

WHAT LEVI'S AND STARBUCKS MEAN

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The role of similarity in dilution cases has been clarified by the 2nd and 9th Circuits in the US. Katy Basile and Katie Winstanley explain what they mean for brand owners

ONE-MINUTE READ

Since the issue of trade mark dilution was refined by an act of Congress in 2006, there have been two standout cases that help interpret the six factors that act introduced. In the first, *Starbucks v Wolfe's Borough Coffee*, it was emphasised that the six factors had to be considered as a whole and could be seen on a sliding scale. In the second, *Levi Strauss v Abercrombie & Fitch*, the court also emphasised the multiple factors involved, despite a lack of similarity between the marks. In both cases the district courts' decisions were overturned in favour of the plaintiff. These have now set a base from which the district courts will refine practice further in the coming years.

Similar: "(1) having characteristics in common: strictly comparable, or (2) alike in substance or essentials: corresponding 'no two animal habitats are exactly similar' -WH Dowdeswell" (Webster's)

Similarity: "Different fields provide differing definitions of similarity." (Wikipedia)

It is hardly surprising that courts today are struggling to define "similarity" in the context of trade mark dilution. Similarity is both a specific and non-specific concept. Similarity is defined differently, yet specifically, in geometry, engineering, chemistry, psychology and music. Outside of such fields, however, what is "similar" often is in the eye of the beholder; "characteristics in common," "strictly comparable," "alike in substance or essentials" are very broad concepts.

The courts of the 2nd and 9th Circuits in the United States, however, have recently addressed the amount of similarity required under the Trademark Dilution Revision Act of 2006 (TDRA) in two cases: *Starbucks v Wolfe's Borough Coffee* (2nd Circuit, 2009) and *Levi Strauss & Co v Abercrombie & Fitch Trading Co* (9th Circuit, 2011). In both cases, the court rejected the "identical or substantially similar" standard, remanding to the district court to tell us when, and under what circumstances, a junior mark is sufficiently similar so as to dilute the famous mark.

Dilution by blurring: A brief background

Eighty-four years after Professor Schechter introduced us to the idea of trade mark dilution in his article *The Rational Basis of Trademark Protection*, trade mark dilution is an accepted, if not always favoured, legal concept in the United States. We understand trade mark dilution to mean that marks that have risen to a certain level of fame, and hence of economic value, should be protected from the "whittling away of their distinctiveness". As Schechter wrote back in 1927:

[T]he more distinctive or unique the mark, the deeper is its impression upon the public consciousness, and the greater is its need for protection against vitiation or dissociation from the particular product in connection with which it has been used.

Thus trade mark dilution is meant to protect the distinctiveness of the trade mark itself, regardless of whether a likelihood of confusion exists. Because a likelihood of confusion is not required, there is general agreement that trade mark dilution should be limited to a relatively small and particular class of marks that are truly famous. "Dilution is a cause of action invented and reserved for a select class of marks – those marks with such powerful consumer associations that even non-competing uses can impinge their value" (*Thane Int'l, Inc v Trek Bicycle Corp* (9th Circuit, 2002)). Another equally important question, however, is what amount of similarity must exist for the junior mark to lessen the distinctiveness of the famous mark.

It has taken two iterations to establish the current federal trade mark dilution law: the Federal Trade mark Dilution Act of 1995 (FTDA) and the Trade mark Dilution Revision Act of 2006 (TDRA). The FTDA provided owners of famous marks with injunctive relief "against another person's commercial use in commerce of a mark or trade name, if such use begins after the mark has become famous and causes dilution of the distinctive quality of the mark". Circuit courts split over how to interpret and apply the law, and several courts adopted a broad interpretation of the definition of dilution under the FTDA. To balance the protection of the distinctiveness of the famous mark against a grant of property rights in gross to trade mark owners, several courts held that the famous mark and the junior mark had to be "identical or nearly identical" or "substantially similar" (as in *Thane*, for example).

Following the US Supreme Court opinion in *Moseley v V Secret Catalogue, Inc*, holding that the FTDA required a showing of actual confusion, Congress passed the TDRA.

The TDRA defines dilution by blurring 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". It sets out six factors to determine whether a mark or trade name is likely to cause dilution by blurring:

- Similarity with the famous mark;
- Inherent or acquired distinctiveness of the famous mark;
- Substantially exclusive use of the famous mark;
- Recognition of the famous mark;
- Intention to create an association with the famous mark; and
- Actual association with the famous mark.

Recently both the 2nd and 9th Circuits have opined on the correct analysis of the first factor – the degree of similarity – and have reached similar conclusions.

Starbucks v Wolfe's Borough Coffee

Starbucks took to task a local New Hampshire coffee roaster, Black Bear Micro Roastery, over use of the marks Mister Charbucks and Charbucks Blend in connection with their Black Bear marks. While an appeal was pending from the decision by the Southern District of New York, which found no actual or likelihood of dilution, the TDRA was enacted, and the judgment of the district court was vacated and remanded for further proceedings in light of the TDRA. Thereafter, the district court reached the same holding – Starbucks had failed to demonstrate an entitlement to relief on its dilution claims despite the change in law.

On appeal, the 2nd Circuit examined the six non-exhaustive factors, finding that the degree of distinctiveness, exclusivity of use, degree of recognition, and intent to associate favour Starbucks. In analysing the degree of similarity factor, the 2nd Circuit found that the marks as presented to the consuming public were only minimally similar, as Black Bear used the word Mister in front of, or Blend after, the use of the word Charbucks, and all Mister Charbucks or Charbucks Blend packages of coffee also prominently featured the Black Bear marks.

Although the 2nd Circuit agreed with the district court's findings that the marks were only "minimally similar," it disagreed with the district court's finding that "[t]his dissimilarity alone is sufficient to defeat [Starbucks'] blurring claim, and in any event, this factor at a minimum weighs strongly against [Starbucks] in the dilution analysis".

The 2nd Circuit distinguished the "similarity" analyses in the TDRA and the FTDA, stating that the TDRA called for a "degree of similarity," not "substantial similarity," as one of six factors; if courts were to adhere to a "substantial similarity" requirement, the remaining five factors would be swallowed by this similarity requirement. Furthermore, the court concluded, the focus of the dilution by blurring factors is whether an *association* impairs the distinctiveness of the mark. Focusing on the fact that the TDRA requires analysis of all six factors in determining whether there is a likelihood of dilution by blurring, the 2nd Circuit cited *Perfumebay Inc v eBay, Inc*, (9th Circuit, 2007), which held 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". Thus the 2nd Circuit appeared to indicate that a sliding scale analysis of the six factors is an appropriate approach to take.

Levi's v Abercrombie & Fitch

In *Levi Strauss & Co v Abercrombie & Fitch Trading Co*, the 9th Circuit held that the "identical or nearly identical" standard "did not survive Congress's enactment of the TRDA".

The case involved Abercrombie's Ruehl pocket stitching design, which Levi's argued diluted the distinctiveness of its famous Arcuate arch-shaped pocket stitching. The district court had found that "the advisory jury had not found that the Ruehl design and the Arcuate mark were 'identical or nearly identical,' a standard that required that 'the two marks . . . be similar enough that a significant segment of the target group of customers sees the two marks as *essentially the same*". The district court therefore entered judgment in favor of Abercrombie, noting that Levi Strauss did not establish that Abercrombie made commercial use of a mark that is identical or nearly identical to the Arcuate mark.

In reversing the district court's judgment with respect to Levi Strauss's claim under the TDRA and remanding, the 9th Circuit analysed the plain meaning of the TDRA, noting that "Congress did not merely make surgical linguistic changes to the FTDA in response to *Moseley*. Instead, Congress created a new, more comprehensive federal dilution act". The 9th Circuit determined that, based on the TDRA's definition of dilution by blurring as "the association arising from the *similarity* between a mark or a trade name and a famous mark that impairs the distinctiveness of the famous mark," Congress's word choice did not require an association arising from "substantial similarity" or "identity" of the two marks. In fact, "[t]he word chosen by congress, 'similarity,' sets forth a less demanding standard than that employed by many courts under the FTDA". Furthermore, Congress chose to employ a non-exhaustive list of relevant factors to determine when dilution has occurred, including the "*degree* of similarity between the mark or trade name and the famous mark". The 9th Circuit found that "Congress's decision to make 'degree of similarity' one consideration in a multi-factor list strongly suggests that it did not want 'degree of similarity' to be the necessarily controlling factor".

By looking no further than the plain meaning of the TDRA, the 9th Circuit found that "application of the correct, less-demanding standard could have tipped the balance in favor of Levi Strauss. The degree of similarity between the Ruehl and Arcuate marks may be insufficient to support a likelihood of dilution, but that conclusion can come only after consideration of the degree of similarity in light of all other relevant factors and cannot be determined conclusively by application of an 'essentially the same' threshold".

Over to the district courts

Both the 2nd and 9th Circuits have explicitly held that the "identical or nearly identical" threshold requirement espoused by some courts under the FTDA has not survived the TDRA. As a result, it will be up to the district courts to analyse the facts of each case in light of all of the six factors, of which the degree of similarity is only one. As we see in *Starbucks*, even a mark of "minimal" similarity may dilute the famous mark; the fact that it is "minimally" similar is not enough to end the analysis. And as seen in *Levi's*, the court itself defined the standard as "less demanding".

This analysis sounds very familiar; trade mark professionals have been arguing the "similarity of the marks" in trade mark infringement cases for years. However, everyone must keep in mind that in the context of dilution, the issue is "an association arising from the *similarity* between a mark or trade name and a famous mark that impairs the distinctiveness of the famous mark". Thus while similarity is one of six factors, it also remains a key element of the cause of action.



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