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Paging Mr. Charbucks… Re: Trademark Infringement

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Someone once said that the American legal system guarantees every corporation its decade in court. That came true with a vengeance for two corporations whose 12-year-long battle recently (and perhaps mercifully) came to an end when an appellate court ruled – for the *third time* – that **the mark MR. CHARBUCKS for coffee did not violate the famous STARBUCKS trademark.**

In 1997, a small New Hampshire coffee company called Black Bear Micro Roastery released a blend that it called "Charbucks Blend" (It later launched, and still sells, a different blend named "Mr. Charbucks"). **Black Bear never denied that it chose the name at least in part because it wanted to evoke the mystique of the Starbucks brand.** In this it succeeded, perhaps better than it might have wished.

In 2001 Starbucks sued Black Bear, claiming trademark infringement and dilution. The difference between infringement and dilution is that in an infringement claim, the goal is to protect consumers from being confused about the source of the alleged infringer's product – here, into buying MR. CHARBUCKS coffee because they think it comes from Starbucks.

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In a dilution claim, however, the goal is to protect the trademark itself. A dilution claim alleges that the owner's mark is so distinctive and well known that *any* use of it (or of something similar to it) by *anyone else* – even if the goods and services are completely unrelated – is likely to weaken or "dilute" the commercial strength of the famous mark. As one of the doctrine's early proponents explained to Congress:

If you allow Rolls-Royce restaurants and Rolls-Royce cafeterias, and Rolls-Royce pants, and Rolls-Royce candy, in ten years you will not have the Rolls-Royce mark any more.

There was a trial in 2005, which Starbucks lost. It appealed, and lost. But because Congress had in the meantime enacted a new dilution statute, the appellate court sent the case back to the trial court for reconsideration of that issue. The case bounced back and forth a couple more times, always with the same basic result. Last month, Starbucks became a three-time loser when the U.S. Court of Appeals for the Second Circuit again affirmed the trial court's ruling that Starbucks had not established a viable dilution claim.

How did the courts arrive at this conclusion? The federal dilution statute sets forth six factors for determining whether one mark dilutes another by "blurring" its distinctiveness:

1. How similar are the marks? Here, in effect, the courts found that STARBUCKS and MR. CHARBUCKS, while similar, were not all *that* similar. Point, Black Bear.

2. How distinctive is the famous mark? Because STARBUCKS is such an unusual word in this context (it was the name of a character in the novel *Moby Dick*, who had no apparent connection to coffee), this factor weighed in favor of Starbucks.

3. How unique is the famous mark? Since no one else had ever used STARBUCKS as a mark for coffee, this also favored Starbucks.

4. How famous is the mark? A mark has to be deemed "famous" to even get in the front door on a dilution claim in the first place. But Starbucks had little difficulty in going further and showing that its mark was *really* famous.

5. Did the defendant intend to evoke the famous mark? Black Bear admitted from the outset that this was the case.

6. Is there any measurable *actual* dilution of the famous mark? Starbucks introduced results of a survey in which about 30 percent of the respondents said that when they heard the name "Charbucks," it made them think of Starbucks. Unfortunately, as it turned out, the survey did not ask about reactions to "*Mister* Charbucks." The courts found that the survey demonstrated only "minimal" dilution.

The courts gave a great deal of weight to the dissimilarities in the marks, and to what they considered significant flaws in Starbucks' survey methodology. Conversely, they gave surprisingly little weight to Black Bear's admission that it was *trying* to create a mental association with the famous STARBUCKS mark, which is pretty much what a dilution claim is all about.

I confess that if Black Bear had come to me for advice back in 1997, I would have warned them that they were asking for a nasty fight, and that they would probably lose it. It turns out I would have been wrong – but only about the second part. The costs of a 12-year-long lawsuit, with three trips to the court of appeals, are humongous. Not too many clients want to spend that kind of money to preserve the name of *one* out of *twenty* coffee blends now offered on their website. **I can only assume that Black Bear must sell an awful lot of MR. CHARBUCKS coffee…**

(By the way, the appellate court's opinion provides a fascinating, and admirably succinct, account of the history not only of this case but also of the dilution doctrine, which has seen its share of controversy through the years.)