

Wine Dispute Has No Legs: Trademark Opposition Alone Insufficient to Create a Justiciable Controversy for Declaratory Judgment Actions

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by Connor J. Hansen and Sandra Edelman



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Two recent decisions from the Western District of North Carolina in *Winestore Holdings LLC v. Justin Vineyards & Winery LLC* provide a tasting of the requirements for bringing a declaratory judgment action for non-infringement of a trademark in federal court. The Court in *Winestore* held that sending an alleged trademark infringer a communication that is less than a firm demand to cease and desist did not create a justiciable case or controversy, even when followed by the filing of an opposition proceeding against an application to register the mark at issue.

Justin Vineyards & Winery LLC is a California-based retailer of wine that distributes wine throughout the United States and owns a federal registration for the mark “OVERLOOK”

for wine. Winestore Holdings LLC operates a chain of wine retail stores in North Carolina and distributes wine nationally through its website. Winestore filed a trademark application for the term “OVERBROOK” in 2015, also for use on wine, and began using the mark in April 2016, including on a full-bodied, astringent Overbrook Cabernet.



CABERNET SAUVIGNON

Overbrook Cabernet

In the world of sub- \$15 wine, Overbrook Cabernet is a revelation. I guess this is what happens when you put world class vineyard sites in a partnership with world class winemaking team and an extreme focus on quality and value. We need more of these in the world!!

TYPE, BODY & FLAVOR



PAIRINGS & OCCASIONS



<https://winestore-online.com/wines/detail/509454>

In April 2017, Justin sent Winestore an email stating that the OVERBROOK mark sought to be registered “is too similar to [Justin’s] OVERLOOK trademark and its use *could* be interpreted as intending to trade off of the goodwill” associated with Justin’s wines. The email further indicated that using OVERBROOK “*may* constitute trademark infringement, false designation of origin and unfair competition” and “*may* also dilute” the OVERLOOK

mark. Finally, the email urged Winestore to contact Justin's counsel, stating that "Justin prefers to settle matters amicably where possible." (emphases added).

Winestore sued Justin on June 14, 2017, seeking a declaratory judgment that its use of OVERBROOK does not violate any federal or state trademark rights. Winestore relied solely on the email from Justin as the basis for the lawsuit, arguing that the email showed a justiciable controversy between the parties that was both immediate and real. The Court found this argument to be corked. Unlike a cease and desist letter that definitively demands a cessation of use of the mark in dispute, the email did not show that Justin was willing or prepared to sue Winestore and therefore did not create a justiciable controversy.

While this first case was pending, Justin filed a Notice of Opposition against Winestore's OVERBROOK application. Because there must be a justiciable controversy before the filing date of the complaint, the Court held that the Opposition did nothing to change its analysis. Under these circumstances, the email, by itself, did not create a justiciable controversy and the Court granted Justin's motion to dismiss without prejudice.

Three weeks later, Winestore filed a second action in federal court, again seeking a declaration that its use of OVERBROOK does not infringe or dilute Justin's OVERLOOK trademark. The Court again dismissed the case, holding that the filing of a Notice of Opposition that objects to the use and registration of a mark "is insufficient, without more, to establish an actual controversy between the parties." The email that was the focus of the Court's prior decision did nothing to change the analysis "for the reasons stated in the Court's earlier decision."

In a prior [TMCA post](#) on this topic involving a New York federal court decision in *Classic Liquor Importers, Ltd v. Spirits International, B.V.*, we reported that a single cease and desist letter did create a justiciable controversy. And as the second decision in *Winestore* noted, there are a number of precedents in which the filing of an opposition proceeding was sufficient to find a case or controversy for purposes of exercising declaratory judgment jurisdiction. How can these cases be reconciled? A lot depends on the "totality of the circumstances" and in particular, the exact language used in a cease and desist letter and in a Notice of Opposition or Petition for Cancellation, if one is filed. The email in the *Winestore* case was couched in conditional language, like "*may* constitute" and "*could* be," and urged Winestore to negotiate with Justin. While the Court stated that a communication need not include "explicit threats or demands" to be considered a justiciable controversy, the Court characterized the language as "modal verbs" that did not indicate an immediate or real controversy. To create a justiciable controversy, according to this Court, a communication to an alleged infringer must include language that is more absolute or should identify specific activities of the alleged infringer and show the trademark holder's "preparedness and willingness" to enforce its rights.

The precise language used in a Notice of Opposition matters as well. The Notice of Opposition in *Winestore* alleged that consumers are "likely to be led to believe that wine or related goods bearing the OVERBROOK Mark emanate from or are . . . affiliated with [Justin]" but did not use infringement language or assert the existence of actual

confusion. Thus, the Court in *Winestore* was able to distinguish a California district court case, in which the filing of a notice of opposition supported the exercise of declaratory judgment jurisdiction because “by invoking the language of trademark infringement, the opposition created a reasonable apprehension of litigation in plaintiff, and thus, was sufficient to establish an actual controversy.”

Alternatively, even if a notice of opposition does not use language that conveys an accusation of infringement, it may create a justiciable controversy if accompanied by a clear demand to cease using a mark or a threat to commence litigation. In *Winestore*, neither the content of the email nor the language used in the Notice of Opposition was sufficient to create a justiciable controversy. As the Court concluded, “a single TTAB opposition that objects to use of a mark, in addition to registration, is insufficient, without more, to establish an actual controversy between the parties. A single TTAB opposition simply does not present a substantial controversy of sufficient immediacy and reality to warrant the issuance of a declaratory judgment.”

For now, *Winestore* will have to barrel this case, aging it into full-bodied controversy. The Court didn't like the mouth-feel of the first case or the end-note of the second case; perhaps the Court will have the palate for a third.

Trademark owners should take note. If you want to avoid a declaratory judgment action, communications with an adverse party should avoid accusations of infringement, definitive demands to cease use of a mark, and threats of legal action. Instead, a communication should rely on hypothetical or conditional language, and should make it clear that the trademark owner is open to and would prefer to negotiate an amicable resolution.