

# Pour a Glass of Trademarks

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In time for the holidays, this is a tale of competing brands sloshing around the marketplace. Please enjoy responsibly.

Diageo North America, Inc. is purveyor of some of the world's best-known brands of spirits and beer, some of which are probably in your cupboard somewhere: Crown Royal, Baileys, Smirnoff, Johnny Walker, Captain Morgan, Tanqueray and Gordon's Gin, Guinness and Kilkenney, among many others. In two parallel trademark disputes, Diageo recently faced off with Constellation Brands, one of Canada's largest producers and distributors of wines.

In [Constellation Brands Canada, Inc. v Diageo North America, Inc.](#), 2018 TMOB 133 (CanLII), Diageo applied for the trademarks:

- **MAKE IT NAKED** for use in association with distilled spirits, namely rum and rum-flavoured beverages.
- **DON'T WORRY DRINK NAKED + Design** also for use in association with distilled spirits, namely rum and rum-flavoured beverages.

In [Arterra Wines Canada, Inc. v Diageo North America, Inc.](#), 2018 TMOB 134 (CanLII), Diageo applied to register three variations of the trademark:

- **THE NAKED TURTLE** for use in association with distilled spirits, namely rum and rum-flavoured beverages (vodka and beer excluded).

Constellation Brands/Arterra Wines owns the popular **NAKED GRAPE** family of trademarks, for use in association with wine, wine spritzers, and icewine. These guys sell a lot of wine. Between 2008-2015 yearly sales of NAKED GRAPE branded wines ranged between \$16-26 million across Canada.

Are the Diageo marks confusing with the NAKED GRAPE marks?

Interestingly, the legal test for confusion reflects the modern consumer: the test to be applied is a matter of first impression in the mind of a casual consumer somewhat in a hurry who sees the mark at a time when he or she has no more than an imperfect recollection of the prior brand, and does not pause to give the matter any detailed consideration or scrutiny. Hmmm... apparently we're a nation of consumers in a hurry and we don't pause to give things any detailed scrutiny. Let's leave the philosophical implications for a future discussion.

## Test to Determine Confusion

The test to determine the issue of confusion is found in the *Trade-marks Act*: the use of one trademark causes confusion with another trademark if the use of both marks in the same area would likely lead a consumer to infer that the associated goods are both manufactured and sold by the same person. Courts look at:

1. the inherent distinctiveness of the trademarks and the extent to which they have become known;
2. the length of time the trademarks have been in use;
3. the nature of the goods and services or business;
4. the nature of the trade; and

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5. the degree of resemblance between the trademarks in appearance, or sound or in the ideas suggested by them; oh, and don't forget
6. "all the relevant surrounding circumstances."

In the end, three of the five Diageo marks were refused. For the marks MAKE IT NAKED, DON'T WORRY DRINK NAKED + Design and THE NAKED TURTLE Design, the final decision was that a casual consumer with an imperfect recollection of the NAKED GRAPE trademark who encounters rum or rum flavoured beverages sold under any of these brands may think that these goods are sold by the owner of the NAKED GRAPE mark, due to resemblance between the marks.

### One Design Survives

However, one of the design marks was permitted to go ahead: **The Naked Turtle Design - front label** (Application No. 1592265) was one of the variations among Diageo's applications. Here, the decision was different since the most striking aspect of this mark was the phrase THE NAKED TURTLE and the depiction of the turtle lounging in a hammock between two palm trees. As turtles do. For this mark, it was considered to be more different than alike as a matter of first impression.

### One Word Mark Survives

The opposition was also refused for one of the word marks ( **THE NAKED TURTLE**) (Application No. 1561944). For this application, there was no reasonable likelihood of confusion between the trade-marks even though the nature of the goods and channels of the trade overlaps.

What are the lessons in this case?

- Sub-brands are becoming more and more important within a competitive marketplace such as sales of alcoholic beverages.
- This illustrates the extent to which highly competitive industry subsectors will clash even where the products are different within the sector - distilled spirits, such as rum, are very different from wines, wine spritzers, and icewine. One is an alcoholic beverage made from the fermentation of grapes and one is a spirit produced through distillation. However, the goods and channel of trade are considered to overlap, even though the products are sold in different areas of the store.
- In its defence, Diageo tried to cite other alcoholic beverages where the word "naked" appears in the label: Back Forty Naked Pig Pale Ale, Four Vines Naked Chardonnay, Naked on Roller Skates, Naked Winery wines, Nøgne Ø Naked Kiss Imperial Porter, Barenaked Vodka, and Snoqualmie Naked Riesling. This is considered "cheeky advertising" according to the decision. Diageo argued that because there are other such brands available, consumers are accustomed to seeing this term with alcoholic beverages and thus can distinguish between marks that include this element. The decision-maker was not convinced, and dismissed this as "limited evidence" of the use of this term by other parties in Canada.
- Diageo pursued a strategy of filing a range of applications, both word marks and design marks, including both the front and back labels of the bottle. This strategy proved to be successful - or, at least it helped avert complete disaster. Unless it's challenged on appeal, two of Diageo's marks will proceed to registration, permitting Diageo to carve out registered trademark protection for its NAKED TURTLE brand.