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“ THE CASE IS
A VERITABLE
ENCYCLOPEDIA OF
THE TUMULTUOUS
DEVELOPMENTS IN
FEDERAL TRADEMARK
DILUTION LAW OVER
THE PAST DECADE. ”

Starbucks v. Wolfe's Borough is Over: An Object Lesson in the Do's and Don'ts of Dilution Litigation

By Uli Widmaier



The CHARBUCKS case, filed in 2001 and easily the most protracted trademark dilution controversy in the federal courts, came to an end on November 15, when the Second Circuit – upon Starbucks's third appeal – affirmed the District Court's judgment in defendant's favor.¹ The case is a veritable encyclopedia of the tumultuous developments in federal trademark dilution law over the past decade, and an object lesson in the do's and don'ts of litigating federal trademark dilution claims. It shows once again that dilution is an elusive concept that requires an exceptionally careful development and presentation of the evidence from the very beginning of the litigation.

In 2001, Starbucks sued Wolfe's Borough a/k/a Black Bear Micro Roastery ("Black Bear"), a New Hampshire coffee shop, for selling its dark-roast coffee under the name CHARBUCKS, alleging both dilution and infringement of the famous STARBUCKS mark.² At the time, the federal circuits were split in their interpretation of the Federal Trademark Dilution Act (FTDA), with some circuits (notably the Fourth³) requiring proof of actual economic harm resulting from the alleged dilution and others (notably the Second⁴) requiring proof of a mere likelihood of dilution. In *Moseley v. V. Secret Catalogue, Inc.*,⁵ the Supreme Court resolved the circuit split, holding that FTDA claims require a showing of "actual dilution," unfortunately without explaining what that is or how it might be proved. Dilution cases were thrown into disarray. Vigorous lobbying by the trademark bar led to a revision of the federal dilution statute, and the Trademark Dilution Revision Act (the "TDRA") was signed into law in October 2006. The TDRA defines dilution as "**association arising from the similarity between a mark or trade name and a famous mark that impairs the distinctiveness of the famous mark**" and provided a nonexclusive six-factor test to determine whether a likelihood of dilution exists.⁶

In 2005, Starbucks lost its bench trial against Black Bear, mainly for two reasons. Starbucks focused on the word CHARBUCKS in isolation, rather than on how it appears in commerce. Further, Starbucks introduced a telephone survey that showed that "when asked,

1. *Starbucks Corp. v. Wolfe's Borough Coffee, Inc.*, 736 F.3d 198 (2d Cir. 2013).

2. *Id.*, 736 F.3d at 201.

3. *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Division of Travel Development*, 170 F.3d 449 (4th Cir. 1999).

4. *Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208 (2d Cir. 1999).

5. 537 U.S. 418 (2003).

6. 15 U.S.C. Sec. 1125(c).



PRESENT YOUR CASE
 IN A COMMERCIALY
 REALISTIC MANNER.
 DON'T NEGLECT THE
 CONTEXT IN WHICH A
 MARK IS PRESENTED.
 GET YOUR SURVEY
 RIGHT AND JUDGE IT
 CRITICALLY BEFORE
 PRODUCING IT.
 WISHFUL THINKING
 CAN BE DISASTROUS.



‘What is the first thing that comes to mind when you hear the name ‘Charbucks,’ spelled C-H-A-R-B-U-C-K-S?’ 30.5 percent of participants answered ‘Starbucks,’ while 9 percent answered ‘coffee.’ When the participants were asked, ‘Can you name any company or store that you think might offer a product called ‘Charbucks,’ 3.1 percent responded ‘Starbucks,’ and another 1.3 percent responded ‘coffee house.’”⁷

Starbucks appealed the 2005 verdict, and the Second Circuit remanded in 2007 so the District Court could apply the TDRA standard rather than the “actual dilution” standard mandated by *Moseley*. But the underlying facts remained untouched. On remand, the District Court explained in 2008 that the term CHARBUCKS was only “**minimally similar**” to the STARBUCKS mark because “the context of the Charbucks Marks (on Black Bear’s Packaging, on its website, and in the phrases ‘Charbucks Blend’ and ‘Mister Charbucks’) differentiated them from the famous mark.”⁸ Mainly on the basis of this finding, Starbucks lost again on its dilution claim. Again, Starbucks appealed.

In 2009, the Second Circuit remanded because of flaws in the District Court’s application of the TDRA standard.⁹ In 2011, the District Court dismissed Starbucks’s dilution claim for the third time, holding – on the basis of Starbucks’s 2005 survey – that “the Charbucks Marks are only weakly associated with the minimally similar Starbucks marks and, thus, are not likely to impair the distinctiveness of the famous Starbucks mark.”¹⁰ Again Starbucks appealed. But this time – its third – Starbucks lost on appeal.

Starbucks had challenged the District Court’s findings that STARBUCKS and CHARBUCKS are only minimally similar, and “that Starbucks demonstrated only a weak association between the marks.”¹¹ The Second Circuit affirmed both findings. On similarity, the Second Circuit noted that “**the way the defendant’s mark is used in commerce is central to the dilution inquiry.**”¹² But contrary to the way Starbucks had positioned its case, consumers don’t encounter CHARBUCKS by itself. They see it on Black Bear’s packaging together with various graphics, and they see it in the phrases “Charbucks Blend” and “Mister Charbucks.”¹³ With the emphasis on commercial context, and with the particular context in which Black Bear presented (and still presents) the term CHARBUCKS, the first prong of Starbucks’s two-pronged dilution case collapsed.

The second prong of Starbucks’s dilution case – the telephone survey – collapsed for two reasons: (a) respondents only heard the word CHARBUCKS in isolation and not in its commercial context; and (b) the 1.3 percent response rate to the survey’s follow-up question (“Can you name any company or store that you think might offer a product called ‘Charbucks?’”) effectively invalidated the survey’s first question, which the Second Circuit deemed “most probative of actual association.”¹⁴ That question was, “What is the first thing that comes to mind when you hear the name ‘Charbucks,’ spelled C-H-A-R-B-U-C-K-S?,” and 30.5 percent of respondents said “Starbucks,” while another 9 percent said “coffee.”¹⁵ Those numbers, the Second Circuit noted, “suggest an association between ‘Charbucks’ and the Starbucks Marks.”¹⁶ But the paltry 1.3 percent response rate to the follow-up question deprived that favorable evidence of probative meaning.¹⁴

The teachings from this long dilution saga are clear. Present your dilution case in a commercially realistic manner. Don’t neglect the context in which a mark is presented. Get your survey right and judge it critically before producing it. Wishful thinking can be disastrous, as Starbucks learned the hard way through 12 years of litigation made futile because of decisions made in or before 2005. Better to throw out a survey and start over than incur irremediable damage to your dilution case as a whole. The Second Circuit made this very clear: “Had [Starbucks’s expert] presented the Charbucks Marks as they appear in commerce, we might well conclude that the District Court erred” in finding only minimal evidence of association between the marks.¹⁸ ■

7. *Starbucks*, 736 F.3d at 202.

8. *Id.*, 736 F.3d at 203 (emphasis added).

9. *Id.*, 736 F.3d at 203-4.

10. *Id.*, 736 F.3d at 205.

11. *Id.*, 736 F.3d at 207-8.

12. *Id.*, 736 F.3d at 210 (emphasis added).

13. *Id.*, 736 F.3d at 208.

14. *Id.*, 736 F.3d at 210.

15. *Id.*

16. *Id.*

17. *Id.*, 736 F.3d at 210-11.

18. *Id.*, 736 F.3d at 211.

*firm*UPDATE

PARTNERSHIP

■ Ashly Iacullo Boesche, and Bradley L. Cohn

The firm is pleased to announce that Ashly has been elected to the Partnership, and that Bradley has been appointed Managing Partner.

APPOINTMENTS



■ Brett A. August

Brett has been appointed to INTA's Legislation & Regulation Committee.

■ Phillip Barengolts

Phil has been elected a Vice President of the Lawyers for the Creative Arts, and also remains on its Board of Directors. Phil has also been appointed to the Lever Rule Working Group of the North American Subcommittee of INTA's Parallel Imports Committee.

■ Thad Chaloehtiarana

Thad has been elected a member of Council of the ABA Section of Intellectual Property Law for a four-year term commencing in August 2014, and has also been appointed Vice-Chair of the Section's Diversity Action Group.

■ Jessica A. Ekhoﬀ

Jessica has been appointed to INTA's International *Amicus* Committee for the 2014-2015 term. Jessica has also been appointed as the Hot Topics in Copyright Litigation reporter for the 7th Circuit for the Copyright Litigation Committee of the ABA Intellectual Property Law Section.

■ David C. Hilliard

David has been appointed Chair of the Chicago Bar Association's Past Presidents Committee.

■ Jonathan S. Jennings

Jonathan has been appointed to the U.S. Subcommittee of INTA's Anti-Counterfeiting Committee for the 2014-2015 term. Jonathan also has been appointed to the Intellectual Property Owners U.S. Trademark Law Committee, and to the Chicago Bar Association Board Subcommittee evaluating Cook County's E-Filing system.

■ Elisabeth O'Neill

Libby has been appointed to INTA's Related Rights Committee for the 2014-2015 term.



■ Belinda J. Scrimenti

Belinda has been appointed for a second term to INTA's Emerging Issues Committee, Issues Identification Sub-committee.

PRESENTATIONS

■ Ashly Iacullo Boesche

Ashly will present "Attacking the Affidavit" to the Illinois Attorney General Office, on February 5, 2014. Ashly also moderated a panel at the Chicago Bar Association on "Intellectual Property Law Basics for Non-Attorneys, Non-IP Attorneys and New IP Attorneys," on October 2, 2013.

■ Jessica Ekhoﬀ

Jessica gave a presentation entitled "What is a Trademark and Why Should I Care?" to 100 high school students as part of INTA's Unreal Campaign, to educate students about the dangers of counterfeit goods, on October 2, 2013, in Chicago.

■ Jonathan S. Jennings

Jonathan will speak on "The Right of Publicity: Understanding Its Scope Avoids Pitfalls" to the Chicago Bar Association's Intellectual Property Law Committee on

February 25, 2014. Jonathan also spoke to DePaul University College of Law's Technology & Intellectual Property Clinic on "Right of Publicity Law" on November 19, 2013. Finally, Jonathan moderated a CBA program entitled "Client Development: How To Become a Rainmaker," on January 23, 2014.

■ Belinda J. Scrimenti

Belinda was quoted in the Law360.com article "Shutdown Puts ITC Patent Cases Into Deep Freeze," on October 1, 2013.

■ Joseph N. Welch II

Joe will present an overview of 2013 developments in trademark and unfair competition law at the Practising Law Institute program in New York City, entitled "Attack of the Former Football Players and Other 2013 Skirmishes" on April 3, 2014.

TEACHING

■ Phillip Barengolts

Phil is teaching a course on Trademark and Copyright Litigation at John Marshall Law School in the Spring Semester. Phil has been an adjunct professor at John Marshall Law School since 2008.

■ Ashly Iacullo Boesche

Commencing in January, Ashly will teach a course on trademark law and unfair competition at Chicago-Kent College of Law, and will also coach its two student teams competing this February in INTA's Saul Lefkowitz Moot Court Competition.

■ Uli Widmaier

For the 13th consecutive year, Uli is co-teaching the Advanced Trademarks and Unfair Competition seminar at the University of Chicago Law School, together with Chad Doellinger, Associate General Counsel, Commercial/Class Litigation, at Wal-Mart Stores, Inc.

firm HONORS & AWARDS

Illinois Super Lawyers 2014

Brett A. August and Joseph N. Welch II have been selected as Illinois Super Lawyers for ten consecutive years, a recognition that only 1% of Illinois attorneys have achieved.

Bradley L. Cohn, David C. Hilliard, Jonathan S. Jennings, Robert W. Sacoff and Belinda J. Scrimenti have been selected as Illinois Super Lawyers for 2014, and Phillip Barendolts and Ashly Iacullo Boesche have been selected as Illinois Rising Stars.

Leading Lawyers Magazine

Brett A. August, Thad Chaloehtiarana, Bradley L. Cohn, David C. Hilliard, Jonathan S. Jennings, Robert M. Newbury, Robert W. Sacoff and Joseph N. Welch II have been selected as Illinois "Leading Lawyers," a distinction earned by fewer than five percent of the lawyers licensed to practice in Illinois.

Litigation Counsel of America

David C. Hilliard has been inducted as a Fellow of the Litigation Counsel of America, an invitation-only trial lawyer honorary society limited to 3,500 members.

Martindale-Hubbell AV® Preeminent Rating

Brett A. August, David C. Hilliard, Jonathan S. Jennings, Robert M. Newbury, Robert W. Sacoff and Joseph N. Welch II have again each received an AV® Preeminent rating from the Martindale-Hubbell Bar Directory for 2014.

U.S. News & World Report

Pattishall, McAuliffe has been designated a 2014 Tier 1 National Trademark Law Firm by *U.S. News & World Report*.

NOTEWORTHY

Northwestern University School of Law

Seth Appel is serving as a Mentor for the Intellectual Property Law Society at Northwestern University School of Law.

John Marshall Law School IP Conference

The Firm is proud to be a sponsor of the 58th Annual John Marshall Law School Intellectual Property Law Conference, where Janet A. Marvel will be speaking on "Trademarks: Year in Review."

Trademarks and Unfair Competition Law Coursebook

David C. Hilliard, Joseph N. Welch II and Uli Widmaier have completed the 10th Edition of their Coursebook on "Trademarks and Unfair Competition" law. Lexis-Nexis will launch the new Edition at the 2014 INTA annual meeting in Hong Kong.