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A Trademark Holder's Hangover: Reconciling the Lanham Act with the Alcohol and Tobacco Tax and Trade Bureau's System of Designating American Viticultural Areas

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A TRADEMARK HOLDER'S HANGOVER: RECONCILING THE LANHAM ACT WITH THE ALCOHOL AND TOBACCO TAX AND TRADE BUREAU'S SYSTEM OF DESIGNATING AMERICAN VITICULTURAL AREAS

*Julia Lynn Titolo **

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I. INTRODUCTION: A VINTNER'S TALE

Imagine the proud owner of a vineyard and winery in the rolling hills of Northeast Georgia. This owner has always loved her acreage around Tallulah Falls and thus registered the trademark "Tallulah's Source." Tallulah's Source has sold at a brisk pace for almost a decade and the winery has become a tourist attraction along Georgia's Wine Highway. Then imagine that the owner receives word that a federal agency is planning to designate a region of northern California as a distinct wine-growing region, a viticultural area, named the Tallulah District. If this designation is approved, any winery in the Tallulah District that uses grapes primarily from that area in their wine can put "Tallulah District" on its wine. Suddenly, various producers are using the Tallulah name. Further, the owner has been notified by this federal agency that the use of the trademarked name "Tallulah's Source" on her wine bottles violates federal wine label laws, as the grapes do not come from the Tallulah District. The work put into the product, the goodwill generated with the public over the past years, and the winemaker's livelihood are all at stake.

While the winery and district mentioned above are fictitious, the scenario is familiar. In recent years, some trademark-holding vineyards have had the value of their trademarks diminished when the Alcohol and Tobacco Tax and Trade Bureau (TTB) designates a parcel of land as an American Viticultural Area (AVA), thereby appropriating the existing trademark, for all practical purposes. This designation has the potential to usurp existing trademark rights and thus raises legal questions regarding the interaction between the TTB and the Lanham Act. Practically speaking, "[u]ntil and unless the clash between these regulatory schemes is resolved, a winery, wherever located, acts at its peril by adopting a brand name which could later become an approved viticultural area."¹

As an advocacy group for California wineries, the Wine Institute, succinctly puts it, "AVAs can spoil a perfectly good trademark."² If a brand name incorporates the name of a viticultural area, regardless of when the AVA was recognized, that brand name becomes "viticulturally significant," which limits the use of the name.³ The major limitation on the trademarked brand name is that it cannot create the impression that the geographic area suggested by the brand name indicates the origin of the wine unless the name has approval from a TTB

¹ James M. Seff, *Wine Trademarks Ripe for Confusion*, Pillsbury Winthrop Shaw Pittman LLP, July 1, 1998, <http://library.findlaw.com/1998/Jul/1/128024.html>.

² Wine Institute, American Viticultural Areas, <http://www.wineinstitute.org/resources/avas> (last visited Sept. 27, 2009) (follow "entry on the Wine Institute Wiki" hyperlink).

³ See 27 C.F.R. § 4.39(i) (2006) (detailing labeling regulations that prohibit the use of a viticulturally significant brand name on a wine unless the wine meets certain appellation of origin requirements).

officer.⁴ In other words, sometimes the TTB designates an AVA that limits the trademark holder's use of her own brand name—potentially leaving the trademark holder without recourse.

The conflict between trademark owners' rights and the TTB is significant. First, this action by the TTB affects smaller vintners' livelihoods by depriving them of the value of their assets, specifically the product's trademarked name and the goodwill associated with that name. Since wine production has grown exponentially in regions around the United States, this problem has the potential to affect many American entrepreneurs.⁵ For example, Georgia, a state known more for its onions than its grapes, grew \$3.6 million worth of grapes in 2006⁶ and is home to twenty-one operating wineries and vineyards.⁷ Second, in broader terms, this problem illustrates the tension between a long-established federal law and a rule promulgated by a federal agency.

This Note observes the interplay and overlap between the TTB's current scheme of designating AVAs and trademarks registered in the federal trademark system. Further, it considers how the problems arising from the overlap can be alleviated. Part II examines the federal trademark system, including the Lanham Act and Geographical Indications; the history and role of the TTB and the AVA designation system; and the amendments proposed by the TTB that would alleviate some of the problems. This Part concludes by introducing relevant case law involving wineries whose marks have been affected by similarly-named AVAs. Part III demonstrates how the current system of designating AVAs undermines basic tenets of the federal trademark regime, thus illustrating why trademarks should be afforded greater deference. More specifically, this Part proffers several ways in which the harm might be alleviated and encourages passing the proposed amendments as a worthwhile solution.

⁴ *Id.*

⁵ From 1999 to 2007, the number of wineries in the United States increased by 81%. UNITED STATES DEPARTMENT OF COMMERCE, U.S. WINE INDUSTRY 1 (2008), <http://www.trade.gov/tid/ocg/wine2008.pdf>. While global wine consumption has fallen due to the worldwide economic slump, Americans continue to drink more wine. Greg Keller, *World Wine Consumption Falls for First Time in Years*, HUFFINGTON POST, Apr. 7, 2009, http://www.huffingtonpost.com/2009/04/07/world-wine-consumption-fa_n_184112.html.

⁶ Chris Starrs, *Wine Industry Takes Root in N.E. Georgia*, ATHENS BANNER-HERALD, Oct. 3, 2008, available at http://www.onlineathens.com/stories/100508/bus_339992343.shtml.

⁷ Gil Kulers, *State's Vineyards Strive for Wider Acceptance*, ATLANTA J.-CONST., Oct. 9, 2008, available at http://www.ajc.com/eveningedge/content/eveningedge/stories/2008/10/09/local_wines.html.

II. BACKGROUND: A TOUR OF THE CELLAR

In 2007, revisions to the existing procedure for designating AVAs were proposed by the TTB.⁸ Some of the revisions would affect the overlap between AVA names and trademarks, signifying that the TTB would voluntarily implement procedures to accord greater respect to existing trademarks. The overlap involves a complex interplay between the authority of administrative agencies, the TTB in particular, and the Lanham Act, which provides federal protection for trademarks. The overlap has very real effects on wineries and vineyards, and has been the subject of much litigation.

A. FEDERAL TRADEMARK LAW

Trademarks consist of a “word, name, symbol, or device, or any combination thereof . . . [that is used to] identify and distinguish . . . goods.”⁹ Trademarks are intended to alert potential buyers to the source of the product. In the United States, trademarks are protected under dual layers of authority: the Lanham Act,¹⁰ enacted pursuant to the Commerce Clause, and the states’ statutory and common laws.¹¹ Prior to the enactment of federal trademark law, state common law provided the only trademark protection.¹² Common law continues to provide some protection for trademarks by providing a trademark user common law trademark rights in the geographic area in which the mark is actually used in connection with goods or services.¹³ Such common law rights are maintained in that area even when a subsequent user registers the same or similar mark under the federal trademark protection scheme.¹⁴

1. *The Lanham Act and Ownership Rights.* The Lanham Act, signed into law in 1946, was the result of Congress’s attempt “to modernize, simplify, and unify existing federal trademark law and to carry out the obligations of the United States under international law.”¹⁵ A trademark registered with the United States Patent

⁸ See Proposed Revision of American Viticultural Area Regulations, 72 Fed. Reg. 65,261 (Nov. 20, 2007) (to be codified at 27 C.F.R. pts. 4, 9, and 70) (detailing the proposed amendments to the establishment of AVAs).

⁹ 15 U.S.C. § 1127 (2006).

¹⁰ Trademark Act of 1946 (Lanham Act), 15 U.S.C. §§ 1051–1072, 1091–1096, 1111–1129, 1141 (2002).

¹¹ 3J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 22:1 (4th ed. 2009).

¹² MICHAEL DENNIS SCOTT, SCOTT ON INFORMATION TECHNOLOGY LAW § 4.02 (3d ed. 2006).

¹³ *Id.*

¹⁴ *Id.*

¹⁵ AARON SCHWABACH, INTELLECTUAL PROPERTY: A REFERENCE HANDBOOK 10 (2007).

and Trademark Office (USPTO) under the Lanham Act enjoys nationwide protection,¹⁶ and such protection confers an “exclusive right” to the trademark holder.¹⁷ “The right to use a trademark is recognized as a kind of property, of which the owner is entitled to the exclusive enjoyment to the extent that it has been actually used.”¹⁸ However, trademarks differ from other forms of intellectual property such as patents and copyrights, which are afforded protection in the Progress Clause of the Constitution.¹⁹ Trademarks have no such specific constitutional origins, and in the *Trade-Mark Cases*, the Supreme Court distinguished trademarks from patents and copyrights.²⁰ The Court explicitly stated that trademarks have “no necessary relation to invention or discovery” and are instead legal appropriations of the distinctive symbols by which products are recognized.²¹ The first party to extensively use a symbol in commerce is said to have “priority of appropriation.” Ownership priority belongs not to the party who first files an application for a trademark, but rather the party who first *uses* the mark.²² This common law first-in-time, first-in-right rule²³ means that such “actual use of a symbol to identify the goods or services of one seller and distinguish them from those offered by others” confers ownership of trademark rights.²⁴ Ultimately, “[a] party must use a mark in connection with its product in order to receive trademark protection.”²⁵

The Lanham Act codifies many of these common law principles regarding trademarks and establishes a system for trademark registration. Accordingly, first use is still deemed the *sine qua non* of trademark protection, regardless of registration. While registration is not required for the owner of a trademark to receive legal protection of the mark, registration does confer certain benefits. Such benefits include putting others on constructive notice of ownership nationwide; creating a presumption of ownership, which can be used as evidence in trademark disputes; and preserving the ability to bring claims in federal court, among other things.²⁶

¹⁶ 15 U.S.C. § 1115 (2002).

¹⁷ 1 MCCARTHY, *supra* note 11, § 2:14.

¹⁸ *Hamilton-Brown Shoe Co. v. Wolf Bros. & Co.*, 240 U.S. 251, 259 (1916).

¹⁹ U.S. CONST. art. I, § 8, cl. 8.

²⁰ *In re Trade-Mark Cases*, 100 U.S. 82 (1879).

²¹ *Id.* at 94.

²² *Id.*

²³ 3 MCCARTHY, *supra* note 11, § 19:1.75.

²⁴ 2 *id.* § 16:1.

²⁵ THEODORE H. DAVIS, JR. & JORDAN S. WEINSTEIN, TRADEMARK LAW HANDBOOK 2007: ANNUAL DEVELOPMENTS IN TRADEMARK LAW AND PRACTICE 122 (2007) (quoting *Maritec Indus. v. Sterling Powerboats, Inc.*, 75 U.S.P.Q.2d 1145, 1148 (M.D. Fla. 2004) (footnote omitted)).

²⁶ See United States Patent and Trademark Office, Trademark FAQ, <http://www.uspto.gov/web/offices/tac/tmfaq.htm> (last visited Sept. 27, 2009) (explaining the benefits of federal trademark

Distinguishing products is one of the primary purposes of trademarks.²⁷ “Without a way to know who makes what, reputations cannot be created and evaluated, and the process of competition will be less effective.”²⁸ In this way, trademark protection is often considered a protection of a producer’s goodwill.²⁹ When that is the case, the substantive rights that are created yield benefits that include preventing diversion of trade through misrepresentation and protecting the public against deception.³⁰ Granting trademark protection helps prevent consumer confusion among competing products, thereby protecting producers from unfair competition.³¹ Trademark infringement is the violation of the public’s right “to be free [from] confusion and the synonymous right of a trademark owner to control his product’s reputation.”³² Trademark infringement consists of using a mark in commerce in a way that is likely to cause confusion, mistake, or to deceive consumers.³³ Proscribing infringement thus protects both the consumer from confusion in getting the wrong product, and the producer from the loss of sales to an infringer.

The Lanham Act does not confer absolute protection to the trademark owner; instead, a registered trademark creates only a legal *presumption* of the registrant’s ownership of the mark and her exclusive right to use the mark nationwide to protect the related goods.³⁴ But this presumption is rebuttable, meaning that with evidence to the contrary, one’s mark can be denied registration or even removed from the federal register.³⁵ There are a few ways to rebut a presumption of ownership. One may assert the mark itself is not valid by proving that the mark is functional, has become generic, or falls under any of the prohibitions in 15 U.S.C. § 1052.³⁶ One may also assert that the mark was abandoned, its registration

registration).

²⁷ See 15 U.S.C. § 1127 (2006) (including in the definition of trademarks the requirement that a mark be used “to identify and distinguish his or her goods . . . from those manufactured or sold by others . . .”).

²⁸ *Top Tobacco, L.P. v. N. Atl. Operating Co.*, 509 F.3d 380, 381 (7th Cir. 2007).

²⁹ See William A. Finkelstein, *Protecting Trademarks and Related Intellectual Property Rights*, in *FUNDAMENTALS OF INTERNATIONAL FRANCHISING* 59, 62 (Richard M. Asbill & Steven M. Goldman eds., 2001) (explaining the dual nature of trademark protection is to protect the goodwill of a business and protect the consumer from confusion).

³⁰ *Id.*

³¹ 1 MCCARTHY, *supra* note 11, § 2:33.

³² *James Burrough, Ltd. v. Sign of Beefeater, Inc.*, 540 F.2d 266, 274 (7th Cir. 1976).

³³ 15 U.S.C. § 1114 (2005).

³⁴ United States Patent and Trademark Office, Trademarks: Basic Facts, <http://www.uspto.gov/web/offices/tac/doc/basic/register.htm> (last visited Sept. 27, 2009).

³⁵ See 15 U.S.C. §§ 1063–1064 (codifying the ability to oppose and cancel registration, respectively).

³⁶ *Id.* § 1064.

was obtained fraudulently, or the mark is being used to misrepresent the source of the goods on which the mark is used.³⁷

2. *The Availability of Trademark Protection.* Only distinctive terms or symbols can constitute valid trademarks, as the key to a trademark is its ability to distinguish the goods of the trademark holder from the goods of another.³⁸ “The term ‘distinctive’ is a key term of art in trademark law.”³⁹ The general rule is that “[a]n identifying mark is distinctive and capable of being registered if it *either* (1) is inherently distinctive *or* (2) has acquired distinctiveness through secondary meaning.”⁴⁰ A mark acquires a secondary meaning when the general public no longer acknowledges the mark merely as a descriptive word or symbol, but rather uses that word or symbol “to identify and distinguish a single commercial source” of the product.⁴¹ In other words, a mark acquires secondary meaning when the public comes to identify that mark exclusively with the particular source of the good to which it is attached. One example of a term that has acquired secondary meaning is “chap stick,” a descriptive term for a stick of lip balm. The term is no longer thought to refer only to a product that cures chapped lips, but now identifies such a product as being that of the brand ChapStick.

In *Abercrombie & Fitch Co. v. Hunting World, Inc.*, Judge Friendly deftly described a spectrum of distinctiveness of marks: at one end are those marks that are inherently distinctive and require no secondary meaning, while at the opposite end are those marks that have no distinctiveness and therefore cannot be trademarked.⁴² From the least to the most distinctive, marks are deemed generic; descriptive; suggestive; or arbitrary or fanciful.⁴³ Generic terms may never be trademarked, but those terms that are descriptive may be trademarked once it is proven that they have acquired a secondary meaning to consumers.⁴⁴ However, terms that are fanciful, arbitrary, or suggestive are considered inherently distinctive.⁴⁵ The spectrum of distinctiveness also imparts the strength of the mark itself, and therefore the amount of protection a mark is afforded. Strong marks are those that are inherently distinctive, and thus any encroachment upon

³⁷ *Id.*

³⁸ *See id.* § 1052 (“No trademark by which the goods of the applicant may be distinguished from the goods of others shall be refused registration . . .”).

³⁹ 2 MCCARTHY, *supra* note 11, § 11.2.

⁴⁰ *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 769 (1992).

⁴¹ 2 MCCARTHY, *supra* note 11, § 15:1.

⁴² 537 F.2d 4, 9 (2d Cir. 1976).

⁴³ *Id.*

⁴⁴ *See* SCHWABACH, *supra* note 15, at 27 (stating that generic marks cannot be registered); *see also* 15 U.S.C. § 1052(f) (2006) (providing that marks may become distinctive, thus acquiring secondary meaning).

⁴⁵ *See Abercrombie & Fitch*, 537 F.2d at 11 (describing how suggestive, arbitrary, and fanciful terms are entitled to registration without proof of secondary meaning).

them is more likely to cause consumer confusion.⁴⁶ Strong marks are therefore given more protection than weak marks, those that are generic, descriptive, or geographic.⁴⁷

3. *Geographic Terms and Geographical Indications.* Geographic terms and geographical indications are different creatures. The former is self-explanatory, merely describing those words or terms that include a geographical reference. When such terms are used to convey to consumers the geographic origin of the goods, marks using geographic terms are not inherently distinctive, but rather merely descriptive.⁴⁸ Courts are hesitant to “recognize trademark rights in such names or terms because of the legitimate interests of other merchants in truthfully being able to use them in connection with their own wares or services.”⁴⁹ Since consumers in this context make a goods/place association between a geographic term and the goods on which the term is used, a showing of distinctiveness is required for the mark to be protected.⁵⁰ Distinctiveness is shown by establishing that the public attaches a secondary meaning to the geographic mark, associating the goods with the particular source, rather than the particular place.⁵¹ However, geographic terms are traditionally recognized as significantly important “in identifying the source, as well as various qualities, of certain goods,” especially foods, wine, and spirits.⁵²

Geographical indications were originally a construct of international intellectual property law, though their use has expanded to the United States.⁵³ The USPTO

⁴⁶ *Champions Golf Club, Inc. v. Champions Golf Club, Inc.*, 78 F.3d 1111, 1117 (6th Cir. 1996); see also *Little Caesar Enters., Inc. v. Pizza Caesar, Inc.*, 834 F.2d 568, 571 (6th Cir. 1987) (“Fanciful and arbitrary marks are considered to be the ‘strongest’ or most distinctive marks. Encroachment on a strong mark tends to produce the greatest likelihood of confusion. ‘Suggestive’ and ‘descriptive’ marks either evoke some quality of the product (e.g., Easy Off, Skinvisible) or describe it directly (e.g., Super Glue). Such marks are considered ‘weaker,’ and confusion is said to be less likely where weak marks are involved.”); *Daddy’s Junky Music Stores, Inc. v. Big Daddy’s Family Music Ctr.*, 109 F.3d 275, 280 (6th Cir. 1997) (citing *Frisch’s Rest., Inc. v. Shoney’s Inc.*, 759 F.2d 1261, 1264 (6th Cir. 1985)) (“The strength of a mark is a factual determination of the mark’s distinctiveness. The more distinct a mark, the more likely is the confusion resulting from its infringement, and therefore, the more protection it is due.”).

⁴⁷ *Champions Golf Club*, 78 F.3d at 1117.

⁴⁸ Other uses of geographic terms and the implications of those uses on the availability of trademark protection are detailed and outside the scope of this Note.

⁴⁹ *In re Nantucket, Inc.*, 677 F.2d 95, 102 (U.S. Ct. C. & P.A. 1982).

⁵⁰ *Id.*

⁵¹ *Burke-Parsons-Bowlby Corp. v. Appalachian Log Homes, Inc.*, 871 F.2d 590, 595 (6th Cir. 1989); see also Lanham Act, 15 U.S.C. § 1052(e)–(f) (describing how trademarks may be registered unless, inter alia, they are primarily geographically descriptive, but how even geographically descriptive terms may be registered once proven to have become distinctive).

⁵² 2 MCCARTHY, *supra* note 11, § 14:1.

⁵³ See United States Patent and Trademark Office, *Geographical Indications: Questions*

defines geographical indications (GIs) as “indications that identify a good as originating in the territory of a [participating World Trade Organization (WTO)] Member, or a region or locality in that territory, where a given quality, reputation or other characteristic of the good is essentially attributable to its geographic origin.”⁵⁴ Common examples include Champagne (sparkling French wine), Idaho (potatoes), and Vidalia (onions). In many nations, most notably in Europe, GIs are afforded a separate legal status from trademarks.⁵⁵ They are similar to trademarks in that they identify the source of the product in question, guarantee the quality of that good, and are valuable business assets.⁵⁶

In the United States, GIs are used in two settings: appellations of origin for domestic wines and regional certification marks for products from the United States or other nations.⁵⁷ An appellation of origin is either a country, state, group of states, county, group of counties, or a “delimited grape growing region” known as a viticultural area.⁵⁸ Regional certification marks are marks that function to indicate to consumers that the products bearing the mark come exclusively from a particular controlled and limited region, and are of a certain quality.⁵⁹ The United States differs from most WTO member nations, notably those in the European Union, because it does not confer a special non-trademark status on GIs.⁶⁰ The United States established a wine labeling system that seeks to protect trademarks, while the European Union system emphasizes identifying and protecting established geographic regions, thus regulating trademarks separately.⁶¹ Due to the lack of special status for GIs, the United States characterizes and handles the tension between trademarks and domestic geographical indications differently than those nations that recognize GIs separately. The tension arises when a newly established geographical indication conflicts with an existing trademark.⁶² Since both trademarks and GIs are within the scope of the common

and Answers, http://www.uspto.gov/web/offices/dcom/olia/globalip/gi_faq.htm (last visited Oct. 7, 2009) (noting that the term “geographical indication” comes from the TRIPS Agreement).

⁵⁴ United States Patent and Trademark Office, Geographical Indications, <http://www.uspto.gov/web/offices/dcom/olia/globalip/geographicalindication.htm> (last visited Sept. 28, 2009).

⁵⁵ 2 MCCARTHY, *supra* note 11, § 14:1.50.

⁵⁶ United States Patent and Trademark Office, *supra* note 54.

⁵⁷ 2 MCCARTHY, *supra* note 11, § 14:1.50.

⁵⁸ 27 C.F.R. § 4.25(a) (2006). *See also infra* Part II.B.2 (detailing viticultural areas).

⁵⁹ *Institut National Des Appellations d'Origine v. Brown-Forman Corp.*, 47 U.S.P.Q.2d 1875, 1885 (T.T.A.B. 1998).

⁶⁰ Deborah J. Kemp & Lynn M. Forsythe, *Trademarks and Geographical Indications: A Case of California Champagne*, 10 CHAP. L. REV. 257, 276, 282–83 (2006).

⁶¹ Carol Robertson, *The Sparkling Wine War: Pitting Trademark Rights Against Geographic Indications*, BUS. L. TODAY, May/June 2009, available at <http://www.abanet.org/buslaw/blt/2009-05-06/robertson.shtml>.

⁶² 2 MCCARTHY, *supra* note 11, § 14:1.50.

law and the federal trademark system, conflicts are resolved by looking at priority and likelihood of confusion to the consumer.⁶³ Other nations use different concepts of priority to minimize the tension between trademarks and geographic origins.⁶⁴ For example, a trademark and the newer GI could coexist, or the prior existing trademark could take priority over the subsequently established GI, based on the first-in-time, first-in-right rule.⁶⁵ If the two were to coexist, however, it is likely that either consumer confusion would result or “the GI would take precedence and the conflicting trademark rights would be voided.”⁶⁶ Neither of these scenarios is acceptable under domestic trademark law, although it is fair to say that some professionals in the business think the latter scenario may be occurring today.⁶⁷

However, section 2(a) of the Lanham Act was amended in 1996 to reflect the agreements reached during the Uruguay Round negotiations of the WTO, of which the United States is a participating member.⁶⁸ During these negotiations, the Trade-Related Aspects of Intellectual Property Rights (TRIPS) regime was established.⁶⁹ TRIPS requires that participating countries provide more protection

⁶³ *Id.* The common set of factors used by many courts in a likelihood of confusion analysis is

1. Strength of plaintiff's mark;
2. The degree of similarity of the marks;
3. The proximity of the products or services in the marketplace;
4. The likelihood that the plaintiff will bridge the gap (narrowing significant market differences);
5. Evidence of actual confusion;
6. Defendant's good faith in adopting the mark;
7. The quality of the defendant's product or service; and
8. The sophistication of the buyers.

SHELDON W. HALPERN ET AL., FUNDAMENTALS OF UNITED STATES INTERNATIONAL PROPERTY LAW 383–84 (2007) (quoting *Polaroid Corp. v. Polarad Elecs. Corp.*, 287 F.2d 492, 495 (2d Cir. 1961)).

⁶⁴ 2 MCCARTHY, *supra* note 11, § 14:1.50.

⁶⁵ *Id.*

⁶⁶ *Id.*

⁶⁷ E-mail from Robert Burlingame, Attorney, Pillsbury Winthrop Shaw Pittman LLP, to the author (Nov. 14, 2008) (on file with author) (“[E]ven though we do not yet know [for certain] whether AVAs [American Viticultural Areas] would trump trademark rights if it came down to a battle directly between AVA rights and trademark rights, we do know that the approval of an AVA that is confusingly similar to an already-existing wine trademark would likely reduce the value of that trademark because it might enable other parties to use the AVA (thus diluting, and causing confusion with, the already-existing trademark). . . .”).

⁶⁸ See 19 U.S.C. § 3511 (2006) (approving the Uruguay Round Agreements Act).

⁶⁹ Agreement on Trade-Related Aspects of Intellectual Property Rights, Apr. 15, 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex 1C, Legal Instruments—Results of the Uruguay Round, 33 I.L.M. 1197 (1994).

for geographic indications.⁷⁰ The section 2(a) amendment to the Lanham Act forbids registering a trademark with “a geographical indication which, when used on or in connection with wines or spirits, identifies a place other than the origin of the goods and is first used on or in connection with wines or spirits by the applicant on or after [January 1, 1996].”⁷¹ Essentially, wines seeking to use a geographical term must actually hail from that geographic region.

This amendment “required the United States for the first time to distinguish between trademark rights in geographic terms used on wine and spirits as opposed to those used on all other products and services.”⁷² For goods other than wine or spirits, geographic terms require secondary meaning only when they are used descriptively.⁷³ Conversely, when the geographic term is used “fancifully” or “arbitrarily,” no secondary meaning is required.⁷⁴ Examples include Roman Candle fireworks or Dutch Boy paint.⁷⁵ Consumer confusion is unlikely to result from arbitrary names such as these, as most consumers do not assume these goods actually came from Rome or the Netherlands.⁷⁶ Therefore, the added consumer protection of a secondary meaning requirement is unnecessary.

B. THE AGENCY FRAMEWORK

The Alcohol and Tobacco Tax and Trade Bureau (TTB) is currently the federal agency that determines the requirements for wine production and labeling, including the designation of American Viticultural Areas (AVAs).⁷⁷

1. *History and Role of the TTB.* The Department of the Treasury has been responsible for levying and collecting taxes on alcohol since 1789.⁷⁸ After Prohibition, President Franklin D. Roosevelt created the Federal Alcohol Control Administration (FACA), which was dismantled shortly thereafter when President Roosevelt signed the Federal Alcohol Administration (FAA) Act in 1935.⁷⁹ The

⁷⁰ *Id.* Part II, § 3 (establishing protection for geographic indications).

⁷¹ 15 U.S.C. § 1052(a) (2006).

⁷² Seff, *supra* note 1.

⁷³ See *supra* Part II.A.2 (describing the requirement that descriptive terms must acquire secondary meaning in order to receive trademark protection).

⁷⁴ See *supra* note 45 and accompanying text.

⁷⁵ See, e.g., *Nat'l Lead Co. v. Wolfe*, 223 F.2d 195, 199–200 (9th Cir. 1955) (deciding that use of the word “Dutch” was not geographically descriptive because of its use as an arbitrary term for which no showing of secondary meaning is required).

⁷⁶ *Id.* at 199.

⁷⁷ See Alcohol and Tobacco Tax and Trade Bureau, History of TTB, <http://www.ttb.gov/abo/ut/history.shtml> (last visited Oct. 7, 2009) (highlighting the role and mission of the TTB).

⁷⁸ *Id.*

⁷⁹ Federal Alcohol Administration Act, 27 U.S.C. §§ 201–219 (2007); see also History of TTB, *supra* note 77 (detailing the history of the agencies).

FAA Act regulates those involved in the alcoholic beverage industry for the protection of consumers and competitors in the industry.⁸⁰ More specifically, the FAA ensures the integrity of the industry by issuing and revoking permits to produce or sell alcohol, protects consumers by regulating the labeling and importing of alcohol, and attempts to prevent unfair trade practices.⁸¹ In 1939, the Supreme Court declined the opportunity to declare the FAA Act unconstitutional and invalid.⁸² It was then confirmed that the agency enforcing the FAA has the authority to issue certain rules and regulations, including the designation of AVAs.⁸³

As agency budgets and functions shifted, the FAA eventually came under the umbrella of the Alcohol, Tobacco, and Firearms Division (ATF).⁸⁴ In 2003, the Homeland Security Act split the functions of the ATF, and the TTB was created.⁸⁵ "In its present form, TTB's mission is to collect taxes owed, and to ensure that alcohol beverages are produced, labeled, advertised and marketed in accordance with Federal law."⁸⁶ The TTB has remained within the Treasury Department.⁸⁷ The mission of the FAA Act is subsumed within the greater powers of the TTB. The TTB is responsible for distilled spirits, wine, and beer labeling; tobacco products and cigarette papers; firearms and ammunition excise taxes; and the general mission of the FAA Act.⁸⁸

2. *American Viticultural Areas.* AVAs are "delimited grape growing region[s] distinguishable by geographical features, the boundaries of which have been recognized and defined"⁸⁹ AVAs are part of a broader international scheme that recognizes appellations of origin, or recognized grape-growing areas.⁹⁰ Examples of AVAs include Napa Valley, Mendocino Ridge, and Sonoma Valley. Appellations of origin allow consumers to know where the wine comes from,

⁸⁰ Federal Alcohol Administration Act, 27 U.S.C. § 205(e).

⁸¹ *Id.*; see also Alcohol and Tobacco Tax and Trade Bureau, Trade Practices, http://www.ttb.gov/trade_practices/federal_admin_act.shtml (last visited Sept. 28, 2009) (providing a general overview of the purpose of the FAA).

⁸² *William Jameson & Co. v. Morgenthau*, 307 U.S. 171 (1939).

⁸³ See Administration Procedure Act, 5 U.S.C. §§ 500–599 (detailing the authority and ability of federal agencies to create the regulations they enforce, including prescriptions on the procedures the agencies should use when adjudicating and ruling on issues that come before them).

⁸⁴ History of TTB, *supra* note 77.

⁸⁵ *Id.*

⁸⁶ *Id.*

⁸⁷ *Id.*

⁸⁸ See Alcohol and Tobacco Tax and Trade Bureau, Stationary Authority and Responsibilities, http://www.ttb.gov/about/stat_auth.shtml (last visited Oct. 7, 2009) (highlighting the responsibilities of the TTB).

⁸⁹ 27 C.F.R. § 4.25(e)(1)(i) (2006).

⁹⁰ *Id.* § 4.25.

which may further signify the particular quality and integrity of the product.⁹¹ A bottle of wine labeled as from an appellation of origin must contain a product that is at least 75% derived from fruit grown in that area.⁹² A wine produced from an AVA is subject to more stringent standards which require “[n]ot less than 85 percent of the wine is derived from grapes grown within the boundaries of the . . . area.”⁹³ The wine must also be fully finished in the state, or one of the states, in which the AVA is located.⁹⁴

While declaring that one’s product hails from a viticultural area requires one to adhere to stringent rules, establishing an AVA is less strict. Steve Heimoff, a wine enthusiast and author, notes: “[T]he whole AVA thing can get a little silly; anyone can buy their own AVA, if they have enough money to hire lawyers and petitioners.”⁹⁵ Any person or organization may propose an area be designated an AVA by petitioning the TTB in writing; such writing must demonstrate that the proposed area possesses a distinguishing feature from other wine-growing areas.⁹⁶ The petitioner accomplishes this by providing evidence that the name of the viticultural area is locally or nationally known by that name; historical or current evidence as to the boundaries of the area; evidence that the geographical features of the land distinguish it from surrounding areas; and other pertinent pieces of information relating to the location of the area.⁹⁷ Next, the TTB records the petition in the *Federal Register* to provide notice and allow comments so that anyone may oppose or support the suggested AVA.⁹⁸ When the comment period expires, the TTB then decides if the proposed area is worthy of the AVA designation.

The TTB considers the above stated factors when weighing whether to designate and recognize an AVA. The TTB does take comments posted during the notice and comment period into account when making their determination.⁹⁹

⁹¹ See *supra* note 59 and accompanying text.

⁹² 27 C.F.R. § 4.25(b)(1)(i).

⁹³ *Id.* § 4.25(e)(3)(ii).

⁹⁴ *Id.* § 4.25(e)(3)(iv) (providing that “fully finished” does not include cellar treatment or blending).

⁹⁵ Steve Heimoff Wine Blog, *NVV Right, TTB Wrong on Proposed New Rules*, <http://www.steveheimoff.com/index.php/2008/06/13/nvv-right-ttb-wrong-on-proposed-new-rules/> (June 13, 2008, 8:11 EST).

⁹⁶ 27 C.F.R. § 9.3(b) (detailing five requirements for every petition to establish an AVA).

⁹⁷ *Id.*

⁹⁸ 5 U.S.C. § 553 (2006) (detailing the informal rulemaking process, in which proposed regulations must be published in the *Federal Register* for a period of time for the public to assess the regulations and offer comments).

⁹⁹ See *Sociedad Anonima Viña Santa Rita v. United States Dep’t of Treasury*, 193 F. Supp. 2d 6, 23–25 (D.D.C. 2001) (referencing the ATF’s adherence to the rulemaking procedures, which are detailed in the Code of Federal Regulations); see also 5 U.S.C. § 553(c) (“*After consideration of the relevant*

The TTB is also concerned with whether the proposed name of the AVA poses a likelihood of consumer confusion.¹⁰⁰ If the TTB determines that there is a likelihood of confusion with existing trademarks or other appellations of origin, it considers alternative names suggested by the petitioners or others who commented during the notice and comment period.¹⁰¹ Controversy arises when the TTB determines there is no likelihood of consumer confusion, when indeed there is a similar trademark in existence. When a similar mark exists, the TTB generally holds that the mere addition of a word like “District” or “Hills” is enough to allow the approval of an AVA, even if that small difference is all that distinguishes the AVA name from a trademarked brand name.¹⁰² Whether such small additions effectively cure a likelihood of confusion is debatable.

The likelihood that consumers will be confused between AVAs and trademarks is the crux of the issue. Although consumers are rarely parties to trademark disputes—instead such disputes are most often between business enterprises using conflicting marks—the consumer’s state of mind is often what is adjudicated and largely determines the outcome.¹⁰³ Robert Burlingame, an attorney practicing in the field of viticultural intellectual property, poses the question best: “[i]f the [TTB] approves an AVA that is confusingly similar to an existing trademark, isn’t the government actually taking an action that is likely to cause increased consumer confusion?”¹⁰⁴ Mr. Burlingame and other commentators are of the opinion that while trademarks are intended to protect the consumer, AVAs are about protecting the interests of producers within the AVAs.¹⁰⁵ However, this protection comes at the expense of producers who already hold a trademark to which the AVA is very similar, and possibly at the expense of consumers who fail to distinguish between the trademarked product they know and other products that will use a similar name under the AVA.

matter presented, the agency shall incorporate in the rules adopted a concise general statement of their basis and purpose.” (emphasis added)).

¹⁰⁰ See *Vina Santa Rita*, 193 F. Supp. 2d at 22.

¹⁰¹ See Proposed Revision of American Viticultural Area Regulations, 72 Fed. Reg. 65,261, 65,262 (Nov. 20, 2007) (to be codified at 27 C.F.R. pts. 4, 9, and 70) (noting how TTB relies on comments provided during the publication of proposed rulemaking).

¹⁰² *Vina Santa Rita*, 193 F. Supp. 2d at 22.

¹⁰³ 1 MCCARTHY, *supra* note 11, § 2:33.

¹⁰⁴ E-mail from Robert Burlingame, Attorney, Pillsbury Winthrop Shaw Pittman LLP, to the author (Sept. 17, 2008) (on file with author).

¹⁰⁵ *Id.*; see also Mike Veseth, *AVAs: Good, Bad or Ugly?*, WINE ECONOMIST, May 19, 2009, <http://wineeconomist.com/2009/05/19/avas-good-bad-or-ugly/> (“AVAs are communal brands. They don’t belong to any single producer but rather to anyone who sources grapes from the region. . . . The result is not necessarily harmonious and so the AVA concept loses value to consumers.”).

Those on the other side of the argument posit that the wine industry is different from other product-oriented industries because consumers expect quality and certain other characteristics to come from distinct regions:

No consumer will take the time to read the front and back label of every different wine on the shelf, and most consumers will make a purchasing decision based only on a fairly cursory review of basic label information. Accordingly, if a consumer sees a brand name that includes the name of a recognizable wine region, the consumer will assume the wine is from that place and make a purchasing decision on such basis without any detailed review of any additional information on the label.¹⁰⁶

These individuals argue that AVAs are an adequate way to indicate wine regions and thus simplify the consumer experience without creating confusion.

C. PROPOSED AMENDMENTS TO AVA REGULATIONS

In November 2007, the TTB published a proposal in the *Federal Register* to revise the regulations regarding AVAs.¹⁰⁷ The TTB and the Department of the Treasury stated, “a comprehensive review of the AVA program is warranted in order to maintain the integrity of the program.”¹⁰⁸ The amendments propose to modify four areas of AVA regulatory law. First, the amendments address the effects that designating an AVA has on an established, trademarked brand name. Second, they provide clearer standards for designating a smaller AVA within an already existing AVA. Third, the amendments clarify the rules for petitioning the TTB for an AVA. Finally, they propose to add wine labeling regulations regarding the viticultural significance of established viticultural names.¹⁰⁹

The notice and comment period concluded in late March of 2008.¹¹⁰ As of November 3, 2009, the amendments are still going through the rulemaking

¹⁰⁶ Comment from Leslie Rudd, Owner, Dean & DeLuca and Rudd Winery to Frank Foote, Director, Regulations and Ruling Division, Alcohol and Tobacco Tax and Trade Bureau (Feb. 14, 2008), available in PDF at <http://www.regulations.gov>, Document ID TTB-2007-0068-0047 (discussing opposition to Notices of Proposed Rulemaking Nos. 77 and 78).

¹⁰⁷ See *supra* note 8 and accompanying text.

¹⁰⁸ Proposed Revision of American Viticultural Area Regulations, 72 Fed. Reg. 65,261, 65,261 (Nov. 20, 2007) (to be codified at 27 C.F.R. pts. 4, 9, and 70).

¹⁰⁹ *Id.* at 65,261–65,262.

¹¹⁰ Proposed Revision of American Viticultural Area Regulations; Extension of Comment Period, 72 Fed. Reg. 71,290, 71,290 (Dec. 17, 2007) (to be codified at 27 C.F.R. pts. 4, 9, and 70).

process. The final rule has been drafted and is in review, but details will not be given until it is published.¹¹¹

1. *The Problems, Uncorked.* Thus far, the recourse available to wineries that feel their mark has been compromised by an AVA has been limited to suits against other wineries that have used their trademarked name.¹¹² This arrangement has not proven successful to trademark holders, and fails to address the underlying conflict. The most successful methods for solving, or at least alleviating, this conflict have been the TTB initiating its own changes in policy regarding brand names and trademarks, and concerned viticulturalists petitioning for change. The combination of these methods has led to the amendments that are currently under consideration by the TTB.

The TTB recognizes that because designating a new AVA can limit the use of a brand name, it can have injurious effects on existing trademarks.¹¹³ The TTB believes it should avoid making “choices that undermine the commercial interests of particular entities.”¹¹⁴ When a trademark is devalued, business suffers. In this scenario, competition is limited and petitioners may use AVAs to adversely affect competitors’ businesses. This occurs when a petitioner actively seeks an AVA that conflicts with their competitor’s brand name.¹¹⁵ Because of these concerns, it is necessary to protect trademarked brand names by the TTB both recognizing and considering the effect a new AVA might have on a brand name, and clarifying the requirements that petitioners face when requesting the establishment of new AVAs.¹¹⁶ These regulations would clarify the TTB’s ability to deny petitions, especially those that might harm existing trademarks.¹¹⁷

2. *Quaffable or Foul?: Pros and Cons.* While the TTB considers the proposed amendments, industry members have actively voiced their approval or disapproval of the suggested changes.¹¹⁸ Jim Gordon, editor of *Wines & Vines* magazine,

¹¹¹ Email from Joanne C. Brady, Project Coordinator, Alcohol and Tobacco Tax and Trade Bureau, to the author (Nov. 3, 2009) (on file with author).

¹¹² See *infra* text accompanying note 160 (detailing cases in which the court determined trademark infringement claims based on the AVA issue are to be resolved by litigating with other wineries using the allegedly offensive name).

¹¹³ Proposed Revision of American Viticultural Area Regulations, 72 Fed. Reg. 65,261, 65,261 (Nov. 20, 2007) (to be codified 27 C.F.R. pts. 4, 9, and 70).

¹¹⁴ *Id.* at 65,262.

¹¹⁵ *Id.*

¹¹⁶ *Id.*

¹¹⁷ See *id.* (noting that “preserving the integrity of the AVA program mandates clarifying the standards for AVAs,” and that the existing authority to deny AVA petitions should be clearly stated).

¹¹⁸ Thanks to open records laws, interested parties may view all 233 comments submitted to the TTB regarding the proposed amendments at *Regulations.gov*, <http://www.regulations.gov/search/Regs/home.html#docketDetail?R=TTB-2007-0068> (last visited Oct. 10, 2009).

believes that the amendments “reflect a current inclination to side more strongly with brand owners rather than what you might call the AVA owners: all the growers and wineries connected to a wine-growing region.”¹¹⁹ The TTB made explicit its desire to rectify some of the conflict and confusion that results when an AVA is designated with a name too similar to an existing trademark.¹²⁰ The amendments also seek to give TTB officers more flexibility in denying a petition for an AVA, or at least requesting that the petition be amended, should the requirements not be met.¹²¹

The majority of the comments were in opposition to the amendments as a whole.¹²² Many opposed the proposed changes to the rules governing the creation of smaller AVAs within existing AVAs, a practice known as “nesting.”¹²³ Other negative commentary centers on whether the TTB should put a minimum on the acreage needed to designate an AVA. While these proposed changes do not bear directly on the trademark issue, their particular importance to the industry could contribute to the rejection of the amendments as a whole, thus precluding any fix for the trademark issue.¹²⁴

D. CASE COMPARISONS

Several trademark holders have initiated litigation to combat the injurious effects of similarly-named AVAs. In the case of *Sociedad Anomina Viña Santa Rita v. United States Dep’t of Treasury*, a winery unsuccessfully challenged the agency action itself, asserting that designating similarly-named AVAs constituted trademark infringement.¹²⁵ The case illustrates the stance taken by the courts

¹¹⁹ Jim Gordon, Editorial, *Do ‘AVA Owners’ Have Rights?*, WINES & VINES, Jan. 2008.

¹²⁰ Proposed Revision of American Viticultural Area Regulations, 72 Fed. Reg. 65,261, 65,262 (Nov. 20, 2007) (to be codified 27 C.F.R. pts. 4, 9, and 70).

¹²¹ *Id.* at 65,263.

¹²² See, e.g., Comment from Wilma Sturrock, President, Santa CW2 Mountains Winegrowers Association, to Frank Foote, Director, Regulations and Ruling Division, Alcohol and Tobacco Tax and Trade Bureau (Mar. 19th, 2008), available at PDF at <http://www.regulations.gov>, Document ID TTB-2007-0068-0187 (“We believe the proposed change in the rules . . . would be confusing to the consumer and allow for misrepresentation in the contents of the bottle and should therefore be withdrawn.”).

¹²³ Bill Kisliuk, *Rule 78: A Wider Wine Label Debate*, NAPA VALLEY REG., Mar. 17, 2008, available at <http://www.napavalleyregister.com/articles/2008/03/17/news/local/doc47ddf7b67b97e558790291.txt> (defining the term and concept of “nesting”).

¹²⁴ Telephone Interview with Rita Butler, TTB Specialist for Notice No. 78, Alcohol Tobacco Tax and Trade Bureau (Nov. 3, 2008) (stating that the TTB could choose to tweak the amendments, especially in light of the strong negative comments regarding only some of the proposals, but that would have required the TTB to issue a new notice and open the proposal to a new comment period).

¹²⁵ 193 F. Supp. 2d 6 (D.D.C. 2001).

when confronted with the tension between AVAs and trademarks. In *Leelanau Wine Cellars, Ltd. v. Black & Red, Inc.*, a winery sued a competitor for using the name 'Leelanau' in reference to the AVA in which both were located.¹²⁶ The plaintiff in *Leelanau Wine Cellars* lost the suit, in part because the similarly-named AVA was used as evidence against the strength of the plaintiff's trademark.¹²⁷ The courts' reasoning in both cases illustrate a very real problem for wineries and provide insight into how wineries should proceed when registering and subsequently protecting their trademarks.

1. *Sociedad Anonima Viña Santa Rita v. United States Department of the Treasury* (2001). *Sociedad Anonima Viña Santa Rita*, better known as Viña Santa Rita, is a Chilean wine producer that sued the Bureau of Alcohol, Tobacco and Firearms (ATF) in 1998.¹²⁸ At that time, the ATF was still in charge of those functions now under the authority of the TTB.¹²⁹ Viña Santa Rita sought either a preliminary injunction or a temporary restraining order barring the ATF from designating a California region as the Santa Rita Hills AVA.¹³⁰

Viña Santa Rita was concerned about the effect of the AVA, because it would allow Santa Rita Hills area vintners to put "Santa Rita Hills" on their labels, which could potentially dilute Viña Santa Rita's trademark.¹³¹ The primary issue in the case was not "whether the FAA [Federal Alcohol Administration] authorize[d] the ATF to promulgate rules recognizing AVAs, but rather on [sic] whether the ATF acted reasonably in reaching its decision [to designate the Santa Rita Hills AVA] under the statute in this circumstance."¹³²

Although this case predates the formation of the TTB and involves an international, as opposed to domestic, vintner, it effectively lays out the issues faced by vintners holding a trademarked name that becomes an AVA. Viña Santa Rita set forth three claims against the ATF. The vintner first claimed that the ATF's final ruling designating the Santa Rita Hills AVA was arbitrary and capricious, thus violating the Administrative Procedure Act (APA).¹³³ Second, Viña Santa Rita contended that the ruling infringed its "Santa Rita" trademark.¹³⁴ The final claim was that the ATF's ruling diluted the value of the trademark.¹³⁵

¹²⁶ 502 F.3d 504 (6th Cir. 2007).

¹²⁷ *Id.* at 516.

¹²⁸ *Viña Santa Rita*, 193 F. Supp. 2d at 8.

¹²⁹ See *supra* notes 84–85 and accompanying text (noting how the duties of the ATF were transferred in 2003 when the TTB was created).

¹³⁰ *Viña Santa Rita*, 193 F. Supp. 2d at 8.

¹³¹ *Id.*

¹³² *Id.* at 16.

¹³³ *Id.* at 13.

¹³⁴ *Id.*

¹³⁵ *Id.*

Viña Santa Rita made four assertions regarding the claim that the ATF was arbitrary and capricious in issuing the final regulation. The first assertion was that selecting the name “Santa Rita Hills” would create confusion among wine consumers, which contravened the ATF’s duty under the FAA. Viña Santa Rita’s second assertion was that selecting the name conflicted with the Lanham Act by failing to protect the rights of a trademark owner. Third, the plaintiff claimed that past ATF decisions indicated that the Bureau acted inconsistently, which is impermissible. Finally, the vineyard asserted the ATF was wrong in failing to consider alternative names for the AVA.¹³⁶ The ATF’s burden was merely to prove that the agency made a rational decision after considering the evidence regarding the proposed AVA.¹³⁷

The ATF argued that a likelihood of consumer confusion between the Santa Rita Hills AVA and Viña Santa Rita was unlikely, as there were already other wine labels using the name “Santa Rita” outside of Chile and there had been no reported confusion.¹³⁸ Also, the plaintiff’s wine would have to be designated as imported and declare that it was from Chile, not California, which would diminish confusion.¹³⁹

The court found that the ATF took sufficient steps to avoid conflict with the Lanham Act and held that the recognition of the Santa Rita Hills AVA did not squarely impact any of Viña Santa Rita’s trademark rights.¹⁴⁰ It should be noted that although Viña Santa Rita held many trademarks in the United States, it did not actually apply for registration under the name “Santa Rita” until March 1998, just after the Santa Rita Hills AVA was proposed.¹⁴¹ Thus, although Viña Santa Rita might have acquired common law rights in the Santa Rita mark, it did not have the strength of a registered trademark, and the vineyard did not seem to find such protection necessary until the AVA was proposed.¹⁴²

The court first held that the ATF did not achieve any of the elements required to sustain a viable claim of trademark infringement.¹⁴³ “Under the Lanham Act, a trademark’s owner is protected from use, imitation, or copy of the mark if such use is likely to cause consumer confusion.”¹⁴⁴ The court characterized the

¹³⁶ *Id.* at 14–15.

¹³⁷ *Id.* at 15.

¹³⁸ *Id.* at 12.

¹³⁹ *Id.* at 12–13.

¹⁴⁰ *Id.* at 19–22.

¹⁴¹ *Id.* at 10.

¹⁴² *Id.* (noting the timing of the filing for the “Santa Rita” trademark application somewhat skeptically: “Notably, Plaintiff did not file an application for a trademark on the name ‘Santa Rita’ until March 19, 1998.”).

¹⁴³ *Id.* at 19.

¹⁴⁴ *Id.* (quoting *Appleseed Found., Inc. v. Appleseed Inst., Inc.*, 981 F. Supp. 672, 674

designation of an AVA as something other than use, imitation, or copy; the ATF did not create labels bearing the mark, nor did it use the mark in commerce. Therefore, the ATF could not be liable because Viña Santa Rita failed to demonstrate an essential element of an infringement claim.¹⁴⁵ This same line of reasoning was used when the court determined that the ATF had not “adopted” the name Santa Rita when it designated the Santa Rita Hills AVA.¹⁴⁶ Thus, Viña Santa Rita’s dilution claim was also successfully countered.

Second, the court found that Viña Santa Rita, like any other business that tries to use a geographic term as part of its name, was put on notice that such a name is afforded less protection than a fanciful or arbitrary name.¹⁴⁷ The court explained that the Lanham Act clearly takes the position that “merchants should remain free to indicate the location of their place of business or the geographic origin of their goods without unnecessary risk of infringement.”¹⁴⁸ The court determined, based on prior cases, that “an entity with a non-geographic interest in a particular name is not empowered, under the Lanham Act, to contest the ATF’s recognition of a distinct geographic region that bears that name.”¹⁴⁹

Third, the court contrasted the purported purpose of AVA recognition and the purpose of trademark protection. According to the court, the purpose of AVA recognition is to indicate the origin of the product to consumers, “and no individual winery owns an absolute and exclusive right to employ the designation.”¹⁵⁰ In contrast, a trademark “reflects a single entity’s absolute and exclusive control over a particular designation.”¹⁵¹ Because an AVA only recognizes a preexisting geographic area, the ATF does not *create* any name or mark on its own, and therefore does not infringe upon any rights afforded by the

(D.D.C. 1997)).

¹⁴⁵ *Id.* at 19–20.

¹⁴⁶ *Id.* at 20.

¹⁴⁷ *Id.* at 21; *see also supra* notes 46–47; *cf.* Robert Brauneis & Roger E. Schechter, *Geographic Trademarks and the Protection of Competitor Communication*, 96 TRADEMARK REP. 782, 784 (2006) (describing how geographically descriptive terms were traditionally unavailable for trademark protection without a showing of secondary meaning, whereas now many courts use a “goods-place association” test to confer some protection).

¹⁴⁸ *Viña Santa Rita*, 193 F. Supp. 2d at 21 (quoting RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 14 cmt. d (1995)).

¹⁴⁹ *Viña Santa Rita*, 193 F. Supp. 2d at 21. For supporting cases relied on by the *Viña Santa Rita* court, *see Boston Beer Co. v. Slesar Bros. Brewing Co.*, 9 F.3d 175 (1st Cir. 1993) (refusing trademark protection to a mark using a geographic term that had not acquired secondary meaning); and *Burke-Parsons-Bowlby Corp. v. Appalachian Log Homes*, 871 F.2d 590, 595 (6th Cir. 1989) (noting that a geographical term can be protected but only after acquiring a secondary meaning).

¹⁵⁰ *Viña Santa Rita*, 193 F. Supp. 2d at 21–22.

¹⁵¹ *Id.*

Lanham Act.¹⁵² The court thus determined that the ATF effectively reconciled the Lanham Act and the FAA Act.¹⁵³

The court found that Viña Santa Rita did not have a substantial likelihood of prevailing on its claim that the ATF violated the APA, as the ATF successfully countered the assertions it had acted inconsistently and unreasonably failed to consider alternative names for the Santa Rita Hills AVA.¹⁵⁴ The ATF declared that when proposed names for an AVA are likely to cause consumer confusion, its policy was to consider alternative names proposed by petitioners or those who comment during the notice and comment period.¹⁵⁵ Because “no alternative names had been seriously put forth during the notice and comment period . . . there were no alternative names for ATF to have considered.”¹⁵⁶ Therefore, the ATF could not choose from alternative names, as it does not make those types of suggestions itself and its actions were not inconsistent with other cases regarding AVA designation.¹⁵⁷

Ultimately, the court determined that the trademark infringement and dilution claims were “not yet ripe for judicial review.”¹⁵⁸ “Until a wine label is approved by ATF and used by a winery, the court cannot adjudicate whether a particular use results in an infringement or dilution.”¹⁵⁹ Viña Santa Rita would have to wait until another winery actually used its mark before it could advance a cause of action based on its trademark rights.¹⁶⁰ Viña Santa Rita’s requests for a preliminary injunction or a temporary restraining order were denied, based on the court’s characterization of the agency’s actions as legitimate.

2. *Leelanau Wine Cellars, Ltd. v. Black & Red, Inc. (2007)*. Plaintiff Leelanau Wine Cellars (LWC), a Michigan winery, claimed that defendant Black & Red’s use of the word “Leelanau” in Black & Red’s registered name of “Chateau de Leelanau Vineyard and Winery” infringed on LWC’s “Leelanau Cellars” trademark.¹⁶¹

¹⁵² *Id.* at 22.

¹⁵³ *Id.*

¹⁵⁴ *Id.* at 24.

¹⁵⁵ *Id.*

¹⁵⁶ Robert Tobiassen, *Santa Rita Hills Viticultural Area—Establishment and Judicial Challenge*, ALCOHOL & TOBACCO NEWSL. (Bureau of Alcohol, Tobacco and Firearms, Washington, D.C.), Sept. 2001, available at http://www.ttb.gov/public_info/Sept_2001/index.htm.

¹⁵⁷ *Viña Santa Rita*, 193 F. Supp. 2d at 22–24.

¹⁵⁸ *Id.* at 25.

¹⁵⁹ Tobiassen, *supra* note 156.

¹⁶⁰ Current jurisprudence refuses to implicate the federal government, and therefore the administrative agencies, in contributory or vicarious liability for trademark infringement. Preferred Risk Mut. Ins. Co. v. United States, 86 F.3d 789, 792–94 (1996). So even if another winery contravenes Viña Santa Rita’s trademark rights, the government could not be held liable for having opened that door by designating the offending AVA.

¹⁶¹ 502 F.3d 504, 511 (6th Cir. 2007).

Leelanau is also the name of the AVA in which both the plaintiff and defendant are located.¹⁶² In this case, the court implied that the existence of an AVA could be used to rebut the presumption that a trademarked name with geographical significance had acquired a secondary meaning.

Since plaintiff LWC's "Leelanau Cellars" trademark was registered, the court presumed it valid and the burden shifted to defendant Black & Red to rebut that presumption.¹⁶³ The court presumed that since the mark was descriptive, being a geographic term, it must have acquired a secondary meaning.¹⁶⁴ Accordingly, Black & Red was required to prove the absence of a secondary meaning.¹⁶⁵

While the appellate court found the district court erred in determining that LWC's mark was not entitled to the benefit of a statutory presumption of validity, it noted that the existence of the Leelanau Peninsula AVA was "strong evidence" that the Leelanau Cellars mark had not acquired secondary meaning, indicating that most consumers would *not* assume any wine with the word Leelanau on it necessarily came from Leelanau Cellars or another LWC product.¹⁶⁶ The Leelanau AVA was established in 1981 and generated the Leelanau Peninsula Vintner's Association, comprised of thirteen wineries, including the plaintiff's and defendant's wineries.¹⁶⁷ Thus, the appellate court posited that most consumers would assume that Leelanau wines come from the older and more recognized Leelanau AVA, not Leelanau Cellars itself.¹⁶⁸ The appellate court did not expressly rule on whether the presumption of secondary meaning was rebutted on the evidence before it since it disposed of the appeal on the ground that LWC failed to prove a likelihood of confusion.¹⁶⁹

The courts both agreed, however, that the use of the AVA name in the trademark made the mark weak and unremarkable, and therefore it was not afforded as much protection as it otherwise would have been.¹⁷⁰ *Leelanau Wine Cellars* indicates that an AVA has bearing on a trademark's strength and the protection it is afforded. As stated, a trademark registration creates only a legal

¹⁶² *Id.* at 510.

¹⁶³ *Id.* at 514.

¹⁶⁴ *Id.* (quoting *Packman v. Chicago Tribune Co.*, 267 F.3d 628, 638 (7th Cir. 2001) which noted that a registered mark "affords a plaintiff one of two presumptions: (1) that her registered trademark is not merely descriptive or generic; or (2) that if descriptive, the mark is accorded secondary meaning.").

¹⁶⁵ *Id.* at 514.

¹⁶⁶ *Id.* at 514–15.

¹⁶⁷ *Id.* at 515.

¹⁶⁸ Although Leelanau Wine Cellars had been operating as a winery since 1977, it did not register the mark "Leelanau Cellars" until 1997. *Id.* at 510–11.

¹⁶⁹ *Id.* at 514–16.

¹⁷⁰ *Id.* at 516.

presumption of one's ownership of the mark.¹⁷¹ Such a presumption is rebuttable by subsequent users of a mark who wish to usurp a prior user's claim on the mark.¹⁷² *Leelanau Wine Cellars* submits one way of rebutting the presumption: providing the name of an AVA with a similar designation as the trademark name. The reasoning in that case indicates that the prior trademark holder can be disadvantaged in litigation by the presence of an AVA since the federal designation of the Leelanau AVA made it more likely that consumers would identify the term Leelanau with the AVA, rather than any particular winery using the term.

III. ANALYSIS: THE WINE FLIGHT

Policy considerations including consistency and fairness dictate that trademarks be afforded more deference in the AVA designation process. When a subsequent AVA is allowed to take a name similar to that of an existing trademark, basic tenets of the federal trademark system are affected. Such a designation disrupts the notion of priority as paramount.¹⁷³ It also fails to appreciate the nuances of consumer confusion.¹⁷⁴ In order to maintain a more consistent system, existing trademarks should be afforded more deference than subsequent AVAs. Otherwise, unchecked AVA designations will subvert the hard work and goodwill achieved by trademark owners and their marks. The AVA designation system should not make protecting one's mark any more difficult than normal competition allows.

Solutions to the dilemma have been proffered; two seem likely. Judicious mark selection is the most likely solution for those wineries that have yet to register trademarks or establish a great amount of goodwill surrounding their existing trademarks. As wineries become increasingly aware of the tension between AVAs and trademarks, they will decline to use geographic names or other terms that are likely to become AVA names on their labels. However, for existing wineries that have thrived on their trademarked names, another solution is needed. The amendments proffered by the TTB that would revise the AVA designation process so that it would do more to take trademarks into account should be passed. At a minimum, those parts relating to AVA-trademark overlap should be accepted.

¹⁷¹ See *supra* notes 34–37 and accompanying text (discussing the presumption of a mark's ownership and validity, and how it can be rebutted).

¹⁷² See *supra* Part II.A.1.

¹⁷³ See *supra* text accompanying notes 22–24 (detailing the primary importance of priority of use).

¹⁷⁴ See *supra* text accompanying notes 27–32.

A. IMPLICATIONS ON THE LANHAM ACT AND FEDERAL TRADEMARK SYSTEM

The current system of designating AVAs has had the effect of turning some primary principles of the federal trademark system on their head. In order to maintain consistency within the trademark regime and to continue to support intellectual property rights, trademarks should be afforded more protection against encroaching AVA designations.

1. *The Basics of Trademark Law Are Affected.* The overlap between some AVAs and existing trademarks undermines two basic tenets of trademark law: that priority is given to those who first use a term, and that consumer confusion should be avoided at all costs.¹⁷⁵

Trademarks have long been granted to those parties who first use a mark to designate a product.¹⁷⁶ However, the ability of the TTB to usurp a trademark holder's exclusive ownership of a mark by designating an AVA, thereby inviting others to use that designation, seems contrary to this basic tenet of trademark law. This invitation is also contrary to one of the primary purposes of trademark law: to ensure fair competition.¹⁷⁷ The ability of an AVA to weaken an existing trademark invites AVA petitioners to use an AVA against a competitor.

The TTB should directly address these issues by implementing further rules to protect the value of an original owner's mark. The most obvious solution would be to not designate AVAs that use names similar to existing trademarks. While the TTB says that it considers existing marks and analyzes whether the proposed AVA name would be confusingly similar to an existing mark,¹⁷⁸ the TTB fails to appreciate how the AVA name will be used by new vintners who wish to capitalize on the value of the AVA, thus spawning more marks with names similar to the original trademark. If, instead, an AVA is named something unique and singular, new vintners are free to put that name on their bottle without usurping any other trademark holder's brand name. This proposition would also stymie an AVA petitioner's attempt to weaken a competitor's mark.

The weakness of this proposition is that the purpose of an AVA is to showcase quality or certain characteristics of a product hailing from a specific geographic

¹⁷⁵ See *supra* Part II.A.1.

¹⁷⁶ See Lanham Act, 15 U.S.C. § 1115 (2002); see also *supra* text accompanying notes 22–25.

¹⁷⁷ See *supra* text accompanying note 31.

¹⁷⁸ Proposed Revision of American Viticultural Area Regulations, 72 Fed. Reg. 65,261, 65,262 (Nov. 20, 2007) (to be codified 27 C.F.R. pts. 4, 9, and 70) (“In effect, vintners are on notice that continued use of a brand name having geographical significance could be jeopardized by the subsequent establishment of an AVA using an identical or similar name. In practice, however, TTB works with petitioners to amend petitions in order to limit the adverse impact on established brand names.”).

region, so using a geographic term to define an AVA makes the most sense.¹⁷⁹ The tension arises, then, when an existing trademark already uses the most common geographical terms for the region. However, consumers who are not familiar with the actual geographic area from where the grapes are grown simply require a way to categorize brands from that area. Aside from well-known and obvious cases such as Napa Valley, consumers do not necessarily need to know the name on the map, but could easily learn varietal names or even that a certain quality of wine comes from an AVA with a completely fanciful name. In contrast, even broader geographic terms could be used for AVAs that are unlikely to be used as trademarks. For example, an AVA named the “North Georgia AVA” is so generic that it is not used as a trade or brand name; yet as an AVA, it would impart the necessary geographical information to consumers. There are many options for naming AVAs without using narrow geographical indicators likely to overlap with established trademarks. These options would preserve the notion of first-in-time, first-in-right if a proposed AVA name overlaps with an existing trademark.

Protecting against consumer confusion is another vital purpose of trademark protection.¹⁸⁰ Many individuals argue that AVAs are an adequate way to indicate wine regions and thus simplify consumer experience.¹⁸¹ The counterargument is that trademarks provide the more appropriate way to indicate to consumers the quality and characteristics of a product. AVAs are inadequate for this purpose because not all wineries within an AVA are equal—some make better wine than others. But a familiar brand name denotes exactly what the consumer is getting. Therefore, it is important that consumers are not confused by brand names and can easily discern which product they really wish to purchase. An AVA designation encourages other wineries to put that designation on their labels or even incorporate it into their own brand names, which leads to numerous products with similar, arguably *confusingly* similar, brand names. AVA designations not only harm the original trademark holders, but they can also harm the consumer.

It is unlikely that the AVA scheme will be dismantled for these reasons. The best option would be for the TTB to designate singular AVA names that do not pose a threat to existing trademarks, and to encourage vintners to trademark

¹⁷⁹ 2 MCCARTHY, *supra* note 11, § 14:1 (“Geographic terms have traditionally been of great importance in identifying the source, as well as various qualities, of certain goods and services.”).

¹⁸⁰ See *supra* text accompanying note 31 (noting that part of the rationale for the trademark system is to protect consumers).

¹⁸¹ See *supra* note 106 and accompanying text (arguing that AVAs impart important information about wine by referencing wine regions).

stronger brand names that do not mimic the AVA designation, but instead display the wine region in addition to a unique brand name.

2. *Adding Insult to Injury.* Designating an AVA with a similar name to an existing trademark is injurious to business,¹⁸² but such designation is also an insult when the AVA's presence calls into question the goodwill of the mark. Due to courts' inability or reluctance to hold the TTB accountable for its AVA designations that overlap with existing trademarks, vineyards and wineries must resort to litigating with competing wineries that use the allegedly infringing AVA designation on their own labels.¹⁸³ The reasoning in *Leelanau* indicates that the prior trademark holder can be disadvantaged in such litigation by the presence of the AVA, providing subsequent users of the AVA designation and trademarked term an advantage. Consequently, overlapping AVAs not only spawn more trademark infringement litigation, but they also make proving infringement more difficult. Litigation is costly, time-consuming, and bad for business. As compliance with TTB regulations does not insulate wineries from charges of trademark infringement, even those wineries that use an AVA designation properly on their labels are at risk of having lawsuits brought against them.¹⁸⁴

Courts evaluate the strength of the senior mark in a likelihood of confusion analysis during trademark infringement litigation, so the senior mark holder must be prepared to prove her mark's strength.¹⁸⁵ Such proof can come in the form of survey evidence showing consumers' association between the mark and the senior user. But because the presence of an AVA with a name similar to the mark can be used as evidence by a subsequent user to question the strength of the prior user's mark, mark holders with geographically descriptive marks should be prepared to buttress any infringement claims with strong evidence of their mark's goodwill. Senior mark holders should also argue that their mark is suggestive, rather than merely descriptive. This argument can be difficult when the mark is

¹⁸² See *supra* text accompanying note 28 (describing the importance of trademarks to competition).

¹⁸³ The courts do not view agency action as a catalyst for trademark disputes. AVAs are not supposed to infringe upon prior trademarks, but entanglements of the two have been an unintended consequence. The Administrative Procedure Act provides that "[a] person suffering legal wrong because of agency action . . . is entitled to judicial review thereof." 5 U.S.C. § 702 (2009). But because agencies are given broad authority to exercise their expertise, courts are often deferential to agency actions and rules. Therefore wineries that are having issues with a burdensome AVA designation are forced to spend time and money litigating against other wineries, rather than the administrative agency that designated the AVA. The court in *Vina Santa Rita* was explicit in this point.

¹⁸⁴ Seff, *supra* note 1.

¹⁸⁵ See HALPERN ET AL., *supra* note 63 (listing strength of the mark as a factor in the likelihood of confusion analysis).

primarily geographically descriptive in nature, but, if successful, will help distinguish the mark from the offending AVA.

The fact that the presumption of ownership is rebuttable may explain the ability of the TTB to designate AVAs that are detrimental to existing trademarks. A federal agency's need to fulfill its statutory obligations might trump, and therefore rebut, ownership of a trademark. In other words, because the AVA system currently requires the use of geographic terms to designate grape-growing regions,¹⁸⁶ and geographic terms are afforded weaker trademark protection, the TTB's need for a geographic term rebuts the presumption that a trademark holder has complete ownership in that name. This understanding of the problem is based upon the fundamental view that geographic terms are inherently descriptive, and therefore, not afforded as much protection as the more distinctive arbitrary or fanciful marks.¹⁸⁷ Yet why should the geographic name of an AVA necessarily trump the geographically relevant mark name?

AVAs are "supposed to indicate to the consumer that [a particular good is] a unique product, from a special place."¹⁸⁸ Therefore, the geographic name is of particular relevance to an AVA. But bad wine can be made from good grapes. The brand names are what distinguish the various wineries within an AVA. Thus, trademarks function to give consumers additional information about the product. The notion that bad wine can be made from good grapes undermines the purpose of the AVA system. Not all wines that hail from an AVA are of equal quality.¹⁸⁹

¹⁸⁶ Since AVAs are about where grapes come from, the *where* imports the climate, soil, water, etc., that affect the grape quality and features. In other words, wines reflect their geographical origins. Richard Smart, *Terroir Unmasked*, WINE BUS. MONTHLY, June 15, 2004, available at <http://www.winebusiness.com/wbm/?go=getArticle&dataId=32378>.

¹⁸⁷ See *supra* note 46 (describing how distinctive marks are given more protection).

¹⁸⁸ Telephone Interview with David Reynolds, Owner, Leona Valley Winery and vineyard (Jan. 12, 2009).

¹⁸⁹ One blogger, a professor of political economy and a fan of wine, argues that the large AVAs do not necessarily designate a particular style of wine, nor do they necessarily define *terroir*. Instead, they include a large variety of soil types and climates that create diverse growing conditions for grapes. This makes pinpointing which characteristics stem from each AVA difficult for consumers. Mike Veseth, *AVAs: Good, Bad or Ugly*, WINE ECONOMIST, May 19, 2009, <http://wineeconomist.com/2009/05/19/avas-good-bad-or-ugly/>. Nesting, the practice of creating smaller AVAs within existing AVAs to create subappellations, attempts to address this problem. Subappellations can better identify the particular qualities of a grape-growing region. However, the proliferation of subappellations nested within larger appellations highlights the primacy of trademarks to better impart product information to consumers. Those who favor subappellations believe that they will help consumers differentiate between the regions of a large AVA. But since the primary function of trademarks is to identify products and differentiate them from their competitors, subappellations are unnecessary. Kathy Marcks Hardesty, *East Side, West Side: Paso Robles Torn Over Terroir in Establishing AVAs*, WINES & VINES, Dec. 1, 2006, available at <http://www.allbusiness.com/wholesale-trade/merchant-wholesalers-nondurable-goods/4007975-1.html>.

Accordingly, it can be argued that brand names are more apt to provide consumers with product information and better suited to indicate quality. This discrepancy between the purpose and effect of the AVA system adds to the argument that trademarked names should be given preference when the TTB seeks to designate an AVA.

B. A FINE SELECTION: PASSING THE AMENDMENTS

The amendments proposed by the TTB are a boon to trademark holders whose marks are in danger of being appropriated by an AVA. While trademark holders are on notice that descriptive names or geographical terms are afforded less protection than other marks,¹⁹⁰ it should be noted that the wine industry is somewhat unique, because a name means everything: “[l]abels are the only thing that distinguishes one winery from the other.”¹⁹¹ Further, a wine name can become even more critical in a restaurant setting where a consumer only receives a wine list, because the name, type of wine, and the region from which the wine comes are the only information a consumer has to make a purchasing decision.¹⁹² Labels are exceptionally important to consumers purchasing wine; the value of a trademarked brand name on a bottle of wine should be obvious.

The TTB has recognized the importance of brand names in this particular industry and its proposed amendments to the AVA regulations reflect this recognition.¹⁹³ The amendments seek to provide more guidance to TTB officers regarding the purpose of AVAs, so that the officers can more effectively use their discretion to approve, deny, or modify a petition for an AVA.¹⁹⁴ Similarly, the amendments give officers more leeway to reject AVA petitions. Hopefully, this encourages TTB officers to take existing trademarks into greater account when approving an AVA designation. Although trademark owners would be better protected if substantive limitations relating to existing trademarks were put into

¹⁹⁰ See *supra* note 147 and accompanying text.

¹⁹¹ Xenia P. Kobylarz, *Wine Trademark Leaves Big Ass Hangover*, RECORDER, May 24, 2006, available at <http://www.law.com/jsp/article.jsp?id=1148375133718> (quoting Jennifer Taylor, a trademark litigator at Morrison & Foerster).

¹⁹² *Id.*

¹⁹³ Proposed Revision of American Viticultural Area Regulations, 72 Fed. Reg. 65,261, 65,262 (Nov. 20, 2007) (to be codified 27 C.F.R. pts. 4, 9, and 70) (“First, we do not wish to discount the commercial and informational value of an established brand name, which often is built up over a period of time by substantial investments in capital and hard work.”).

¹⁹⁴ Proposed Revision of American Viticultural Area Regulations, 72 Fed. Reg. 65,261, 65,263 (Nov. 20, 2007) (to be codified 27 C.F.R. pts. 4, 9, and 70) (explaining that the amendments will allow the TTB, at its discretion, to decide not to proceed with rulemaking).

the AVA process, the amendments are a step in the right direction and a realistic proposal.

The amendments strike the correct balance between the underlying goals of trademark law and the realities of the AVA system. Many intellectual property attorneys working in the viticultural field advise their clients about the possibility of having descriptive or geographically relevant trade names usurped by the AVA designation system, or, worse, invalidated due to labeling requirements regarding the origin of the grapes.¹⁹⁵ Thus, most proprietors of wineries and vineyards are arguably on notice when they choose and register their brand names. Yet many wineries and vineyards have been operating for years under such brand names, many of which have acquired secondary meaning. Diminishing the value of these marks by the mere designation of an AVA with a similar name seems contrary to the fundamental purposes of trademark law, i.e., to foster production and competition, and our basic notions of fairness, that one should reap what one has sown. The amendments will give TTB officers the ability to judge each AVA petition with this tension in mind. Therefore, the amendments should be passed so that the TTB may more conscientiously scrutinize AVA petitions for possible trademark overlap.

C. *VINA SANTARITA* IN TODAY'S CULTURE, AS EMBODIED BY THE AMENDMENTS

The proposed amendments reflect a change in the culture of wine branding and AVA designation. Trademark owners, wineries, vineyards, and attorneys have come to recognize the problem, even if they have not yet agreed upon a solution. The amendments embody the changes in the culture. If the proposed amendments are passed, courts will evaluate cases in a manner that reflects this change in the culture, as it will have a statutory basis. However, the amendments would not necessarily have altered the outcome in the *Vina Santa Rita* case. For example, the allegations that the ATF's designation of the Santa Rita Hills AVA caused consumer confusion, and that the selection of the AVA name was arbitrary and capricious because it conflicted with the Lanham Act, would likely still be decided in the agency's favor. A court would likely determine that there is no consumer confusion due to the same reasons set forth in the original opinion, or

¹⁹⁵ See, e.g., David E. Stoll, *Can I Protect My Wine Brand as a Trademark?*, Farella Braun & Martel LLP, Mar. 14, 2005, http://www.fbm.com/index.cfm/fuseaction/publications.detail/object_id/547df727-f938-41a3-88e5-f00f1cd0591a/CanIProtectMyWineBrandAsATrademark.cfm (describing the basic rules of primarily descriptive terms, including geographic terms); E-mail from James M. Seff, Partner, Pillsbury Winthrop Shaw Pittman LLP, to the author (Aug. 28, 2008) (on file with author) ("But in general I advise new entrants to the wine industry to avoid geographical names as brands so as to never have to comply with the requirement that 85% of the wine in the bottle has to come from the given AVA (should the geographical name one day become an AVA).").

maintain that an action sounding in consumer confusion would have to be made against a competing winery, not the agency itself.¹⁹⁶ The proposed revisions have no bearing on changing the administrative structure of the TTB vis-à-vis the Lanham Act. Similarly, a court is still unlikely to determine the agency acted arbitrarily or capriciously. The agency has discretionary power in its rulings. While a court's ruling is unlikely to be greatly affected by the proposed amendments, the TTB itself is likely to change how it approaches the issue.

It is worth noting that the court's characterization of agency actions when designating an AVA would likely stand today, regardless of the amendments. This bit of judicial maneuvering helps justify the agency's actions in light of its discretion. A court is still unlikely to recognize a claim against the agency and even less likely to determine the agency is at fault, because of the discretionary nature of the AVA designation system and the expertise of the TTB.¹⁹⁷

However, it should be noted that one of the purposes of the proposed amendments is to recognize existing trademarks, thus minimizing the risk of consumer confusion. This would hopefully preclude designating an AVA with a name like Santa Rita Hills that directly conflicts with a known brand name. The amendments would likely have helped *Vina Santa Rita* prevail in its allegation that the ATF failed to consider alternative names. Since the amendments propose to give TTB officers more leeway to deny petitions, the agency could have denied the petition for the Santa Rita Hills AVA.¹⁹⁸ There also seems to have been a change from when AVA designation was under the auspices of the ATF compared to the TTB. It appears that the TTB now actively solicits alternative names for an AVA when confronted with a situation in which a proposed name is similar to an existing brand name or trademark,¹⁹⁹ whereas language in *Vina Santa Rita* indicates the ATF took a more passive position when confronted with the issue, merely waiting to see whether another name would be proposed.²⁰⁰ Thus, the proposed

¹⁹⁶ See *supra* notes 143–45, 155–57 and accompanying text (detailing the original opinion's treatment of consumer confusion).

¹⁹⁷ See *supra* note 160. But see *Global Mail Ltd. v. United States Postal Serv.*, 142 F.3d 208, 216 (4th Cir. 1998) (allowing a claim against the USPS for violating the Lanham Act, despite the Eighth Circuit's ruling in *Preferred Risk*). Such detailed discussions of sovereign immunity, as raised in these cases, are outside the scope of this Note.

¹⁹⁸ See *supra* text accompanying note 194.

¹⁹⁹ *Santa Rita Hills Viticultural Area Name Abbreviation to Sta. Rita Hills*, 70 Fed. Reg. 72,710, 72,711 (Dec. 7, 2005) (to be codified at 27 C.F.R. pt. 9) ("When confronted with a proposed viticultural area name that is similar to an existing brand or trademark, TTB solicits public comment for other potential names that might avoid such a dilemma.").

²⁰⁰ *Sociedad Anonima Vina Santa Rita v. United States Dep't of Treasury*, 193 F. Supp. 2d 6, 24 (D.D.C. 2001) (noting the ATF "does not suggest specific alternatives itself. Rather, it only addresses proposals offered by the petitioners or by other interested parties.").

amendments and the current policy of the TTB probably would have made a difference on this argument.

Likewise, a court would likely take a position different from the *Viña Santa Rita* court on the purpose of AVA recognition as compared with trademark protection. The court stated, “by approving the Santa Rita Hills AVA, the ATF has not developed any name or mark on its own. Rather, the ATF has simply taken the step of recognizing a preexisting geographic entity,” and thus does not infringe upon rights afforded by the Lanham Act.²⁰¹ But because that preexisting geographic entity might already be referenced by a trademark that has acquired secondary meaning to consumers, the AVA does tread upon the trademark. Moreover, as there no longer appears to be any dispute in the viticultural world that the Lanham Act and the AVA system conflict, it is unlikely the court’s reasoning on this point will be followed in the future. It is more likely a court would call for further evidence of a mark’s secondary meaning and goodwill.

It should be noted that the Santa Rita Hills AVA had a name change in January 2006 and since then has been officially known as the “Sta. Rita Hills” viticultural area.²⁰² The final ruling stated that eleven viticulturalists in the Santa Rita Hills viticultural area proposed the name change and suggested the abbreviation in order to avoid confusion with *Viña Santa Rita*.²⁰³ It was observed that this change would benefit consumers in the United States and abroad and would preclude the need for further legal action.²⁰⁴ This situation illustrates that although wineries harmed by AVA designations retain the ability to sue other wineries using a similar name, an alternative method of solving the problem is needed. *Viña Santa Rita* spent eight years and a significant amount of money litigating its claims in order to have its mark recognized as *the* Santa Rita brand. Giving TTB officers the ability to avoid such issues altogether is a preferable alternative.

The amendments would greatly improve the AVA designation system. Although the proposals that directly affect trademarks do not have teeth, the changes will substantially affect potential AVAs in the future. The amendments should be passed in order to minimize trademark infringement litigation between wineries, saving time, resources, and expenses, and to better recognize the property rights inherent in trademarks.

²⁰¹ *Viña Santa Rita*, 193 F. Supp. 2d at 22.

²⁰² Press Release, Alcohol and Tobacco Tax and Trade Bureau, TTB Publishes Rulings on Five Viticultural Areas (Dec. 7, 2005), <http://www.ttb.gov/press/fy05press/120705vitareas.pdf>.

²⁰³ Santa Rita Hills Viticultural Area Name Abbreviation to Sta. Rita Hills, 70 Fed. Reg. at 72,711.

²⁰⁴ *Id.*

IV. CONCLUSION: FINISHING THE BOTTLE

Clearly, conflict exists between the AVA system implemented by the Alcohol and Tobacco Tax and Trade Bureau (TTB) and trademark rights granted by the Lanham Act. An AVA allows any winery or vineyard to use the AVA name on its label, as long as certain requirements are met. When the AVA name is similar to a pre-existing trademarked brand name, the result is a weakening of that mark's presence in the market. Some argue that the TTB's actions constitute trademark infringement and create consumer confusion. Others assert that AVAs are necessary to impart the location and quality of the wines. Thus far, the courts have been disinclined to recognize trademark infringement claims against the TTB and are unlikely to do so in the future. Those throughout the viticultural community agree that steps must be taken to alleviate the conflict, as wineries have taken to pursuing litigation against each other, as opposed to suing the TTB. As wineries become increasingly aware of this tension, they will avoid using geographic names or other terms that are likely to become AVA names on their labels. However, for existing wineries that have thrived on their trademarked names, another solution is needed. The most likely solutions have stemmed from the TTB itself. The agency is currently analyzing proposed amendments to its AVA designation process that would do more to take trademarked names into account. While there has been a good deal of controversy over the amendments, they would be a boon for those with trademark concerns. The TTB is moving in the right direction, but it remains to be seen what will become of the conflict.

