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FILED COURT
U.S. DISTRICT COURT
2014 FEB 25 PM 2:43
S.D. OF N.Y.

Attorneys for Plaintiff
E. & J. GALLO WINERY

**IN THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF NEW YORK**

E. & J. GALLO WINERY,
a California corporation,

Plaintiff,

v.

DARK HORSE DISTILLERY, LLC, a
Kansas limited liability company, and

T. EDWARD WINES, LTD.,
a New York corporation,

Defendants.

Case No.

**COMPLAINT FOR FALSE DESIGNATION
OF ORIGIN, UNFAIR COMPETITION, AND
TRADEMARK DILUTION**

JURY DEMAND

Plaintiff, E. & J. Gallo Winery, through its attorneys, complaining of defendants Dark Horse Distillery, LLC and T. Edward Wines, Ltd., hereby alleges as follows:

STATEMENT OF THE CASE

1. This case involves a clear violation of established trademark rights. E. & J. Gallo Winery (“Gallo”) and its predecessor have sold DARK HORSE wine in the United States continuously since at least 2004. In 2011, Gallo also began selling spirits under its DARK HORSE trademark. Notwithstanding Gallo’s longstanding use of DARK HORSE, Dark Horse Distillery, LLC (“DHD”) has begun offering spirits under trademarks wholly incorporating and confusingly similar to Gallo’s DARK HORSE mark, specifically including DARK HORSE DISTILLERY REUNION RYE WHISKEY and DARK HORSE DISTILLERY RESERVE BOURBON WHISKEY. Recently, DHD began shipping its DARK HORSE spirits to the East Coast, including this judicial district, and offering them for sale through distributor T. Edward Wines, Ltd. (“T. Edward Wines”). Before DHD started selling its DARK HORSE whiskies, Gallo repeatedly warned DHD that its conduct would confuse consumers. DHD has admitted that consumers are actually confused. Still DHD refuses to stop. Gallo is left with no choice but to petition this Court for appropriate redress.

THE PARTIES

2. Plaintiff E. & J. Gallo Winery is a California corporation with its principal place of business in Modesto, California.

3. On information and belief, Defendant Dark Horse Distillery, LLC is a Kansas limited liability company with its principal place of business in Lenexa, Kansas.

4. On information and belief, Defendant T. Edward Wines, Ltd. is a New York corporation with its principal place of business in New York, New York.

JURISDICTION AND VENUE

5. This Court has subject matter jurisdiction pursuant to 28 U.S.C. § 1331 and 1338 because Gallo’s first claim arises from federal unfair competition law. This Court has supplemental jurisdiction over Gallo’s remaining state law claims pursuant to 28 U.S.C. § 1367.

6. This Court has personal jurisdiction over DHD because it sells spirits under DARK HORSE-formative marks into the State of New York. This Court has personal jurisdiction over T. Edward Wines because it has a principal place of business in the State of New York and distributes spirits under DARK HORSE-formative marks within the State of New York, including within this judicial district.

7. Venue is proper in the Southern District of New York pursuant to 28 U.S.C. § 1391(b)(2) because a substantial part of the events giving rise to Gallo's claims occurred here.

THE CONTROVERSY BETWEEN THE PARTIES

8. Gallo owns the DARK HORSE trademark¹ throughout the United States, the State of New York, and this judicial district for use with wine and spirits. Gallo uses the DARK HORSE trademark, for example, on the wine and spirits labels shown below.

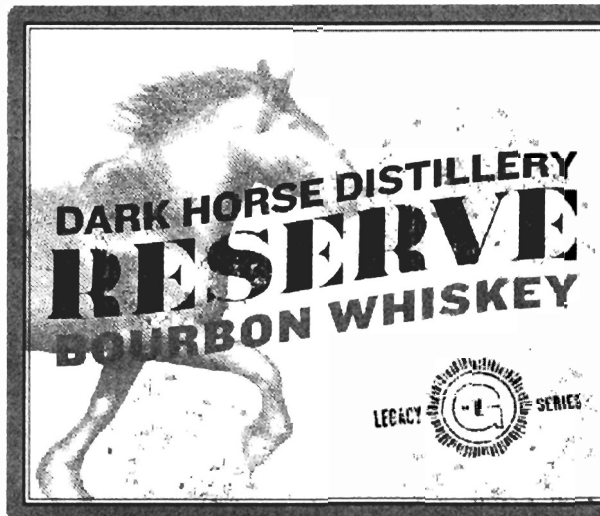


9. Gallo's DARK HORSE trademark has been used in commerce continuously since at least as early as May 2004. GALLO's DARK HORSE trademark is inherently distinctive and has acquired distinctiveness through extensive use and promotion in commerce.

¹ Gallo sometimes omits a space between the two words in its trademark. In this Complaint, Gallo refers to both variations as the DARK HORSE trademark.

10. Gallo acquired its DARK HORSE trademark from a previous owner in June 2011. Around the same time, Gallo learned that DHD planned to use confusingly similar DARK HORSE-formative marks with spirits. Gallo promptly warned DHD to abandon its plan, which would mislead consumers and violate Gallo's rights. Gallo repeated the warning in February 2012, and more recently.

11. Rather than abandon its plan, DHD implemented it. On information and belief, DHD first began selling spirits under DARK HORSE-formative marks in the States of Kansas and Missouri. On information and belief, DHD recently began selling spirits under DARK HORSE-formative marks in the State of New York, including this judicial district. On information and belief, T. Edward Wines is distributing spirits under DARK HORSE-formative marks for DHD in the State of New York. Labels from two such spirits are shown below.



12. Gallo has priority to the DARK HORSE trademark throughout the United States, the State of New York, and this judicial district. Gallo's DARK HORSE trademark has been used in commerce with wine continuously since May 2004, if not before. Gallo's DARK HORSE trademark has been used in commerce with spirits continuously since October 2011, if not before. DHD has not used any DARK HORSE-formative mark in commerce anywhere before Gallo.

13. In defiance of Gallo's senior rights, DHD has filed the following applications with the United States Patent & Trademark Office ("USPTO"): U.S. Ser. No. 85,125,674 for DARK HORSE in connection with "distilled spirits"; U.S. Ser. No. 85,104,448 for DARK HORSE DISTILLERY in connection with "spirits distillery services"; U.S. Ser. No. 85,403,431 for DARK HORSE RESERVE in connection with "bourbon"; U.S. Ser. No. 85,799,602 for DARK HORSE DISTILLERY RESERVE in connection with "bourbon whiskey"; U.S. Ser. No. 85,799,607 for DARK HORSE DISTILLERY REUNION in connection with "rye whiskey"; and U.S. Ser. No. 85,799,613 for DARK HORSE DISTILLERY HERITAGE in connection with "rye whiskey." The first two of these applications have published for opposition, and Gallo has opposed both. All share "DARK HORSE" as their common and dominant element.

THE LIKELIHOOD OF CONFUSION BETWEEN THE MARKS

14. Trademark violations generally arise from a likelihood of confusion between two marks. This Court considers the following factors to assess likelihood of confusion: (1) similarity of the marks, (2) proximity of the goods, (3) likelihood that the senior user will bridge the gap between the goods, (4) strength of the senior mark, (5) degree of consumer care, (6) intent of the junior user, and (7) evidence of actual confusion. Doubt is resolved in favor of a senior user, but here there is no doubt. All factors point to likely confusion.

15. First, the marks are essentially the same. They share "DARK HORSE" as their common and dominant element. DHD has added descriptive and non-distinctive terms like "DISTILLERY" and "WHISKEY" to its DARK HORSE-formative marks. It cannot avoid liability so easily.

16. Second, the goods are highly proximate. Gallo offers wine and spirits under its DARK HORSE trademark, and DHD offers spirits under its DARK HORSE-formative marks. Wine and spirits are both alcoholic beverages commonly manufactured by the same company and sold to the same consumers under the same mark. DHD even promotes wine and spirits as complementary goods – for example, by selling its spirits through a wine distributor

and encouraging consumers to mix its spirits with wine. On information and belief, DHD also offers event services and promotional items under DARK HORSE-formative marks, and these offerings are also related to wine.

17. Third, Gallo has already bridged the gap between wine and spirits. Gallo offers both under its DARK HORSE trademark. DHD is welcome to compete, of course – under a mark which is not confusingly similar to Gallo’s.

18. Fourth, Gallo’s DARK HORSE trademark is inherently and commercially strong. It is inherently strong because it is arbitrary when applied to wine and spirits. It is commercially strong because Gallo has enjoyed great success with the mark. DHD is siphoning the fruits of Gallo’s success with its confusingly similar DARK HORSE-formative marks.

19. Fifth, relevant consumers – purchasers of value-priced alcoholic beverages – are readily confused. They cannot easily distinguish between two DARK HORSE brands that appear to be the same. DHD appears eager to take advantage of them.

20. Sixth, DHD has exhibited bad faith. It has ignored repeated warnings not to use DARK HORSE-formative marks. In doing so, it has recklessly violated Gallo’s senior rights and consumers’ justified expectations. It has not proceeded innocently.

21. Seventh, DHD knows that consumers are confused. DHD has admitted the same in Gallo’s pending opposition proceeding in the Trademark Trial and Appeal Board. Still DHD refuses to stop its wrongful conduct. Gallo is left with no choice but to proceed with this action.

FIRST CAUSE OF ACTION
(False Designation of Origin—15 U.S.C. § 1125(a))

22. Gallo incorporates all above paragraphs here.

23. Gallo owns common law rights in the DARK HORSE trademark throughout the United States, the State of New York, and this judicial district for use with wine and spirits. Its rights precede any use of any DARK HORSE-formative mark by DHD or T. Edward Wines.

24. DHD and T. Edward Wines are using DARK HORSE-formative marks with spirits, event services, and related promotional items, likely causing consumers to be confused, mistaken or deceived.

25. DHD and T. Edward Wines, by using DARK HORSE-formative marks with spirits, event services, and related promotional items, are trading upon Gallo's goodwill and reputation, and are creating a false and/or misleading impression that their products and services are in some way associated, affiliated or originate with Gallo and/or are sponsored or approved by Gallo.

26. DHD and T. Edward Wines had actual or constructive knowledge of Gallo's DARK HORSE trademark before beginning to use their own DARK HORSE-formative marks.

27. Gallo has not consented to DHD or T. Edward Wines's use of DARK HORSE-formative marks. On the contrary, it has expressly and repeatedly objected.

28. DHD and T. Edward Wines's unauthorized use of DARK HORSE-formative marks constitutes a false designation of origin in violation of 15 U.S.C. § 1125(a).

29. The willful and intentional nature of DHD and T. Edward Wines's false designation of origin makes this an exceptional case pursuant to 15 U.S.C. § 1117(a).

30. As a result of DHD and T. Edward Wines's false designation of origin, Gallo has suffered damages in an amount to be determined at trial.

31. As a result of DHD and T. Edward Wines's false designation of origin, Gallo has also suffered irreparable injury to its business, reputation, and goodwill. Gallo will suffer such irreparable injury until this Court enjoins DHD and T. Edward Wines's misconduct.

SECOND CAUSE OF ACTION
(Common Law Unfair Competition)

32. Gallo incorporates all above paragraphs here.

33. DHD and T. Edward Wines's conduct, namely, their unauthorized, bad faith use of DARK HORSE-formative marks in a manner that is likely to cause confusion, or to

cause mistake, or to deceive constitutes unfair competition under the common law of the State of New York.

34. As a result of DHD and T. Edward Wines's unfair competition, Gallo has suffered damages in an amount to be determined at trial.

35. As a result of DHD and T. Edward Wines's unfair competition, Gallo has also suffered irreparable injury to its business, reputation, and goodwill. Gallo will suffer such irreparable injury until this Court enjoins DHD and T. Edward Wines's misconduct.

THIRD CAUSE OF ACTION
(New York State Trademark Dilution—N.Y. Gen. Bus. L. § 360-1)

36. Gallo incorporates all above paragraphs here.

37. Gallo's DARK HORSE trademark is used in commerce throughout the United States, the State of New York, and this judicial district. Gallo's DARK HORSE trademark is inherently distinctive and has acquired distinctiveness through use in commerce.

38. DHD and T. Edward Wines are actually and/or likely diluting and blurring the distinctiveness of Gallo's DARK HORSE trademark, destroying and/or weakening the ability of Gallo's DARK HORSE trademark to serve as a unique product identifier for Gallo and causing likely harm to Gallo's business reputation by using substantially similar DARK HORSE-formative marks in violation of New York General Business Law § 360-1.

39. As a result of DHD and T. Edward Wines's dilution, Gallo has suffered irreparable injury to its business, reputation and goodwill. Gallo will suffer such irreparable injury until this Court enjoins DHD and T. Edward Wines's misconduct.

PRAYER FOR RELIEF

Accordingly, Gallo prays for relief as follows:

I. For a judgment enjoining DHD and T. Edward Wines, and all of their agents, representatives, affiliates and parent companies, and all other persons in privity or acting in concert therewith, preliminarily and permanently, from using DARK HORSE-formative marks

and confusingly similar marks, and doing any act or thing likely to confuse or deceive consumers into believing that there is any connection between DHD or T. Edward Wines and Gallo;

II. A judgment ordering DHD and T. Edward Wines, pursuant to 15 U.S.C. § 1116(a), to file with this Court and serve upon Gallo within 30 days after entry of the injunction, a report in writing under oath setting forth in detail the manner and form in which DHD and T. Edward Wines have complied with the injunction;

III. A judgment that DHD and T. Edward Wines account for and disgorge to Gallo all of the profits realized by DHD and T. Edward Wines, and others acting in concert with them, resulting from DHD and T. Edward Wines's false designation of origin and unfair competition;

IV. A judgment awarding compensatory damages, plus interest, in an amount to be determined;

V. A judgment awarding Gallo three times Gallo's damages pursuant to 15 U.S.C. § 1117(a);

VI. A judgment finding this case to be an exceptional case and awarding Gallo its reasonable attorney's fees;

VII. A judgment that Gallo recover the costs of this action plus interest; and
Such other and further relief as the Court deems just and proper.

GIBNEY, ANTHONY & FLAHERTY, LLP

Dated: New York, New York
Feb 25, 2014

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Attorneys for the Plaintiff

JURY DEMAND

Plaintiff E. & J. Gallo Winery hereby demands a trial by jury on all issues so triable.

GIBNEY, ANTHONY & FLAHERTY, LLP

Dated: New York, New York
10 25, 2014

By: 

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The JS-44 civil cover sheet and the information contained herein neither replace nor supplement the filing and service of pleadings or other papers as required by law, except as provided by local rules of court. This form, approved by the Judicial Conference of the United States in September 1974, is required for use of the Clerk of Court for the purpose of initiating the civil docket sheet.

FEB 25 2014

PLAINTIFFS **E. & J. GALLO WINERY, a California corporation,** DEFENDANTS **DARK HORSE DISTILLERY, LLC et al.**

ATTORNEYS (FIRM NAME, ADDRESS, AND TELEPHONE NUMBER) **Gibney, Anthony & Flaherty, LLP, 665 Fifth Avenue, New York, New York 10022 (212) 688-5151** ATTORNEYS (IF KNOWN)

CAUSE OF ACTION (CITE THE U.S. CIVIL STATUTE UNDER WHICH YOU ARE FILING AND WRITE A BRIEF STATEMENT OF CAUSE) (DO NOT CITE JURISDICTIONAL STATUTES UNLESS DIVERSITY)

False desig. of origin & unfair competition under 15 U.S.C.1125(a) & New York State law; Dilution under NYS law

Has this or a similar case been previously filed in SDNY at any time? No? Yes? Judge Previously Assigned

If yes, was this case Vol. Invol. Dismissed. No Yes If yes, give date _____ & Case No. _____

(PLACE AN [x] IN ONE BOX ONLY) NATURE OF SUIT

ACTIONS UNDER STATUTES

Table with columns: TORTS, FORFEITURE/PENALTY, LABOR, BANKRUPTCY, SOCIAL SECURITY, FEDERAL TAX SUITS, OTHER STATUTES. Rows include categories like CONTRACT, REAL PROPERTY, CIVIL RIGHTS, PRISONER PETITIONS, IMMIGRATION.

Handwritten signature: Nofero & Leo

Check if demanded in complaint:

CHECK IF THIS IS A CLASS ACTION UNDER F.R.C.P. 23

DO YOU CLAIM THIS CASE IS RELATED TO A CIVIL CASE NOW PENDING IN S.D.N.Y.? IF SO, STATE:

DEMAND \$ Mon Damages OTHER Inj. Relief JUDGE _____ DOCKET NUMBER _____

Check YES only if demanded in complaint

JURY DEMAND: YES NO

NOTE: Please submit at the time of filing an explanation of why cases are deemed related.

(PLACE AN x IN ONE BOX ONLY)

ORIGIN

- 1 Original Proceeding
- 2a. Removed from State Court
- 2b. Removed from State Court AND at least one party is pro se.
- 3 Remanded from Appellate Court
- 4 Reinstated or Reopened
- 5 Transferred from (Specify District)
- 6 Multidistrict Litigation
- 7 Appeal to District Judge from Magistrate Judge Judgment

(PLACE AN x IN ONE BOX ONLY)

BASIS OF JURISDICTION

- 1 U.S. PLAINTIFF
- 2 U.S. DEFENDANT
- 3 FEDERAL QUESTION (U.S. NOT A PARTY)
- 4 DIVERSITY

IF DIVERSITY, INDICATE CITIZENSHIP BELOW. (28 USC 1322, 1441)

CITIZENSHIP OF PRINCIPAL PARTIES (FOR DIVERSITY CASES ONLY)

(Place an [X] in one box for Plaintiff and one box for Defendant)

CITIZEN OF THIS STATE	PTF [] DEF []	CITIZEN OR SUBJECT OF A FOREIGN COUNTRY	PTF [] DEF []	INCORPORATED and PRINCIPAL PLACE OF BUSINESS IN ANOTHER STATE	PTF [] DEF []
CITIZEN OF ANOTHER STATE	[] PTF [] DEF []	INCORPORATED or PRINCIPAL PLACE OF BUSINESS IN THIS STATE	[] PTF [] DEF []	FOREIGN NATION	[] PTF [] DEF []

PLAINTIFF(S) ADDRESS(ES) AND COUNTY(IES)

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Stanislaus County

DEFENDANT(S) ADDRESS(ES) AND COUNTY(IES)

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12700 Johnson Drive, Shawnee, Kansas 66216
Johnson County

T. Edward Wines, Ltd.
66 W. Broadway, Suite 406, New York, NY 10007
New York County

DEFENDANT(S) ADDRESS UNKNOWN

REPRESENTATION IS HEREBY MADE THAT, AT THIS TIME, I HAVE BEEN UNABLE, WITH REASONABLE DILIGENCE, TO ASCERTAIN THE RESIDENCE ADDRESSES OF THE FOLLOWING DEFENDANTS:

Check one: THIS ACTION SHOULD BE ASSIGNED TO: WHITE PLAINS MANHATTAN
(DO NOT check either box if this a PRISONER PETITION.)

DATE 2/25/14 SIGNATURE OF ATTORNEY OF RECORD

ADMITTED TO PRACTICE IN THIS DISTRICT

[] NO
[X] YES (DATE ADMITTED Mo. Feb Yr. 1980)
Attorney Bar Code #BB 5830

RECEIPT #

Magistrate Judge is to be designated by the Clerk of the Court.

Magistrate Judge MICHAEL DALACCA is so Designated.

Ruby J. Krajick, Clerk of Court by _____ Deputy Clerk, DATED _____

UNITED STATES DISTRICT COURT (NEW YORK SOUTHERN)