



Beer Law 101

How to be a Beer Lawyer

Presented by: Kyle Leingang, Esq.

March 1, 2022

Disclaimers: Please note that these materials and the presentation to which it relates are not legal advice and not designed to substitute for advice of counsel.

Who is this "Beer Lawyer"?



Kyle Leingang, Esq.

- Harvard College
- Harvard Law School
- Attorney/Shareholder, Stradling Yocca Carlson & Rauth, P.C.
- Legal Counsel and Board Secretary, OC Brewers Guild
- Legal Counsel, California Craft Brewers Association
- Legal Counsel, Brewers Association
- Partner, Green Cheek Beer Company
- Co-founder, Beergang, Inc.

kleingang@stradlinglaw.com o: (949) 725-4275 Kyle is a **craft beer lawyer**, **advisor and entrepreneur** with extensive knowledge and experience with clients and transactions across the beer industry.

Kyle is a shareholder at OC-based law firm **Stradling** and has represented over 50 craft breweries since 2011. He has worked on a wide variety of matters including entity formations, corporate finance matters, corporate governance practices, reorganizations, TTB and ABC regulatory issues, distribution agreements and associated disputes, mergers & acquisitions (including both buy and sell-side), contract brewing agreements, alternating proprietorship agreements and securities compliance.

Kyle is very active with all the **industry trade associations** (e.g. OC Brewers Guild, the California Craft Brewers Association and the Brewers Association), including on corporate, legislative and regulatory matters. Kyle serves as Board Secretary and Advisory Board Member for the OC Brewers Guild. Kyle is a co-founder of **Beergang**, a OC-based craft beer digital marketplace and delivery service.

Kyle has been named a "**Rising Star**" by Southern California Super Lawyers every year since 2016. Kyle graduated from Mission Viejo High School, Harvard College and Harvard Law School.

Kyle is also a **national beer judge**, certificated through the Beer Judge Certification Program, and judges beer competitions nationally

Industry Background

Industry Trade Associations

- Federal Brewers Association
- State California Craft Brewers Association
- Local Orange County Brewers Guild

Recent Data and Trends

- Overall U.S. beer volume sales were down 3% in 2020, while craft brewer volume sales declined 9%, lowering small and independent brewers' share of the U.S. beer market by volume to 12.3%
- Over 8,800 breweries nationally, nearly 1,000 in California; about 150 in LA/OC
- The Craft Brewing Industry Contributed \$62.1 Billion to the U.S. Economy in 2020, more than 400,000 Jobs
- \$7.6 Billion of the above contribution was due to California breweries!

Brewery Issue	Practice Areas/Skill
Pre-Formation Advise	Industry Expertise and Authenticity! Trusted Advisor Relationship/Connections
Formation	Entity/State Selection LLC Knowledge Effect on Licensing (entity and %)
Lease/Property Acquisition	Real Property – Purchase and Leasing Renewals, Extensions, Licensing Impact
Debt Transactions	Equipment Finance SBA Loans Commercial Lending
Capital Raising	Venture Capital Corporate Finance

Brewery Issue	Practice Areas/Skill
Licensing	TTB Rules ABC Rules City/Local Permitting
Distribution	Strategy Market Knowledge State Law Issues ("Three Tier")
Ongoing Reporting/Maintenance	Label Approvals (COLA and State) State and Federal Tax Reporting
Initial IP Issues	IP – Company Name Brand/Naming Strategy – Crowded landscape
Employee Matters	Wage/Hour Rules Classification High Turnover

Brewery Issue	Practice Areas/Skill
Minority Shareholders	Shareholder/Governance
Manufacturing Strategy	Contract Brewing Alternating Proprietorships Direct Manufacturing
Customer and Business Disputes	Business Litigation IP Disputes IP Protection for Hops (Attn IP Nerds!)
Crowdfunding	SEC Advise Strategic Advice
New Opportunities	Delivery Services Food Multiple Locations

Brewery Issue	Practice Areas/Skill
COVID Compliance	Food Requirement Lawsuit Employee Issues Constantly Changing Rules
Me Too, BLM, and Other Social Movements	Vocal Industry Customer Facing Challenges Regulatory Rules for Donations
Hard Times	Bankruptcy (Sell) Equipment Sales Shareholder Disputes (Litigation)
Strategic Growth	Bankruptcy (Buy) New Locations – Licensing; Leasing; Etc.
Larger Transactions	Banker-like role M&A Negotiation and DRafting Rise of brewery mergers and conglomerates

Summary of Current Issues

Covid Impact

- Shutdowns limited access to customers still recovering financially
- New operational restrictions (hours, service rules, cleaning protocols)
- Food Requirement
 - Forced to start a new business
 - Related Lawsuit Against Governor (Wineries not subject to same restrictions)
 - Reliance on food trucks
 - Implications for PPP loans
 - Still exists in certain Northern CA counties
- Reduced PPP Loans if manufacturing NAICS code
- Additional COVID relief packages
- Perception by many that breweries are now "OK" is far from true.
 - Largest breweries reaped benefits and took away market share from small local businesses.

Other Issues and Updates

Scope of Permitted Premises

 Customer expectations; coordination with ABC, cities, landlords and breweries

Distribution Landscape

- Wholesaler Consolidation; defeated bill; Biden Executive Order
- Third Party Marketplace and Delivery

Labor shortage

DTC Sales and Shipping

USPS; Out of State Breweries;
 Distilleries

Larger Events

Safety and Liability

Ongoing supply chain issues Sales for Charitable Causes

ABC Relief; Package and Draft

Summary of Current Legislation



Legislative Matters (Federal)

Restaurant Revitalization Fund Replenishment Act

- COVID relief for hospitality industry, including breweries (if onsite sales are at least 33% of revenue)
- The program went into effect in early May, and the application process closed on May 24, 2021. In that time frame, 372,000 applications were submitted, representing over \$76 billion in requested funds, far surpassing the initial \$28.6 billion Congress provided for the program
- · Bill Expands support by \$60 billon
- Status: Bills in Senate (S 2091) and House (HR 3807); In committee

USPS Shipping Equity Act

- · Authorize postal service (like private carriers) to ship alcohol where legal by state law
- Important for DTC sales
- Status: Bills in Senate (S 1663) and House (HR 3287); In committee

Legislative Matters (Federal)

Fairness for Craft Beverage Production Act

- Allow brewery access to second draw loans even though NAICS code starts with 31, so long as at least 35% of gross revenue in 2019 or 2020 was from in person sales (3.5x monthly payroll)
- Allows same breweries to P/I relief on SBA loans five months, notwithstanding NAICS code
- Status: In House

Craft Beverage Modernization and Tax Reform Act

- Makes the existing federal excise tax (FET) rates for small and independent breweries permanent
- Makes permanent other simplified labeling and permitting processes
- Status: Signed into law December 2020.

Legislative Matters (State)

Interstate DTC Shipment (SB 517)

 Authorizes shipment from any brewery (or out of state brewery with permit) to legal person in CA

CA Draft Dispense Exemption Bill (Assembly 1330)

- Requires conditions to phone and internet sales to customers
- Relief from information disclosure rules at tap for breweries
- Has passed Assembly, In Senate

Legislative Matters (State)

Distributor Franchise Law Bill (AB 1541)

- Would strengthen protections for distributors in an already rapidly consolidating market
- Prevents termination of distribution agreements by breweries (no matter what the contract says) except for cause and after cure opportunities
- Federal Trade Commission and Department of Justice have written letter to Assembly expressing concerns over the bill
- This bill has died

CA License Exchange Bill (SB 298)

- Authorizes exchange of brewpub license for bona fide eating place without counting against county license limit
- Has passed Senate; In committee

Distiller Shipping Bill (SB 220)

Authorizes DTC Shipment for distilleries

Beer Education



Beer Education

Primary beer Ingredients

- Water, Grain/Barley, Hops and Yeast
- Each one has its own field and science

Education Resources

https://www.bjcp.org/educationtraining/education-resources/library/

Style Guidelines

- 34 primary styles. 86 pages! <u>https://www.bjcp.org/bjcp-style-guidelines/</u>
- Competition judging to Style.
- Consumers value creativity

Tasting Method

- Aroma
- Appearance
- Flavor
- Mouthfeel
- Off Flavors

Beer Education: Style Example – American Pale Ale

18B. American Pale Ale

Overall Impression: An average-strength, hop-forward, pale American craft beer with sufficient supporting malt to make the beer balanced and drinkable. The clean hop presence can reflect classic or modern American or New World hop varieties with a wide range of characteristics.

Aroma: Moderate to moderately-high hop aroma from American or New World hop varieties with a wide range of possible characteristics, including citrus, floral, pine, resin, spice, tropical fruit, stone fruit, berry, or melon. None of these specific characteristics are required, but a hoppy aroma should be apparent. Low to moderate neutral to grainy maltiness supports the hop presentation, and can show low amounts of specialty malt character (e.g., bread, toast, biscuit, caramel). Fruity esters optional, up to moderate in strength. Fresh dry-hop aroma optional.

Appearance: Pale golden to amber. Moderately large white to off-white head with good retention. Generally quite clear.

Flavor: Hop and malt character similar to aroma (same intensities and descriptors apply). Caramel flavors are often absent or fairly restrained, but are acceptable as long as they don't clash with the hops. Moderate to high bitterness. Clean fermentation profile. Fruity yeast esters can be moderate to none, although many hop varieties are quite fruity. Medium to dry finish. The balance is typically towards the late hops and bitterness; the malt presence should be supportive, not distracting. Hop flavor and bitterness often linger into the finish, but the aftertaste should generally be clean and not harsh. Fresh dry-hop flavor optional.

Mouthfeel: Medium-light to medium body. Moderate to high carbonation. Overall smooth finish without astringency or harshness.

Comments: Modern American versions are often just lower gravity IPAs. Traditionally was a style that allowed for experimentation with hop varieties and usage methods, which can now often be found as international adaptations in countries with an emerging craft beer market. Judges should allow for characteristics of modern American or New World hops as they are developed and released.

History: A modern American craft beer era adaptation of English pale ale, reflecting indigenous ingredients. Sierra Nevada Pale Ale was first made in 1980 and helped popularize the style. Prior to the explosion in popularity of IPAs, this style was the most well-known and popular of American craft beers.

Characteristic Ingredients: Neutral pale malt. American or New World hops. Neutral to lightly fruity American or English ale yeast. Small amounts of various specialty malts.

Style Comparison: Typically lighter in color, cleaner in fermentation profile, and having fewer caramel flavors than English counterparts. There can be some overlap in color between American Pale Ale and American Amber Ale. The American Pale Ale will generally be cleaner, have a less caramelly malt profile, less body, and often more finishing hops. Less bitterness in the balance and alcohol strength than an American IPA. Maltier, more balanced and drinkable, and less intensely hop-focused and bitter than session-strength American IPAs (aka Session IPAs). More bitter and hoppy than a Blonde Ale.

 Vital Statistics:
 OG: 1.045 - 1.060

 IBUs: 30 - 50
 FG: 1.010 - 1.015

 SRM: 5 - 10
 ABV: 4.5 - 6.2%

Commercial Examples: Deschutes Mirror Pond Pale Ale, Half Acre Daisy Cutter Pale Ale, Great Lakes Burning River, La Cumbre Acclimated APA, Sierra Nevada Pale Ale, Stone Pale Ale 2.0

Tags: standard-strength, pale-color, top-fermented, north-america, craft-style, pale-ale-family, bitter, hoppy

Beer Education: Off Flavors

Common Technical Off Flavors

- Acetaldehyde Green apple-like aroma and flavor.
- Alcoholic The aroma, flavor, and warming effect of ethanol and higher alcohols. Sometimes
 described as hot.
- Astringent Puckering, lingering harshness and/or dryness in the finish/aftertaste; harsh graininess; huskiness.
- Diacetyl Artificial butter, butterscotch, or toffee aroma and flavor. Sometimes perceived as a slickness on the tongue.
- DMS (dimethyl sulfide) At low levels a sweet, cooked or canned corn-like aroma and flavor.
- Estery Aroma and/or flavor of any ester (fruits, fruit flavorings, or roses).
- Grassy Aroma/flavor of fresh-cut grass or green leaves.
- Light-Struck Similar to the aroma of a skunk.

Beer Education: Off FLavors

Descriptions

- Metallic Tinny, coiny, copper, iron, or blood-like flavor.
- Musty Stale, musty, or moldy aromas/flavors.
- Oxidized Any one or combination of stale, winy/vinous, cardboard, papery, or sherry-like aromas and flavors.
- Phenolic Spicy (clove, pepper), smoky, plastic, plastic adhesive strip, and/or medicinal (chlorophenolic).
- Solvent Aromas and flavors of higher alcohols (fusel alcohols). Similar to acetone or lacquer thinner aromas.
- Sour/Acidic Tartness in aroma and flavor. Can be sharp and clean (lactic acid), or vinegar-like (acetic acid).
- Sulfur The aroma of rotten eggs or burning matches.
- Vegetal Cooked, canned, or rotten vegetable aroma and flavor (cabbage, onion, celery, asparagus, etc.)
- Yeasty A bready, sulfury or yeast-like aroma or flavor

Beer Tasting – BCJP Scoresheet





BEER SCORESHEET



dge Name (pnnt)			Category #	Subcatego	ry (a-f) E	ntry #	1-1-
dge BJCP ID			Subcategory (spe				
Judge Email			Special Ingredier	its:			
Uk	e Avery label # 516	·	Bottle Inspection	: Appropriate s	ize, cap, fill level, lab	el removal, etc.	
CP Rank or Status:			Comments				
National D Honorary Master D	☐ Recognized ☐ Master ☐ Honorary GM ☐ Rank Pending	☐ Certified ☐ Grand Master ☐ Mead Judge	Aroma (as appropriate Comment on mail, hope, s	for style) sters, and other assenats	a .		/1
n-BJCP Qualification		Cider Judge					
Professional Brewer		DGAREAVRC					
Certified Cicerone		Master Cicerone					
scriptor Definitions Acetaldehyde - Green			Appearance (as app Comment on color, clarity		kor, and tenture)	_	9
Alcoholic - The aroma ethanol and higher alco	a, flavor, and warr ohols. Sometimes	ning effect of described as hot.	-				
Astringent - Puckering in the finish aftertaste;			Flavor (as appropriate	tanta			_
Diacetyl – Artificial bu and flavor. Sometimes	utter, butterscotch, s perceived as a sle	or toffee aroma ckness on the tongue	Comment on malk, hops, I	ermentation characterist	ses, balance, fanali affertaste	and other flavor character	istan
DMS (dimethyl sulfid canned com-like aronu		a sweet, cooked or	-				
Estery – Aroma and or flavorings, or roses).	r flavor of any est	er (fruits, fruit					
Grassy - Aroma flavor	or of fresh-cut gras	or green leaves.	-				-
Light-Struck - Similar	ir to the aroma of a	skunk	Mouthfeel tax approp	runc for style)	os, astrongency, and other p		3
Metallic - Tinny, com	y, copper, iron, or	blood-like flavor.	Comment of other, Caron	MINING WARRIED, CECARRACK	to, astrongency, and other p	state sensations	
Musty - Stale, musty,	or moldy aromas	flavors.					-
Oxidized - Any one or cardboard, papery, or sl	r combination of s herry-like aromas	tale, winy/vinous, and flavors.					
Phenolic - Spicy (clove adhesive strip, and/or in	e, pepper), smoky nedicinal (chlorop	, plastic, plastic henolic).	Overall Impression				/10
Solvent - Aromas and alcohols). Similar to no			Comment on overall drunk	ing pleasure associated s	with entry, give suggestions	for improvement	
Sour/Acidic – Tartness and clean (lactic acid),	s in aroma and fla- or vinegar-like (a	or. Can be sharp retic acid).					
Sulfur - The aroma of	rotten eggs or bur	ning matches					-
Vegetal – Cooked, cam flavor (cabbage, onion,							
Yeasty - A bready, sull	lfury or yeast-like	aroma or flavor.			Total	1.11	/50
Phenolic – Spicy (closs adhesive strp, and or in adoubols). Similar to ac- Sour/Acidic – Tartness and clean (factic acid), Joseph Sulfur – The aroma of Vegetal – Cooked, can flavor (cabbage, onion, Yeasty – A bready, sulf Outstanding (45 – Excellent (38 – Very Good (30 –	c, pepper), smoky nedicinal (chlorop flavors of higher: ectone or lacquer it s in aroma and fla- or vinegar-like (a rotten eggs or bur ned, or rotten veg, celery, asparagus flury or yeast-like -50), world-lass et -441; Sampidies 3- 371; Generally with	plastic, plastic henolic), alcohols (fusel hinner aromas, cor. Can be sharp cetic acid), ming matches, table aroma and , etc.)	Comment on overall don't		Stylistic Accuracy		

BJCP Beer Scoresheet Copyright © 2017 Beer Judge Certification Program rev. 170612

Please send any comments to Comp Director's BICP o

Judge for yourself!



Interesting stuff. Can we start tasting already?



Beer Tasting

Draft

- Long Beach Beer Lab Dad Beer (Bohemian Pilsner)
- Green Cheek Beer Co. American For Pale (American Pale Ale)

Cans (Green Cheek Beer Co.)

- Yuzu for Papa (Wheat/Fruit Beer)
- Fourth Cousin Thrice Removed (English Pub Ale Nitro)
- Wanting More (DDH Hazy IPA)
- It's Fun until its Not (Triple IPA)
- Proper Gubbins (English Barleywine)
- New Adventures (Blonde Coffee Stout Nitro)

Markey IP Inn of Court

GROUP 2 PRESENTATION

MARCH 1, 2022

STEVE HANLE, TAYLOR FOSS, CAMERON WESTIN, YUNGMOON CHANG, AND MONICA ARNOLD

Patent Issues Related to Beer/Breweries

Areas for Patent Protection?

- Hops varieties (plant patents)
- Brewing Fermentation Technologies
- Drinkware and Accessories
- Beer Delivery, Packaging, and Cooling

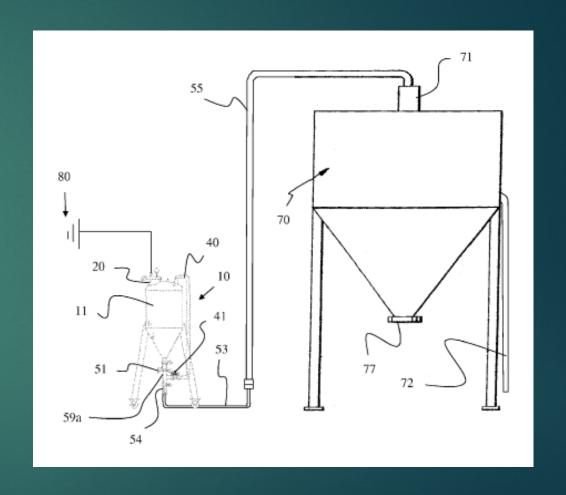
Hops Varieties

- U.S. Plant Patent No.
 21,289 "Hop Plant
 Named 'HBC 394'" (Sept.
 2010)
 - ▶ A new hop plant named HBC 394 is disclosed. The cones of HBC 394 mature in early September, and yield a crop of 1200 to 1600 pounds per acre. HBC 394 is used in brewing for its bittering and aromatic properties.



Brewing Fermentation Technologies

- ► U.S. Patent No. 9,303,241 "Hopzooka" (Apr. 2016)
 - A method and apparatus for dry hopping a beverage contained in a fermentation tank can include providing a hops vessel defining an interior space.



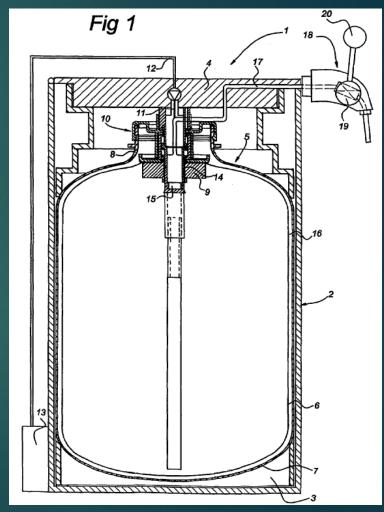
Drinkware and Accessories

- ► U.S. Patent No. 6,637,447 "Beerbrella" (Oct. 2003)
 - ► The present invention provides a small umbrella ("Beerbrella") which may be removably attached to a beverage container in order to shade the beverage container from the direct rays of the sun.



Beer Delivery, Packaging, and Cooling

- ► U.S. Patent No. 7,188,751 "DRINK DISPENSER ASSEMBLY AND CONTAINER FOR DRINK AND DRINK DISPENSING LINE" (Mar. 2007)
 - ▶ The drink dispenser assembly is characterised in that the coupling element comprises a shut-off valve (19. 32) that can be closed when placing the outlet end of the dispensing line (17, 28) into the dispensing head (18, 29) and, respectively, removing the outlet end of the dispensing line (17, 28) from the dispensing head (18, 29).



Beer Delivery, Packaging, and Cooling

► CERTAIN BEVERAGE DISPENSING SYSTEMS AND COMPONENTS THEREOF (Inv. No. 337-5A-1130).





Trade Secret Issues Related to Beer/Breweries

What Qualifies as a Trade Secret Under the DTSA?

- the term "trade secret" means all forms and types of financial, business, scientific, technical, economic, or engineering information, including patterns, plans, compilations, program devices, formulas, designs, prototypes, methods, techniques, processes, procedures, programs, or codes, whether tangible or intangible, and whether or how stored, compiled, or memorialized physically, electronically, graphically, photographically, or in writing if—
 - ▶ (A)the owner thereof has taken <u>reasonable measures</u> to keep such information secret; and
 - ▶ (B) the information derives <u>independent economic value</u>, actual or potential, from not being generally known to, and not being readily ascertainable through proper means by, another person who can obtain economic value from the disclosure or use of the information;

Do Courts Recognize Brewing Operations to Be TS?



- Anheuser-Busch Cos., LLC v. Clark, 2017 WL 1093907 (E.D. Cal. Mar. 23, 2017), affirmed by Anheuser-Busch Cos., LLC v. Clark, 764 F. App'x 594 (9th Cir. 2019).
- AB alleged employee misappropriated TS information when leaving
- District Court found AB likely to prevail on its TS claim
 - "variety of analytical characteristics for each of [AB's] products"
 - "detailed brewing recipe specifications"
 - "specific formulas and techniques"
- ▶ Ninth Circuit affirmed plaintiff's likelihood of prevailing on TS claim

TTB Poses a Unique Challenge

- Alcohol and Tobacco Tax and Trade Bureau ("TTB") requires brewers to submit a formula for approval for:
 - Any fermented product that will be treated by any processing, filtration, or other method of manufacture that is not generally recognized as a traditional process in the production of a fermented beverage designated as "beer," "ale," "porter," "stout," "lager," or "malt liquor."
- Covers certain filtration techniques, flavors
- Although disclosure to TTB opens the door to the public's right to request documents from public agencies, trade secrets are generally exempt from public disclosure

Trade Secrets Have Already Made Their Way into the Beer Industry





Trademark Issues Related to Beer/Breweries

Trademark Protection



- ► Fundamental purpose of trademark law is to (1) identify the goods or services of one source from goods or services from another source and (2) signify that all goods or services bearing a particular trademark come from the same source
- Trademark mark law protects a trademark owner's exclusive right to use a trademark when a mark by another would likely cause consumer confusion as to the source or origin of the goods
 - ► Federal (Lanham Act)
 - State
 - Common law

Lanham Act



- Provides federal protection
- To establish trademark infringement under the Lanham Act a trademark owner must show:
 - ▶ It has a valid and legally protectable mark
 - ▶ It owns the mark
 - ► The alleged infringer's use of the mark to identify goods or services causes a likelihood of confusion

15 U.S.C. §§ 1114 (registered mark), 1125(a) (unregistered mark)

- Remedies:
 - ▶ Injunctive relief
 - Lost profits
 - Damages

Likelihood of Confusion Standard* i.e., the Sleekcraft Boats factors

- ▶ (1) strength of the mark
- ► (2) proximity of the goods
- ► (3) similarity of the marks
- ▶ (4) evidence of actual confusion
- ▶ (5) marketing channels used
- (6) type of goods and the degree of care likely to be exercised by the purchaser
- ▶ (7) defendant's intent in selecting the mark
- ▶ (8) likelihood of expansion of the product lines

Craft Breweries in the U.S.

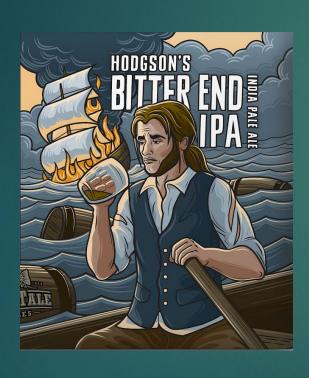
9095 operating craft breweries in the US



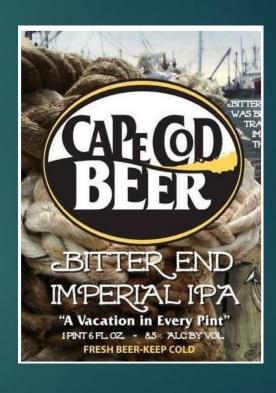
937 operating craft breweries in California



Using Catch Phrases and Puns as a Beer Name is Common







▶ Attempts at humor in the form of catch phrases or puns can lead to lawsuits

Guns N' Roses v. Canarchy Craft Brewery

Guns N' Roses, the 80's band, sued CANarchy Craft Brewery (f/k/a Oskar Blues Brewery) for trademark infringement over the use of the name "Guns 'N' Rosé" for fruity ale





Stone Brewing Co. v. Molson Coors Brewing Co., et al.

Stone Brewing sued Molson Coors Brewing Co. for trademark infringement alleging that Molson Coors' new re-branding is confusingly similar to Stone's trademark and beers:





The case is still ongoing

Modist Brewery and Bud Light

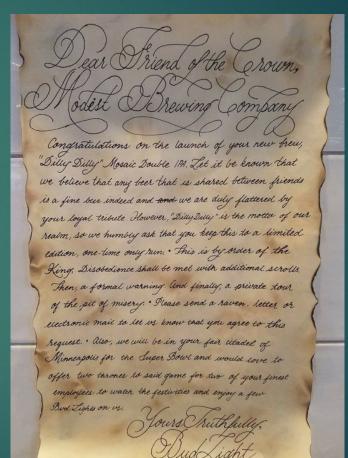




Not All Companies Will Be As Nice As Bud Light



(click on town crier for video)



Despite using attempts at humor when naming a beer, trademark due diligence before selecting names for the brewery or beer is necessary to try to avoid lawsuits