

Lodestar Anstalt v. Bacardi & Co., Ltd.

31 F.4th 1228 (9th Cir. 2022)

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BACKGROUND

Appellant Lodestar Anstalt (“Lodestar”) is a Liechtenstein-based company that develops beverages and spirits such as whiskey and rum. Appellee Bacardi and Company, Limited (“Bacardi”) is also a Liechtenstein-based company that develops spirits with a main focus on rum products.

In 2009, Lodestar filed for an extension of protection for their Liechtenstein-registered trademark “UNTAMED” and a design mark “consisting of a sword piercing a heart bordered by a clover which is draped upon a banner containing the stylized word ‘UNTAMED.’”¹ The U.S. Patent & Trademark Office (“USPTO”) granted this extension in 2011 for both marks in connection with whiskey, rum, and other distilled spirits, giving the mark parallel trademark protection in the United States.²

Lodestar used their UNTAMED word mark in small iterations on the back of its products, namely on “The Wild Geese Soldiers & Heroes” whiskey and rum bottles (“Wild Geese”).³ UNTAMED was used as the primary, consumer-facing mark on Lodestar’s “Untamed Revolutionary Rum” (“Untamed”) product in response to Bacardi’s use of a similar mark.⁴ While the Wild Geese bottles were sold in stores in 2014, Lodestar did not sell their Untamed rum in U.S. stores until January 2015.⁵

In January 2013, Bacardi’s wanted to utilize a new trademark, BACARDI UNTAMEABLE, not as a product label, but for the sole purpose of advertising its rum products.⁶ Despite conducting a trademark clearance search and flagging Lodestar’s UNTAMED mark as a risk prior to advertising, Bacardi proceeded with its marketing campaign and began using BACARDI UNTAMEABLE in November 2013.⁷ At this time, Lodestar’s UNTAMED product was not in commerce, so Bacardi could allege use of their mark before Lodestar.

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1. Lodestar Anstalt v. Bacardi & Co., Ltd., 31 F.4th 1228, 1239 (9th Cir. 2022); See Trademark Status & Document Retrieval, US Serial No. 87191609, U.S. Patent & Trademark Off., https://tsdr.uspto.gov/#caseNumber=87191609&caseType=SERIAL_NO&searchType=statusSearch

2. *Lodestar*, 31 F.4th at 1239.

3. *Id.* at 1240.

4. *Id.* at 1242.

5. *Id.* at 1243.

6. *Id.* at 1242.

7. *Id.*

PROCEDURAL HISTORY

Lodestar filed a lawsuit against Bacardi in August 2016 for unfair competition and trademark infringement, claiming likelihood of confusion⁸ and reverse confusion.⁹ Bacardi moved for summary judgment in 2019 on Lodestar's unfair competition and likelihood of confusion claims, respectively, asserting an abandonment defense.¹⁰ Bacardi asserted that Lodestar had abandoned their mark and failed to prove bona fide use of their mark in commerce¹¹ because they had not sold any products branded with the UNTAMED word mark within six years.¹²

The United States District Court for the Central District of California ruled in favor of Bacardi on summary judgment, examining the unfair competition and likelihood of confusion claims. The trial court reasoned there was insufficient evidence to prove that Bacardi engaged in fraudulent or intentional misrepresentation, nor would the average consumer confuse Lodestar's Wild Geese mark with Bacardi's product because Lodestar's Untamed rum was not "a fair representation of Lodestar's products and how the UNTAMED word mark was used at the time of Bacardi's alleged infringement."¹³ The court did not grant summary judgment on abandonment since there was a triable issue of fact as to whether Lodestar intended to abandon the UNTAMED word mark.¹⁴ Lodestar appealed.

ISSUE

Does extending trademark protection allow Lodestar, as the senior trademark holder, to bring a successful trademark infringement action against Bacardi, as the owner of a junior, later-registered mark, without first demonstrating bona fide active use of their internationally registered mark in commerce in the U.S. prior to Bacardi's use? If so, is Bacardi's mark likely to cause a likelihood of confusion with Lodestar's mark?

DECISION

The United States Court of Appeals for the Ninth Circuit affirmed the lower court's summary judgment ruling in favor of Bacardi, and held that the district court erred in omitting Lodestar's post-infringement use of its mark from their trademark infringement analysis since Lodestar's extension of

8. *Id.* at 1244.

9. *Id.* at 1252. (In a reverse confusion case, a consumer who knows only of a well-known brand that started using a trademark after a lesser-known brand mistakenly thinks, because of the similarity of the marks, that the lesser-known brand, or the senior user, "is the same as or is affiliated with the junior user.").

10. 15 U.S.C. § 1127 (Failure to file a statement of use in commerce for six years following the date of registration results in a cancellation of the extension of protection, and nonuse for three consecutive years is prima facie evidence of abandonment.).

11. *Lodestar*, 31 F.4th at 1244.

12. *Lodestar*, 31 F.4th at 1244.

13. *Id.* at 1244-45.

14. *Id.* at 1127.

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protection gave it “constructive use,” meaning Lodestar had priority relating back to the initial filing date and not the date of first use.¹⁵ This permitted Lodestar to assert trademark infringement and unfair competition claims once it used its mark in U.S. commerce, even if the use occurred post-infringement.¹⁶ The Ninth Circuit concluded that no reasonable jury would find a likelihood of confusion between the marks BACARDI UNTAMEABLE and UNTAMED, and therefore, Lodestar failed to prove trademark infringement.¹⁷

REASONING

To determine whether Bacardi infringed on Lodestar’s trademark, the Court first addressed whether Lodestar had a right of priority over Bacardi with respect to the use of the UNTAMED mark so that Lodestar may assert trademark infringement.

The Madrid Protocol establishes an international trademark registration system providing congruent international protection for foreign trademarks in participating countries.¹⁸ The federal Lanham Act implemented this protocol by permitting foreign trademark holders to achieve an extension of protection in the U.S. by showing actual use or a bona fide intent to use in commerce.¹⁹

Lodestar asserted a bona fide intent to use in commerce because Lodestar used small portions of the UNTAMED mark on the back of its Wild Geese spirit products. However, Bacardi argued that they had priority rights over Lodestar due to its prior use in November 2013 because, prior to the release of the Untamed rum on that date, Lodestar’s use of this product was too insignificant to constitute proper use in commerce in such a way that it would establish Lodestar’s priority rights.²⁰

The Ninth Circuit disagreed with Bacardi’s reasoning that, even if Lodestar’s first use of its mark in U.S. commerce occurred after Bacardi’s campaign began, under the Madrid Protocol, Lodestar’s subsequent bona fide use of its registered mark on certain rum products gave rise to a priority of right that they could enforce in an infringement action.²¹

Thus, Lodestar had a valid right to prevent any possibly infringing uses of a similar mark, like Bacardi’s BACARDI UNTAMEABLE mark, as of its 2009 filing date. However, as the registrant, Lodestar must actually use their mark in U.S. commerce to bring an infringement action.²² Therefore, the court—in viewing the evidence most favorable to Lodestar—found that Lodestar could bring an infringement claim against Bacardi based on its use

15. *Id.* at 1253.

16. *Id.* at 1248.

17. *Id.* at 1261.

18. *Id.* at 1237.

19. *See* 15 U.S.C. §§ 1141-1141n.

20. *Lodestar*, 31 F.4th at 1246.

21. *Id.* at 1235-36.

22. *Id.* at 1247-50.

of the UNTAMED word and design marks on the Wild Geese bottles in U.S. commerce because such bottles were sufficiently marketed and sold in U.S. stores.²³

As such, Lodestar has a valid trademark right that they can enforce against Bacardi, meaning the court could properly examine Lodestar's trademark infringement and unfair competition claims against Bacardi.

In examining Lodestar's claims, the Ninth Circuit stated that, because Lodestar's unfair competition claim was based on the alleged infringement of a registered mark, the analysis mirrors that of a trademark infringement analysis.²⁴ To prove trademark infringement for likelihood of confusion, the plaintiff has the burden of demonstrating (1) a protectable ownership interest in the mark, and (2) a likelihood of consumer confusion in the defendant's use of its allegedly infringing mark.²⁵

The Court assessed likelihood of confusion between Lodestar and Bacardi's marks using the factors established in the Ninth Circuit precedential case, *AMF Inc. v. Sleekcraft Boats*: including, strength of the registered mark, proximity of goods, similarity of the marks, evidence of actual confusion, marketing channels used, type of goods and degree of care likely to be exercised by the purchaser, defendant's intent in selecting their mark, and the likelihood of expansion of the product lines.²⁶ In the context of reverse confusion claims, the Court would evaluate the *Sleekcraft* factors to consider whether a reasonable jury could conclude that consumers would believe Bacardi is the source of—or a sponsor of—Lodestar's products.²⁷

Here, the court found that the strength of the registered mark factor weighed in favor of a likelihood of confusion because, although Lodestar's UNTAMED mark is commercially strong, the BACARDI UNTAMEABLE mark had an overwhelmingly strong commercial impression. The focus of reverse confusion cases is "whether the junior mark is so commercially strong as to overtake the senior mark," so the strength of BACARDI UNTAMEABLE is greater than Lodestar's UNTAMED and could cause consumers to associate Bacardi as its source.²⁸

As to the similarity between the marks, the court affirmed the district court's finding that the "manner in which consumers actually encountered the marks weighs against likelihood of confusion" because Lodestar's consumers encountered the marks as a tagline on the back labels of its spirits, and Bacardi's consumers encountered the mark solely in advertisements.²⁹

Lastly, the court found that Bacardi's intent in selecting their mark, given prior knowledge of Lodestar's mark in its clearance search, weighs in favor of

23. *Id.* at 1251.

24. *Id.* at 1245.

25. *Id.* at 1246.

26. *AMF Inc. v. Sleekcraft Boats*, 599 F.2d 341 (9th Cir. 1979).

27. *Id.* at 1252.

28. *Id.* at 1260.

29. *Id.*

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a likelihood of confusion, and the district court erred in determining otherwise.³⁰ However, the fact that Lodestar has made minimal use of the UNTAMED word mark was a mitigating factor the court considered in their analysis.³¹

Ultimately, after balancing the *Sleekcraft* factors, the Court held that Lodestar failed to satisfy its burden of showing a likelihood of confusion to prove trademark infringement because evidence of use of Untamed rum in commerce was not a serious effort to develop a product for “genuine commercial reasons” but rather merely an attempt to reserve Lodestar’s rights in the mark and “provide a basis” for an eventual suit against Bacardi.

So, the Untamed rum products were properly excluded from the likelihood of confusion analysis.³² The court found that no reasonable jury would find that confusion is probable due to the differences in how consumers encountered the marks, the differences in product marketing channels, and the lack of evidence showing actual consumer confusion.³³

In sum, Lodestar’s claims failed as a matter of law, and Bacardi’s mark could coexist with Lodestar’s mark without infringing its trademark rights.

30. *Id.* at 1260-61.

31. *Id.* at 1260.

32. *Id.* at 1257.

33. *Id.* at 1261.