



Second Circuit: "Substantial Similarity" Not Required to Prove Dilution by Blurring Under the TDRA

December 15, 2009

by [Ian J. Block](#), [Trademark Attorney](#)

In a dispute that has bounced between the district and appellate courts for nearly a decade, the Second Circuit recently clarified an important part of the standard for proving dilution by blurring under federal trademark law. In *Starbucks Corp. v. Wolfe's Borough Coffee, Inc.*, 2009 U.S. App. LEXIS 26300, 92 U.S.P.Q.2d 1769 (2d Cir. 2009), the Second Circuit distinguished the requirements for finding dilution under the prior Federal Trademark Dilution Act ("FTDA"), the current Trademark Dilution Revision Act ("TDRA"), and New York state dilution law, N.Y. Gen. Bus. Law § 360-l. The court found that "substantial" similarity between a famous mark and an accused mark is not required for a successful claim of dilution by blurring under the current post-TDRA federal dilution provision, 15 U.S.C. § 1125(c). The Second Circuit remanded on this point but affirmed the district court's dismissal of Starbucks's other claims.

Background

Plaintiffs Starbucks Corporation and Starbucks U.S. Brands, LLC (collectively "Starbucks") sell coffee and related products from their 8,700 retail locations around the world and through hundreds of other vendors. Starbucks prominently displays its "Starbucks" marks, including the Starbucks name and circular logo containing "a graphic of a mermaid-like siren encompassed by the phrase 'Starbucks Coffee.'" 92 U.S.P.Q.2d at 1771. Starbucks owns numerous registrations of these and other marks, and spent over \$136 million in advertising, promotion, and marketing activities under these marks between fiscal years 2000 and 2003.

Defendant Wolfe's Borough Coffee, Inc., d/b/a Black Bear Micro Roastery ("Black Bear") also sells coffee and related products, albeit on a far smaller scale than Starbucks. Black Bear is owned and primarily operated by a husband and wife, who produce and sell roasted coffee beans through mail and Internet order, and at a handful of New England supermarkets.



PATTISHALL
McAULIFFE
NEWBURY
HILLIARD &
GERALDSON LLP • 311 South Wacker Drive, Suite 5000 • Chicago IL 60606 • T (312) 554-8000 • F (312) 554-8015 • www.pattishall.com

These materials have been prepared by Pattishall, McAuliffe, Newbury, Hilliard & Geraldson LLP for general informational purposes only. They are not legal advice. They are not intended to create, and their receipt by you does not create, an attorney-client relationship.

In 1997, Black Bear began selling a "dark roasted blend" of coffee called "Charbucks Blend" and later "Mister Charbucks." Black Bear sold Charbucks Blend in a packaging that showed a picture of a black bear above the large font "BLACK BEAR MICRO ROASTERY." The package informed customers that Black Bear roasted the beans in New Hampshire and added "You wanted it dark ... You've got it dark!"

Starbucks demanded that Black Bear stop selling Charbucks-labeled coffee shortly after Black Bear made its first Charbucks sales. Black Bear's owner "felt wrongly threatened by Starbucks" and decided to continue selling. *Id.* at 1772. Starbucks filed a complaint in July 2001, alleging federal trademark infringement and dilution, federal unfair competition, New York state trademark dilution, and other state law claims. After a two-day bench trial in 2005, the district court dismissed Starbucks's complaint. Among its findings, the district court determined that there was neither actual dilution to establish federal trademark dilution under the FTDA, nor likelihood of dilution sufficient to prove state dilution under New York law.

Starbucks appealed, and, while the case was pending before the Second Circuit, Congress passed the TDRA, which changed the standard for proving dilution from actual dilution to likelihood of dilution. *Compare Moseley v. V Secret Catalogue, Inc.*, 537 U.S. 418, 433 (2003) (interpreting the FTDA dilution provision enacted at 15 U.S.C. § 1125(c) (2000) as requiring "actual dilution"), *with* 15 U.S.C. § 1125(c)(1) (entitling owners of famous marks to injunctive relief upon showing that an accused mark "is likely to cause dilution by blurring or dilution by tarnishment"). Recognizing the change in the federal dilution standard and questioning whether the New York state statute's likelihood of dilution standard was coextensive with the TDRA standard, the Second Circuit vacated the district court's dismissal of Starbucks's federal dilution claim. *Starbucks Corp. v. Wolfe's Borough Coffee, Inc.*, 477 F.3d 765, 766 (2d Cir. 2007).

On remand, the district court relied on much the same evidence that it had in 2005 to find that Starbucks could not prove a likelihood of dilution existed under the new TDRA standard. Starbucks appealed to the Second Circuit a second time.

The Second Circuit Decision: the TDRA Does Not Require "Substantial" Similarity between Marks for Dilution by Blurring

Starbucks argued that Black Bear's Charbucks marks created a likelihood of dilution by blurring. The TDRA created the first federal statutory definition of dilution by blurring, identifying it as an "association arising from the similarity between a mark or trade name and a famous mark that impairs the distinctiveness of the famous mark." 15 U.S.C. § 1125(c)(2)(B). Further, the TDRA set out six non-exhaustive statutory factors for courts to consider when determining whether a likelihood of dilution exists:

- (i) The degree of similarity between the mark or trade name and the famous mark.
- (ii) The degree of inherent or acquired distinctiveness of the famous mark.
- (iii) The extent to which the owner of the famous mark is engaging in substantially exclusive use of the mark.

- (iv) The degree of recognition of the famous mark.
- (v) Whether the user of the mark or trade name intended to create an association with the famous mark.
- (vi) Any actual association between the mark or trade name and the famous mark.

15 U.S.C. § 1125(c)(2)(B)(i)-(vi). The district court found, and the parties did not contest on appeal, that the second, third, and fourth factors all favored Starbucks.

With regard to the first factor—concerning the degree of similarity between the marks—the Second Circuit accepted the district court's factual finding but deemed its legal analysis erroneous. The Second Circuit endorsed the district court's factual finding that the marks were only "minimally similar," accepting that, even though the words "Starbucks" and "Charbucks" were similar in sound and spelling, the marks were not as similar when presented to consumers as "Mister Charbucks" and "Charbucks Blend" in very different packaging and in conjunction with other differentiating marks and logos. The district court had analyzed all six of the dilution by blurring statutory factors. Yet upon finding the marks only minimally similar and thus not substantially similar, the district court noted that such dissimilarity alone would be sufficient to find no likelihood of dilution. The Second Circuit found this observation erroneous to the extent that it required substantial similarity. *Starbucks*, 92 U.S.P.Q.2d at 1775.

The Second Circuit reversed the district court and remanded on this ground, explaining that the district court may have placed undue significance on the similarity factor. The appellate court otherwise affirmed the district court's judgment denying Starbucks's dilution by tarnishment, state dilution, trademark infringement, and unfair competition claims. It also rejected Black Bear's parody defense to the dilution by blurring claim because Black Bear used the accused mark as a designation of source for its own goods. See 15 U.S.C. § 1125(c)(3)(A). A consideration of Starbucks's dilution by blurring claim under the 15 U.S.C. § 1125(c)(2)(B) factors is all that remains for the district court to consider on remand.

Distinguishing Dilution by Blurring under the FTDA, the TDRA, and the New York State Dilution Statute

The *Starbucks* court discarded the "substantial similarity" requirement for federal trademark dilution, explaining that the first statutory factor in the dilution by blurring analysis does not require such similarity but rather instructs courts to consider merely the *degree of similarity*. *Id.* Prior to the TDRA, the Second Circuit required substantial similarity, holding that "[a] plaintiff cannot prevail on a state or federal dilution claim unless the marks at issue are 'very' or 'substantially similar.'" *Playtex Products Inc. v. Georgia-Pacific Corp.*, 390 F.3d 158, 167 (2d Cir. 2004). The *Starbucks* court explained that the Second Circuit developed this requirement in response to the FTDA's limited statutory guidance and the existence of substantial similarity requirements under state dilution statutes. 92 U.S.P.Q.2d at 1775. Indeed, dilution by blurring was a common law creation under the FTDA-era statute, which included no mention of blurring.

By contrast, the post-TDRA dilution statute defines dilution by blurring and offers factors for analyzing it. The Second Circuit found this compelling confirmation that its substantial similarity requirement should be abandoned. The court explained that "[a]lthough 'similarity' is an integral

element in the definition of 'blurring,' we find it significant that the federal dilution statute does not use the words 'very' or 'substantial' in connection with the similarity factor to be considered in examining a federal dilution claim." *Id.* Further, the court added, requiring substantial similarity would "materially diminish" the significance of the other five statutory factors. *Id.* at 1776.

Although the Second Circuit set aside the substantial similarity requirement as applied to federal dilution analysis, the court maintained the requirement to prove dilution by blurring under New York state law. *Id.* at 1779-80. The court left its *Playtex* precedent in place to the extent it applied New York's state dilution statute, N.Y. Gen. Bus. Law § 360-I. Similar to the FTDA, the New York statute neither defines dilution by blurring nor sets out factors for its analysis.¹

Thus, the Second Circuit's *Starbucks* decision differentiated the analyses for proving state and federal dilution by blurring in New York. Going forward, litigants must be mindful of these distinctions and make sure to either prove or defend against both federal and state dilution claims.

* * *

Ian J. Block is an attorney with [Pattishall, McAuliffe, Newbury, Hilliard & Geraldson LLP](#), a leading intellectual property law firm based in Chicago, Illinois. [Pattishall McAuliffe](#) represents both plaintiffs and defendants in [trademark](#), [copyright](#), and [unfair competition trials and appeals](#), and advises its clients on a broad range of domestic and international intellectual property matters, including [brand protection](#), [Internet and e-commerce issues](#). Ian's practice focuses on domestic and international [trademark](#), [Internet](#), [e-commerce](#), and [copyright law](#).

¹ The New York law provides that a "[l]ikelihood of injury to business reputation or of dilution of the distinctive quality of a mark or trade name shall be a ground for injunctive relief . . . notwithstanding the absence of competition between the parties or the absence of confusion as to the source of goods or services." N.Y. Gen. Bus. Law § 360-I.