

On Remand: CHARBUCKS Doesn't Dilute Espresso Strength STARBUCKS

Starbucks Corp. v. Wolfe's Borough Coffee is a case in which we had been local counsel for the defendant when the case was filed in 2001 through its trial.¹ In 2005, the trial court (the Southern District of New York) held that defendant's MR. CHARBUCKS coffee did not infringe, or dilute (under the anti-dilution law in effect at that time), the trademark of the famous STARBUCKS coffee. In 2007, the Second Circuit Court of Appeals remanded the case back down to the Southern District to determine whether MR. CHARBUCKS violated the amended anti-dilution law. In June 2008 -- counter-intuitively -- defendant won again.

The court (Judge Laura Taylor Swain presiding) held that although the new law allowed plaintiff to merely show a likelihood of dilution rather than actual dilution, Starbucks still failed to demonstrate such likelihood. On remand, the court confirmed its 2005 finding that the marks were not similar because defendant only used MR. CHARBUCKS or MISTER CHARBUCKS in connection with its trade name, Black Bear. Thus, the marks taken as a whole were not confusingly similar.

Dilution occurs under "blurring" or "tarnishment". Under the amended statute, blurring occurs where the public associates a trademark with someone else's goods or services, and such association "impairs the distinctiveness of the famous mark."

After recognizing that STARBUCKS is a "famous" trademark, the court found that even though defendant "intended to create an association with Plaintiff's mark, such intent did not mean that they caused a likelihood of dilution by blurring." Nothing in the record indicated that the intended association was likely to impair the distinctiveness of STARBUCKS. Rather, "the record makes clear that the distinctiveness of the character of Starbucks coffee products is key to the achievement of Defendant's stated goal, which is to signal to purchasers that 'Mr. Charbucks' is a very dark roast and unlike Defendant's other coffee products. Such an intended association, especially where, as here, Defendant's mark is not substantially similar to Plaintiff's, is not indicative of bad faith or of an association likely to cause dilution by blurring."

Thus, ironically, the admitted intent to associate with the famous mark helped to demonstrate that the famous mark retained its distinctiveness. "The association Defendant intended to evoke in consumers' minds through its use of a playful dissimilar mark is not one that would be likely to dilute the Starbucks marks as unique identifiers of Starbucks' goods and services. Rather, it is

¹ The discerning reader might note that in 2001, we had not yet formed Kaufman & Kahn; The Law Offices of Mark S. Kaufman represented defendant in this case.

dependent on an identification of those marks with Starbucks' own products and a characteristic of the taste of those products.”

The federal statute, as amended, states that tarnishment occurs when “an association arising from the similarity between a mark or trade name and a famous mark ... harms the reputation of the famous mark.” Here, Starbucks reputation was not harmed. Indeed, “The utility of the ‘Mr. Charbucks’ mark to Defendant depends on the association being one to something that is attractive or consumer-appealing.” That is, the judge felt that defendant had no interest in hurting Starbucks’ reputation, because such reputation created a positive association with the dark roast that defendant was selling.

Starbucks had engaged in a survey to show actual dilution (as required under the earlier version of the statute). Starbucks’ survey indicated that “Charbucks” gave the consumers a negative impression. However, the court found, the survey did not indicate that those respondents’ negative reactions would impact on their perception of Starbucks.

Additionally, applying the factors necessary to determine dilution under the New York State statute, the court noted that consumers of such coffees tend to be “sophisticated” repeat customers, who are less likely to think less of their favored brand as the result of defendant’s mark.

Because of the marks’ lack of similarity, and because defendant’s mark was not used with “predatory intent”, the owner of MR. CHARBUCKS beat STARBUCKS. This is disappointing for the owners of large, famous marks, but encouraging for the “little guy” as it indicates that trademarks can be prosecuted and defended --- under the right circumstances -- on a relatively level playing field.

For more information about these or other matters, please do not hesitate to contact us:

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