

[Trademark Infringement & Starbucks](#)Posted on June 22, 2009 Filed Under [Intellectual Property](#), [Trademarks](#) | [Leave a Comment](#)

Starbucks is a well known, international purveyor of coffee products, with thousands of stores throughout the world. *Starbucks v. Wolfe's Borough Coffee, Inc.*, No. 01 Civ. 5981 (LTS)(THK), 2005 U.S. Dist. LEXIS 35578 (S.D.N.Y. Dec. 23, 2005) (*Starbucks I*). Starbucks Corporation was formed in 1985 in Washington State, after the original founders had been in business for themselves since 1971 in the Seattle Pike's Place Market. *Id.* at \*3. Under a traditional trademark analysis, Starbucks has spent a substantial amount of money to market its coffee products worldwide (over one hundred thirty-six million dollars worth from 2000-2003). *Id.* at \*5. One should not use a trademark similar to "Starbucks" without expecting trouble. In 2004, Wolfe's Borough Coffee, a small coffee manufacturer that distributes its brands in a store in New Hampshire and through some New England supermarkets, was sued by Starbucks in the southern district of New York for trademark infringement and dilution under the Lanham Act and state law. *Id.* at \*6. Wolfe's Borough Coffee was trading with two allegedly infringing names: "Mr. Charbucks" and "Mister Charbucks," both similar to the trademark "Starbucks" used by the famous coffee house of the same name. *Starbucks v. Wolfe's Borough Coffee, Inc.*, 559 F. Supp. 2d 472 (S.D.N.Y. June 5, 2008) (*Starbucks III*). Yet, Starbucks lost in district court on all of its claims. *Starbucks I*, 2005 U.S. DIST LEXIS 35578 at \*29. Starbucks appealed, the second circuit reversed in 2007 because of a change to the Lanham Act in 2006 by Congress through the Federal Trademark Dilution Act, and the trial court affirmed its prior decision in favor of the defendant in 2008. *Starbucks v. Wolfe's Borough Coffee, Inc.*, 477 F.3d 765 (2nd Cir. 2007) (*Starbucks II*); 15 U.S.C. §§ 1125(c), 1127 (2008); *Starbucks III*.

**Starbucks Claims**

Starbucks sued Wolfe's under federal and state law, alleging trademark infringement under sections 1114 and 1125(a) of the Lanham Act, trademark dilution under sections 1125(c) and 1127 of the Lanham Act and also under New York law, and unfair competition under state common law. 15 U.S.C. §§ 1114(1), 1125(a) (2008); *Id.* at §§ 1125(c), 1127; N.Y. Gen. Bus. Law § 360-1 (1999). This case note will focus on the allegation of trademark dilution.

In order to prove trademark dilution, the plaintiff must demonstrate that (a) the plaintiff's mark is famous, (b) the defendant is using commercial use of the famous mark, (c) the defendant's use came after the plaintiff's use, and (d) the defendant's use of the plaintiff's mark dilutes the plaintiff's mark. *Starbucks I*, 2005 U.S. DIST LEXIS 35578 at \*22. The defendant had conceded the first three elements leaving only the last element of the rule in dispute. *Id.* *Moseley v. Victoria's Secret Catalogue, Inc.*, 537 U.S. 418, 433 (2003) requires a plaintiff to prove actual dilution rather than a likelihood of dilution in order to prevail under the Lanham Act anti-dilution section. New York law is less stringent than federal law in this area, and the court reasoned that if the plaintiff could not prevail under state law, it also could not prevail under federal law. *Starbucks I*, 2005 U.S. DIST LEXIS 35578 at \*25. The court examined the likelihood that the defendant's use of its marks would either blur or tarnish the plaintiff's marks, and concludes that plaintiff could not prevail under either standard. *Id.* at \*30. Blurring occurs when a defendant uses the plaintiff's mark to identify defendant's products, increasing the possibility that the plaintiff's mark will no longer uniquely identify plaintiff's products. *Id.* at

\*25. Tarnishment occurs when a plaintiff's mark is associated with products of a shoddy or unwholesome character. *Id.* at \*26.

The court's review of the record caused it to conclude that the plaintiff had failed to demonstrate actual or likely diminution "of the capacity of the Starbucks Marks to serve as unique identifiers of Starbucks' products..." because the plaintiff's survey results did not show an association with the defendant and the mark "Charbucks," only that respondents associated the term "Charbucks" with "Starbucks." *Id.* at \*27. The court also held that the plaintiff's survey results did not substantiate that the mark "Charbucks" would reflect negatively on the Starbucks brand. *Id.* Plaintiff therefore lost on its dilution claims.

### **Change in Dilution Act**

Prior to 2006, dilution of a famous mark required that the plaintiff demonstrate actual dilution to prevail under section 1125(c) of the Lanham Act. *Moseley*, 537 U.S. at 433. However, Congress amended the applicable statute to only require that the defendant's use was "likely to cause dilution." *Starbucks II*, 477 F.3d at 766. The second circuit held it was not clear if the amended Lanham Act's prohibition of dilution of famous marks was coextensive with New York law, the latter being the basis for the trial court not finding dilution of Starbucks' marks. *Id.* Therefore, the appeals court vacated the trial court's judgment and remanded for further proceedings. *Id.*

### **On Remand**

The district court took back up the Starbucks case under the amended anti-dilution statute. To demonstrate blurring of a famous mark, the amended Lanham act requires a court to consider all relevant factors including: "(i) [t]he degree of similarity between the mark or trade name and the famous mark[;] (ii) [t]he degree of inherent or acquired distinctiveness of the famous mark[;] (iii) [t]he extent to which the owner of the famous mark is engaging in substantially exclusive use of the mark[;] (iv) [t]he degree of recognition of the famous mark[;] (v) [w]hether the use of the mark or trade name intended to create an association with the famous mark[;] and (vi) [a]ny actual association between the mark or trade name and the famous mark." *Starbucks III*, 559 F. Supp. at 476 (citing 15 U.S.C. § 1125(c)).

### **Degree of Similarity**

The district court held that a plaintiff must demonstrate under this element that the marks are very or substantially similar. The court pointed out that the defendant's marks appear on packaging that is very different from the plaintiff, and the defendant used the rhyming term "Charbucks" with "Mister," where Starbucks appears alone when used by the plaintiff, therefore the court found this factor to weigh against the plaintiff. *Id.* at 477.

### **Distinctiveness of Starbucks Mark**

Given the extent of the use of the Starbucks mark by plaintiff and the amount of money expended by the plaintiff in its marketing program, the court found this factor favored the plaintiff. *Id.*

### **Exclusive Use by Starbucks**

The fact that the plaintiff polices its registered marks, and the amount of money spent on using the mark both led the court to weight this factor in favor of the plaintiff. *Id.*

### **Degree of Recognition of Starbucks' Mark**

Again, given the longevity and number of customers that visit Starbucks stores, the court found this factor to favor the plaintiff. *Id.*

### **Defendant's Intent to Associate with Starbucks' Mark**

The court found that while the defendant intended to allude to the dark roasted quality of Starbucks brand coffees, the fact that the marks are different and the defendant had not acted in bad faith led the court to weigh this factor in favor of the defendant. *Id.* at 478. The court reasoned that the defendant used this mark to distinguish its own lines of coffee products, with the Mr. Charbucks brand being the dark roasted coffee as compared to other Wolfe's Borough/Black Bear coffees. *Id.*

### **Actual Association with Starbucks' Mark**

Here, the court found that while there was an association with the Starbucks' mark to some respondents to the survey conducted by Starbucks, this association alone is not enough to find dilution. *Id.* Instead, the court found that the defendant's marks would not cause customers to confuse the defendant's products with the plaintiff's. Rather, customers would tend to see the playful reference to a quality of Starbucks' coffee – the dark roast – to distinguish one kind of Wolfe's Borough brand coffees from other Wolfe's Borough brand coffees. *Id.*

### **Tarnishment Analysis**

The amended Lanham Act also provides a specific definition for dilution by tarnishment: “[an] association arising from the similarity between a mark or trade name and a famous mark that harms the reputation of the famous mark.” 15 U.S.C. § 1125(c)(2)(C) (2008). The court held that the plaintiff's survey evidence could not support a finding of dilution by tarnishment, because the plaintiff's survey was susceptible to multiple and equally likely interpretations. *Starbucks III*, 559 F. Supp. at 480. In addition, the court found that the defendant's coffee products were not of actual poor quality, so any actual association between the defendant's coffees and Starbucks would not likely be damaging to Starbucks. *Id.*

As a result, Starbucks lost its case on remand for trademark dilution. One might almost say that Starbucks has become so synonymous with quality dark roasted coffees that their brand name can't be diluted by other quality coffee brands. Instead, the Starbucks mark is a victim of its own success in the world. Add that to the list of reasons why a Starbucks on every street corner is not a good idea.

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