

January 1999

Intellectual Property Law - Kendall-Jackson Winery v. E. & J. Gallo Winery

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Recommended Citation

Rema M. Titcomb, *Intellectual Property Law - Kendall-Jackson Winery v. E. & J. Gallo Winery*, 29 Golden Gate U. L. Rev. (1999).
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INTELLECTUAL PROPERTY

KENDALL-JACKSON WINERY v. E. & J. GALLO WINERY

150 F.3d 1042 (9th Cir. 1998)

I. INTRODUCTION

In *Kendall-Jackson v. Gallo*,¹ the United States Court of Appeals for the Ninth Circuit held that grape leaf designs on wine bottles are not protected as trademarks under the Lanham Trademark Act² because of widespread use in the industry. Accordingly, the Ninth Circuit upheld the district court's decision to grant Gallo's summary judgment motion in favor of Gallo.³

II. FACTS AND PROCEDURAL HISTORY

Kendall-Jackson Winery sued E. & J. Gallo in the United States District Court for the Northern District of California for trademark⁴ and trade dress⁵ violations, and for violating Cali-

1. 150 F.3d 1042 (9th Cir. 1998). The appeal from the United States District Court for the Northern District of California was argued and submitted on May 12, 1998 before Circuit Judge Robert Boochever, Circuit Judge Herbert Y. C. Choy and Circuit Judge Harry Pregerson. The decision was filed on July 8, 1998. Circuit Judge Pregerson authored the opinion.

2. See 15 U.S.C. § 1127. Generic marks are precluded from trademark registration.

3. *Kendall-Jackson Winery v. E. & J. Gallo Winery*, 150 F.3d 1042, 1049 (9th Cir. 1998).

4. 15 U.S.C. § 1127. A trademark is any word, name, symbol, or device or any combination thereof.

5. See *John H. Harland Co. v. Clarke Checks, Inc.*, 711 F.2d 966, 980 (11th Cir. 1983). Trade dress is the total image of a product and may include features such as size, shape, color, color combinations, texture, or graphics. See *id.*

ifornia's unfair competition laws.⁶ Kendall-Jackson claimed that Gallo infringed its trademark because the multicolored grape leaf design on Gallo's Turning Leaf label strongly resembled the grape leaf design on its Vintner Reserve labels.⁷ Kendall-Jackson also argued that Gallo mimicked the overall appearance of its wine bottles.⁸

Kendall-Jackson began selling wines in 1983.⁹ By 1994, it was the number one chardonnay seller in the United States.¹⁰

6. See *Kendall-Jackson*, 150 F.3d at 1044. See CAL BUS. & PROF. CODE §17200. As used in this chapter, unfair competition shall mean any unlawful, unfair or fraudulent business act or practice and unfair, deceptive, untrue or misleading advertising and any act prohibited by Chapter 1 (commencing with Section 17500) of Part 3 of Division 7 of the Business and Professions Code. Cal Bus. & Prof. Code §17500 provides:

It is unlawful for any person, firm, corporation or association, or any employee thereof with intent directly or indirectly to dispose of real or personal property or to perform services, professional or otherwise, or anything of any nature whatsoever or to induce the public to enter into any obligation relating thereto, to make or disseminate or cause to be made or disseminated before the public in this state, or to make or disseminate or cause to be made or disseminated from this state before the public in any state, in any newspaper or other publication, or any advertising device, or by public outcry or proclamation, or in any other manner or means whatever, any statement, concerning such real or personal property or services, professional or otherwise, or concerning any circumstance or matter of fact connected with the proposed performance or disposition thereof, which is untrue or misleading, and which is known, or which by the exercise of reasonable care should be known, to be untrue or misleading, or for any such person, firm, or corporation to so make or disseminate or cause to be so made or disseminated any such statement as part of a plan or scheme with the intent not to sell such personal property or services, professional or otherwise, so advertised at the price stated therein, or as so advertised. Any violation of the provisions of this section is a misdemeanor punishable by imprisonment in county jail not exceeding six months, or by a fine not exceeding two thousand five hundred dollars (\$2,500), or by both.

Id.

7. See *Kendall-Jackson Winery*, 150 F.3d at 1044.

8. See *id.* Kendall-Jackson did more than use the leaf design to try to distinguish its Vintner's Reserve wine. It packaged the wine in recognizable bottles. The bottles came in one of two shapes ("burgundy-style" or "bordeaux-style"), had a rounded flange, a visible cork with printed leaves on it, a brown or burgundy neck label with gold lines, and an off-white label featuring the multicolored leaf design. See *id.* at 1045. Kendall-Jackson also invoked the California and common-law counterparts to the Lanham Act, and asserted various unfair competition claims for trademark and trade dress dilution, false advertising, unfair competition, common law trademark infringement, common law trade dress infringement and palming off. See *id.* at 1045-46.

9. See *id.* at 1045.

10. See *id.* By 1994, Kendall-Jackson annually sold over \$100 million worth of its Vintner Reserve wine. See *id.*

Kendall-Jackson's Vintner Reserve label featured a downward pointing, grape leaf in different shades of green, yellow, orange, red and brown.¹¹ The bottles were characterized by a rounded lip at the top of the bottleneck, called a "flange," a neck label with gold lines near the top and bottom, and an off-white label displaying the multicolored leaf design.¹²

In 1995, Gallo, the world's largest wine-producer,¹³ introduced a line of premium wine called Turning Leaf.¹⁴ Turning Leaf was the result of three years of market research.¹⁵ The Turning Leaf label featured a grape leaf motif and omitted Gallo's name.¹⁶ Gallo's Turning Leaf bottles displayed a label that closely resembled Kendall-Jackson's Vintner Reserve label.¹⁷ These characteristics included a grape leaf design in different shades of green, yellow, orange, red and brown.¹⁸ The Turning Leaf bottle itself was also similar in appearance to Kendall-Jackson's Vintner Reserve bottle.¹⁹ Like the Vintner Reserve bottle, Turning Leaf's bottle was characterized by a rounded lip at the top of the bottle neck, a neck label with gold lines near the top and bottom, and an off-white label displaying the multicolored leaf design.²⁰

Kendall-Jackson sued Gallo six months after the Turning Leaf line was introduced.²¹ The district court granted Gallo's motion for summary judgment on the trademark claim²² and

11. *See id.*

12. *See Kendall-Jackson*, 150 F.3d at 1045.

13. *See id.* *See also Gallo Stands at Top of International Wineries*, THE KOREA HERALD, March 16, 1998.

14. *See id.*

15. *See Kendall-Jackson*, 150 F.3d at 1045. Gallo's research indicated that the name "Gallo" was associated with "jug wine" and that a multicolored grape leaf design attracted wine drinkers. *See id.*

16. *See id.*

17. *See id.*

18. *See id.*

19. *See Kendall-Jackson*, 150 F.3d at 1045.

20. *See id.*

21. *See id.* *See also Kendall-Jackson Winery v. E. & J. Gallo Winery*, No. C-96-1198-VRW, 1998 WL 337568 (N.D. Cal. 1997).

22. *See Kendall-Jackson*, 150 F.3d at 1048. The district court decided that no reasonable jury could conclude from the evidence that consumers associate the colored grape leaf design with Kendall-Jackson. *See Kendall-Jackson*, No. C-96-1198-VRW, 1998 WL 337568.

denied its motion for summary judgment on the trade dress claim.²³ On April 3, 1997, a jury found that Gallo did not infringe on Kendall-Jackson's trade dress.²⁴ On June 4, 1997, the district court denied Kendall-Jackson's motion for a new trial.²⁵ The district court entered judgment in favor of Gallo on all remaining federal and state law claims.²⁶ Kendall-Jackson appealed.²⁷

III. THE COURT'S ANALYSIS

A. THE TRADEMARK ISSUE

The Ninth Circuit first addressed the question of whether Kendall-Jackson's grape leaf design was an inherently distinctive trademark. The court applied the Imagination Test²⁸ to conclude that the use of a grape leaf design for wine was inherently distinctive²⁹ because it suggested rather than described the product.³⁰ Under the Imagination Test, a trademark is suggestive rather than descriptive if a consumer has to use more than a small amount of imagination to make the association between the mark and the product.³¹ The Ninth Circuit reasoned that since a grape leaf comes from a grapevine, a

23. See *Kendall-Jackson*, 150 F.3d at 1046. See also *Kendall-Jackson*, No. C-96-1198-VRW, 1998 WL 337568. The district court decided that there was a genuine issue of material fact on the trade dress issue.

24. See *Kendall-Jackson*, 150 F.3d at 1046, 1050. See also *Kendall-Jackson*, No. C-96-1198-VRW, 1998 WL 337568.

25. See *id.*

26. See *Kendall-Jackson*, 150 F.3d at 1046. The district court also denied Gallo's motion for leave to file a counterclaim on June 6, 1997. Kendall-Jackson appealed the district court's decision, which the Ninth Circuit affirmed.

27. See *id.*

28. See *id.* at 1048-49. The Imagination Test is met if one must take steps to associate the grape leaf with the product. See also *Rodeo Collection v. West Seventh*, 812 F.2d 1215, 1218 (9th Cir. 1987).

29. See *Kendall-Jackson Winery v. E. & J. Gallo Winery*, 150 F.3d 1042, 1048 (9th Cir. 1998). In its appeal from the district court on the trademark issue, Kendall-Jackson argued that a reasonable jury could have found the colored grape leaf design inherently distinctive because consumers associate the design with Kendall-Jackson. The Ninth Circuit held that a grape leaf design has become a generic emblem for wine and, therefore, is not entitled to trademark protection.

30. See *Kendall-Jackson*, 150 F.3d at 1048.

31. See *Rodeo Collection v. West Seventh*, 812 F.2d 1215, 1218 (9th Cir. 1987).

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grapevine has grapes and grapes produce wine, the design was suggestive of the product.³²

The Ninth Circuit also held, however, that Kendall-Jackson's grape leaf design on a wine bottle was merely a generic mark.³³ By applying the Widespread Use Test,³⁴ the court found that the grape leaf design was no longer inherently distinctive because wine producers have decorated their labels with this design for many years.³⁵ Therefore, grape leaf designs are analogous to aspirin,³⁶ a term so common it could never be protected.³⁷ The court reasoned that like the term aspirin, the grape leaf design had lost the ability to differentiate brands in the minds of consumers because of its widespread use.³⁸

The Ninth Circuit stated, however, that a particular grape leaf design may be so distinctive as to warrant protection from copying.³⁹ Therefore, the court evaluated Gallo's and Kendall-Jackson's designs in their entireties.⁴⁰ The Ninth Circuit determined that Kendall-Jackson's particular rendering of a grape leaf was not unique enough to allow the consumer to dis-

32. See *Kendall-Jackson*, 150 F.3d at 1049.

33. See *id.*

34. See *id.* See also SUSAN UPTON DOUGLASS & BARBARA A. SOLOMAN, OVERVIEW OF BASIC PRINCIPLES OF TRADEMARK LAW (Practising Law Institute, 1990). For the Widespread Use Test, several federal courts ask to what extent have other sellers used the mark for similar goods. See *id.*

35. See *Kendall-Jackson*, 150 F.3d at 1049.

36. *Id.*

37. See *Boston Beer v. Slesar Bros. Brewing*, 9 F.3d 175, 180 (1st Cir. 1993). See also *Bayer Co. v. United Drug Co.*, 272 F. 505 (S.D.N.Y. 1921).

38. See *Kendall-Jackson*, 150 F.3d at 1049.

39. See *id.*

40. See *id.* The Ninth Circuit evaluated several factors. For example, whether Kendall-Jackson's grape leaf design was more like a photo or a stylized rendering, what parts of Kendall-Jackson's design were more distinctive and less distinctive, whether Gallo depicted its name in the same area of the design that Kendall-Jackson did, what characteristics Gallo's leaf shared with Kendall-Jackson's, and the similarity in the intensity of coloration.

tinguish it from other brands of wine.⁴¹ The court denied Kendall-Jackson's appeal on the trademark infringement claim.⁴²

B. THE TRADE DRESS ISSUE

With respect to the trade dress claim, the Ninth Circuit held that the district court did not erroneously submit this issue to the jury.⁴³ Kendall-Jackson argued that, at most, Gallo's evidence showed that a flanged bottle is functional and that some wineries use leaf designs on their bottles.⁴⁴ Kendall-Jackson contended, however, that Gallo failed to show that Kendall-Jackson's trade dress as a whole was either functional or non-distinctive.⁴⁵

The Ninth Circuit disagreed.⁴⁶ The court found that Gallo's evidence showed that the combination of Kendall-Jackson's exposed cork, rounded flange, and neck label merely represented the "California look," which consumers expect from a California wine.⁴⁷ The Ninth Circuit noted that a reasonable jury could find these features as constituting part of Kendall-Jackson's trade dress.⁴⁸ However, the court refrained from granting Kendall-Jackson exclusive use of this combination of features because it would put competitors at a significant "non-reputation related" disadvantage.⁴⁹

Thus, the court concluded that Kendall-Jackson's trade dress was functional.⁵⁰ The court also noted that a jury could

41. *See id.*

42. *See id.* Kendall-Jackson presented no triable issue of fact regarding the distinctiveness of its grape leaf design in relation to other wineries. *See id.*

43. *See Kendall-Jackson*, 150 F.3d at 1050. The court concluded that Kendall-Jackson failed to establish its trade dress was non-functional and distinctive as a matter of law. *See id.*

44. *See id.*

45. *See id.*

46. *See id.*

47. *See id.*

48. *See Kendall-Jackson*, 150 F.3d at 1050.

49. *See Qualitex v. Jacobson Products*, 514 U.S. 159, 165 (1995).

50. *See Kendall-Jackson*, 150 F.3d at 1050-51. A product feature is functional if it is essential to the use or purpose of the product. *See id.* at 1048. *See also Qualitex*, 514 U.S. at 164. "The functionality doctrine prevents trademark law, which seeks to

reasonably conclude that the “California look” was generic or descriptive and, therefore, nondistinctive.⁵¹

IV. IMPLICATIONS OF DECISION

The Ninth Circuit’s approach indicates that, in the absence of a uniform test for distinctiveness, certain distinctions among trademark classifications become muddled.⁵² The United States Supreme Court has analyzed distinctiveness by dividing trademarks and trade dress into five categories of generally increasing distinctiveness.⁵³ These included (1) generic,⁵⁴ (2) descriptive,⁵⁵ (3) suggestive,⁵⁶ (4) arbitrary,⁵⁷ or (5) fanciful.⁵⁸

promote competition by protecting a firm’s reputation, from instead inhibiting legitimate competition by allowing a producer to control a useful product feature.” *Id.*

51. See *Kendall-Jackson*, 150 F.3d at 1051. Regarding likelihood of confusion, Kendall-Jackson argued that the district court’s jury instructions failed in two ways. First, the district court did not instruct the jury that Gallo’s intent to exploit Kendall-Jackson’s mark creates a rebuttable presumption of confusion. Second, the district court’s instructions did not accurately define actual confusion. See *id.* The Ninth Circuit rejected both arguments, including the district court’s failure to instruct on the rebuttable presumption. See *id.* at 1051-52. The Ninth Circuit held that the district court’s jury instructions on actual confusion were not erroneous because when read in context, although there was some risk of ambiguity, it did not believe that the jury could have been misled. See *id.* at 1052. In sum, the Ninth Circuit determined that the jury was properly allowed to decide the trade dress claim because there were genuine issues of material fact. See *id.*

52. See Michele A. Sheptner, Note, *Determining a Proper Test for Inherent Distinctiveness in Trade Dress*, 8 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 947, 1007 (1998). This author proposes a new test for inherent distinctiveness in trade dress claims because of the “sheer number and variety of differing tests and criteria.” *Id.* See also Andrew A. Smith, Comment, *Trademark Law: Equity’s Role in Unfair Competition Cases*, 13 U. HAW. L. REV. 137, 173 (1991). This author suggests that the inherent distinctiveness doctrine is “strictly illusory,” due to its similarity with the secondary meaning concept. *Id.* Both inherent distinctiveness and secondary meaning require that the trademark or trade dress proponent show that his product indicates origin before it will be protected under the Lanham Act. See *id.* See also Stephen R. Baird, Note, *Putting the Cart before the Horse in Assessing Trademark Validity—Toward Redefining the Inherently Generic Term*, 14 J. CORP. L. 925 (1989).

53. See *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 768 (1992).

54. George K. Chamberlin, Annotation, *When does product mark become generic term or “common descriptive name” so as to warrant cancellation of registration of mark, pursuant to § 14 of Lanham Act (§ 15 U.S.C.A. 1064)*, 55 A.L.R. FED. 241, 243 (1981). A generic name refers to a genus of which a particular product is a species. See also *Two Pesos*, 505 U.S. at 768. Generic marks may not be registered as trademarks and are not protected by the Lanham Act. See *id.*

55. See *In re DC Comics*, 689 F.2d 1042, 1044 (C.C.P.A. 1982). Words or images are descriptive of a particular product when its use conveys, to one who is unfamiliar with the product, its functions or qualities. See also *Kendall-Jackson Winery v. E. & J.*

Typically, in trademark litigation, difficulties determining the distinctiveness of a mark center on the descriptive-suggestive borderline.⁵⁹ The Ninth Circuit noted this difficulty in its prior

Gallo Winery, 150 F.3d 1042, 1047 (9th Cir. 1998). Descriptive marks may or may not be protected by the Lanham Act. If the public comes to associate the descriptive mark with a specific source, it has acquired distinctiveness. *See id.* This acquired distinctiveness is referred to as secondary meaning. *See id.* Trademarks that have secondary meaning qualify for protection under the Lanham Act. *See id.* *See also Two Pesos*, 505 U.S. at 769. Descriptive marks that do not identify a particular source, but merely describe a product, are not distinctive and may not be registered or protected under the Lanham Act. *See id.* For example, the name "beer" may not be registered as a trademark because it describes a product and does not inherently identify a particular source. *See Boston Beer Co. v. Slesar Bros. Brewing Co.*, 9 F.3d 175 (1st Cir. 1993).

56. *See Two Pesos*, 505 U.S. at 768. Because suggestive, arbitrary, and fanciful trademarks by their intrinsic nature serve to identify a particular source of a product, they are deemed inherently distinctive. *See id.*

57. *See supra* note 56 and accompanying text.

58. *See supra* note 56 and accompanying text.

59. 2 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 11:22 (1996). *See also* Committee for Idaho's High Desert, Inc. v. Yost, 92 F.3d 814, 818 (9th Cir. 1996) (noting the difficulty in drawing the line between suggestive and descriptive marks). *See also* Self-Realization Fellowship Church v. Ananda Church of Self-Realization, 59 F.3d 902, 911 (9th Cir. 1995) (finding the distinction between descriptive and suggestive marks may be inarticulable). *See also* Bristol-Myers Squibb Co. v. McNeil-P.P.C., Inc., 973 F.2d 1033, 1040 (9th Cir. 1992). In *Bristol-Meyers* the main issue on appeal was whether the term "PM" when applied to an analgesic/sleep aid was descriptive or suggestive of the product. The Ninth Circuit agreed with the district court's determination that the "PM" mark was descriptive. It noted, "[a]lthough the line between descriptive and suggestive may be difficult to discern, [], the consequence of the classification is important." *Id.* A descriptive term is protected under the Lanham Act only if the proponent of protection demonstrates that, in addition to the common meaning of the word or words, the term has acquired secondary meaning in its particular market. In contrast, if its mark is suggestive, a plaintiff need not prove such secondary meaning in order to qualify for protection. *See id.* *See also* Surgicenters of America, Inc. v. Medical Dental Surgeries, Co., 601 F.2d 1011, 1014 (9th Cir. 1979). In *Surgicenters*, the Ninth Circuit agreed with the district court that the lines of demarcation between generic, descriptive, suggestive, arbitrary and fanciful are not always clear "and the entire area of trade or service marks is fraught with difficulties and ambiguities." *Id.* *See also* Abercrombie & Fitch Co. v. Hunting World, Inc., 537 F.2d 4, 10 (2nd Cir. 1976) ("Having created the [suggestive] category the courts have had great difficulty in defining it. Judge Learned Hand made the not very helpful statement: It is quite impossible to get any rule out of the cases beyond this: That the validity of the mark ends where suggestion ends and description begins").

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decisions.⁶⁰ Confusion is understandable under current trademark law.⁶¹

The Kendall-Jackson opinion suggests that when there is a question as to whether a trademark or trade dress is distinctive in the Ninth Circuit, the proper focus should be on the extent other sellers have used the mark for similar goods.⁶² Therefore, future courts should acknowledge that normally-distinctive marks may lose their protected status under the Lanham Trademark Act simply because they are widely used.

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60. *See supra* note 59 and accompanying text.

61. *See Two Pesos*, 505 U.S. at 769. For example, descriptive marks can acquire distinctiveness and eventual trademark protection through the theory of secondary meaning. *See id.* *See also supra* note 59 and accompanying text.

62. *See Kendall-Jackson*, 150 F.3d at 1049.

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