

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

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CESARI S.R.L.,

Plaintiff,

- against -

MEMORANDUM AND ORDER

PEJU PROVINCE WINERY L.P., PEJU
PROVINCE CORPORATION, and PEJU
FAMILY OPERATING PARTNERSHIP, L.P.,

17 Civ. 873(NRB)

Defendants.

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NAOMI REICE BUCHWALD
UNITED STATES DISTRICT JUDGE

In 2004, the Trademark Trial and Appeal Board ("TTAB") of the United States Patent and Trademark Office ("USPTO") adjudicated a trademark opposition proceeding between two vintners: Cesari S.r.L. ("Cesari") and Peju Province Winery L.P. ("Peju Province"). The TTAB ultimately refused Peju Province's pending trademark application upon concluding that its mark, LIANA, was likely to cause confusion with Cesari's previously registered mark, LIANO. After Peju Province persisted in using the refused mark over the next thirteen years, Cesari filed this infringement action. Cesari now moves for partial summary judgment on a narrow issue: whether Peju Province is—along with its co-defendants, Peju Family Operating Partnership, L.P. ("Peju Partnership"), and Peju Province Corporation ("Peju Corporation," and collectively, "defendants")—precluded from re-litigating the likelihood of

confusion between the parties' marks. For the reasons discussed below, Cesari's motion is granted in part and denied in part.

Background¹

Cesari is an Italian winery based in San Pietro that produces wine bearing the mark LIANO. See Ariana Peju Declaration ("Peju Decl.") ¶ 8.² In August 2001, Cesari filed an application with the USPTO to register the "LIANO" mark with respect to wines in International Class 33. Plaintiff's Rule 56.1 Statement ("Pl.'s 56.1") ¶ 2. The application was granted in January 2003. Id. ¶ 3. Meanwhile, in 2002, Peju Province, a family-operated winery in Northern California,³ began producing a wine named LIANA. Peju Decl. ¶ 4. In February 2003, Peju Province filed its own application with the USPTO to register "LIANA" with respect to wines in International Class 33. Pl.'s 56.1 ¶¶ 8, 27.

1 The following facts are undisputed except where otherwise noted.

2 Citations to "SJX" refer to the Summary Judgment Appendix.

3 The Peju winery was formed by Anthony and Herta Peju, husband and wife, in 1982. Peju Decl. ¶ 2; Pl.'s 56.1 ¶ 5. Anthony and Herta formed Peju Province and Peju Corporation in 1995. Peju Decl. ¶ 2. Peju Partnership was formed in 2012 as part of a corporate restructuring "to convey ownership of the Peju winery business" to Anthony and Herta's daughters, Ariana and Lisa. Id.; Pl.'s 56.1 ¶ 9. Anthony is the President, and Ariana is the Executive Vice President, of Peju Province. Pl.'s 56.1 ¶¶ 16-17. Anthony is the CEO of Peju Partnership, id. ¶ 21, and along with Herta, a director of Peju Corporation. Id. ¶ 26. The three entities share an address in Rutherford, California. Id. ¶¶ 13, 19, 24. The parties dispute the identity of Peju Province's general partner. Cesari notes that Anthony and Herta Peju were listed as the general partners in Peju Province's 2003 trademark application. SJX-162. Ariana Peju, however, declares that was incorrect, "[t]he general partner of Peju Province Winery L.P. is and has always been Peju Province Corporation." Peju Decl. ¶ 2.

Cesari opposed Peju Province's application, initiating an opposition proceeding before the TTAB. Id. ¶ 28. Cesari asserted, *inter alia*, that Peju Province's applied-for mark was likely to cause confusion with its own. SJX-036. In a July 2004 ruling, the TTAB agreed, granting summary judgment to Cesari and refusing Peju Province's registration application. Cesari S.r.L. v. Peju Province, No. 91158374, 2004 WL 1703103 (T.T.A.B. July 20, 2004).⁴

The TTAB applied several of the factors enumerated in In re E.I. DuPont DeNemours & Co., 476 F.2d 1357, 1361, 177 U.S.P.Q. 563, 567 (C.C.P.A. 1974), to assess the likelihood of confusion between the parties' marks. Cesari, 2004 WL 1703103, at *2. In considering the marks themselves, the TTAB noted that LIANO and LIANA were "almost identical": "The sole distinction between the two marks is the last letter, which is insufficient to distinguish the marks' high degree of similarity." Id. There was also "no genuine issue" that the goods of the pleaded registration and the application-wines-were "identical." Id. The TTAB rejected Peju Province's effort to distinguish the goods based on the types of wines the parties produced: that Cesari's wine was "an Italian red

⁴ Cesari had originally moved, pursuant to Rule 12(c) of the Federal Rules of Civil Procedure, for judgment on the pleadings. Id. at *1. Because Cesari had attached a certified status and title copy of its pleaded registration to its motion, the TTAB *sua sponte* (and apparently without prior notice) converted Cesari's motion to one for summary judgment under Rule 56 of the Federal Rules of Civil Procedure. See id.

Sangiovese/Cabernet Sauvignon," whereas Peju Province's wine "originate[d] from Napa Valley and [wa]s 'a late harvest Chardonnay Dessert wine.'" Id. at *1-2. "[R]egistrability of an applicant's mark," the TTAB explained, "must be decided on the basis of the identification of goods set forth in the application regardless of what the record may reveal as to the particular nature of an applicant's goods." Id. at *2 (quoting Octocom Sys., Inc. v. Houston Computs. Servs., Inc., 918 F.2d 937, 942, 16 U.S.P.Q.2d 1783, 1787 (Fed. Cir. 1990)).

Rather than appealing the TTAB decision, or even filing a new application to register LIANA with respect to narrower usages, Peju Province simply continued using the LIANA mark. Indeed, since 2003 approximately 460 cases of the 2002 LIANA wine have been sold. See Peju Decl. ¶ 4. Moreover, in 2013, defendants began producing yet another "'LIANA' late harvest white dessert wine," this time from 100% Orange Muscat grapes. Id. ¶ 5. The first release of the 2013 LIANA wine was in September 2014; defendants subsequently produced 2014 and 2015 vintages. Id. As of June 2017, over 530 cases of the 2013-15 LIANA wines have been sold. Id. Defendants also founded an entirely new winery, Liana Estates, "based on the 'LIANA' name given to the California dessert wines offered by the Peju winery since 2003." Id. ¶¶ 6-7.

Finally, in March 2016, Peju Partnership submitted a new application with the USPTO to register LIANA, this time for all

alcoholic beverages except for beer.⁵ SJX-130-35. Cesari, in turn, filed an opposition to this new application with the USPTO;⁶ soon thereafter, Cesari brought the instant trademark infringement action before this Court. SJX-145-55; Pl.'s 56.1 ¶ 39.

Discussion

A motion for summary judgment may be granted if there is no genuine dispute as to any material fact and the moving party is entitled to judgment as a matter of law. Fed. R. Civ. P. 56(a). The court's function is not to "weigh the evidence and determine the truth of the matter but to determine whether there is a genuine issue for trial." Anderson v. Liberty Lobby, Inc., 477 U.S. 242, 249 (1986); see Ideal Steel Supply Corp. v. Anza, 652 F.3d 310, 326 (2d Cir. 2011). In ruling on a summary judgment motion, we are to "resolve all ambiguities, and credit all factual inferences that could rationally be drawn, in favor of the party opposing summary judgment." McCarthy v. Dun & Bradstreet Corp., 482 F.3d 184, 202 (2d Cir. 2007)(internal quotation marks omitted).

⁵ While both the 2003 and 2016 applications bear Anthony Peju's signature, Ariana Peju declares that she, who has power of attorney for her parents, signed the 2016 application in his name. Peju Decl. ¶¶ 11-12. She has also declared that she "had no knowledge" of Peju Province's prior application to register the LIANA mark. Id. ¶ 12.

⁶ The opposition proceeding is suspended pending final disposition of this action. Notice, Cesari S.r.l v. Peju Family Operating Partnership, LP, No. 91232542 (Mar. 14, 2017).

I. Issue Preclusion

The issue pending before this Court is whether defendants are precluded from relitigating the TTAB's determination that the LIANA mark is likely to cause confusion with Cesari's mark, LIANO.

"[I]ssue preclusion," also known as collateral estoppel, bars "successive litigation of an issue of fact or law," New Hampshire v. Maine, 532 U.S. 742, 748-49 (2001), when (1) "the issues in both proceedings are identical," (2) "the issue in the prior proceeding was actually litigated and actually decided," (3) "there was a full and fair opportunity for litigation in the prior proceeding," and (4) "the issues previously litigated were necessary to support a valid and final judgment on the merits." Ali v. Mukasey, 529 F.3d 478, 489 (2d Cir. 2008)(internal quotation marks omitted). Only the first and third elements are disputed in this case.

The Supreme Court has recently addressed the applicability of issue preclusion to TTAB adjudications, concluding that "[s]o long as the other ordinary elements of issue preclusion are met, when the usages adjudicated by the TTAB are materially the same as those before the district court, issue preclusion should apply." B&B Hardware, Inc. v. Hargis Indus., Inc., 135 S. Ct. 1293, 1310 (2015).

A. Identity of Issues

In a trademark infringement action, a court determines the likelihood of confusion between the parties' marks by "analyz[ing] the defendant's 'use in commerce' of its mark and compar[ing] that use to that of the plaintiff and its mark." 3 Anne Gilson LaLonde, *Gilson on Trademarks* § 11.08[4][i][iv][C][I] (Matthew Bender ed.); see id. ("Federal courts are focused on what is happening in the marketplace rather than in an application or registration."). The court does "not look just at the typewritten and aural similarity of the marks, but how they are presented in the marketplace." Sports Auth., Inc. v. Prime Hosp. Corp., 89 F.3d 955, 962 (2d Cir. 1996); accord GMA Accessories, Inc. v. BOP, LLC, 765 F. Supp. 2d 457, 468 (S.D.N.Y. 2011).

By contrast, in a TTAB opposition proceeding, "a party opposing an application to register a mark . . . often relies only on its federal registration, not on any common-law rights in usages not encompassed by its registration." B&B Hardware, 135 S. Ct. at 1307 (internal quotation marks omitted). The TTAB "typically analyzes the marks, goods, and channels of trade only as set forth in the application and in the opposer's registration, regardless of whether the actual usage of the marks by either party differs." Id. (internal quotation marks omitted). Thus, unlike in infringement litigation, the TTAB's "determination that a likelihood of confusion does or does not exist will not resolve

the confusion issue with respect to non-disclosed usages.” Id. at 1308 (internal quotation marks omitted).

Accordingly, “[i]f a mark owner uses its mark in ways that are materially the same as the usages included in its registration application, then the TTAB is deciding the same likelihood-of-confusion issue as a district court in infringement litigation.”

Id. On the other hand,

if a mark owner uses its mark in ways that are materially unlike the usages in its application, then the TTAB is not deciding the same issue. Thus, if the TTAB does not consider the marketplace usage of the parties’ marks, the TTAB’s decision should have no later preclusive effect in a suit where actual usage in the marketplace is the paramount issue.

Id. (internal quotation marks omitted).

The parties each use their mark in ways that are materially the same as the usages adjudicated by the TTAB. Cesari registered its trademark, LIANO, with respect to “wines” in International Class 33. Pl.’s 56.1 ¶ 2. Peju Province applied to register its mark, LIANA, with respect to “wine” in International Class 33.

Id. ¶ 27. Cesari has continued to use its LIANO mark on wines. See, e.g., Peju Decl. ¶ 8. Likewise, Peju Province has used its LIANA mark on the 2002, 2013, 2014, and 2015 LIANA vintages and the 2014 Liana Estates vintage. See id. ¶¶ 4-7.

Defendants, however, argue that their *actual* marketplace usage of LIANA is materially different from that which the TTAB adjudicated. This usage, according to defendants, is limited to:

wines from grapes grown in Northern California, wines purchased by sophisticated customers; new world wines; wines priced between \$40 and \$60 a bottle; and wines sold on specific websites and at specific wineries. Defs.' Supp'l 56.1 Statement ¶¶ 8, 10-14.

Defendants' argument is a distinction without a difference in this context. "In the absence of any limitations in the parties' identifications of goods, [the TTAB] must presume that the goods move through all reasonable trade channels for such goods to all usual classes of consumers for such goods." C&N Corp. d/b/a/ Door Peninsula Winery v. Ill. River Winery, Inc., No. 91174718, 2008 WL 4803896, at *3 (T.T.A.B. Oct. 21, 2008). The specific trade channels and classes of consumers that purportedly characterize the LIANA mark's usage are among the "reasonable trade channels" and "usual classes of consumers" the TTAB considered. In other words, the marketplace usage the TTAB considered, wines, entirely encompasses the narrower usages defendants proffer in this litigation. Wines purchased by sophisticated consumers, after all, are still wines. Because defendants have not offered any evidence that LIANA is used with respect to goods other than wines (bicycles or soda, for instance), there are no "non-disclosed" usages that might necessitate a successive adjudication. See B&B Hardware, 135 S. Ct. at 1307-08.

B. Full and Fair Opportunity to Litigate

Defendants claim Peju Province was deprived of a full and fair opportunity to litigate before the TTAB because the TTAB converted Cesari's motion for judgment on the pleadings into a motion for summary judgment without affording the parties prior notice. Defs.' Opp'n at 22-25. Defendants allege that, by doing so, the TTAB violated not only its own internal rules of procedure (i.e., the TTAB Manual of Procedure), but also Rule 12(d) of the Federal Rules of Civil Procedure.⁷ Defendants' argument is entirely unpersuasive.

Issue preclusion will not apply "if there is reason to doubt the quality, extensiveness, or fairness of procedures followed in prior litigation." Montana v. United States, 440 U.S. 147, 164 n.11 (1979); see Restatement (Second) of Judgments § 28(5)(c) ("[R]elitigation . . . in a subsequent action between the parties is not precluded [if] . . . [t]here is a clear and convincing need for a new determination of the issue . . . because the party sought to be precluded . . . did not have an adequate opportunity . . . to obtain a full and fair adjudication in the initial action."). The requisite showing of unfairness must be "compelling"; "such instances must be the rare exception, and litigation to establish an exception in a particular case should not be encouraged." Restatement (Second) of Judgments § 28 cmts. g, j. While there

⁷ Rule 12(d) is among many of the Federal Rules of Civil Procedure made applicable to TTAB proceedings. See 37 C.F.R. § 2.116(a).

is no categorical "reason to doubt the quality, extensiveness, or fairness [of] the [TTAB's] procedures," it is "conceivable" that they may prove "ill-suited" for a particular case, such as if a party is prevented from introducing material evidence. B&B Hardware, 135 S. Ct. at 1309.

The TTAB converted Cesari's motion for judgment on the pleadings into one for summary judgment, without prior notice, because Cesari had attached a copy of its trademark registration to its motion. See Cesari, 2004 WL 1703103, at *1. Peju Province, however, did not suffer any resulting prejudice. Regardless of the designation, the TTAB was entitled to take judicial notice of Cesari's trademark registration, a public record of the USPTO. See Staehr v. Hartford Fin. Servs. Grp., Inc., 547 F.3d 406, 426 (2d Cir. 2008)("[M]atters judicially noticed by the District Court are not considered matters outside the pleadings."); Wells Fargo Bank, N.A., v. Wrights Mill Holdings, LLC, 127 F. Supp. 3d 156, 166 (S.D.N.Y. 2015)("When considering a . . . Rule 12(c) motion, the Court may take judicial notice of certain matters of public record without converting the motion into one for summary judgment."); Telebrands Corp. v. Del Labs., Inc., 719 F. Supp. 2d 283, 287 n.3 (S.D.N.Y. 2010)("The Court may properly take judicial notice of official records of the United States Patent and Trademark Office."); cf. Island Software & Comput. Serv., Inc. v. Microsoft Corp., 413 F.3d 257, 261 (2d Cir. 2005)(taking judicial

notice of federal copyright registration, as published in the Copyright Office's registry).

Moreover, even if, *arguendo*, Peju Province *had* suffered prejudice from the conversion *sans* notice, it had multiple forms of recourse at its disposal. Not only could Peju Province have appealed to the Federal Circuit, it could also have brought a new action in federal district court, in which the parties would have been permitted to conduct additional discovery, and registration would have been decided *de novo*. See 15 U.S.C. § 1071. Instead, Peju Province ignored the TTAB's order and continued to produce wines bearing the refused mark.

II. Non-Party Preclusion⁸

Cesari seeks to extend the preclusive effect of the TTAB judgment to Peju Partnership and Peju Corporation, neither of which were parties to the 2003 TTAB litigation. This extension is warranted, Cesari claims, because these entities are "owned, controlled or in privity with Anthony and Herta Peju and with Peju Province . . . who use all three defendant entities to run their family owned wine business." Pl.'s Supp. at 18.

In general, "one is not bound by a judgment *in personam* in a litigation in which he is not designated as a party or to which he has not been made a party by service of process." Hansberry v.

⁸ Defendants did not brief this issue.

Lee, 311 U.S. 32, 40 (1940); Briscoe v. City of New Haven, 654 F.3d 200, 203 (2d Cir. 2011). There are, however, multiple recognized exceptions to this rule. See Taylor v. Sturgell, 553 U.S. 880, 893-95 (2008)(categorizing exceptions to the non-party preclusion rule). “[A] nonparty is bound by a judgment if she ‘assume[d] control’ over the litigation in which that judgment was rendered.” Id. at 895 (quoting Montana, 440 U.S. at 154). Preclusion is also “appropriate when a nonparty later brings suit as an agent for a party who is bound by a judgment,” i.e., “if the putative agent’s conduct of the suit is subject to the control of the party who is bound by the prior adjudication.” Id. at 895, 906. A “mere whiff of ‘tactical maneuvering,’” however, “will not suffice.” Id. at 906.

According to Cesari, preclusion is appropriate because members of the Peju family serve as directors, executives, and partners of all three entities. See Pl.’s Supp. 18-19; see also supra at note 3. As an initial matter, simply holding these positions is not enough to extend preclusive effect to the Pejus themselves; “active participation” or “control” of litigation is necessary. See Restatement (Second) of Judgments §§ 59(3)(a) (“The judgment in an action by or against the [closely held] corporation is conclusive upon the holder of its ownership if he actively participated in the action on behalf of the corporation.”); 60(1)(b)(ii) (“A judgment in an action by an

injured person against a partner upon an obligation or liability incurred in the course of partnership business . . . [i]f in favor of the injured person . . . is not otherwise binding on a partner who was not a party to the action unless he controlled or participated in controlling the defense of the action.").

More importantly, it is not the Pejus as individuals, but the other entities, whom Cesari seeks to bind. To extend the preclusive effect of the TTAB judgment to Peju Province and/or Peju Corporation, Cesari must show either that (a) Peju Corporation and/or Peju Partnership controlled Peju Province in the TTAB litigation, or (b) Peju Province is controlling Peju Corporation and/or Peju Partnership in the instant litigation. As the record currently stands, the strongest connection between any of these entities is disputed; Cesari contends that Anthony and Herta Peju are the general partners of Peju Province, whereas defendants assert that Peju Corporation is the sole general partner. See supra at note 3.

Because the record is insufficiently developed at this time, summary judgment with respect to this issue is denied without prejudice to refiling following further development of the record. See *Brown v. City of Syracuse*, 673 F.3d 141, 147 n.2 (2d Cir. 2012)(recognizing the district court's discretion to permit successive summary judgment motions, particularly where the movant has expanded the record on which summary judgment is sought).

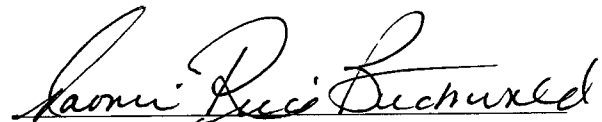
However, non-party preclusion notwithstanding, we find it very difficult to envision a scenario in which Peju Corporation and Peju Partnership would be entitled to use the LIANA mark. Therefore, the issue of preclusion may be academic.

Conclusion

For the reasons discussed, Cesari's motion for partial summary judgment is granted in part and denied in part. Peju Province is precluded from re-litigating the likelihood of confusion between the parties' marks. Cesari's motion to similarly preclude Peju Corporation and Peju Partnership, however, is denied without prejudice.

Counsel are directed to appear telephonically for a status conference on Thursday, January 4, 2018, at 3:00 pm.

Dated: New York, New York
December 11, 2017


NAOMI REICE BUCHWALD
UNITED STATES DISTRICT JUDGE