

From the revised and updated 1994 edition of Charles Sullivan's classic, Napa Wine: A History from Mission Days to Present. The new second edition covers pivotal developments from JFJ Bronco's 1994 purchase of Rutherford Vintners and Napa Creek to the July, 2007 sale of Stag's Leap Wine Cellars to Antinori and Ste. Michelle Wine Estates.



Portrait of Charles Sullivan painted with Beringer Cabernet Sauvignon 2001 Private Reserve

Bronco Busting in Napa?

Brand names are valuable possessions, which companies can buy and sell. They are property covered by state and federal laws and the U.S. Constitution. The fact that wine brands often contain geographical terms that imply the origin of the grapes from which the wine was produced triggered a legal controversy in the nineties that eventually made its way to the U.S. Supreme Court. Napa was the geographical area at the center of the controversy.

In July 1986, the BATF ruled that only wine brands authorized before this date could be produced primarily from grapes outside the area indicated in the brand name. This administrative ruling made brands already legally in place and containing “Napa” or any of its sub-appellations, such as “Rutherford” or “Oakville,” of special value to their owner. The JFJ Bronco Winery, located southeast of Modesto, had made a lot of money in the eighties establishing several successful brands for their Central Valley operation. Bronco was founded in 1974 by three younger members of the Franzia family, after their elders had sold their winery and their family name to the Coca Cola Bottling Company of New York. The “F” in the JFJ stands for Fred Franzia, who had become the guiding hand in the company’s fortunes. In the early nineties Bronco began buying up the brand names of well-established wineries that were in financial difficulty, such as Hacienda, Grand Cru, and Laurier. This strategy continued to the point where in 2005 the company had 32 different brands for its wines. Fred Franzia got serious attention in Napa in 1993 when he bought the Napa Creek brand from that little winery on the Silverado Trail. He got more the next year when he acquired the Rutherford Vintners label from Napa’s Skoda family. These acquisitions moved the Napa Valley Vintners Association (NVVA) to form

an appellation committee to defend Napa’s appellations against what they correctly guessed was on Fred Franzia’s mind.

In 1996 Bronco brought out a wine branded Rutherford Vintners, made from Central valley grapes; the Treasury Department’s BATF objected, and Bronco went to court. Eventually, in 2000 a federal administrative law judge ruled in Bronco’s favor, noting that the brand in question had been approved in 1977, years before the BATF’s ruling that grandfathered in the legality of such older brands. Franzia now felt secure in his plans. In 1999 he had acquired land near the Napa airport and soon began building a giant warehouse, wine storage and bottling plant. It was on line and operating in 2001. He also took a major step by purchasing the Napa Ridge brand from Beringer for \$40,000,000. Beringer, with its strong Napa identity, had been allowed to sell wine under this label for years without using Napa grapes.

Meanwhile the NVVA had been lobbying for relief from the California State Legislature and got it in September 2000. Passed into state law was an act that required any bottle of wine with Napa or its sub-appellations in its brand name to contain at least 75 percent of wine made from Napa-grown grapes. Fred Franzia had argued, “no one assumes that Hawaiian Punch is from Hawaii or

London Fog raincoats are from London.” Resting his case on the 1986 BATF regulation that seemed to give federal approval to older labels with Napa geographical terms in their brand names, he attacked the California statute in the courts. His lawyers argued that the law was an “outright taking of tens of millions of dollars in private property rights.” They said it violated the U.S. Constitution’s due process clause and that it violated Bronco’s First Amendment right to free speech. They also argued that the California statute attempted to overrule a federal “law.” But an administrative ruling by a federal agency is by no means an act of Congress; it is not a law. Almost lost in the legal battle was an important act of Congress and subsequent acts dating from the 1930s, which has treated the labeling and advertising of alcoholic beverages as a special area of concern. Labels and advertising must be truthful and precise. And the information on them must not be misleading. Does a label with a brand “Napa Ridge” mislead the consumer into thinking that the wine is made from Napa grapes?

Nevertheless, on December 29, 2000 a California appellate court ruled in Bronco’s favor and temporarily stayed the California law. The case was now heard in full by California’s Third District Appellate Court. The California attorney general defended the California statute,

arguing that the state “has the right to impose additional restrictions on labels” beyond federal regulations. But on December 18, 2002 the three-judge panel voided the state law. In its forty-three page decision they contended that “brand names are exclusively governed by federal regulation,” and that Bronco had a “federal” right to sell its wine under the 1986 BATF grandfather clause. Now the press and wine publications picked up on the story, and described Fred Franzia as either a villain out to destroy the good name of Napa wine or a hero who was bringing good wine to the people at a reasonable price. It was in these months that Bronco began selling its Charles Shaw brand, which came in several varietal bottlings that were all priced at \$1.99. The wine was being bottled at the Bronco facility near the airport and some Napa defenders in the press claimed that it was the Napa address that Franzia was using that was so valuable. But this was really confusing the tiny address on the back label, that few consumers ever would see, with the Napa term in the other brand names about which the legal battle was being waged.

All eyes seemed to be on the case when it reached the California Supreme Court in May 2004. The oral arguments had the Napa vintners smiling. In one exchange Chief Justice Ronald George asked the Bronco attorney, “Why don’t they call it

Lodi Ridge?” (Most of the grapes in question were from Lodi.) “Why do they keep that label if it’s not to deceive the consumer?” Thus it was no surprise when the court handed down its sixty-seven page unanimous decision, reversing the appellate court’s overturning of the California statute. The intention of the court was made clear in the Chief Justice’s words: “The geographic source of California wines forms a very significant basis upon which consumers worldwide evaluate expected quality.” The court specifically held that the federal regulations (not federal law) do not preempt state law, and that Congress has not foreclosed the state “from providing stricter protection for consumers in order to ensure the integrity of its wine industry.”

Bronco then appealed the ruling to the U.S. Supreme Court. On January 23, 2006 the justices rejected the appeal and let stand the California law that bars wines sold under Napa brand names unless they had been produced with at least three-fourths of their grapes from Napa County.

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