

## Starbucks' Case Against MR. CHARBUCKS Still Brewing

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The U.S. Court of Appeals for the Second Circuit recently revived Starbucks' lawsuit to keep a small business from selling MR. CHARBUCKS brand coffee. The appellate court held that the trial court misapplied the statutory test for trademark dilution when it dismissed the case.

The case has a lengthy history. In July 2001, Starbucks sued Black Bear Micro Roastery, alleging that Black Bear's MR. CHARBUCKS coffee dilutes Starbucks' famous trademarks. A family-run business in New Hampshire, Black Bear sells coffee beans in several retail outlets as well as via Internet and mail orders. The trial court found that MR. CHARBUCKS does not dilute Starbucks' marks and dismissed the suit. Starbucks appealed.

While the case was on appeal, however, Congress passed the Trademark Dilution Revision Act of 2005 (Act). The Act changed the standard for showing dilution from that of demonstrating actual dilution to that of demonstrating only a likelihood of dilution. Because of that change, the appellate court vacated the trial court's dismissal of the suit and remanded the case for a ruling consistent with the Act.

The trial court then found in favor of Black Bear on the grounds that MR. CHARBUCKS is not substantially similar to Starbucks' marks. Once again Starbucks appealed.

In December 2009, the appellate court vacated the trial court's decision to the extent that the decision required substantial similarity between MR. CHARBUCKS and Starbucks' marks. The appellate court held that a fixed "substantially similar" standard conflicts with the Act's six factors for determining whether an actionable claim of dilution by "blurring" exists. One of those factors calls for a determination of the degree of similarity between the marks without expressly stating that the similarity must be substantial for an actionable claim to exist. Accordingly, the appellate court found that the trial court erred in applying the "substantially similar" standard.

The appellate court did affirm the trial court's decision that Starbucks had not established dilution by "tarnishing," which is an "association arising from the similarity between a mark or trade name and a famous mark that harms the reputation of the famous mark." The appellate court was not persuaded by the argument that MR. CHARBUCKS would tarnish Starbucks's reputation by giving customers an image of charred, burned coffee. The court pointed out that Black Bear is promoting the MR. CHARBUCKS brand by marketing it as a high-quality coffee and not referring to it in a way that will harm Starbucks' reputation.

The case will now go back to the trial court for a new ruling on the issue of dilution by blurring.

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