

The Marketing Power of Multiple Personalities

Compliance lesson #1 for marketers



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Although circumstances continually force us to rely on each other, marketers and compliance people seem to come from different planets. At least, that's how it can feel when the marketing people enthusiastically announce an exciting new promotion scheme, and the compliance folks solemnly pronounce three reasons why it can't legally be done.

Since new marketing ideas invariably mean that our orderly world of approved permits, labels, and shippers certificates is about to get messy again, a compliance person's attitude toward marketers normally is "don't encourage them!" But today, we break with tradition and address this column to the creative men and women of the marketing department. We applaud your success using the "divide and conquer" strategy to expand wine consumption by introducing new, demographically-targeted brand and trade names. We offer the information in this article specifically to encourage you!

THE ADVANTAGES OF MULTIPLE PRODUCT LINES

The proliferation of new product lines

SHORT COURSE

- ▶ Secondary labels help wineries move more cases without cannibalizing existing sales.
- ▶ Using a new trade name is key to creating a distinct brand image.
- ▶ Gallo's Turning Leaf label illustrates how trade names obscure the real producer.
- ▶ Bottling under assumed trade names fulfills many other important purposes, too.
- ▶ Streamlined procedures are now available for adding trade names to federal permits.
- ▶ Permittees should protect their trade names, and not rely on TTB to do so.

separate and unique brand of wines.

Often the new brand must appear to be from a new winery crafted in the image of the market segment to be conquered. Just ask E & J Gallo how important it was to the total marketing package for Turning Leaf that the production statement said "produced and bottled by Turning Leaf Vineyards" and not E & J Gallo Winery. In this case, the proverbial elephant—the largest winery in the world—quite effectively hid behind a sapling—a line of mandatory

with distinct brand names has proven effective for helping wineries appeal to new groups of consumers, compete at a variety of price points, and move more cases without cannibalizing existing sales. In some cases, the winery makes no secret of the fact that their entire family of brands comes from the same producer. But increasingly, wineries are finding it useful to separate their multiple personalities more thoroughly, in order to more convincingly do something different without influencing their established reputation. For the wine marketer, creating a new, distinct bottling trade name to go with a new brand name is the secret of success for creating an independent identity for a

information only 3 mm tall. Kendall-Jackson was sufficiently alarmed by the effectiveness of Gallo's disguise to try to stop it in court.

But is it not only the mega-wineries creating new brands that benefit from the ease and flexibility of multiple trade names. Smaller wineries have often expanded by creating secondary labels to avoid diluting their flagship brand or to create a unique product. Bottling under proprietary trade names also allows the vibrant negotiator tier of the wine industry to develop successful self-standing brands of their own, while helping the winery and grower tiers by making use of excess production capacity, grapes, and available bulk wine.

The same strategy allows wineries the flexibility to outsource bottling when needed, while maintaining a consistent image in the consumers' eyes. It also helps a new winery hit the ground running with "their own" bottle-aged wine the day they open their doors. And it satisfies the needs of growers who want their own trade name in the "bottled by" statement of custom crushed wine.

Even retailers are getting involved. While specialty retailers like Trader Joe's have sold private label wine for years, we are now seeing the emergence of bottling trade names owned by large retail chains, so that their house brand wines (and beers) can be bottled under the same trade name no matter where they were produced.

REGULATORY NUTS AND BOLTS OF CREATING A NEW MARKET SEGMENT FOR YOUR WINERY

Before proceeding, let's take a moment

to review the basic principles for working with trade names in the wine industry. Although the compliance department handles this for the marketers, a little insight into the procedures will help you understand the implications of some of our later discussions.

Adding a bottling trade name to your basic permit in order to bottle under that name involves a two-step process. First, the trade name is registered with the local or state registrar of trade names. In California, trade names are registered with the County Clerk by filing a "fictitious business name" statement and publishing the statement in a local paper. In most of the other states, a trade name is registered as an "assumed business name" with the Secretary of State's office.

In the second step, a copy of the filed trade name registration is sent to TTB's National Revenue Center, along with an application to amend your basic permit (TTB F 5100.18) or letterhead application under Industry Memorandum 93-12.

Trade name registration laws do not guarantee that you "own" the registered name, nor protect you from someone else using it. In fact, TTB will allow other wineries to use your trade name without permission or question, as long as they are in different states.

If the new trade name is owned by your winery and this is the first addition of that name to any permit in your state, you're home free. But if another permittee in your state has already added the name to its permit, which could easily happen if you're bottling for others, things can get more complicated.

In Napa County, where trade name swapping is common, the County Clerk will take multiple registrations of the same name without blinking an eye. But in some states and in

some other counties in California, if a name has been registered to another entity, the County Clerk or Secretary of State's office will not let you register the name again. In that case, a simple letter from the previous registrant granting permission to register the trade name will allow you to proceed. Armed with this letter, you are free to file the state or local trade name registration listing your winery as the registrant "for the account of" the prior registrant.

A similar problem arises if another permittee in your state is already using the trade name on its permit. In that case, TTB may refuse to process your application, because "the name is unavailable." Again, a letter of permission from the previous user of the name will save the day. The operative sentence of the letter would read something like this: "We hereby grant (your winery's name) permission to register and add our trade name, _____, to their basic permit for bottling on our account."

When two permittees using the same trade name are located in different states, this problem will not arise. County Clerks and Secretary of State offices make no effort to keep track of name registrations outside their jurisdiction. TTB keeps a list of trade names used in the industry nationwide, and will inform permittees if a desired name is already in use elsewhere, but they will allow permittees in different states to use the same trade name without any permission or agreement.

This policy is rooted in the presumption that most wineries are small operations that distribute in their local area only—a presumption that may still be statistically true, but is changing fast in today's internet-connected world. Of course, a small winery does not want to be bothered

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about it if another tiny operator, somewhere far away, uses a similar name in its own local trading area. But wineries planning to market a product line nationally may be well-advised to go back to the drawing board if another winery is already using their chosen name.

To be absolutely certain that you aren't treading on someone else's trade name before investing in a new image, we highly recommend conducting a name search of COLA records, trademark records, and common law name usage (trade directories, internet searches, etc.). You can hire a service to do part or all of these searches for you.

WHOLESALEERS NEED TO TAKE EXTRA CARE WITH TRADE NAMES

Wholesalers and growers who are developing proprietary brands often run into problems with "their" bottling trade name, since the wineries who bottle for them must each add the trade name to their winery permits. If the initial trade name addition is done improperly—whether inadvertently or intentionally—it can make a name appear as if it belongs to the bottling winery, not the brand owner.

Later, when the owner seeks to add the trade name to their own permit or to another's winery's permit for a subsequent bottling, they are unpleasantly surprised to find that they need the first winery's "permission" to use the name. Normally a simple letter from the first winery acknowledging the wholesaler's ownership of the name will solve the problem—assuming the prior registrant is cooperative.

Negotiators and wholesalers developing their own brand should be careful to protect their rights to their chosen name. Being first to register the name with a state or local agency is recommended, and adding the name to their own basic permit, if any, before any wineries use the name is also wise.

And now, there's an added incentive to do so: To help keep the ownership of names clearer and streamline the procedures for everyone, TTB has decided that as long as one permittee has registered a trade name, it may grant permission to other permit holders to use the name without any

additional state or local trade name filing by the other permittees.

STREAMLINED PROCEDURES FOR MULTIPLE USERS OF THE SAME NAME

In the old days, every winery that wished to use a name had to do its own local registration first in accordance with state or county require-

ments. Now, if a brand owner has wine bottled by multiple wineries, only the entity who owns the name needs to register the name. Once the brand owner has added the name to its permit, all the bottling wineries can add the name to their permit, for the account of the name's owner, by simply submitting a letter of permission from the name owner and a statement

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A Word About the PROTECTING YOUR TRADE NAMES AND RESPECTING THE NAMES OF OTHERS

SINCE TRADE NAMES ARE REGISTERED under state, not federal, law it is possible for two wineries to have registered the same trade name if they are in different states. And, as the article explains, TTB will actually allow them both to use the same trade name for bottling without mutual consent. However, sharing a name is not a good idea. First, you risk consumers confusing your wines in the increasingly national wine market. Second, the winery with a head start on using the trade name may have the legal right to stop those who started later from continuing to use the name, under so-called common law principles.

So, before getting your heart set—and your hard-earned money spent—on developing a name, obtain a thorough search of the trade names and trademarks in use already.

Then, once you've settled on a name, we highly recommend obtaining federal trademark registration as soon as possible. Help prevent confusion and conflicts by carefully monitoring the use of your trade name whenever you authorize others to bottle for you. Always grant permission to use your name in writing, and ask for copies for your records of all TTB paperwork filed by the other permittee. It would also be a good idea to ask the bottling winery to remove the trade name from its permit if you have no plans to bottle there again.

Despite all your best precautions (or in the absence of sufficient precautions in the past), if you have a conflict over the use of a trade name or trademark, we encourage you to seek legal advice from an attorney specializing in trademark and trade name protection.

that the name owner has previously registered the name in the state where the bottling will be done.

This new procedure greatly simpli-

fies the process for the bottling wineries and keeps the ownership of the name in TTB's records very clear. The advantages of the system are so great, that it is well worth the extra effort for a brand owner to register its trade name(s) in every state where it has its product bottled, rather than relying on the bottling wineries to do it properly. If the brand owner is located out of state, they can do a local or state registration at the bottling winery's address to fulfill the requirement for registering the name in the winery's state.

ies to use your trade name without permission or question, as long as they are in different states. And, if challenged about conflicting claims to the same name in the same state, TTB refuses to take sides. The agency refers to the conflict as a "civil matter," meaning it is left to the parties and the courts to decide who owns the name. Until the dispute is sorted out, TTB may be hesitant to allow the name to be added to additional permits—potentially causing unforeseen delays in bottling and marketing plans.

For these reasons, we always encourage anyone setting out to establish a new brand to first make sure you are not using someone else's name and then to take steps to protect your rights to the name by filing a federal trademark application early on. Many of the issues we describe can be prevented or easily resolved if you hold the federal trademark or have a pending application for it. State trademark and other name filings have limited usefulness in protecting your name. (See "A Word About... Protecting Your Trade Names and Respecting the Names of Others.")

We hope this article has given our fellow earthlings in the marketing department enough compliance know-how to keep you safe from pitfalls, and to make you dangerous—to your competitors! If so, you are well prepared to take advantage of the marketing power of multiple personalities. ❁



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OTHER WAYS TO PROTECT YOUR PROMOTIONAL INVESTMENT IN YOUR NAME

Many in our industry continue to feel a false sense of security after they've registered a trade name or added it to a federal permit. Trade name registration laws do not guarantee that you "own" the registered name, nor protect you from someone else using it. The purpose of trade name registration is merely to provide public notice of the person or company who is using the trade name. Similarly, while adding a trade name to a basic permit allows the issuance of federal label approvals and gives notice that a particular winery is using the trade name, adding a trade name to a basic permit does not establish ownership of, or protect, a trade name.

In fact, TTB will allow other winer-