

World Trademark Review Daily

**CHARBUCKS Case remanded once again
United States - Foley & Lardner LLP**

**Confusion
Dilution**

January 12 2010

In *Starbucks Corporation v Wolfe's Borough Coffee Inc* (Case 08-3331-cv, December 3 2009), the US Court of Appeals for the Second Circuit has reversed the decision of the district court in which the latter had held that the mark CHARBUCKS did not dilute the mark STARBUCKS.

[Starbucks Corporation](#) has used the STARBUCKS mark for coffee since 1971. The fame of the STARBUCKS mark was not disputed by the parties. Wolfe's Borough Coffee Inc, operating as [Black Bear Micro Roastery](#), manufactures and sells roasted coffee beans via mail order, online and at a limited number of retail outlets in New England. In April 1997 Black Bear introduced dark roasted coffee under the marks CHARBUCKS BLEND and MISTER CHARBUCKS. Shortly thereafter, Starbucks demanded that Black Bear cease use of the CHARBUCKS marks. When settlement negotiations failed, Starbucks filed suit, alleging violations of federal and state law, including trademark dilution, trademark infringement and unfair competition.

After a bench trial, on December 22 2005 the district court issued an opinion ruling in favour of Black Bear and dismissing Starbucks's complaint. While Starbucks's appeal was pending, the [Trademark Dilution Revision Act of 2005](#) (TDRA) was passed, changing the standard for dilution from requiring a showing of "actual dilution" to a lesser standard of "likely" dilution. The case was remanded to the district court for consideration of this change in the law. On remand, the district court again entered judgment in favour of Black Bear, and Starbucks again appealed.

In reviewing the district court's analysis of the six factors enumerated in the TDRA, the Second Circuit first found that the district court had not erred in finding that CHARBUCKS and STARBUCKS were only "minimally similar". In so doing, the Second Circuit relied on:

- the difference in the initial sounds of 'Charbucks' and 'Starbucks';
- the other word elements of the CHARBUCKS marks ('mister' and 'blend'); and
- the differences in the respective package designs.

Nevertheless, the Second Circuit found that the absence of "substantial similarity" did not prevent Starbucks from prevailing on its claim of dilution by blurring. The court justified the requirement for substantial similarity in prior case law by the lack of guidance on the issue from the TDRA as originally passed. The TDRA does not use the words 'very' or 'substantial' in connection with the similarity factor, but rather lists only the "degree" of similarity. That wording, in combination with the listing of five other factors that would be relegated to insignificance if substantial similarity were required, led the court to hold that the district court had erred in focusing on the absence of substantial similarity to reject Starbucks's dilution claim.

Another disputed factor was whether Black Bear intended to create an association with the famous STARBUCKS mark. Here, the Second Circuit held that "intent to associate" does not require a showing of bad faith and that the district court had erred in requiring such a showing.

The third disputed dilution factor was whether there was evidence of any actual association between the marks. The district court had rejected Starbucks's claim for failing to show actual confusion. The Second Circuit held that requiring evidence of actual confusion was an error, "as the absence of actual or even of a likelihood of confusion does not undermine evidence of trademark dilution".

Addressing Starbucks's other claims, the court held that the latter had not proven dilution by tarnishment. The results of the survey showing an association between STARBUCKS and CHARBUCKS, as well as a negative consumer impression of a coffee sold under the CHARBUCKS mark, were insufficient to establish a likelihood of dilution by tarnishment. The Second Circuit reasoned that the survey failed to show how the negative impression of Black Bear's CHARBUCKS mark affected consumers' impression of the STARBUCKS mark.

The Second Circuit also rejected Black Bear's reliance on the parody exception. The court relied on language from the TDRA that the exception does not apply where the defendant's use is "as a designation of source for [its] own goods". Thus, because Black Bear used the CHARBUCKS marks for its own coffee, the parody exception was inapplicable.

The Second Circuit also affirmed the district court's dismissal of the state law claims, as well as the claims

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of federal trademark infringement and unfair competition. Therefore, the Second Circuit reversed only on the claim of dilution by blurring and remanded the case to the district court for consideration of Starbucks's claim in light of the errors found on appeal.

For a background discussion on the *CHARBUCKS* Case please see "[CHARBUCKS gets roasted on appeal](#)" and "[Use of CHARBUCKS marks does not dilute STARBUCKS trademark](#)".

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