

## **CHARBUCKS Does Not Dilute Espresso Strength of STARBUCKS' Trademark**

The Law Offices of Mark S. Kaufman was local counsel for the owner of the trademark MR. CHARBUCKS for coffee. The coffee giant Starbucks sued for trademark infringement and dilution. However, in a victory for a small business, the defendant won.

The defendant was a coffee manufacturer and distributor located in New Hampshire, with sales through mail order, internet order and a handful of New England supermarkets. CHARBUCKS was one of the flavors sold under the company's trade name, Black Bear.

The decision in *Starbuck's Corporation, et al., v. Wolfe's Borough Coffee, Inc., d/b/a Black Bear Coffee* (S.D.N.Y. 01 Civ. 5981 (Dec. 22, 2005) is significant in several ways. Most importantly, judge held that defendant's MR. CHARBUCKS and CHARBUCKS BLEND trademarks for coffee did *not* infringe the trademark STARBUCKS, nor dilute or tarnish such a "famous" mark under the Federal Trademark Dilution Act.

A trademark infringement claim requires, among other things, proof that a defendant's mark is "likely to confuse" the plaintiff's consumers about the source of the infringer's goods or services. To determine whether the marks were "likely to confuse" relevant consumers, the judge compared several aspects of the two marks.<sup>1</sup>

Judge Swain ruled that even though STARBUCKS was obviously a "strong" mark, there was no evidence of actual confusion, of defendant's bad faith, or of any inferiority of the alleged infringer's product, and consumers were relatively sophisticated, all militating in defendant's favor. Most significantly, the court held that the marks were not sufficiently "similar" because CHARBUCKS was used in conjunction with its owner's trade name, Brown Bear. Further, the CHARBUCKS marks were different in imagery, color and format from the STARBUCKS logo and signage; CHARBUCKS was not advertised on radio (so that the sounds of the marks were not confusingly similar); CHARBUCKS was used as one of defendant's coffee varieties, but not used as a stand-alone mark; and the only internet presence of CHARBUCKS was on the defendants' web site, which was clearly unrelated to the STARBUCKS companies. Effectively, the court determined that no one would really think that Starbucks was selling CHARBUCKS coffee. Thus, the judge found that there was no trademark infringement.

Next, Starbucks claimed that the defendant diluted or tarnished its mark by using "Charbucks" in a manner that was humorous (according to the defendant) or harmful (according to plaintiff). The Federal Dilution Act protects a trademark which plaintiff a can show is "famous" (or one that has "acquired distinctiveness") from being "diluted" or "tarnished" by an unauthorized party's use. The goods need not be competitive, nor the marks "likely to confuse" consumers, for the plaintiff to win. Rather, if the defendant's mark will harm the reputation of the plaintiff's mark, the defendant loses. Generally only very successful - and effectively, very large - companies have sufficiently "famous" marks to be protected by the anti-dilution law.

Until recently, courts had held that under the Dilution Act, if the defendant's mark were *likely* to damage the plaintiff's mark, that was enough to find the defendant liable. However, in 2003, the U.S. Supreme Court held in *Mosely v. V. Secret Catalog* (the *Victoria's Secret* case) that a plaintiff alleging a clam of dilution must demonstrate that its "famous" mark was *actually*

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<sup>1</sup> The judge applied the seven factors are set forth in *Polaroid Corp. v. Polarad Electronics Corp.* (2<sup>nd</sup> Circuit 1961), as more recently interpreted in *Savin Corp. v. The Savin Group* (2<sup>nd</sup> Cir. 2004).

damaged by the purported dilution. To prove such actual damage requires plaintiff to conduct a consumer survey.

In the *STARBUCKS v. CHARBUCKS* case, Starbucks duly engaged in a survey and attempted to demonstrate such actual damages. However – despite the expense of any such survey, and the obviously vast resources available to Starbucks – plaintiff’s survey failed.

On the one hand, nearly 40% of those surveyed associated CHARBUCKS with STARBUCKS, but plaintiff could not show that defendant’s use of the mark *actually* diminished the capacity of STARBUCKS to uniquely identify the plaintiff’s products. As for tarnishment, almost half of those surveyed had a “negative” rather than “positive” impression of a coffee named CHARBUCKS, but responses to a more open ended question (“If the name ‘Charbucks’ were used for a type of coffee, how would you describe the coffee?”) undermined such a negative impression. For example, more than a third of the potential consumers noted that CHARBUCKS evoked a “strong,” “dark” or “rich-flavored” drink. Most significantly, none of those surveyed incorporated any negative inferences regarding CHARBUCKS with STARBUCKS. Based on such survey results, the judge found that defendant’s mark did not dilute or tarnish STARBUCKS.

### **Conclusions**

As for trademark infringement, this case might indicate that even if a new company picks a product name that is at first glance similar to another, better known mark, it might survive a trademark infringement case if its owner carefully limits use of the mark. That is, if the defendant only uses the mark in connection with its own business name or web site, under the reasoning of this case, there is no likelihood of confusion with the “senior” trademark. Alternatively, the decision could reflect the narrow circumstances of the facts of this case as determined by a particular judge. Notably, a district court judge’s decision may be persuasive authority to be cited in future cases, but is not precedent that is binding upon any other judge or court. Thus, we do not yet know if this decision will lead to similar results in the future.

As for dilution, the *Starbucks v. Wolfe’s Borough Coffee* decision may confirm that the Supreme Court’s *Victoria’s Secret* case sounded a death knell for claims brought under the Federal Dilution Act. Even with a thorough survey, it may be impossible for a corporate giant with a “famous” trademark to demonstrate that a relatively small competitor can actually damage a corporate giant’s marks.

Over all, this case indicates that on occasion David can beat Goliath. If this case is of further interest to you, please do not hesitate to contact

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