

Wine-Label Hijacking: Be Careful If You Want To Sell Abroad

By David Hoffman

In 2011, wine exports from the U.S. were \$1.39 billion. A growing portion of that wine goes to China. Now the fifth-largest market for wine consumption, in 2012 China imported \$74 million worth of California wine alone. Foreign markets can create a new source of revenue for wineries, but beware of trademark hijackers. One renowned French wine-maker, Castel Freres SAS (“Castel”) learned the hard way.

Castel has been making wine since 1949, and thus selling it under that name worldwide. Castel first entered China in the late 1990s, including building a bottling plant there in 1999. In 2001, Castel partnered with Changyu wine, and released the wine label to the right:



Unknown to Castel, a Chinese company named Panati Wine (Shanghai) Co., Ltd. (“Panati”) filed a trademark application in China on “KASITE,” a Mandarin phonetic equivalent of “CASTEL.” Since China is a “first to file” nation, the first filer of a trademark application has priority over a later filer. This priority means that even though Castel had been selling in China before Panati filed its application, Panati had priority over Castel.

Meanwhile, Castel started selling wine in China with the below label:



In 2003, Panati offered the trademark rights to Castel for one million Euros. Castel refused. It chose to wait until 2005, and then opposed Panati’s application claiming Panati did not use the mark. However, Panati ultimately was able to prove use, and won the opposition. Then, in 2009, Panati Wine (Shanghai) Co., Ltd. (“Panati”) sued Castel in China for trademark infringement. Panati demanded about \$6 million.

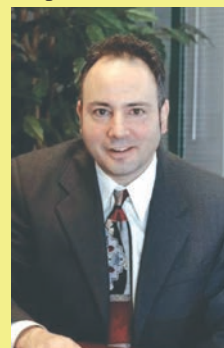
After years of battling, Castel lost the lawsuit and ultimately lost its appeal. Castel had to pay Panati about 34 million yuan (RMB) or about \$5.5 million.

In May of 2014, China’s new anti-trademark hijacking law will take effect. This new law probably would have saved Castel from this disaster. However, the new law requires, among other things, that the true trademark owner oppose the trademark application of the hijacker. This puts the burden on trademark owners to keep a watch in China for trademark applications. However, much better than keeping such a watch, is to be proactive upon planning to enter a foreign market. In order to protect oneself from this type of disaster, whenever entering a foreign market, make sure to engage trademark counsel to do a search and to file a trademark application on the winery name and the wine name that appear on the bottle.

For more information contact David Hoffman in the ad below.

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David Hoffman has been an attorney practicing exclusively in intellectual property law (patents, trademarks, copyrights and unfair competition) since 1985. Mr. Hoffman represents multinational companies as well as numerous start up to medium size businesses. He both litigates and procures rights for his clients, and with his philosophy of procuring the broadest rights possible, performing good clearance procedures, and negotiating, has successfully avoided and minimized litigation for clients he counsels.



Mr. Hoffman has taught for a patent bar review class, has authored articles and given lectures on intellectual property, and has been named to Who’s Who Millennium Edition and Who’s Who Among Rising Young Americans in American Society & Business.



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