08-3331-cv

United States Court of Appeals

for the

Second Circuit

STARBUCKS CORPORATION, a Washington corporation,
STARBUCKS U.S. BRANDS, L.L.C.,

Plaintiffs-Counter-Defendants-Appellants,

– v. –

WOLFE'S BOROUGH COFFEE, INC., a New Hampshire corporation,
d/b/a BLACK BEAR MICRO ROASTERY,

Defendant-Counterclaimant-Appellee.

ON APPEAL FROM THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF NEW YORK

BRIEF OF *AMICUS CURIAE* INTERNATIONAL TRADEMARK ASSOCIATION IN SUPPORT OF VACATUR AND REMAND

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CORPORATE DISCLOSURE STATEMENT

Pursuant to Fed. R. App. P. 26.1, *amicus curiae* International Trademark Association ("INTA") states that it is not a publicly-held corporation or other publicly-held entity. INTA does not have any parent corporation and no publicly-held corporation or other publicly-held entity holds 10% or more of INTA's stock.

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INTRODUCTION

INTA submits this brief *amicus curiae*[1] to explain why the district court made two legal errors in reaching its ultimate holding that appellee's MR. CHARBUCKS trademark, used in connection with coffee, was not likely to dilute appellant's STARBUCKS trademark. Both errors relate to the district court's interpretation of the non-exclusive factors identified in the Trademark Dilution Revision Act ("TDRA") as relevant to a determination of the likelihood of dilution by blurring.

First, the district court used the wrong legal standard in considering the first statutory factor, the "degree of similarity" of the marks. The district court erroneously required that the marks be "very" or "substantially" similar in order to qualify for protection against blurring. *Starbucks Corp. v. Wolfe's Borough Coffee, Inc.,* 559 F. Supp. 2d 472, 477 (S.D.N.Y. 2008) ("Opinion"). The correct approach would have been to determine the "degree of similarity" between the two trademarks at issue – STARBUCKS and MR. CHARBUCKS – and then to consider that degree of similarity in weighing all of the factors in deciding whether appellee's mark was likely to impair the distinctiveness of the famous STARBUCKS mark. There should be no threshold requirement that the marks be "very" or "substantially" similar in order to quality for dilution protection.

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[1] The parties have consented to the filing of this proposed *amicus curiae* brief.

Second, in its evaluation of the "intent to create an association" factor, the district court improperly imposed conditions not found in the statute itself when it required that appellant show "***bad faith***" or an "intent to create an ***unlawful*** association." *Id.* at 478 (emphasis added). The correct approach would have been simply to determine whether appellee had an intention to cause consumers to associate its product with appellant's famous STARBUCKS mark when it selected MR. CHARBUCKS as the trademark for its coffee, separate and apart from any consideration of malice or scienter. Given the district court's finding that appellee did, in fact, intend to associate the MR. CHARBUCKS mark with the famous STARBUCKS mark through "wordplay," the court should have found that this factor favored appellant.

These errors of law threaten to undermine Congress' intent in adopting the TDRA and the earlier Federal Trademark Dilution Act ("FTDA"), which was to protect holders of famous marks against attempts "to trade upon the goodwill and established renown of such marks, and thereby dilute their distinctive quality." H.R. REP. NO. 109-23, at 4 (citing H.R. REP. NO. 104-374). Accordingly, *amicus curiae* respectfully requests that the Court vacate the judgment of the district court, instruct the district court on the proper standards to be used in assessing the six statutory factors for determining whether blurring is likely, and remand this case to the district court for reconsideration in light of these correct legal standards.

STATEMENT OF INTEREST OF THE AMICUS CURIAE[2]

Founded in 1878, INTA is a not-for-profit organization dedicated to the support and advancement of trademarks and related intellectual property concepts as essential elements of trade and commerce. INTA has over 5,500 members in more than 190 countries. Its members include trademark owners, law firms, and other professionals who regularly assist brand owners in the creation, protection and enforcement of their trademarks. All of INTA's members share the goal of promoting an understanding of the essential role trademarks play in fostering informed decisions by consumers, effective commerce, and fair competition.

INTA members frequently are participants in trademark litigation as both plaintiffs and defendants, and therefore are interested in the development of clear, consistent and fair principles of trademark and unfair competition law. INTA has substantial expertise and has participated as an *amicus curiae* in numerous cases involving significant trademark issues, including in this Court.[3]

2 Appellant Starbucks Corporation is a member of INTA; appellee is not a member of INTA. The law firms representing the parties are both associate members of INTA. Attorneys associated with the parties and their law firms have not participated in the preparation or submission of this *amicus curiae* brief. This proposed brief was authored solely by INTA and its counsel.

3 Cases in which INTA has filed *amicus curiae* briefs include *Contessa Premium Foods, Inc. v. Berdex Seafood, Inc.*, 546 U.S. 957 (2005); *KP Permanent Make-Up, Inc. v. Lasting Impression I Inc.*, 543 U.S. 111 (2004); *Dastar Corp. v. Twentieth Century Fox Film Corp.*, 539 U.S. 23 (2003); *Moseley v. V. Secret Catalogue, Inc.*, 537 U.S. 418 (2003); *TrafFix Devices, Inc. v. Mktg. Displays,*

INTA was founded as the United States Trademark Association, in part to encourage the enactment of federal trademark legislation after the invalidation on constitutional grounds of the United States' first trademark act. Since that time, INTA has been instrumental in making recommendations and providing assistance to legislators in connection with all major pieces of federal trademark legislation, including the Lanham Act in 1946 and the FTDA in 1995, as well as international trademark laws and treaties such as the Madrid Protocol and the Trademark Law Treaty. Most recently, INTA was requested, on several occasions, to testify before

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Inc., 532 U.S. 23 (2001); *Wal-Mart Stores, Inc. v. Samara Bros.*, 529 U.S. 205 (2000); *Fla. Prepaid Postsecondary Educ. Expense Bd. v. College Sav. Bank*, 527 U.S. 627 (1999); *Dickinson v. Zurko*, 527 U.S. 150 (1999); *Qualitex Co. v. Jacobson Prods. Co.,* 514 U.S. 159 (1995); *Two Pesos, Inc. v. Taco Cabana, Inc.,* 505 U.S. 763 (1992); *K Mart Corp. v. Cartier, Inc.,* 486 U.S. 281 (1988); *Louis Vuitton Malletier S.A. v. Haute Diggity Dog, LLC,* 507 F.3d 252 (4th Cir. 2007); *Test Masters Educ. Serv., Inc. v. Singh d/b/a Testmasters*, 428 F.3d 559 (5th Cir. 2005); *Playboy Enters., Inc. v. Netscape Commc'ns Corp*., 354 F.3d 1020 (9th Cir. 2004); *WarnerVision Entm't, Inc. v. Empire of Carolina, Inc.,* 101 F.3d 259 (2d Cir. 1996); *Preferred Risk Mut. Ins. Co. v. United States*, 86 F.3d 789 (8th Cir. 1996); *Conopco, Inc. v. May Dep't Stores Co*., 46 F.3d 1556 (Fed. Cir. 1994); *Ralston Purina Co. v. On-Cor Frozen Foods, Inc.,* 746 F.2d 801 (Fed Cir. 1984); *Anti-Monopoly, Inc. v. Gen. Mills Fun Group,* 684 F.2d 1316 (9th Cir. 1982), *cert. denied*, 459 U.S. 1227 (1983); *In re Borden, Inc.,* 92 F.T.C. 669 (1978), *aff'd sub nom. Borden, Inc. v. Fed. Trade Comm'n,* 674 F.2d 498 (6th Cir. 1982), *vacated and remanded*, 461 U.S. 940 (1983); *Redd v. Shell Oil Co.,* 524 F.2d 1054 (10th Cir. 1975); *Century 21 Real Estate Corp. v. Nev. Real Estate Advisory Comm'n*, 448 F. Supp. 1237 (D. Nev. 1978), aff'd, 440 U.S. 941 (1979); *ITC Ltd. v. Punchgini, Inc.,* 880 N.E. 2d 852 (N.Y. 2007) (on certification from United States Court of Appeals for the Second Circuit, 482 F.3d 135 (2d Cir. 2007)).

Congress in connection with the TDRA, which amended the FTDA as of October 6, 2006, and which is the subject of this brief.[4]

The FTDA was enacted "to protect famous trademarks from subsequent uses that blur the distinctiveness of the mark or tarnish or disparage it, even in the absence of a likelihood of confusion."[5] H.R. REP. NO. 104-374, at 2. As this Court has explained:

> Trademark dilution statutes are designed to "cover those situations where the public knows that the defendant is not connected to or sponsored by the plaintiff, but the ability of the plaintiff's mark to

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[4] In particular, INTA officers testified regarding the TDRA before the Subcommittee on Courts, the Internet and Intellectual Property of the House Committee on the Judiciary on February 14, 2002, April 22, 2004 and February 17, 2005. *See Hearings on the Federal Trademark Dilution Act,* 107th Cong., 2d Sess., Serial No. 53 (Feb. 14, 2002)*; Hearings on a Committee Print to Amend the Federal Trademark Dilution Act*, 108th Cong., 2d Sess., Serial No. 72 (Apr. 22, 2004); *Hearings on the Trademark Dilution Revision Act of 2005 Before the Subcomm. on Courts, the Internet, and Intellectual Property of the House Comm. on the Judiciary*, 109th Cong., 1st Sess. (Feb. 17, 2005). The House Committee report regarding the TDRA extensively cited the testimony of INTA's President at the 2005 hearing. *See* H.R. REP. NO. 109-23, at 5-6 (2005).

[5] A trademark dilution claim is an independent commercial tort that is distinct in kind from a trademark infringement claim. 2 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 24:70 (4th ed.) ("McCarthy"). Whereas the focus of an infringement claim is on likelihood of confusion by consumers, a trademark dilution claim seeks to protect the property interests of owners of strong marks from "gradual attenuation or whittling away." *Id.* ("The dilution theory grants protection to strong, well-recognized marks even in the absence of likelihood of confusion, if defendant's use is such as to diminish or dilute the strong identification value of the plaintiff's mark even while not confusing customers as to sources, sponsorship, affiliation or connection.").

> serve as a unique identifier of the plaintiff's goods or services is weakened because the relevant public now also associates that designation with a new and different source. . . . Thus, *where the classic likelihood of confusion test leaves off, the dilution theory begins.*"

Federal Express Corp. v. Federal Espresso, Inc., 201 F.3d 168, 175 (2d Cir. 2000) (quoting *Sports Auth., Inc. v. Prime Hospitality Corp.,* 89 F.3d 955, 965-66 (2d Cir. 1996)). The TDRA was enacted, in large part, to provide guidance and clarity in federal trademark dilution law, including in an area – dilution by blurring – that had been prone to inconsistent application and results. *See* H.R. REP. NO. 109-23, at 5-6 (House Committee on the Judiciary was concerned by the lack of uniformity in application of the FTDA, as "it complicates the ability of mark holders to protect their property and businesses to plan their commercial affairs"). INTA and its members have a particular interest in ensuring that this legislative goal is not undermined by erroneous decisions that misapply the protections intended by the FTDA and the changes intended by the TDRA. INTA's constituents – trademark owners and their advisors, and parties seeking to ensure that prospective marks do not dilute legitimate third-party rights – need clear, consistently-applied principles to guide their commercial decisions. Courts also would benefit from such clarity because it would help judges resolve dilution cases efficiently and would help avoid the forum shopping and unnecessary litigation that often accompanies inconsistent application of the law. *Id.* at 5-6.

SUMMARY OF ARGUMENT

This appeal presents two issues of first impression in this Circuit involving the proper interpretation of Section 43(c) of the Lanham Act, 15 U.S.C. § 1125(c), as amended by the TDRA.

One of the changes in federal dilution law implemented by the TDRA is that the statute now sets forth a list of six, non-exclusive factors for courts to consider in analyzing whether dilution by blurring is likely (that is, whether the defendant's use is likely to create an association with the famous mark that impairs the distinctiveness of that mark). *See* 15 U.S.C. § 1125(c)(2)(B)(i)-(vi). By offering this list of factors, Congress intended to help courts analyze claims of dilution by blurring, a concept that, prior to the adoption of the TDRA, suffered from an absence of uniformity as courts attempted to develop their own tests. *See* H.R. REP. NO. 109-23, at 5-6; Testimony of INTA's Anne Gundelfinger before the Subcommittee on Courts, the Internet, and Intellectual Property, Committee on the Judiciary, U.S. House of Representatives, HR 683 (Feb. 17, 2005), 2005 WL 408425 (F.D.C.H.).

This case concerns, *inter alia,* the proper legal standard to be applied in analyzing two of the six factors that the TDRA identifies as relevant in evaluating whether a mark is likely to cause dilution by blurring: (1) the "degree of similarity between the mark…and the famous mark"; and (2) "[w]hether the user of the mark…intended to create an association with the famous mark." 15 U.S.C. § 1125(c)(2)(B)(i), (v). The district court adopted legal standards for these factors that raise barriers to a dilution claim that are not present in the statute itself. In so doing, the district court's decision disregards the unambiguous statutory language of the TDRA and also threatens to undermine the protection for trademark holders that Congress intended to provide in enacting the statute. This Court should correct those legal errors, not only to ensure proper application of the law in the district courts throughout this Circuit, but also, given this Court's prominence within the federal circuit courts of appeals, to influence courts nationwide on the proper standards to apply to a dilution claim.

ARGUMENT

I. THE DISTRICT COURT ERRED IN HOLDING THAT MARKS MUST BE "VERY" OR "SUBSTANTIALLY" SIMILAR TO QUALIFY FOR DILUTION PROTECTION; A LESSER DEGREE OF SIMILARITY CAN SUPPORT A LIKELIHOOD OF DILUTION WHERE OTHER FACTORS STRONGLY FAVOR A FINDING OF BLURRING.

The enactment of the TDRA, 15 U.S.C. § 1125(c), Pub. L. 109-312, § 2, 120 Stat. 1730, eliminated the requirement of actual dilution under its predecessor statute, the FTDA, as construed by *Moseley v. V. Secret Catalogue*, 537 U.S. 418 (2003), and replaced it with a "likelihood of dilution" standard, as many courts had followed prior to *Moseley*. *E.g., Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208 (2d Cir. 1999), *abrogated by Moseley*. The TDRA also provided specific guidance to courts by listing six non-exclusive factors courts should consider in assessing claims of dilution by blurring, namely: (1) the "degree of similarity" of the marks, (2) distinctiveness of the famous mark, (3) exclusivity of use of the famous mark, (4) degree of recognition of the famous mark, (5) whether the defendant intended to create an association with the famous mark, and (6) any actual association between the marks. 15 U.S.C. § 1125(c)(2)(B). These factors are not to be considered in isolation, but rather together, with regard to the totality of the circumstances and in the context of each other. *See* Testimony of INTA's Anne Gundelfinger before the Subcommittee on Courts, the Internet, and Intellectual Property, Committee on the Judiciary, U.S. House of Representatives, HR 683 (Feb. 17, 2005), 2005 WL 408425 (F.D.C.H.). A court need not find that all six factors favor the plaintiff to find dilution by blurring. If, though, all six of the statutory factors support a finding of dilution, then that would strongly suggest that dilution by blurring is likely.

The district court committed legal error in evaluating the TDRA's "degree of similarity" factor. Citing cases interpreting a different statute – the New York dilution act – it disregarded the plain meaning of the revised federal statute and instead required appellant to prove that appellee's mark met a heightened standard of being "'very' or 'substantially' similar" to the famous STARBUCKS mark. Because the district court found that appellee's mark was not "very" or "substantially" similar to the famous STARBUCKS mark, the district court concluded that the "dissimilarity [of the marks] alone is sufficient to defeat [Starbucks'] blurring claim." Opinion, 559 F. Supp. 2d at 477.

Contrary to the district court's holding, there is no requirement under the TDRA that marks must be "very" or "substantially" similar for there to be a likelihood of dilution. Instead, the statute instructs that "[t]he degree of similarity between the mark or trade name and the famous mark" is but one factor to be considered in light of all six non-exclusive factors to determine likelihood of dilution by blurring, including distinctiveness of the famous mark, exclusivity of the plaintiff's use, degree of recognition of the famous mark, the defendant's intent, and any actual association between the marks. *See* 15 U.S.C. § 1125(c)(2)(B)(i-vi). The district court erred by following pre-TDRA cases construing the New York dilution statute – which lacks the six-factor blurring test of the revised federal law – and establishing what essentially operates as a threshold requirement for likelihood of dilution by blurring: that the marks be "very" or "substantially" similar.

In support of the proposition that the marks must be "very" or "substantially" similar, the district court quoted *Hormel Foods Corp. v. Jim Henson Prods.,* 73 F.3d 497, 503 (2d Cir. 1996), and cited *Mead Data Cent., Inc. v. Toyota Motor Sales, U.S.A., Inc.*, 875 F.2d 1026, 1029 (2d Cir. 1989), in holding that: "In order to establish dilution by blurring, the two marks must not only be similar, ***they must be 'very' or 'substantially' similar.***" Opinion, 559 F. Supp. 2d at 477 (emphasis added). The trial court further relied on *Hormel Foods* in holding that "dissimilarity alone is sufficient to defeat Plaintiff's blurring claim." *Id.* Neither *Hormel Foods* nor *Mead Data Central*, though, involved claims of federal trademark dilution; rather, both cases concerned only the New York dilution statute. *Hormel Foods*, 73 F.3d at 500; *Mead Data Cent.*, 875 F.2d at 1027. Moreover, both *Hormel Foods* and *Mead Data Central* were decided long before the TDRA, which expressly added as an element to be considered the "degree of similarity" (and does not instruct courts to consider "whether the junior user's mark is 'very' or 'substantially' similar to the famous mark").

These prior precedents are inapplicable here because the New York dilution statute is materially different from the TDRA.[6] It is true, as this Court has held,

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6 The TDRA also differs materially from the FTDA, at least as it was applied in some circuits. Prior to enactment of the TDRA, a number of courts held that marks with fame in "niche" markets qualified for protection against dilution. *E.g., Thane Int'l, Inc. v. Trek Bicycle Corp.*, 305 F.3d 894 (9th Cir. 2002); *Advantage Rent-A-Car, Inc. v. Enterprise Rent-A-Car*, 238 F.3d 378, 380-81 (5th Cir. 2001); *Times Mirror Magazines, Inc. v. Las Vegas Sports News, L.L.C.*, 212 F.3d 157, 165-66 (3d Cir. 2000). *But see TCPIP Holding Co. v. Haar Commc'ns, Inc.*, 244 F.3d 88, 99 (2d Cir. 2001) (rejecting niche fame). The TDRA has adopted the Second Circuit approach and definitively rejected protection for niche marks by requiring marks to be famous among the "general consuming public of the United States" in order to be eligible for the protections of the statute. 15 U.S.C. § 1125(c)(2)(A); *Argus Research Group, Inc. v. Argus Media, Inc.*, 562 F. Supp. 2d 260, 281-82

that marks must be "very" or "substantially" similar to constitute dilution under New York state law. *Hormel*, 73 F.3d at 506. That higher state-law threshold on the issue of similarity is appropriate because, unlike the federal statute, which protects only marks that are widely recognized among "the general consuming public of the United States," 15 U.S.C. § 1125(c)(2)(A), the New York dilution statute covers a larger category of marks. Under New York law, dilution protection extends to marks used in New York state, *Greenpoint Fin. Corp. v. Sperry & Hutchinson Co.*, 116 F. Supp. 2d 405, 413 (S.D.N.Y. 2000), that are "truly of distinctive quality or which have acquired secondary meaning in the mind of the public." *Bristol-Myers Squibb Co. v. McNeil P.P.C.*, 973 F.2d 1033, 1049 (2d Cir. 1992) (quoting *Allied Maint. v. Allied Mech. Trades*, 369 N.E.2d 628, 633 (N.Y. 1977)). The practical result of this standard is that the New York state statute sets a distinctiveness standard that is far less stringent than the TDRA's requirement of nationwide fame. *See Johnson & Johnson v. Actavis Group HF,* No . 06 Civ. 8209, 2008 WL 228061 *8 & n.8 (S.D.N.Y. Jan. 25, 2008) (New York dilution law protects distinctive marks; unlike the TDRA, proof of fame is not required); *see also Starbucks Corp. v. Wolfe's Borough Coffee, Inc.,* 477 F.3d 765, 766 (2d Cir. 2007) ("it is not clear that [New York dilution law] is coextensive with the amended" TDRA). In other words, the lower threshold for

(D. Conn. 2008) ("[T]he statute denies protection against dilution to owners of marks that are famous only in niche markets….").

determining which marks are eligible for protection against dilution in New York state is partially offset by the higher threshold for finding similarity under the state law.[7]

Given the narrower subset of nationally-famous marks covered by the TDRA, it is fully appropriate that, in assessing whether a junior mark is likely to impair the distinctiveness of the famous mark, the court need not find "very" or "substantial" similarity. Rather, under the federal act, the court should assess the "degree of similarity" as part of the total analysis.

Moreover, to the extent pre-TDRA decisions required marks to be "very" or "substantially" similar in order to constitute dilution under the federal act, that standard was effectively overruled by the TDRA, which contains no such requirement. Rather, the TDRA expressly considers "the degree of similarity" in assessing whether a junior mark is likely to impair the distinctiveness of a famous senior mark. In light of this specific statutory language, the New York state standard, as articulated in *Hormel Foods*, is simply not applicable in TDRA cases. The proper approach is to consider the "degree of similarity" – whatever it may be – in combination with the other relevant factors.

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[7] Appellee stipulated that the STARBUCKS mark is famous within the meaning of the TDRA. Joint Appendix ("JA") 111 ¶ 9.

This, in fact, is the approach that this Court followed prior to *Moseley*. First, with respect to similarity, the Court expressly noted in *Nabisco* that the relevant assessment was the "degree of similarity," which required the court to determine if "[t]he marks [are] of sufficient similarity so that, in the mind of the consumer, the junior mark will conjure an association with the senior." 191 F.3d at 218; *see also Federal Express Corp.,* 201 F.3d at 177 ("[A]lthough the district court found that 'Federal Express' and 'Federal Espresso' are not substantially similar names, the factfinder at trial may well find that the marks are of 'sufficient similarity so that, in the mind of the consumer, the junior mark will conjure an association with the senior.'") (quoting *Nabisco*). Second, in applying relevant factors under the prior version of the statute**,** this Court held that "there is a close interdependent relationship among these factors. The weaker any of the three factors may be [distinctiveness of the famous mark, degree of similarity, and proximity of the products], the stronger the others must be to make a case of dilution." *Nabisco,* 191 F.3d at 219.[8] Thus, the Court held, there may be "instances where because of

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[8] The example noted by the Court is particularly illuminating: "To choose one of many possible hypothetical examples to illustrate this interdependence: with a highly distinctive senior mark, like Chevrolet for cars, even an only moderately similar junior mark – such as Chevremont – might dilute the distinctive quality of the senior if it were used in the automotive industry, but probably not if the junior were used in a distant area like perfumes." 191 F.3d at 219-20. If CHEVREMONT for cars can dilute CHEVROLET for cars, despite being only "moderately similar" to the CHEVROLET mark, then MR. CHARBUCKS for coffee, even if only moderately similar, can dilute

. . . insufficient similarity between the [marks], the use of the junior mark in a remote area of commerce" would not constitute dilution, but "use of the same junior mark in a closely related area would bring about the harm the statute was designed to avoid." *Id.* at 219. This Court's pre-*Moseley* view that dilution factors are interdependent and should be considered together is instructive and should expressly be adopted as the correct approach under the TDRA. Certainly, this concept was not abrogated by *Moseley* or the TDRA; the notion of weighing all the relevant factors against each other is just as applicable to the six TDRA blurring factors as it was to the several FTDA factors identified by this Court in *Nabisco*.[9]

Other circuits in both the pre-*Moseley* and the post-TDRA period have followed a similar approach, upholding dilution claims even though the marks in question were neither identical nor nearly identical, because of strong showings on other factors now also in the TDRA test. For example, in *Eli Lilly & Co. v. Natural Answers, Inc.*, 233 F.3d 456, 469 (7th Cir. 2000), the Seventh Circuit held that defendant's HERBROZAC mark was likely to dilute plaintiff's famous

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STARBUCKS for coffee given how highly distinctive the STARBUCKS mark is and that the two marks are being used on identical products.

[9] Although this Court, in the post-*Moseley* but pre-TDRA period, noted that near-identity of marks may tend to show dilution, that ruling was made in the context of proving ***actual*** dilution. *See, e.g.*, *Savin Corp. v. Savin Group*, 391 F.3d 439, 453-54 (2d Cir. 2004). Because the TDRA replaced that standard with ***likelihood*** of dilution, near-identity is no longer the standard, at least with respect to cases alleging a likelihood of dilution.

PROZAC mark. The court observed that PROZAC is a "fanciful word . . . entitled to the highest protection," *id.* at 462, and went on to cite the potential overlap in the companies' product lines and the overall similarity of the marks in concluding that the mere addition of the HERB prefix does not go far enough to distinguish [defendant's] products from PROZAC." *Id.* at 463; *see also id.* at 469. More recently, in *PerfumeBay.com, Inc. v. eBay Inc.*, 506 F.3d 1165 (9th Cir. 2007), the Ninth Circuit held that PERFUMEBAY was sufficiently similar to the famous EBAY mark to support a dilution claim, especially given the high level of distinctiveness of the EBAY mark and the overlap in the party's services. The court specifically recognized that "'the similarity requirement may be less stringent in circumstances in which the senior mark is highly distinctive and the junior mark is being used for a closely related product.'" *Id.* at 1180 (quoting *Thane Int'l, Inc. v. Trek Bicycle Corp.*, 305 F.3d 894, 907 n.7 (9th Cir. 2002) and citing *Nabisco*).[10] This Court should also hold that, in assessing the similarity of the marks, less similarity may be required if the other statutory factors strongly favor a finding of dilution.[11]

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[10] Although this decision was interpreting California dilution law, the court noted that its emphasis on the similarity of the marks and the strength of the senior marks was "bolstered" by the TDRA. 506 F.3d at 1180 n.9.

[11] The idea that the dilution factors are to be weighed and balanced against one another finds further support in the typical likelihood of confusion analysis. Every circuit has long recognized that the multi-factor likelihood of confusion

The holistic approach applied by other circuits in post-TDRA decisions and applied by this Court under the prior version of the federal dilution statute is the very approach the district court should have applied here. The approach is supported not only by those authorities but by the plain language of the TDRA. The district court erred in adopting a heightened standard of "very" or "substantially" similar, and further erred in its conclusion that a failure to meet this heightened standard is "alone" grounds for denying a dilution claim, regardless of the strength of the record with respect to the other factors (including, in this case, the acknowledged fame and distinctiveness of the STARBUCKS mark and that the parties' goods are directly competitive). The Court should therefore remand the case to the district court with instructions to apply the proper test to the relevant facts.

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test is to be considered as a whole, weighing each factor relative to the others in determining the existence of trademark infringement. *See, e.g.*, *Plus Prods v. Plus Discount Foods, Inc.*, 722 F.2d 999, 1004 (2d Cir. 1983) ("No single [likelihood of confusion] factor is determinative."); McCarthy § 24:30 ("Each of the circuits has emphasized in one way or another that no one of the foundational factors is determinative, but rather that all are to be weighed and balanced against the other."). The strength of one factor may overcome the weakness of another, and the factors must be considered in their totality in order to determine whether there is indeed likelihood of confusion. *Id.* There is nothing to suggest that the dilution factors under the TDRA should not be approached from the same perspective, and indeed, a similar approach is in line with the case law and makes sense considering the fact-intensive nature of the dilution inquiry.

II. THE DISTRICT COURT ERRED IN ITS ANALYSIS OF THE "INTENT TO CREATE AN ASSOCIATION" FACTOR BY DISREGARDING APPELLANT'S EVIDENCE THAT APPELLEE INTENDED TO ASSOCIATE ITS MR. CHARBUCKS MARK WITH THE FAMOUS STARBUCKS MARK THROUGH "WORDPLAY" AND INSTEAD REQUIRING APPELLANT TO PROVE A "BAD FAITH" INTENT TO CREATE AN "UNLAWFUL" ASSOCIATION IN ORDER TO PROVE DILUTION.

Another of the six factors listed by Congress is whether the defendant "intended to create an association with the famous mark." Congress did not require a "bad faith intent" or an intent to create an "unlawful association"; rather, this factor simply asks whether the defendant selected its mark with the intent that consumers would associate the mark with the famous mark, 15 U.S.C. § 1125(c)(2)(B)(v).

The district court disregarded Congress's instructions. Instead of considering whether appellee selected MR. CHARBUCKS as its mark with the intent that consumers would associate the mark with the famous STARBUCKS mark, the court required more – it added a "bad faith" element that was not specified by Congress. In particular, although the court specifically found that appellee selected the mark with the intent "to create an association with [the STARBUCKS] mark by wordplay,"[12] the court went on to conclude that this intent

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[12] The district court's finding that appellee selected the trademark MR. CHARBUCKS because of its "wordplay" on the famous coffee mark STARBUCKS, and the court's citation to *Louis Vuitton Malletier S.A. v. Haute Diggity Dog, LLC*, 507 F.3d 252 (4th Cir. 2007), *see* Opinion, 559 F. Supp. 2d

"is not sufficient in and of itself, . . . to demonstrate a likelihood of dilution by blurring." Opinion, 559 F. Supp. 2d at 478. Rather, the district court held, this evidence of appellee's intent was "insufficient" because appellee's intended association was not "unlawful" or "indicative of bad faith or of an association likely to cause dilution by blurring." *Id.* This reinterpretation of the statutory language was legal error.

The district court's analysis requiring a heightened standard of "bad faith" is not supported by the plain meaning of the statute. The statute speaks only of an "intent"; it does not require a "bad faith intent" or any intention that the association should cause harm. This is an important distinction. An "intent" is merely a state of mind as to a particular act; it does not also include any value judgment as to the nature of the act. *Black's Law Dictionary*, 813 (7th ed. 1999) (defining "intent" as the "state of mind accompanying an act"). The act at issue in this statute is creating "an association with the famous mark," 15 U.S.C. § 1125(c)(2)(B)(v);

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at 478, should not be read as giving rise to any "parody" defense. As made clear in *Louis Vuitton,* the parody defense of the FTDA does not apply in circumstances, like those here, where appellee is using the mark as a designation of source for its own goods. 15 U.S.C. § 1125(c)(3)(A); *Louis Vuitton*, 507 F.3d at 266. Moreover, even under *Louis Vuitton,* appellee's "wordplay" is no defense to dilution. Appellee is not making a joke about appellants or their mark; rather, appellee is selling directly competitive coffee under a mark that was designed "to grab the attention of consumers." JA 876. Those facts do not support any parody defense; rather, they are indicative of precisely the kind of diluting conduct that Congress intended to stop with the TDRA.

nothing in the statute requires an intent to actually harm or impair the famous mark or its owner. In fact, the definition of the term "intent" expressly excludes the underlying motivation for undertaking the act:

> Whereas motive is the inducement to do some act, intent is the mental resolution or determination to do it. When the intent to do an act that violates the law exists, motive becomes immaterial.

Black's Law Dictionary, 813 (7th ed. 1999); *cf. id.* at 1347 (defining "scienter" as "the fact of an act's having been done knowingly" or "a "mental state consisting in an intent to deceive, manipulate, or defraud"); *id*. at 1034 (defining "motive" as a "[s]omething, esp. willful desire, that leads one to act").

If there were any doubt about Congress' intention, it is definitively resolved by the different words Congress used in other parts of Section 43 of the Lanham Act.[13] When discussing entitlement for injunctive relief for blurring or tarnishment, the statute requires that the defendant "***willfully*** intended to trade on the recognition of the famous mark." 15 U.S.C. § 1125(c)(5)(B)(emphasis added). In that section, Congress expressly modified the term "intended" with an additional scienter requirement that is absent from subsection 1125(c)(2)(B)(v). Similarly, in subsection 1125(d), which sets forth the multi-factor balancing test for analyzing

[13] A canon of statutory interpretation is that "text should be placed in the context of the entire statutory structure." *Natural Res. Def. Council, Inc. v. Muszynski*, 268 F.3d 91, 98 (2d Cir. 2001). "[A] statute is to be considered in all its parts when construing any one of them." *United States v. Dauray*, 215 F.3d 257, 262 (2d Cir. 2000) (internal citations and quotations omitted).

cyberpiracy, Congress expressly listed "***bad faith*** intent to profit from that mark," 15 U.S.C. § 1125(d)(1)(A)(i) (emphasis added), and further defined the scope of "bad faith intent" by reference to nine factors. 15 U.S.C. § 1125(d)(1)(B)(i).

Because Congress expressly articulated requirements of "bad faith" and "willful" intent in these other provisions, a "bad faith" requirement should not be imposed where Congress did not use those words. *Cf. Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 773-74 (1992) (overruling creation of extrastatutory requirement for relief under 15 U.S.C. § 1125(a)). Had Congress intended for "bad faith intent" to be a factor in determining dilution by blurring under subsection 1125(c)(2)(B)(v), Congress could have made that intent clear in the text of the statute. *See Mallard v. United States Dist. Court*, 490 U.S. 296, 302 (1989) ("Congress evidently knew how to require service when it deemed compulsory service appropriate. Its decision to allow federal courts to *request* attorneys to represent impoverished litigants, rather than command, as in the case of court officers, that lawyers *shall* or *must* take on cases assigned to them, bespeaks an intent not to authorize mandatory appointments of counsel."); *see also Gottlieb v. Carnival Corp.*, 436 F.3d 335, 338 (2d Cir. 2006) ("Congress wrote precisely, making jurisdictional distinctions in the very same section of the Act") (internal citations and quotations omitted). Instead, Congress simply directed courts to consider whether the junior user intended to "create an association with the famous mark."

Here, too, this Court's pre-*Moseley* case law is instructive. In *Federal Express Corp.,* the Court noted that a defendant's intent to associate its mark with a famous senior mark may itself be sufficient to find dilution, even in the absence of bad faith:

> We note . . . that the district court stated that there was no "compelling" evidence of defendants' bad faith, . . . and "no information" in the record "that would support a finding of predatory intent. . . ." [W]e reject any suggestion that the evidence advanced thus far, including [defendant's] testimony that she chose "Federal Espresso" in part because it would call to mind Federal Express, would not be sufficient to allow the ultimate factfinder to find in favor of Federal Express on those issues.

201 F.3d at 177 (citations omitted).

Finally, nothing in the legislative history of the TDRA supports the district court's importation of an "unlawful" or "bad faith" requirement into the intent factor of the blurring analysis. To the contrary, the only testimony relevant to subsection 1125(c)(2)(B)(v) makes it clear that the "intent to associate" factor is value-neutral, and is related only to the defendant's "expectation that consumers would associate its mark with the famous mark." Testimony of INTA's Anne Gundelfinger before the Subcommittee on Courts, the Internet, and Intellectual Property, Committee on the Judiciary, U.S. House of Representatives, HR 683 (Feb. 17, 2005), 2005 WL 408425 (F.D.C.H.). As discussed above, this view of intent does not presuppose any subjective, value-based inquiry into the defendant's motives for wishing to create such an association. Rather, the intent factor should be considered because it essentially "operates as an admission by the defendant that the senior mark has a sufficient degree of fame and marketplace distinctiveness such that the mark can be blurred, and that defendant sought to appropriate that fame and distinctiveness to itself in order to direct consumers' attention toward its own business." *Id*. The district court's imposition of a "bad faith" element in this factor thereby converted a factor that (in the present circumstances) should have favored the plaintiff into one that improperly disadvantaged the plaintiff on the merits of its blurring claim.

CONCLUSION

For the foregoing reasons, the judgment of the district court should be vacated with respect to appellant's claim for dilution by blurring under Section 43(c) of the Lanham Act, and remanded with instructions to analyze the claim under the proper standards dictated by the statute, as amended by the TDRA.

Dated: September 26, 2008

Respectfully submitted,

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Pursuant to Rule 32(a)(7)(C) of the Federal Rules of Appellate Procedure, the undersigned certifies that:

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Dated: New York, New York
September 26, 2008

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