

PARK CONCESSIONAIRE RESTAURANT TRADEMARK

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In hindsight, the trademark controversy described herein may have been avoided if the original concession agreement and later extensions expressly recognized the state agency's "ownership of any marks developed by the concessionaire through its own goodwill during the term of the agreement." While the original concession agreement was silent on intellectual property rights, thirty years later, a new concession contract did expressly address the issue with the following provision:

Any names, logos, trademarks and/or copyrights developed during and/or pursuant to this contract which will in any way associate with, identify or implicate an affiliation with California State Parks, shall be approved by State, shall belong to State upon creation, and shall continue in State's exclusive ownership upon termination of this contract.

Accordingly, to avoid a trademark controversy similar to that described below, agencies may want to have local counsel consider including similar language as a standard provision in concession agreements where appropriate.

WHAT'S IN A NAME

In the case of *Department of Parks & Recreation v. Bazaar Del Mundo*, 448 F.3d 1118 (9th Cir. 5/24/2006), the Department of Parks and Recreation for the State of California (the "State") asked the federal court to issue an order prohibiting Bazaar del Mundo from using the registered trademarks CASA DE BANDINI and CASA DE PICO in the operation of restaurants located outside the boundaries of the Old Town San Diego State Historic Park ("Old Town"). The specific issue before the federal court was, therefore, whether the State or Bazaar del Mundo had established legal ownership of the trademarks for these restaurants.

In 1968, the State of California had acquired fourteen acres of land to establish Old Town, including the two properties at issue, Casa de Pico and Casa de Bandini, both built in the 1820's. On June 21, 1971, the State and Bazaar del Mundo entered into a "Concession Agreement" to develop and operate "a Mexican-Style Shopping Arcade in the Casa de Pico Buildings in Old Town for a five-year period, in return for rent and a percentage of receipts." Between 1972 and 2001, the Agreement was amended and extended several times, allowing Bazaar del Mundo to extend its concession activities into the "Bandini House -- Cosmopolitan Hotel" as well as "Lino's, Hamburguesa, Casa de Pico, and the Casa de Bandini Restaurants."

In 1985, Bazaar del Mundo applied to the United States Patent and Trademark Office ("USPTO") and the Secretary of the State of California, to register the trademarks CASA DE PICO, CASA DE BANDINI, LINO'S, and HAMBURGUESA for restaurant services. The trademarks were published and received no opposition from the State or any other party.

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Accordingly, the USPTO granted federal registration to Bazaar del Mundo for the mark CASA DE BANDINI on July 16, 1985 and for the mark CASA DE PICO on October 8, 1985.

Before the latest extended Concession Agreement with Bazaar del Mundo was scheduled to expire (June 30, 2001), the State initiated an open bidding process for the next concession agreement. In connection with its request for proposals, the State prepared a sample contract which now included a provision that would govern intellectual property rights. Bazaar del Mundo submitted a bid for the concession, but objected to the intellectual property rights provision.

On October 17, 2003, the State issued a "Notice of Intent to Award" the concession to Delaware North, Inc., a Delaware corporation. In response, Bazaar del Mundo filed a "Protest of Bid Award." While the administrative appeal was pending, the State allowed Bazaar del Mundo to continue operating as a holdover tenant in Old Town. After Bazaar del Mundo's appeal was denied, the State issued a "Notice to Vacate" the premises effective March 15, 2005. Delaware North took over the concession on June 1, 2005.

In May 2005, after it had vacated its Old Town location, Bazaar del Mundo announced its plans to open restaurants under the names "Casa de Pico Restaurant" and "Casa de Bandini Restaurant" in La Mesa, California and on the water-front in downtown San Diego. This announcement prompted the State to file a lawsuit against Bazaar del Mundo to determine trademark ownership and prevent Bazaar del Mundo from using the marks in connection with its new restaurants.

The federal district court found the State had failed to demonstrate a legally enforceable trademark interest in the marks. The State appealed to the United States Court of Appeals for the Ninth Circuit.

PRIOR USE

As described by the appeals court, the State had to prove the following to prevail on its claim of trademark infringement:

- (1) that it has a protectable ownership interest in the mark; and (2) that the defendant's use of the mark is likely to cause consumer confusion, thereby infringing upon the State's rights to the mark.

In so doing, however, the court noted that "Bazaar del Mundo's federal registration of the marks is prima facie [i.e., in and of itself, on its face] evidence of its ownership of the marks." Despite such registration, the court acknowledged that the State could "rebut the presumption of ownership with evidence establishing its own prior use in commerce of the registered mark." To do so, the State would have to prove the following to "demonstrate priority of use":

- (1) that it actually adopted and used the marks in commerce prior to Bazaar del Mundo's registration in such a manner that sufficiently associated the marks with the State's provision of tourism and recreational services, and (2) that its use of the marks was continuous and not interrupted.

On appeal, the State had argued that it acquired ownership of the marks before Bazaar del Mundo registered them "by its prior use of the marks in connection with the tourism and recreation services it provided in Old Town before the Concession Agreement." The appeals court rejected this argument.

According to the court, the State could not rely on "a few instances of use of the marks in the distant past that were casual or had little importance apparently attached to them" to establish prior commercial use. Instead, the State had to demonstrate both adoption of the marks and commercial use "in a way sufficiently public to identify or distinguish the marked goods in an appropriate segment of the public mind as those of the adopter of the mark."

Applying these principles to the facts of the case, the court acknowledged that the State had "offered tourism and recreational services since Old Town was classified as a State Historical Park in 1968." In the opinion of the court, such services, however, were not evidence that the State had "adopted and commercially used the marks CASA DE PICO and CASA DE BANDINI in a way sufficiently public to identify or distinguish its recreational and tourism services in an appropriate segment of the public mind as activities conducted by the State." As a result, despite references to Casa de Bandini in several brochures for "the Fiesta 200 celebration more than thirty-five years ago," the court found such use was "merely transitory." Moreover, the court noted that the State could not show "any commercial use of the marks after the 1969 event." In contrast, the court found "Bazaar del Mundo began making continuous commercial use of the marks CASA DE PICO and CASA DE BANDINI in 1971 and 1980, respectively."

SECONDARY MEANING

Since the trademarks at issue were "descriptive, i.e., based on their geographic and historical origin" of properties from the 1820's, the court noted further that prior commercial use would still not entitle the State to "trademark protection unless it were able to establish that the marks acquired secondary meaning, i.e., it has become distinctive of the applicant's goods in commerce." (For example, "Philadelphia Cream Cheese" would be a geographic descriptive term which has acquired secondary meaning through commercial use.)

As described by the court, "[t]he test of secondary meaning is the effectiveness of the effort to create it, and the chief inquiry is directed towards the consumer's attitude about the mark in question: does it denote to him a single thing coming from a single source."

To determine whether a descriptive mark has acquired secondary meaning, we consider: (1) whether actual purchasers of the product bearing the claimed trademark associate the trademark with the producer, (2) the degree and manner of advertising under the claimed trademark, (3) the length and manner of use of the claimed trademark, and (4) whether use of the claimed trademark has been exclusive.

In this particular instance, the court found the State had failed to demonstrate that any of its prior commercial use of the marks CASA DE PICO and CASA DE BANDINI had acquired a

"secondary meaning" whereby the public necessarily identified the commercial use of these terms with the State and its recreational and tourism services.

The State failed to demonstrate that advertising it may have conducted was of a nature and extent such as to create an association of the term with the user's goods, rather than the restaurant services of Bazaar del Mundo...

[T]he State presented no evidence (i) of the length and manner of its use of the marks CASA DE BANDINI and CASA DE PICO in relation to its provision of tourism services; (ii) no evidence of the extent and degree to which brochures were printed and distributed; (iii) no evidence of any other advertising or promotional efforts taken to promote the services and/or sale of goods at the Casa de Bandini and Casa de Pico locations designed to associate the marks with the State's services; and (iv) no consumer survey or other evidence of consumer opinion, beliefs, or associations.

Accordingly, the appeals court rejected the State's claim that it had "an ownership interest in the disputed trademarks." In so doing, the appeals court found the State had failed to produce evidence of "an association in the consumer's mind between the marks and a single service, recreational and tourism services, coming from a single source, the State." As a result, the State had failed to rebut the presumption that federal registration of the marks in 1985 established Bazaar del Mundo's ownership of the marks.

Web link to Old Town San Diego State Historic Park: http://www.parks.ca.gov/?page_ID=663

Web link to Bazaar del Mundo: <http://www.bazaardelmundo.com/>

Link to extended case report of *Bazaar Del Mundo* opinion:
<http://classweb.gmu.edu/jkozlows/RPLR/060524.pdf>

Link to web archive of past law columns 1982 to present:
<http://classweb.gmu.edu/jkozlows/lawarts/artlist.htm>