

**THIS OPINION IS NOT A
PRECEDENT OF
THE T.T.A.B.**

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UNITED STATES PATENT AND TRADEMARK OFFICE

Trademark Trial and Appeal Board

Churchill Cellars, Inc.

v.

Brian Graham

Opposition No. 91193930
to application Serial No. 77787019

Richard J. Coddington of Akin Gump Strauss Haure & Feld LLP for
Churchill Cellars, Inc.

David P. Miranda of Heslin Rothenberg Farley & Mesiti PC for
Brian Graham.

Before Holtzman, Cataldo and Mermelstein,
Administrative Trademark Judges.

Opinion by Cataldo, Administrative Trademark Judge:

On July 22, 2009 applicant, Brian Graham, applied to register in standard characters on the Principal Register the mark PARLAY, based upon his allegation of February 13, 2009 as a date of first use of the mark anywhere and in commerce under Section 1(a) of the Trademark Act for "wine" in International Class 33.¹

¹ Application Serial No. 77787019.

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Registration has been opposed by opposer, Churchill Cellars, Inc. The allegations in the notice of opposition are set forth below:

1. Churchill Cellars, Inc. ("Opposer") distributes and sells wines under the trademark PARLAY.

2. The distribution and sale of wine is subject to a federal regulatory scheme. That scheme is set forth, in part, in Title 27 of the Code of Federal Regulations ("C.F.R."), Chapter I, Part 4, Labeling and Advertising of Wine. 27 C.F.R. § 4.30 provides in pertinent part:

(a) Application. No person engaged in business as a producer, rectifier, blender, importer, or wholesaler, directly or indirectly or through an affiliate, shall sell or ship or deliver for sale or shipment, or otherwise introduce in interstate or foreign commerce, or receive therein, or remove from customs custody, any wine in containers unless such wine is packaged, and such packages are marked, branded, and labeled in conformity with this subpart.

3. 27 C.F.R. § 4.50 provides:

(a) No person shall bottle or pack wine, other than wine bottled or packed in U.S. customs custody, or remove such wine from the plant where bottled or packed, unless an approved certificate of label approval, TTB Form 5100.31 is issued by the appropriate TTB officer.

4. In accordance with the applicable regulatory requirements set forth above, on or about March 6, 2009, Owl Ridge Wine Services, Greg & Greg, Inc., on behalf of Opposer Churchill Cellars, Inc., filed an application with the Department of Treasury Alcohol and Tobacco Tax and Trade Bureau ("TTB") for approval of the Churchill Cellars, Inc. PARLAY wine label.

5. On or about March 10, 2009, the TTB issued its TTB Form 5100.31 certificate of label approval of Churchill Cellars, Inc.'s PARLAY wine label.

6. Following receipt of the required TTB approval of its PARLAY label, Churchill Cellars, Inc. began bottling,

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distributing and selling wine under the PARLAY trademark making its first shipment of wine on or about April 21, 2009. Since that time, Churchill Cellars Inc. has used the PARLAY mark continuously.

7. Applicant Brian Graham ("Applicant") seeks to register the mark PARLAY in international class 33 (Alcoholic beverages (except beers)) (former U.S. classes 47 (wines) and 49 (Distilled alcoholic liquors)).

8. Applicant filed its application for registration of its mark on July 22, 2009, well after Opposer obtained its TTB label approval on March 10, 2009 and well after Opposer began using the PARLAY mark in interstate commerce on April 21, 2009.

9. In its application for registration of its mark, Applicant has alleged February 13, 2009 as its first use of the mark and its first use of the mark in interstate commerce.

10. On its face, it appears that Applicant's alleged date of first use of February 13, 2009 precedes Opposer's date of first use on April 21, 2009. However, at the time of Applicant's alleged first use of the PARLAY mark, it had neither applied for nor obtained a TTB Form 5100.31 certificate of label approval. Applicant, through an affiliated entity, Ramian Estate, LLC., did not obtain a TTB Form 5100.31 certificate of label approval until July 9, 2009, well after Opposer obtained its TTB label approval and began using the mark in commerce.

11. Section 907, Compliance with Other Statutes, of the Trademark Manual of Examining Procedure provides that the use of a mark in commerce must be a lawful use to be the basis for federal registration of the mark.

12. 37 C.F.R. § 269, Compliance with other laws, provides:

When the sale or transportation of any product for which registration of a trademark is sought is regulated under an Act of Congress, the Patent and Trademark Office may make appropriate inquiry as to compliance with such Act for the sole purpose of determining lawfulness of the commerce recited in the application.

13. Here, as noted above, 27 C.F.R. § 4.50 provides that no person shall bottle or pack wine or remove such wine from the plant where bottled or packed unless an approved

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certificate of label approval, TTB Form 5100.31, has been issued by the appropriate TTB officer. Because Applicant did not receive its TTB Form 5100.31 certificate of label approval until July 9, 2009, any wine bearing the PARLAY mark sold or distributed by Applicant or pursuant to its authorization prior to July 9, 2009 was sold or distributed in violation of the explicit requirements of 27 C.F.R. § 4.50 and does not constitute a lawful use of the mark for the purpose of obtaining a federal registration of the mark based on that use.

14. Because the requirement of 27 C.F.R. § 4.50 for an approved TTB Form 5100.31 certificate of label approval prior to the distribution of any bottled or packaged wine is clear and unambiguous and because it is equally clear that Applicant did not have the required certificate of label approval prior to its sales or shipments of wine bearing the PARLAY mark prior to July 9, 2009, the date it obtained its TTB certificate of approval, Applicant's distribution and/or sale of wine bearing the PARLAY mark prior to July 9, 2009 constitutes a per se violation of 27 C.F.R. § 4.50. Consequently, any such distributions and sales do not constitute lawful uses of the PARLAY mark and cannot be relied on as the basis for obtaining a trademark registration. *Kellogg Co. v. New Generation Foods Inc.*, 6 USPQ 2d 2045 (TTAB 1988); *Medtronic, Inc. v. Pacesetter Systems, Inc.*, 222 USPQ 80 (TTAB 1984).

15. This is not a case where there has been a technical violation of the requirements of the content of the label. Here, there is a clear statutory requirement for a label approved by the TTB and a clear and total failure to obtain the required label approval for the relevant period of time.

16. Because Applicant's alleged uses of the PARLAY mark prior to July 9, 2009 were not lawful and cannot be the basis for Applicant's registration of the mark, Opposer's lawful uses of the mark in commerce beginning on April 21, 2009 in compliance with the requirements of 27 C.F.R. § 4.50 are prior to any lawful uses of the mark in commerce by Applicant and Opposer has priority as to the use of the mark.

17. Applicant's PARLAY mark is identical to Opposer's PARLAY mark. Indeed, the stylized version of the mark used by Applicant on its bottles of wine is identical to the stylized version of the mark used by Opposer on its bottles of wine.

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18. The fact that Applicant's mark is identical to Opposer's and that both marks are used on wines sold through the same or similar channels of distribution virtually assures that there will be confusion among potential customers as to the source or origin of Applicant's wine.

19. Applicant will unfairly benefit from the good will developed by Opposer through the distribution and sale of Opposer's wine.

20. Similarly, any defect in or objection to Applicant's wine will necessarily reflect adversely on Opposer and Opposer's wine and will damage the reputation that Opposer has developed with respect to its PARLAY wine. If Applicant were granted a registration for the PARLAY mark as requested, it would obtain at least a prima facie exclusive right to use the mark for Applicant's wines. Such registration would be a source of damage and injury to Opposer, as set forth above.

Applicant's answer consists of a general denial of the allegations in the notice of opposition.²

The record in this case consists of the pleadings and the file of the involved application. See Trademark Rule 2.122(b); 37 C.F.R. § 2.122(b). In addition, opposer filed the testimony deposition, with accompanying exhibits, of Ms. Casey Coyle, a stockholder and employee of opposer. Opposer further submitted a notice of reliance.

Applicant submitted his testimony deposition with accompanying exhibits. Applicant further submitted a notice of reliance.

² In addition, applicant asserted certain matters as affirmative defenses but did not pursue them by motion or at trial. Accordingly, they are deemed waived.

The parties filed briefs, including opposer's reply brief.

Opposer's Standing

Opposer, through its testimony and related exhibits, has established that it uses the mark PARLAY in connection with wine in the context of a plausible claim of priority and likelihood of confusion. *Giersch v. Scripps Networks Inc.*, 90 USPQ2d 1020, 1022 (TTAB 2009) (common-law use sufficient to establish standing). Thus, opposer has demonstrated it possesses a real interest in this proceeding beyond that of a mere intermeddler, and a reasonable basis for its belief of damage. *See Ritchie v. Simpson*, 170 F.3d 1902, 50 USPQ2d 1023 (Fed. Cir. 1999). *See also Lipton Industries, Inc. v. Ralston Purina Co.*, 670 F.2d 1024, 213 USPQ 185 (CCPA 1982).

We find, therefore, that opposer has proven its standing to bring the instant opposition proceeding.

Likelihood of Confusion

Our likelihood of confusion determination under Section 2(d) is based on an analysis of all of the facts in evidence that are relevant to the factors bearing on the likelihood of confusion issue. *See In re E. I. du Pont de Nemours & Co.*, 476 F.2d 1357, 177 USPQ 563 (CCPA 1973). *See also Palm Bay Imports, Inc. v. Veuve Clicquot Ponsardin Maison Fondée En 1772*, 396 F.3d 1369, 73 USPQ2d 1689 (Fed. Cir. 2005); *In*

re Majestic Distilling Company, Inc., 315 F.3d 1311, 65 USPQ2d 1201 (Fed. Cir. 2003); and *In re Dixie Restaurants Inc.*, 105 F.3d 1405, 41 USPQ2d 1531 (Fed. Cir. 1997).

In this case, the parties are using virtually identical marks, *i.e.*, PARLAY, for identical goods, namely wine.³ Both applicant's wine and opposer's wine appear to be available to all classes of purchasers in all channels of trade that are customary therefor. Neither party has presented arguments or evidence to support a finding that any of the enumerated *du Pont* factors favor a finding that confusion is unlikely. Indeed, the parties have not addressed the *du Pont* factors touching on likelihood of confusion in their briefs. Therefore we find, and the parties appear to agree, that confusion is likely.

Priority

Because opposer does not own a U.S. registration, in order to prevail on a claim under Trademark Act § 2(d), it bears the burden of demonstrating a proprietary interest acquired through use of its mark prior to either the filing date of applicant's application or applicant's proven date of first use, whichever is earlier. *See Herbko Int'l*

³ As noted above, applicant seeks registration of its mark in standard characters. We observe nonetheless that evidence of record indicates that the parties are using the PARLAY mark in a nearly identical stylized form. While both parties have commented upon this high degree of similarity, neither has directly alleged or introduced evidence that the other copied its mark.

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Inc. v. Kappa Books Inc., 308 F.3d 1156, 64 USPQ2d 1375, 1378 (Fed. Cir. 2002); *Otto Roth & Co., Inc. v. Universal Corp.*, 640 F.2d 1317, 209 USPQ 40, 43 (CCPA 1981); and *Miller Brewing Co. v. Anheuser-Busch Inc.*, 27 USPQ2d 1711, 1714 (TTAB 1993). Opposer's asserted common-law mark, PARLAY, must be "distinctive," in the sense that it is used as an indicator of source and has at least some inherent or acquired ability to fulfill that function. See *Otto Roth*, 209 USPQ at 44; *Towers v. Advent Software Inc.*, 913 F.2d 942, 16 USPQ2d 1039, 1041 (Fed. Cir. 1990). A plaintiff's common-law mark is deemed distinctive if it appears to be inherently distinctive on its face, at least in the absence of evidence to the contrary. In this case, applicant has neither argued nor introduced evidence that opposer's PARLAY mark is descriptive or otherwise lacks inherent distinctiveness for purposes of our determination herein. Nor does the mark, on its face, appear to be anything but distinctive. We thus find opposer's PARLAY mark to be inherently distinctive on the facts and record of this case. See *Otto Roth*, 209 USPQ at 44. See also, e.g., *Giersch v. Scripps Networks Inc*, 90 USPQ2d 1020, 1023 (TTAB 2009).

We turn then to the evidence of record to determine whether opposer's first use of its PARLAY mark is prior to any date upon which applicant can rely. In that regard, the following facts are largely undisputed:

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applicant first created its PARLAY wine labels in October 2008⁴ and first used PARLAY in connection with wine subsequently in 2008;⁵

applicant first used the PARLAY mark in connection with wine in interstate commerce as early as February 13, 2009;⁶

applicant filed an application for TTB approval of its PARLAY label for wine on June 1, 2009, and obtained such TTB approval on July 9, 2009;⁷

opposer selected PARLAY as a mark for its wine on or about March 5, 2009;⁸

opposer filed an application for TTB approval of its PARLAY label for wine on March 6, 2009, and obtained such approval on March 10, 2006;⁹ and

opposer made its first use of PARLAY in connection with wine on April 16, 2009, and made its first use of such mark in commerce in connection with wine on April 20, 2009.¹⁰

Based upon the foregoing, we find that the testimony and evidence of record establishes that the earliest date upon which applicant may rely for purposes of priority is February 13, 2009. The earliest priority date upon which opposer may rely is April 20, 2009. Inasmuch as opposer did

⁴ Graham testimony, p. 88; Exhibits D1-2.

⁵ Id. at 93; Exhibit P-2.

⁶ Id. at 92-4; Exhibits P5-10.

⁷ Id. at 92, 97; Exhibits P13-14.

⁸ Coyle testimony, p. 61-2; Exhibit P21.

⁹ Id. at 16-20; Exhibits 25-27.

¹⁰ Id. at 29-33; Exhibits 34-36.

not make use of the PARLAY mark prior to applicant's earliest date of use, opposer cannot establish priority for purposes of our likelihood of confusion determination.

Opposer argues at length that applicant cannot rely on any use of the PARLAY mark prior to the July 9, 2009 grant of the Department of Treasury Alcohol and Tobacco Tax and Trade Bureau ("TTB") approval for its labels for wine bearing the PARLAY mark. Essentially, opposer asserts that TTB regulations require approval by the TTB of wine labels prior to sale; that a "nexus arises between use of the mark and the use's noncompliance when a product was shipped with the mark but without required government approval;"¹¹ and that applicant's non-compliance was a material, per se violation of the applicable TTB regulation. Opposer thus argues that applicant's use prior to July 9, 2009 was unlawful and did not result in the creation of trademark rights.

As a general rule, in order to establish trademark rights, one's use of a mark must be lawful use in commerce. Applicant's "wine," as well as opposer's for that matter, may be lawfully purchased, notwithstanding prohibition of its sale to minors. That is to say, there is nothing inherently unlawful about applicant's goods and opposer does not so allege. Rather, opposer alleges that applicant

¹¹ Opposer's brief, p. 6.

violated a TTB regulation requiring approval of the label bearing its PARLAY mark prior to sale.

The lawful use doctrine is based on the USPTO's own interpretation of the requirement that a mark be used in commerce, *Western Worldwide Enters. Group Inc. v. Qingdao Brewery*, 17 USPQ2d 1137 (TTAB 1990). Application of this doctrine has resulted in a number of difficulties for this tribunal, leading us to observe that we have heard

cases involving the lawfulness of use under such statutes as the Federal Food, Drug, and Cosmetic Act, the Federal Meat Inspection Act, the Federal Insecticide, Fungicide, and Rodenticide Act, and the Federal Clean Air Act. Due to a proliferation of federal regulatory acts in recent years, there is now an almost endless number of such acts which the Board might in the future be compelled to interpret in order to determine whether a particular use in commerce is lawful. Inasmuch as we have little or no familiarity with most of these acts, there is a serious question as to the advisability of our attempting to adjudicate whether a party's use in commerce is in compliance with the particular regulatory act or acts which may be applicable thereto.

Satinine Societa in Nome Collettivo di S.A. e M. Usellini v. P.A.B. Produits et Appareils de Beaute, 209 USPQ 958, 964 (TTAB 1981) (declining to find opposer's use invalid under the Trademark Act); see also *Id.* at 967 (Kera, concurring) (suggesting that "There must be some nexus between the use of the mark and the alleged violation before it can be said that the unlawfulness of the sale or shipment has resulted in the invalidity of an application or registration.").

Subsequently, in *Kellogg Co. v. New Generation Foods, Inc.*, 6 USPQ2d 2045 (TTAB 1988), and *General Mills Inc. v. Health Valley Foods*, 24 USPQ2d 1270 (TTAB 1992), the Board again considered the unlawful use doctrine, and again declined to find the allegedly unlawful use to be invalid under the Trademark Act.

In *Kellogg*, applicant alleged - and opposer admitted - that the specimens submitted by opposer with the application underlying its registration that was subject to applicant's counterclaim to cancel failed to comply with Food, Drug and Cosmetic Act labeling requirements. *Kellogg*, 6 USPQ2d at 2046. Similarly, in *General Mills*, applicant alleged - and opposer again admitted - that the initial shipment upon which its date of first use was based did not comply with FDA labeling regulations. *General Mills*, 24 USPQ2d at 1273. In the latter case, the Board summarized an approach to the issue consistent with *Satinine*:

[T]he better practice in trying to determine whether use of a mark is lawful under one or more of the myriad regulatory acts is to hold a use in commerce unlawful only when the issue of compliance has previously been determined (with a finding of noncompliance) by a court or government agency having competent jurisdiction under the statute involved, or where there has been a *per se* violation of a statute regulating the sale of a party's goods. See *Satinine Societa v. P.A.B. Produits*, 209 USPQ 958 (TTAB 1981); *Kellogg Co. v. New Generation Foods, Inc.*, 6 USPQ2d 2045 (TTAB 1988).

. . . .

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Where, as here, a party seeks to show that use by the adverse party was unlawful by virtue of noncompliance with a labeling statutory provision, it is incumbent upon the party charging that the use was unlawful to demonstrate by clear and convincing evidence more than that the use in question was not in compliance with applicable law. Such party must prove also that the non-compliance was material, that is, was of such gravity and significance that the usage must be considered unlawful - so tainted that, as a matter of law, it could create no trademark rights - warranting cancellation of the registration of the mark involved.

General Mills, 24 USPQ2d at 1273-74.

In that case, applicant had presented no evidence of a final determination of noncompliance by any court or agency. Further, the Board found that applicant failed to show a "nexus between the use of the mark and the alleged violation [such that] the unlawfulness of a shipment can be said to result in the invalidity of a registration." *General Mills*, 24 USPQ2d at 1274 (citing *Satinine*, 209 USPQ at 967 (Kera, concurring)). As a result, the Board found that applicant had not met its burden of proof, despite opposer's admission that it failed to comply with the applicable statute. The Board also made the following observation:

Although opposer acknowledges its inadvertent failure to comply fully with these regulations, we agree with opposer that its technical noncompliance should not result in the Draconian result of cancellation of its registration.

General Mills, 24 USPQ2d at 1273.

More recently, in *Automedx Inc. v. Artivent Corp.*, 95 USPQ2d 1976 (TTAB 2010), applicant alleged that opposer's

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prior sales of its medical ventilators were unlawful because opposer had neither received approval from the FDA nor applied for an exemption from the regulation requiring such approval. Consistent with our narrow application of the illegal use doctrine in *Satinine*, *Kellogg*, and *General Mills*, the Board again denied applicant's counterclaim:

[W]e find that applicant failed to show that there was a *per se* violation of any law or FDA regulations. As previously indicated, we disagree with applicant's premise that the products sold by opposer to the military were required to be FDA approved before the sales of those products may constitute *bona fide* use of the mark in commerce.

Automedx, 95 USPQ2d at 1985.

In the present case, opposer has presented no evidence of a final determination of applicant's noncompliance by any court or agency having competent jurisdiction under the involved regulation. See *General Mills*, 24 USPQ2d at 1273-74. Applicant does not dispute that it sought TTB approval of the wine labels bearing its PARLAY mark approximately three and one half months after first using the mark in commerce, and obtained such approval approximately one month later. Thus, it appears that applicant may have been in technical violation of the applicable TTB regulation for a short time, although it is undisputed that it is now in compliance.

In arguing that applicant's asserted non-compliance is material, opposer argues that the "purpose of this

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requirement is to ensure that wine makers properly inform consumers about the wine's brand, geographic origin, grape type, age and any other relevant information."¹² Opposer goes on to argue that "Applicant's shipment of bottles with non-approved labels is thus not 'relatively harmless' because it directly violates the public policy goal of the wine labeling regulations to prevent consumer deception."¹³ However, there is no evidence of record that applicant's wine labels bearing its PARLAY mark were deceptive in any manner or otherwise failed to properly inform consumers about any information relevant to applicant's wine. The labels submitted by applicant were ultimately approved by the TTB and there is no evidence that they were found to be deceptive or deficient in any respect. As a result, there is no evidence that applicant's asserted non-compliance with the applicable TTB regulation is material and should result in denying registration of its mark. Certainly there is no evidence that applicant's submission of its wine label for approval a few months after commencing use of its mark "was so tainted that, as a matter of law, it could create no trademark rights." *General Mills*, 24 USPQ2d at 1274.

The cases relied upon by opposer do not compel a different result. *CreAgri, Inc. v. Usana Health Sciences*,

¹² Id. at 9.

¹³ Id. at 10.

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Inc., 474 F.3d 626, 81 USPQ2d 1592 (9th Cir. 2007) involved several instances of inaccurate labeling of the concentration of an ingredient in dietary supplements. Such mislabeling was found, *inter alia*, to be a material violation of the applicable Food, Drug, and Cosmetic Act requirements. *Erva Pharmaceuticals, Inc. v. American Cyanamid Co.*, 755 F. Supp. 36, 19 USPQ2d 1460 (D. P.R. 1991) involved mislabeling of pharmaceuticals. Such mislabeling also was found to contravene Food, Drug and Cosmetic Act requirements. In the instant case, however, there is no evidence that applicant's wine labels contained inaccurate, incomplete, or deceptive information regarding applicant's wine. Rather, at worst, applicant's asserted non-compliance appears confined to seeking TTB approval of such labels after commencing use in commerce of the mark they display. As such, we disagree with opposer that applicant's actions are analogous to those discussed above. Simply put, there is no evidence that applicant's actions misled or otherwise deceived consumers.

Finally, in cases involving application of the lawful use doctrine, we are mindful of the draconian and potentially disproportionate result of denying trademark rights to a party; in this case, over three and one-half years after the asserted non-compliance.

Summary

In view of the foregoing, we find that opposer has established its standing to bring this proceeding; and that a likelihood of confusion exists between the parties' essentially identical marks as applied to identical goods that appear to move in all customary channels of trade and be available to all classes of consumers. However, opposer has failed to establish its priority of use, or that applicant's asserted non-compliance with applicable TTB labeling regulations should result in rendering unlawful applicant's prior use.

DECISION: The opposition is dismissed.