



BUSINESS BRIEF

WHISKEY VS. TEQUILA: COURTS FIND CUERVO'S SEAL INFRINGES MAKER'S MARK RED WAX SEAL TRADEMARK

In its ruling of May 9, 2012, the Sixth Circuit Court of Appeals affirmed the district court's conclusion that Maker's Mark Distillery, Inc.'s registered trademark consisting of the signature red dripping wax seal is due protection. The Samuels Family founded the Maker's Mark Distillery in Loretto, Kentucky, and has been producing whiskey since the Eighteenth Century. Bill Samuels formulated the recipe for the Maker's Mark bourbon in 1953. His wife, Margie, conceived of the red dripping wax seal. The company has bottled bourbon for commercial sale under the Maker's Mark name and has used a red dripping wax seal on the bottle since 1958. In 1985, Maker's Mark registered a trademark for the dripping wax seal component of its trade dress which is described as a "wax-like coating covering the cap of the bottle and trickling down the neck of the bottle in a freeform irregular pattern."

In 1995, Jose Cuervo began producing premium tequila entitled "Reserva de la Familia." The tequila bottle had a wax seal that was straight edged and did not feature drips. However, in 2001, Cuervo began selling its tequila in the United States in bottles with a red dripping wax seal similar to the seal of the Maker's Mark bottle.

Maker's Mark filed suit against certain defendants claiming federal trademark infringement and federal trademark dilution. Thereafter, Cuervo discontinued use of the red dripping waxed seal and reverted to the red straight edged waxed seal. Nonetheless, Maker's Mark sought damages, injunctive relief, and costs. After a six-day bench trial, the district court found the Maker's Mark red dripping wax seal to be a valid mark and that Cuervo had infringed the mark. Based on the findings, the district court enjoined Cuervo permanently "from using red dripping wax on the cap of a bottle in the sale, offering for sale, distribution, or advertising of Cuervo tequila products at any locality within the United States." The court found that Cuervo had not diluted the mark, denied Maker's Mark's claim for damages and denied Cuervo's counterclaim for cancellation of the mark.

Cuervo appealed the district court's determination that the red dripping wax seal is not aesthetically functional and the conclusion of infringement. A mark is functional if it is essential to the use or purpose of the article or if it affects the cost or quality of the article. When an aesthetic feature, like color, serves a significant function, courts must examine whether the use of that feature by one supplier would interfere with legitimate competition. Without deciding the precise test to apply under the aesthetic functionality doctrine, the Sixth Circuit affirmed the district court's conclusion that it was not convinced "that it would be difficult or costly for competitors to design around" the red dripping wax mark. It further concluded that there is more than one way to seal a bottle with wax to make it look appealing and red wax is not the only pleasing color of wax. Finally, it noted that competitors are not being put at a significant disadvantage by being prevented from using the red dripping wax.



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The Sixth Circuit also examined the likelihood of consumer confusion factors, including the strength of the mark, relatedness of goods, similarity of the marks, evidence of actual confusion, marketing channels, and likely degree of purchaser care. It agreed with the district court's conclusion stating that balancing these factors compels a finding of infringement. It agreed with the district court's finding that the red dripping wax seal is inherently distinctive based upon its uniqueness in its potential to "draw in the customer" in an unusual manner, which conclusion is bolstered by the registered mark's status as incontestable, thereby giving a presumption of strength. The Sixth Circuit noted that the goods and marketing channels are somewhat related. Despite the degree of care potential customers would exercise in the purchase of a \$100 bottle of Reserva, this factor did not override the factors of strength and similarity. The Sixth Circuit concluded that there is a likelihood of confusion and that Cuervo infringed the Maker's Mark red dripping wax mark.