DICKINSON WRIGHT'S

# Brandmarking

## THOUGHTS ON THE CREATION, PROTECTION, AND ENFORCEMENT OF BRAND IDENTITY

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THIS MONTH:

**Three and Out: Starbucks Loses Its Twelve-Year-Long Battle against "Charbucks"**

**What Brand Owners Need to Do Now to Prepare for the Next Wave of Domain Name Pirates**

ABOUT "BRANDMARKING"

The word is a combination of "branding" and "trademark." It reflects a conviction that marketing and legal professionals share a common goal, and that they need to learn to speak each other's language in order to reach it. That goal is simple: to develop powerful, durable brand identities and capture them in names, slogans, and designs that customers will associate with their products -- and with no one else's.

If you like what you find here, feel free to pass it along to others.

ABOUT THE AUTHOR

Attorney John Blattner helps businesses develop and protect brand identities. He does trademark counseling, clearance, prosecution, enforcement, and litigation, in the fashion, health and beauty, financial services, technology, retailing, publishing and media, automotive, sporting goods, and other industries. John also teaches Trademarks and Unfair Competition at Michigan State University College of Law.

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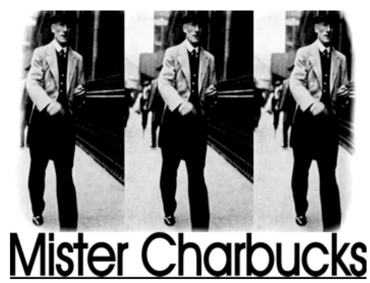
### PAGING MR. CHARBUCKS…

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.

**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 Roll-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 of 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 web site. **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. You can read it here. )

## ARE YOU READY FOR THE COMING EXPLOSION OF CYBERSQUATTING ?

*The next wave of domain-name barbarians is gathering outside the gates. Here's what you need to do now to keep your trademarks, and your e-commerce, safe.*

Almost every business has had to deal with cybersquatters – pirates that launch web sites designed to divert customers by using domain names that mimic the business's trademarks.

Until now, the war has focused primarily on domain names within the ".com" sphere. **But the battlefront is about to expand – dramatically**.

The international body that runs the internet (called ICANN) has recently begun releasing new generic top-level domains ("gTLDs"). In addition to the familiar ".com," this program makes it possible to set up a business name, a trademark, a geographic designation – virtually any word in any language – as a gTLD in its own right. Almost 2,000 applications for gTLDs were filed, and more than 1,000 will ultimately be granted. Because many of the new gTLDs will sell domain names to all comers without any attention to whether they are violative of someone else's trademark rights, **they will create a giant new arena in which domain name pirates can operate.**

So what should you do now to protect your brands and your domain names?

**1. Lock up the family jewels.**

ICANN has mandated the creation of a Trade Mark Clearing House, in which owners can list their registered trademarks. It has also required that all newly-released gTLDs offer a 30-day "Sunrise" period in which owners of marks listed in the TMCH get first crack at registering them as domain names. In addition, during the Sunrise period and for sixty days thereafter, other parties that apply for those marks will be advised of the TMCH listing and, if they pursue their application, the owners of the TMCH-listed marks will be notified, giving them an opportunity to invoke various dispute-resolution procedures.

**The Trademark Clearance House is now in operation, and it makes sense for brand owners to list at least their "core" trademarks there.** These are the marks in which you have invested the most time, energy, and money; the ones most closely associated with your business; the ones you have already had to protect most often in the .com realm.

**2. Plan now to make preemptive registrations in gTLds of particular interest.**

An important limitation of the Trade Mark Clearing House is that it protects only against domain names that are *identical* to your registered trademarks, not to common misspellings, typos, and so on. This leads to a second important step: **being prepared to file preemptive domain name registrations for common variations of your brand.**

Now is the time to identify specific gTLDs in which you will be especially interested and to watch for their release dates. **For instance, if you're in the auto industry you will likely want to be active in such gTLDs as ".auto," ".car," and the like.** As soon as the Sunrise period for one of your identified gTLDs opens, be ready to file immediately. This is an instance where the best defense is a vigorous offense.

Many brand owners were caught unawares years ago when the internet burst upon the scene, and control of brand-related domain names became crucial. **There's no way to stop the next wave of cyberpiracy. But there's also no reason not to be prepared for it.**

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