

The Rules of the Winery Name Game

By Sara Schorske and Alex Heckathorn
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Two of the most important choices a new winery owner or brand builder makes are what to call his business and what to call his product. A lot of energy and money can be spent in the quest to find just the right name. Wine entrepreneurs may believe they've done their due diligence when they consult their corporate and trademark lawyers, yet you'd be surprised how many players in the winery name game run into name pain even after getting the legal advisors' stamp of approval. Even if you haven't, watch out: the name game is getting more complex all the time.

Name availability is just a start

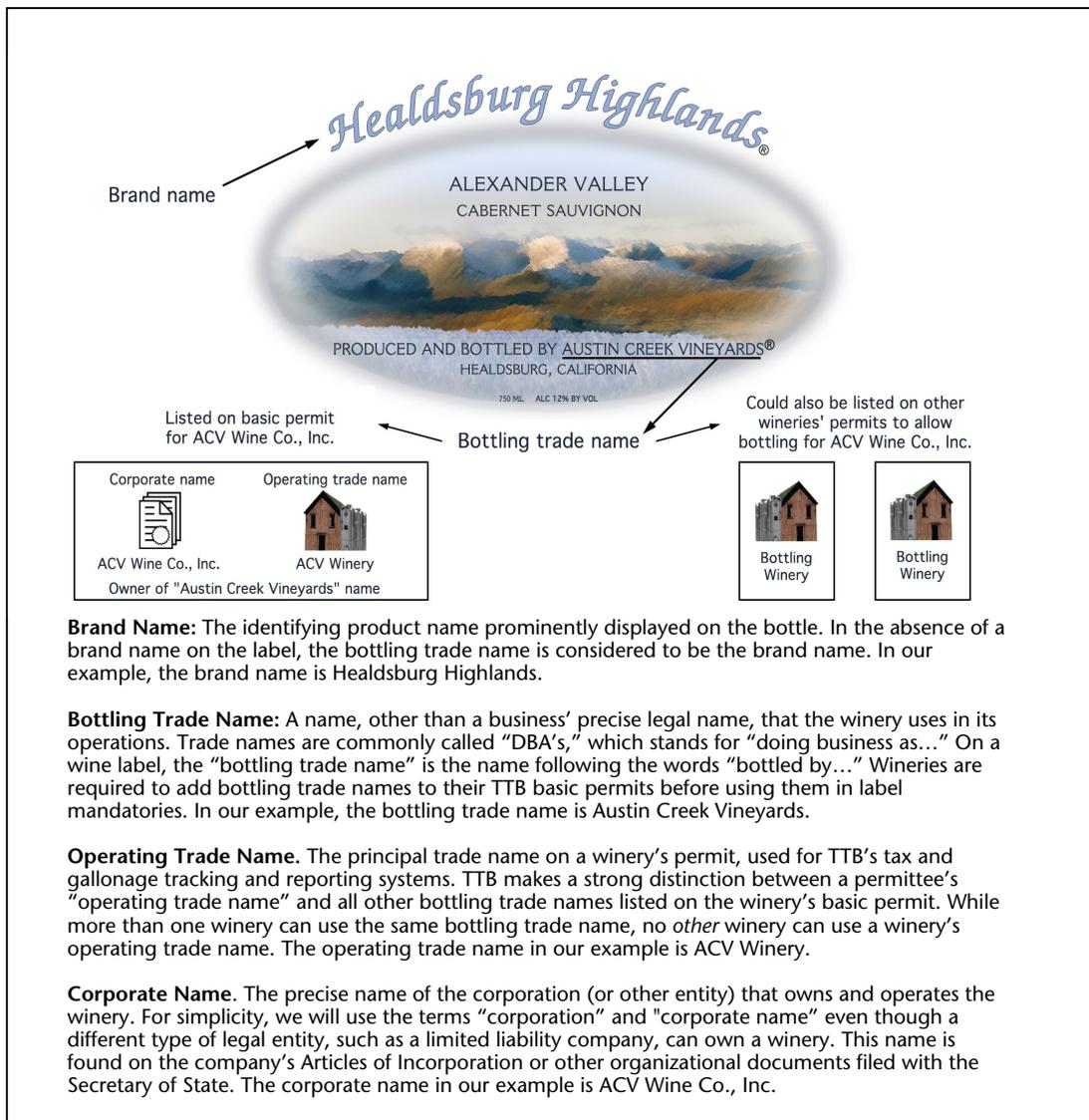
The choice of a new name for your company, business, or brand starts out the same as any business name consideration: find an available name. This step is often handled by the winery's legal counsel or professional compliance advisors, who perform a complete search to make sure the chosen name is not already in use and take steps to protect that name through a trademark and other filings. In the wine industry, a name availability search should include not only existing and pending trademarks, but also trade names on file with the Alcohol and Tobacco Tax and Trade Bureau (TTB) and brand names reflected in TTB's label approval records. If your chosen name is already in use as a brand name or trade name for someone else's wine, trademark law and other common law name rights may prohibit your use of the name.

Even so, nailing down an available name is not enough to insure the viability of a name in the wine business. Unbeknownst to most lawyers, regulatory rules affecting brand and winery names can still cause problems, either immediately or—even worse—after years of use. Wineries sometimes find that a previously unencountered rule, or a new interpretation of a familiar rule, may even thwart their continued use of an established name. Once a winery has made a substantial investment in name recognition, package design, and label inventories, such delayed problems can be as costly as they are surprising.

An ounce of prevention

As compliance advisors, we spend a lot of time either explaining these rules, or helping clients solve problems the rules have created for them. This article is an attempt to widely distribute an ounce of prevention, in order to avoid having to later deliver a *ton* of cure!

To help you keep track of the concepts involved, we have provided a diagram below, displaying basic labeling terminology.



How to play the name game

For simplicity's sake, it is tempting to use one name for all purposes—corporate name, winery name, brand name, and bottling trade name (adding a suffix such as "Inc." or "LLC" as needed). As an added incentive, some new vintners believe that forming a legal entity using the same name as the winery and the brand gives them extra protection or exclusive rights. Alas, it's not true. When the Secretary of State allows a particular name to be used on a corporation or other legal entity, all it means is there is no other *legal entity of the same type in that state* using the exact same name, or one that is very similar.

In fact, when the California Secretary of State mails back incorporation documents, they enclose a statement warning the new corporation "that filing of articles of incorporation does not of itself authorize the use of the corporate name in violation of the rights of any other persons who may have acquired rights to the use of the name by reason of some other law."

One of our clients recently learned this lesson the hard way. After successfully incorporating using their intended brand name as their corporate name, they came to us for help with their winery licensing. They were shocked when we discovered that another winery had previously adopted the exact same name as its operating trade name. But how could the Secretary of State have known? The owner of the other winery was a sole proprietor! Unfortunately, because TTB treats the “operating trade name” as a *unique* identifier to track wineries, our client could not use its own corporate name as either its operating name or as a bottling trade name, and had to go back to square one in the name game.

This kind of unpleasant setback will never happen to you if you just remember a few simple pieces of advice that will steer you through the maze of wine industry name protocols.

1. Give your new corporation a unique and different name.

Choose a corporate name that (1) is not used by another winery as a trade name or brand name and (2) you do not plan to use as the winery name. Then you can use the unique corporate name as the winery’s “operating trade name,” or something similar, on its TTB Basic Permit.

The operating name need not be used for any public purpose, such as winery signs or letterhead, so this name can actually be entirely different from any of the trade or brand names the winery plans to use. In fact, different is better in this case. You want to make sure that the bottling trade name(s) you plan to use are available for use by other wineries, on your behalf. Even if you are currently bottling all your wine yourself, you never know when that could change.

2. Take steps to protect your name.

TTB is fairly good at tracking who’s using what trade name, and won’t add an existing trade name to another winery’s permit without the permission of the trade name owner. This effectively prevents your trade name from appearing on anyone else’s label without your consent. Take the worry out of being close by adding all the names you plan to use as brand or trade names to your permit, *plus some*—meaning, also add any variations of your chosen names that would be confusingly similar to consumers if used by another winery. For example, if you plan to use Austin Creek Vintners as a brand or trade name, consider adding Austin Creek Vineyards, Austin Creek Winery, Austin Creek Cellars, and Austin Creek Wine Company also.

Surprisingly, TTB and other government agencies do not monitor or regulate the use of *brand* names. The protection of a brand name is left entirely to the owner of the name, using the legal mechanisms established under federal trademark law and state laws. So, for maximum name security, obtain a Federal Trademark registration. That gives you the most legal clout to fight back any winery that trespasses on your name.

In addition, you should always give permission for other wineries to use your trade name *in writing*, clearly stating the name belongs to your winery and is to be used only for your account, i.e. on wine bottled for you. One of our clients lost a trade name to an unscrupulous industry member by *not* following this rule. The bottling winery added the customer's trade name to its permit for its own account, and then refused to either remove it or let the customer use it anywhere else!

3. Don't use a place name or geographic feature.

The use of place names in winery and brand names has always been popular in the wine industry, but the evolving rules of the name game make this practice increasingly risky.

One problem with place names is they tend to be quite common. For example, TTB has approved two Green Valleys and two Shenandoah Valleys as viticultural areas. The two Green Valleys are actually near each other—both in California's North Coast.

There's an even worse potential problem with geographic brand names: they may have viticultural significance now, or in the future. Once a name gains viticultural significance, a winery may lose the right to use it on some or all of its wines! Section 4.39(i) of TTB's wine regulations makes it illegal to use most brand names of viticultural significance unless the wine meets the appellation of origin requirements for the named geographical area.

In our example, the brand name contains a reference to Healdsburg, a town located in the southwestern corner of Alexander Valley. Since Healdsburg is well-known as the home to many vineyards and wineries, TTB may deem the name to have viticultural significance, and may simply reject the label on that basis. Even if the label is approved now, ACV Winery can't assume that the label will be legal forever. If a Healdsburg viticultural area is ever established, the brand name would not be allowed for grapes grown outside of the Healdsburg AVA.

Name roulette

In recent months, we have seen TTB stepping up its efforts to protect geographic place names of viticultural significance, even of wine growing regions that are not yet pending or approved AVA's, by limiting the use of brand and bottling trade name containing these names. We have even seen COLA applications denied for labels that had been approved previously.

This may be, in part, a concession to pressures from our global trading partners. The international wine community has been struggling to balance the interests of growers in promoting and protecting geographic place names associated with unique products, against the interests of wineries and negociants seeking to preserve their investment in intangible assets such as brands and label designs that include those names—often irrespective of origin. It appears that

maintaining the integrity of geographic names is prevailing over the private intellectual property rights of brand name owners in that contest.

The issue is also currently before the California Supreme Court. The high court is considering Bronco's bid to overturn a new California law that would require 100% Napa grapes in wines branded with any name of viticultural significance from Napa County. Bronco's popular "Napa Ridge" wine line is at stake. But other vintners are also holding their breath in the shadows to see how the court decides. One of our clients, a well-established and respected Napa winery, bottles a line of Sonoma County wines under its primary brand name. Although an exception in the federal regulation permits it to use its famous geographic brand name on these wines, if Bronco loses, this winery will also need a new brand name for its out-of-county wines. By the time this article is published, the verdict may be in.

For more background information on this issue, see *The Stakes of the Name Game Just Got Higher* available at <http://www.csa-compliance.com/html/Articles/StakesNameGame.html>.

Everyone could be a winner

With enough skill in wine making and marketing, you can add tremendous value to any name you pick. But it's all too easy to lose some or all of what you've won if you don't play by the rules of the name game. The rules we've listed are simple, and you may have heard some or all of them before. The key is, remember them... and "comply"!