

## An enduring trademark legacy

The success of E&J Gallo Winery has not only made a family name famous around the world, but also tested how well a personal commitment to the value of trademarks can translate into a brand strategy

By **Liz Rutherford-Johnson**

There is a story that Paul Reidl, associate general counsel at drinks company E&J Gallo Winery, likes to tell about Ernest Gallo, one of the founders of the business, who died earlier this year. Reidl describes how Ernest was on a business trip in Asia when his brother Julio spotted a bottle of E&J brandy behind the bar. They duly bought the bottle and passed it around their entourage. When he returned to Gallo's headquarters in Modesto, Ernest told Reidl what had happened and then started asking questions. Had Gallo registered its trademark in the country concerned? Was the brandy sold by one of Gallo's distributors? Was it a parallel import? "Off the top of my head, I had no earthly clue," Reidl laughs, "but I can guarantee you that I got the answers for him very, very quickly."

Gallo is a family-owned and managed company with almost 5,000 employees that sells its products in over 90 countries. Known best for its wines, the company is also one of the largest producers of brandy in the world. In addition, it sells wine and malt coolers, and gin. Based in California, it has offices in the United Kingdom, Hong Kong, Canada and Miami. There are wineries in Fresno, Modesto, Livingston, Santa Barbara, Healdsburg and Napa California, and the company has working relationships with vineyards in Italy, France, Germany, Australia, Chile, South Africa and New Zealand. However, despite this worldwide reach, many things are kept firmly within the company. "We grow many of our own grapes, we make our own glass, a family company makes our labels and in some regions we do

our own distribution," Reidl explains. And the same principle extends to the firm's trademark portfolio.

Reidl joined Gallo in February 1991. He had previously spent 10 years as a litigator at Crowell & Moring in Washington, DC and was hired primarily to handle trademark litigation and enforcement. One of his first jobs was to audit Gallo's trademark programme. Gallo has been selling wine under the marks GALLO and ERNEST & JULIO GALLO since 1933. When the company began international sales in the early 1980s, it started a rudimentary international registration programme. "In those days everything was manual," Reidl explains. "It was impossibly difficult to keep track of our portfolio. Communications were by fax and telephone, and everything took a long time." Reidl recommended transferring data onto an electronic database, a daring suggestion at the time. Another suggestion he made was to revamp the company's US and non-US representation.

Reidl describes how the entry into force of the General Agreement on Trade and Tariff Trade-Related Aspects of Intellectual Property Rights treaty in the mid-1990s was a defining moment for the company. "The reduction and elimination of trade tariffs and barriers on wine and spirits, along with some very good management decisions, caused the business to boom," he says. The trademark department could barely keep up as its portfolio spread rapidly around the world.

Today, Gallo has 5,713 registrations in over 113 countries. Its core US brands include Gallo (in many different combinations and permutations), Turning Leaf, Carlo Rossi (thought to be the top-selling brand of wine



A bottle of Redwood Creek chardonnay

in Asia), E&J brandy, Barefoot, Bartles & Jaymes wine coolers, Boone's Farm wine, Andre sparkling wine, Mirrasou and Redwood Creek. Reidl claims not to know what the portfolio is worth. "As a family-owned company, we do not think that way," he explains. "We focus our energies on securing and defending our rights, and in doing what the Gallo family thinks is best for the overall company."

#### Small department – big effect

In addition to Reidl, there are just three people in the Gallo trademark department. Barbara Cloherty joined the company as a legal secretary only a few months after her boss arrived and now works alongside him as trademark administrator. In addition, there is a file clerk – Cloherty's daughter, Devon – and an administrative assistant, Kristina McElvey.

Reidl describes Cloherty warmly as "one of the finest trademark administrators on the planet". Her role in handling the administrative side of a large, international trademark portfolio involves not only being highly organised and efficient, but also being able to juggle several priorities at once. However, there is no confusion about where her role ends and his begins. "Trademark administrators should not give legal advice," he says. "We draw a very clear line between administrative things and giving legal advice and making the legal business decisions." The same logic goes for the trademark department itself.

Reidl emphasises that the function of the lawyers and the legal department is to give advice to the client. "While you're working in-house, you're involved in the business but you're involved as a legal counsel. We try to stick to that role here," he says. An example of this may be when a business unit is developing a new brand. The legal department will have no direct input into this process; however, it will be kept abreast of what is going on and consulted at certain milestones along the way. In the case of something which is destined for export, this might involve ensuring that the packaging will be legally compliant in the jurisdiction in which the product will be sold. In the case of an import, it includes ascertaining that there is a modelling contract and a supply contract, and that all of the legal steps needed to bring a new product out have been taken.

Despite its modest size, the trademark department has a wide reach within the company. "One of the great things about

working for Gallo is that the family cares about trademarks – passionately," says Reidl. "As a result, we have the luxury of being the gatekeeper on anything related to trademarks." He puts this enduring influence down to the late Ernest Gallo, with whom he worked closely when he was alive and "who had an understandably keen interest in trademark matters involving his surname". Put simply, if a business unit wants to adopt a new brand or the international team wants to ship a new brand to a new country, they cannot do so without going through the trademark department.

#### Outside help

The sheer volume of work involved in maintaining over 5,000 international registrations means the trademark department relies heavily on a network of outside counsel and trademark attorneys. These are responsible for clearance and registration work, as well as, on occasion, enforcement work, such as oppositions, litigation or investigations.

Reidl and Cloherty have built up this network by meeting and interviewing dozens of potential representatives across the world. Both are active members of INTA – Cloherty has served on the Trademark Administrators Committee and on various meetings project teams, while Reidl has held a variety of different posts and was president in 2006 – and have been able to draw on contacts made using the International Trademark Association network. "I look for people who we feel we can work with," Reidl says. "People who you'd want to go out and have a glass of wine with." Among other qualities, he looks for confidence and quality and, of course, the reputation of a firm's or individual practitioner's work.

In terms of operational factors, Reidl cites responsiveness as the most crucial, though he believes that sometimes clients can do more in order to ensure they get the best service from their outside counsel. "As a client we are one of many, so we go to great lengths to build personal relationships with our representatives," he says, pointing out that taking the time to do this can make a real difference – especially when a matter is urgent. "It means you can say: 'Look I have this problem, it's very important to my client. Can you deal with it quickly?' I think that helps us get terrific service."

Reidl also highlights cost as an important factor. While he is usually happy to go with either a flat fee or hourly rate,



**Paul Reidl**

Associate general counsel at E&J Gallo Winery. Photograph by International Trademark Association Copyright (c) 2006 International Trademark Association



**Barbara Cloherty**

Trademark administrator at E&J Gallo Winery

## Home wins for the GALLO marks

Gallo's refusal to tolerate dilution of its marks within the United States means that it is no stranger to the inside of a courtroom. The three cases outlined below are arguably the most significant judicial decisions in the United States involving the GALLO marks; in all three the courts held that the marks were robust and should thus benefit from broad protection:

- In *Gallo Winery v Gallo Cattle Company* (12 USPQ 2d 1657 (ED Cal 1989)), Ernest and Julio Gallo took issue with their younger brother using the family name to promote cheeses. In 1989 a California court found against Joseph Gallo's use of GALLO as a trademark holding that: "The GALLO brand is universally known both nationally and in California, and has become an extraordinarily strong and distinctive mark." The decision was affirmed by the US Court of Appeals for the Ninth Circuit in 1992.
- *Gallo Winery v Consorzio del Gallo Nero* (782 F Supp 457 (ND Cal 1991)) involved an Italian trade association that promoted Chianti Classico from Italy under the mark GALLO NERO (black rooster), the traditional symbol of the Chianti region for nearly 800 years. The court agreed with the line taken in *Gallo Cattle Company* and enjoined the association from using the term GALLO NERO, finding that the GALLO marks had virtually "universal recognition" and "unparalleled strength".
- In *Gallo Winery v Pasatiempos Gallo* (SA, 905 F Supp 1403 (ED Cal 1994)), a Mexican company was enjoined from selling playing cards, poker chips and other novelties under the GALLO brand. The court found the GALLO marks "extraordinarily strong and distinctive" as a result of over 60 years of use and advertising; it found that the defendants' use of GALLO would compromise the marks' commercial worth.

depending on which the firm prefers, he makes no bones of the fact that he scrutinises bills – particularly in litigation matters given his own background – and will query anything that looks excessive. While unwilling to disclose figures, Reidl has benchmarked the department's costs for many years and describes them on the low side compared to companies of a comparable size. "We do a lot for a little," he says. "In general, we spend what it takes to get the job done."

Despite or perhaps because of the large portfolio and the enormous number of outside counsel he has to coordinate, Reidl describes himself as a close manager of enforcement matters. If one of Gallo's legal representatives is sending a demand letter or an opposition brief, for example, the standing instructions are that he is to review the draft. He explains this as simple logistics – the only way to ensure any sort of consistency in a global programme. "I don't want to be making arguments at the Office for Harmonisation in the Internal Market, for example, that the same party might make against me somewhere else where the circumstances are different," Reidl says.

If a possible infringement is reported, Reidl will make an initial assessment and, if he judges that this is potentially an issue, he will look into it, research it and, if necessary, hire investigators. If appropriate, he may go to one of the people on Gallo's extensive global field and marketing team for additional information and background (more on this below). When this fact finding is complete, he will then make a recommendation to the client.

When a matter involves routine litigation in another jurisdiction, Reidl will manage this from the United States, staying in touch with outside counsel, reviewing the pleadings and monitoring the progress closely from his desk in California. However, in cases where there are depositions, surveys or cross-examinations, he will often travel out to meet survey experts and counsel, and be on the ground.

### Eyes and ears

In common with most trademark programmes, Gallo's makes extensive use of watch services to monitor any infringements or potential infringements around the world and on the Internet. Reidl also makes it clear to Gallo's network of representatives that if they come across something that concerns the firm's marks, particularly the GALLO housemark, he wants to know about

it. "They frequently do call things to my attention," he says.

However, in addition to the standard gamut of watch services, Gallo has been able to utilise an often overlooked resource: its own people. Members of the extensive global field and marketing team are responsible for selling Gallo products, meaning that they are frequently in stores, while they also talk to distributors and retailers on a daily basis. The company has capitalised on this network, training all members of the global field and marketing team to keep an eye out for marks, packaging or products that are identical or similar to Gallo's. "They are not part of the legal team *per se*," Reidl explains, "but part of their function is to be the corporate eyes and ears to what's out there." He describes how in Northern California, for instance, there are Gallo people in stores all the time to see how products are displayed – business managers are always keen to know what's going on at the store level. "My biggest source of what's going on outside my office is our field salespeople," Reidl says. "They're always sending me things." It is a canny use of an existing network, and also a practical demonstration of how the late Ernest Gallo's emphasis on the importance of the Gallo brand has permeated the whole company.

### No compromise over dilution

The flipside of working for a family company that is passionate about its trademarks is that trademarks and branding are as much about principle as cost effectiveness. "If the mark is GALLO and it is in the United States, you will be hearing from us and we will not go away," Reidl explains. "If a third party uses one of our marks on alcoholic beverages, we will challenge it if we learn of it." He jokes that he has had more than one lawyer for a defendant express bewilderment at Gallo's decision to pursue a matter rather than settle. He puts this tenaciousness partly down to his background as a litigator. However, much of it is due to the Gallo family philosophy, which promotes uncompromising loyalty towards its brands. "We will not agree to coexistence on GALLO in the United States. Period," Reidl insists.

So far, this hardline attitude has met with a great deal of success in the United States (see box opposite). Gallo's refusal to compromise on dilution has led to a series of high-profile wins in California and Texas, where the company has successfully used state dilution statutes. Several courts have

held that the GALLO trademark qualifies for dilution protection. Reidl points out that it is difficult to argue that the GALLO trademark is not a well-known mark in the United States. “We’ve used it for 70 years, we’ve spent \$600 million promoting it: it’s a top-selling brand,” he says. “We’ve maintained exclusivity so it satisfies the elements in the dilution statute.”

At this stage in the company’s history, US dilution cases have become easier to defend. However, this does not always translate so well abroad, as demonstrated by the company’s 2004 defeat in *Gallo Winery v Mighty Corporation* in the Philippines, a case that Reidl inherited and which he describes as “curious and disappointing”.

Mighty Corporation manufactures and sells tobacco products under the (unregistered) GALLO mark (‘Gallo’ also means ‘cockerel’ in Spanish: Mighty Corp’s mark was accompanied by a picture of a cockerel). Gallo Winery registered the GALLO trademark in the Philippines in 1971; it used it for the first time there in 1974 on US bases and elsewhere in the country from 1979. Mighty Corp started selling GALLO-marked cigarettes in 1973. According to the court documents, the Andresons Group – the exclusive importer and distributor of Gallo wine in the Philippines – first became aware of the GALLO-branded cigarettes in late 1992. The case had a tortured procedural history: while both the trial court and the appellate court upheld Gallo’s claim, the Supreme Court of the Philippines reversed this, finding that the GALLO trademark registration was limited to wines only and further that “the Gallo wine trademark is not a well-known mark in the context of the Paris Convention in this case since wines and cigarettes are not identical or similar goods”.

Reidl disputes the Supreme Court’s characterisation of the relationship as 20 years of peaceful coexistence. “The defendants were selling their GALLO-branded cigarettes from wire floor stands that they put adjacent to where our products were being sold,” he says. “The opportunities for confusion were clear.” He describes how an older Philippines Supreme Court decision stated that the scope of protection for a mark should be defined by looking at the particular international class in which the goods are registered: if a defendant’s mark is not in the same class, there cannot be infringement as a matter of law. Gallo argued that, based on the Paris Convention and on US law (which is looked at by the Philippine

courts), this was an improper construction of the statute. The court of appeals agreed with Gallo. The Supreme Court disagreed. “To say that we were disappointed by that decision was an understatement,” Reidl says. “It’s an extremely narrow construction of the scope of protection for trademarks.”

“Concepts of trademark dilution or infringement for use on goods outside the specific product class are evolving on a global basis,” Reidl explains. He acknowledges that some jurisdictions treat these issues in an expansive way, others more narrowly. “As a legal practitioner, you need to be very sensitive to what the prevailing law is in the jurisdiction and do a pretty sober assessment,” he says, pointing out how easy it is to spend a great deal of money pushing an expansive view of the scope of trademark protection in a jurisdiction that is not quite ready to embrace that concept yet.

#### Protecting a vital asset

There are many ways to manage a complicated and extensive trademark portfolio, but the Gallo story demonstrates that a top-down appreciation of the importance of brands helps to secure successful results. The relatively small Gallo trademark department is an essential cog in the Gallo business and can call on a sales force of over 3,000 to act as its eyes and ears across the world.

Reidl puts a lot of this down to the late Ernest Gallo. “He recognised the power of a brand and understood the marketplace consequences of having other uses of that brand out there on goods and services,” he explains. “A brand is a valuable corporate asset and you want to make sure that it stays that way,” Reidl says. “Being able to protect it from infringement, dilution and unfair competition is simply one way that you do that.”

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