

Second Circuit Goes Rogue – Reverses District Court on Priority of Common Law Rights in ROGUE Brand Apparel

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A recent Second Circuit decision in a case involving two companies using the ROGUE mark for apparel sets the record straight on what it means to have common law priority of rights in a mark for a category of goods in different trade channels. *Excelled Sheepskin & Leather Coat Corp. v. Oregon Brewing Company* (2d Circ. July 27, 2018). The opinion confirms that a senior user of a mark for a category of products has protectable prior rights across a wide range of trade channels even if it was not the first user of a mark in each and every marketing channel.

Oregon Brewing Company (“OBC”) was founded in 1988 and first sold ROGUE-branded clothing, including t-shirts, hats, sweatshirts and aprons, in about 1989, as an adjunct to its primary beer and brewing business. The apparel items were sold through the United States in its pubs, brewery, bed and breakfasts and hop farm. Starting in the mid-1990s and continuing through the early 2000s, OBC expanded its trade channels to beer festivals throughout the country, mail order nationwide and to retailers like Fred Meyer, Cost Plus and Whole Foods. In 2011, OBC began selling its ROGUE clothing through department and “clothing-only” stores such as Urban Outfitters, Nordstrom and Sears.



Excelled, a company founded in 1927, first began selling leather clothing under the ROGUE brand in 2000. Following the 2008 recession, it expanded its product line to include more non-leather products, and began selling a variety of clothing and footwear items bearing the ROGUE mark in department and clothing-only stores like Nordstrom, Saks and Macy’s as well as through websites, including its own.

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Both Excelled and OBC applied to register the ROGUE mark for clothing in 2004 and 2005, respectively. Ultimately, the two parties entered into a consent agreement that enabled OBC to secure a registration of ROGUE for all clothing “excluding jackets, coats and skirts” with a further narrowing requested by the USPTO to specify “sold primarily in the trademark owner’s brewpubs and website.” OBC consented to Excelled’s registration of ROGUE for “jackets, coats and skirts” based on Excelled’s agreement to delete shirts, pants and vests from its pending application. Excelled’s ROGUE mark ultimately registered for “clothing, namely, coats, jackets, vests, shirts and pants” -- without the deletions to which it had allegedly agreed with OBC.

In 2012, Excelled sued OBC for trademark infringement arising from OBC’s sale of ROGUE-branded apparel in department and clothing-only stores beginning in 2011. OBC asserted counterclaims for infringement based on Excelled’s sale of t-shirts, sweatshirts and hats beginning in 2009 and for cancellation of four of Excelled’s federal trademark registrations on the ground of fraud. On cross-motions for summary judgment, the district court granted judgment in favor of Excelled on its trademark infringement claims, dismissed OBC’s counterclaims, awarded damages and fees and entered an injunction against OBC’s sale of ROGUE apparel except where its branded beer is sold as a complement to its brewing and beverage business. The essential premise of the district court’s ruling was that Excelled had priority of rights in the ROGUE mark in department and clothing-only stores, since Excelled had exploited that sales channel first, even though Excelled was not the prior user of the ROGUE mark on clothing in other channels. The district court further concluded that OBC’s rights in the ROGUE mark for clothing were limited to “sales as complements to and for promotion of its beer business.”

The Second Circuit held that the district court had gotten the rules of trademark priority all wrong. As the court explained, OBC had been continuously selling ROGUE-branded clothing throughout the United States since 1989. “Even if those uses were intended primarily to support OBC’s ROGUE trademark for beer, they were nonetheless bona fide continuous nationwide sales in significant quantities and were sufficient to establish a protectable priority in use of the mark for the sale of such goods.” Even more importantly, while OBC’s first use of the ROGUE mark for clothing did not give it exclusive rights to expand into *unrelated* good or services, OBC’s rights were not limited to the types of stores in which it had exploited the mark: “The law does not limit the owner’s trademark rights to the types of stores in which it has sold, leaving the mark up for grabs in any other types of stores.” The fact that OBC did not sell its ROGUE clothing prior to 2011 in department and clothing-only stores “does not mean that a new user was free to usurp OBC’s priority in such stores.”

As the court emphasized, the dispute at hand did not involve OBC undertaking to use the ROGUE mark on goods for which Excelled had established priority. “OBC maintained its senior common law rights against Excelled’s intervening junior use of the mark for the same items of ROGUE-branded clothing that OBC had sold continuously since 1989.” Finally, the appellate court underscored that Excelled’s federal registrations did not change the analysis. The district court “reasoned incorrectly” that Excelled’s federal registration conferred any substantive trademark rights against infringement beyond the

common law rights acquired through use of the mark. Accordingly, Excelled's registrations did not confer priority over OBC's prior common law use rights.

The reversal of fortune for Excelled was wide-ranging: the Second Circuit reversed the grant of summary judgment to Excelled on its infringement claims, the award of an injunction and damages and fees against OBC. The court further reversed the district's dismissal of OBC's counterclaims for infringement and cancellation of Excelled's trademark registrations and remanded those claims for trial.

The decision is interesting not only for its clarification of the rules of common law trademark priority, but also for the court's robust interpretation of OBC's rights in the ROGUE mark for apparel based on nationwide use in expanded trade channels, even though the use of the mark on clothing items had originated as a promotional vehicle for OBC's primary beer and brewing business.