

Starbucks v. Wolf's Borough Coffee – Charred, Not Diluted

Starbucks may have been shaken *and* stirred after its third trip to the U.S. District Court for the Southern District of New York, via two temporary layovers at the 2nd Circuit Court of Appeals and another one pending over the course of over eleven years. In December 2011, Judge Laura Swain, for the third time, ruled in favor of Wolf's Borough Coffee (dba Black Bear Micro-Roastery), a tiny Lake Winnepesaukee, New Hampshire coffee brewer (a husband and wife team plus one part-time employee), and against the plaintiff Starbucks, in what might be referred to as Goliath's marathon legal battle against David to prevent Black Bear from using the word "Charbucks" to designate one of its coffee brews. The nearly burnt coffee flavor reminded owner Jim Clark of the famously dark-roasted taste of Starbucks coffee, so he wanted a name that would serve as a warning to his customers. Along with the word "Charbucks", the label comes with the warning "You want it dark, you got it dark". Starbucks, determined to fight to the bitter end, claims that this constitutes trademark dilution, both by "blurring" and "tarnishment", under Section 43(c) of the Lanham Act, the federal trademark statute.

By way of background, there are two types of trademark dilution. The first is "blurring", defined as an "association arising from the similarity between a mark or trade name and a famous mark that impairs the distinctiveness of the famous mark", while the second is "tarnishment", defined as an "association arising from the similarity between a mark or trade name and a famous mark that harms the reputation of the famous mark".

While this might appear to be a rare case, a fair number of trademark cases are as notoriously long and unbalanced in terms of the might of the opposing parties. The reason for this is clear – the value of a brand to most companies is often the lion's share of the value of the company itself. Failing to protect it can erode its value over time, regardless of the size of the defendant. It's the "death by a thousand cuts" theory of trademark protection. A good example of this is the 14-year legal battle between Victoria's Secret and a small sex shop in Kentucky named "Victor's Little Secret", owned by one Victor Moseley. After being enjoined at the district court and then losing an appeal to the 6th Circuit,

Moseley took its case to the Supreme Court, which reversed the 6th Circuit and remanded the case back to the district court. Meanwhile in response to the Supreme Court's ruling, Congress passed the Trademark Dilution Revision Act of 2006, which amended the Lanham Act so that it now clearly favors plaintiffs in dilution cases - by eliminating the Supreme Court created requirement that a plaintiff prove "actual economic injury" to its trademark, and instead only prove a "likelihood of dilution". On remand the court ruled in favor of VS and the decision was upheld on appeal in a 2-1 ruling. Thus the 14-year saga ended. Victor's Little Secret is now "Cathy's Little Secret".

In a very similar legal setting involving the same law and the amendment thereto during the course of litigation, comes the Starbucks case. While the TDRA seemed as though it would make it easier for plaintiffs to win dilution by blurring claims, as was seen in the Victoria's Secret case, this has turned out not to be the case for Starbucks. In round one, which took place soon after the Moseley case, the District Court ruled against Starbucks because it failed to prove actual economic harm. After the TDRA, the 2nd Circuit remanded the case back for round two. This time, once again, the District Court ruled against Starbucks, finding that "Starbucks" and "Charbucks" were not similar enough to cause dilution. The 2nd Circuit found much fault with the District Court's reasoning, especially the requirement that the marks at issue be "substantially similar" as this language was nowhere in the revised statute (rather "degree of similarity" is simply one factor to consider). The Court also thought that much more emphasis should have been placed on the defendant's intent which was admittedly (and quite blatantly according to the evidence of record) to poke fun at and to remind consumers of Starbucks.

Back to Judge Swain for her third crack at this case. This time, Judge Swain went methodically through the *non-exclusive* six-factor statutory "blurring" test. Of the six factors, five were found to be in favor of Starbucks. Only the "similarity of the marks" factor was found to favor the defendant, yet the Court ruled once again in its favor. As the factors are non-exclusive, this gives judges much flexibility to decide a case as they see fit to, regardless of the way the factors may point. The case is now on appeal yet again at the 2nd Circuit.

Starbucks brief in this appeal focuses on the fact that the district court

found that “the distinctiveness, recognition and exclusivity of use factors weigh in Plaintiffs[’] favor.” Nevertheless, Starbucks argues, the district court expressly disregarded those factors after mistakenly concluding that they were relevant only to the threshold inquiry of whether the Starbucks mark is sufficiently famous to be eligible for protection against likely dilution and downplayed them as factors used to determine the likelihood of dilution.

The doctrine of trademark dilution has had a very tortured history. Courts have been unable to find common ground on which to provide much guidance if any to trademark owners. There seems to be reluctance on the part of many judges to apply the law as it is written. The radical departure of dilution, which focuses on the weakening of a mark’s selling power, from traditional trademark law, which is grounded in consumer protection from confusion in the marketplace, is possibly to esoteric a notion for most jurists. Needless to say, the final outcome of this long saga is highly anticipated.

Gene Bolmarcich, Esq. is a [trademark attorney](#) and Principal of the Law Offices of Gene Bolmarcich in Babylon, NY, with a national clientele. He is a member of the SCBA’s Solo Practice and Intellectual Property Committees and operates a virtual [trademark registration](#) service at www.trademarksa2r.com . He can be contacted at gxbesq1@gmail.com