography of his grandfather, titled *Vell, Vell, Vell: The Life of a Twentieth Century American Immigrant*. He is working on his second book, tentatively titled *Death and Resurrection*.

Paul received his B.A. (in political science and speech communication, with a minor in theology) in 1977 and a J.D. in 1980 from George Washington University, where he was a member of Phi Beta Kappa and the Law Review. While in law school, he taught Speech Communication at GWU for three years.