Co-Branding C_2H_5OH

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A trademark (mark) is generally a word, phrase, symbol or design, or a combination thereof, that identifies and distinguishes the source of the goods or services of one party from those of others. A mark must have a degree of distinctiveness sufficient for consumers to exclusively associate it with a single origin (i.e. the owner of the mark). *See generally, Abercrombie & Fitch Company v. Hunting World, Inc.*, 537 F.2d 4, 9-11 (2nd Cir. 1976) (categorizing terms as fanciful, arbitrary, suggestive, descriptive or generic); 15 U.S.C. § 1052(f).

Co-branding is a means by which the owners of two separate marks want to produce a good that includes both marks. The vehicle used to co-brand a mark is by use of a license. The licensed mark need not have anything to do with the product being sold, or it may be complimentary to the product being sold. Companies engage in co-branding for several reasons. Typically, both parties believe it will benefit the market share of both brands. Some examples of co-branding that can be found on the internet in the alcoholic beverage arena are as follows:

- **Mr. IPA-Nut:** An IPA beer produced by Noon Whistle brewery in collaboration with Kraft Heinz Co. The Mr. IPA-Nut beer can includes the Planters Peanuts trademark and the recognizable monacle-wearing Mr. Peanut printed on the can. http://www.noonwhistlebrewing.com/planters-collaboration.html (last visited June 3, 2019).
- **Dunkin' Coffee Porter:** A coffee porter produced by Harpoon Brewery in collaboration with Dunkin' Donuts. The beer label includes the colors of Dunkin' Donuts' trademark, with "Dunkin'" in orange and "coffee porter" underneath in pink. www.harpoonbrewery.com/beers/harpoon-dunkin-coffee-porter-210805 (last visited June 3, 2019). See also U.S. Trademark Registration No. 4600316.
- **Esquire & Jefferson's Barrel Aged Manhattan:** A pre-mixed Manhattan cocktail with "crafted in collaboration with the editors of Esquire" imprinted on the bottle. www.jeffersonsbourbon.com/esquire-jeffersons-barrel-aged-manhattan/ (last visited June 3, 2019).

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As with all trademark licenses, parties must take care to include quality control in their license agreement to protect the integrity of the mark licensed. A trademark license where the licensor does not exercise adequate quality control over its licensee's use of a licensed trademark is called a "naked license" and causes the owner to forfeit his or her rights in the mark. *See Barcamerica Int'l USA Trust v. Tyfield Importers, Inc*., 289 F.3d 589, 595-96 (9th Cir. 2002). The licensor should retain contractual rights to control the quality of the use of its trademark and actually control the quality of the trademark's use. *Barcamerica*, 289 F.3d at 596-98.

Proper quality control provisions in a co-branding agreement should include specific items that may not be as important in a typical trademark licensing case where only the licensed mark will be displayed. For example, it is important to retain the right to review and reject proposed labels depicting the licensed mark that will appear on the co-branded container or packaging. The parties need to be on the same page about whose mark will be dominant. An owner should ensure its mark is depicted consistently with how it is presented in conjunction with its own goods and services. The mark should be displayed in a manner that portrays the mark in the best light. For instance, an owner would not want a mark to be subordinated in micro-text for no one to see, or worse, depicted in a manner that the owner's customers may find offensive.

Similarly, quality control provisions should include the owner's right to restrict how and where the co-branded product will be sold so that it will reach the owner's target audience as well as the licensee's audience. For example, say a client promotes a national Ultimate flying disc program under the famous mark "OFFICE" that runs weekend tournaments in all 50 states. Perhaps CARB FREE micro-brewery in Las Vegas wants to put your client's famous mark on a bottle of beer because everyone is familiar with the "OFFICE" mark. Your client decides to license its mark to CARB FREE micro-brewery for a co-branded CARB FREE OFFICE IPA to promote the year-end national championship. The best place for CARB FREE to sell the brew, for your client, is where Ultimate flying disc folks hang out, to get the name out and encourage more people to join in its weekly tournaments. It won't help OFFICE to sell the brew at other venues where there are not likely to be any flying disc fans.

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OFFICE should also be concerned about diluting its mark. The distinctive character of OFFICE being associated with the flying disc tournament can be threatened by the consuming public recognizing OFFICE as a great IPA. Also, OFFICE would not want the brew marketed in a way that depicts flying disc as anything but the best sport in the world, so OFFICE would not want CARB FREE to have a commercial for the brew degrading the sport.

How the relationship will end can be just as important as provisions in the agreement about each party's responsibility for tasks, who is bearing the costs for each task, and how the licensor is being paid. Generally speaking, a co-branding agreement in the alcoholic beverage arena is for a short term, typically a special batch or run to promote the licensee's goods or event. The parties should also include in the license agreement how the relationship will end. Although CARB FREE might have had a lot of success in selling the OFFICE IPA for three months because it is a great IPA, it is not in OFFICE's interest to acquiesce in CARB FREE's request to keep producing the beer for five years with the name OFFICE IPA.

As with any commercial relationship, each party should execute a non-disclosure agreement to protect its own company's trade secrets, including ingredients, manufacturing methods, marketing strategies and financial information. The licensor should make it clear that it is not entering into a joint venture with the licensee. Nonetheless, the licensor is just in demanding the licensee agree to indemnify and defend the licensor for product liability.

Finally, the Alcohol and Tobacco Tax and Trade Bureau (TTB) must approve the label for alcoholic beverages. Certain information is required on the label, such as a brand name, 27 C.F.R. § 4.32(a)(1), and name and address of the bottler or packer, 27 C.F.R. 4.32(b)(1) (wine); 27 C.F.R. § 4.35 (wine); *see also*, 27 C.F.R. § 5.32 (distilled spirits); 27 C.F.R. § 7.22 (malt beverages). However, the regulations also prohibit any misleading messages on the label. 27 C.F.R. § 4.39(a)(5) (wine); 27 C.F.R. § 5.42(a)(5) (distilled spirits); 27 C.F.R. § 7.29(a)(5) (malt beverages). If a potential co-brand is known for a product that has having a specific characteristic, the addition of the mark to the label could possibly convey a message the TTB believes is misleading. **NL**

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