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IN THE UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD

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| Proceeding | 91159504 |
| Party | Plaintiff<br>Starbucks U.S. Brands Corporationn andStarbucks Corporation d/b/a StarbucksCoffee Company<br>Starbucks U.S. Brands Corporationn and Starbucks Corporation d/b/a Starbucks Coffee Company<br>533 Airport Boulevard Suite 400<br>Burlingame, CA 94010 |
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| Attachments | Motion for Continued Suspension.PDF ( 42 pages )(3393690 bytes ) |

Attorney Docket: 08957.8059

**IN THE UNITED STATES PATENT AND TRADEMARK OFFICE**
**BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD**

| | |
|---|---|
| STARBUCKS U.S. BRANDS CORPORATION and STARBUCKS CORPORATION DBA STARBUCKS COFFEE COMPANY,<br><br>Opposers,<br><br>v.<br><br>REX WAYNE BELL,<br><br>Applicant. | **Opposition No. 91159504**<br>Parent Case |
| REX WAYNE BELL,<br><br>Opposer,<br><br>v.<br><br>STARBUCKS U.S. BRANDS CORPORATION and STARBUCKS CORPORATION DBA STARBUCKS COFFEE COMPANY,<br><br>Applicants. | **Opposition Nos. 91162993 and 91162995** |

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## MOTION FOR CONTINUED SUSPENSION OF PROCEEDINGS

By Order dated January 5, 2005, the Board, pursuant to Fed. R. Civ. P. 42(a) as applicable through Trademark Rule 2.116(a) consolidated Opposition Nos. 91159504, 91162993, and 91162995 on the ground of perceived commonality of factual issues. The Board continued the suspension of the consolidated opposition pending final

disposition of the civil action between the parties, as discussed in the Board's May 19, 2004 Order in Opposition No. 91159504.

By Order dated January 19, 2007, the Board requested that the parties provide the Board with a status update of the state of the civil action which occasioned the suspension of the consolidated oppositions.

Attached as Exhibit A is a copy of the Petition for Writ of Certiorari to the Supreme Court of the United States filed by Rex Wayne Bell on or about August 19, 2005, which Petition is currently pending.

In view of the foregoing, Starbucks U.S. Brands Corporation and Starbucks Corporation dba Starbucks Coffee Company respectfully request a continued suspension of the consolidated Opposition pending the Supreme Court's ruling on Rex Wayne Bell's Petition to the Supreme Court.

Respectfully Submitted,

Dated: February 13, 2007

By: _____

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STARBUCKS COFFEE COMPANY

## CERTIFICATE OF SERVICE

This is to certify that a true and correct copy of the foregoing Motion for Continued Suspension of Proceedings was served on counsel for Rex Wayne Bell on this 13th day of February, 2007 via First Class Mail, postage prepaid, as follows:

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Starbucks U.S. Brands, LLC and Starbucks Corporation dba Starbucks Coffee Company v.
Rex Wayne Bell
Opposition No. 91159504 and 91162995

Exhibit to Motion For Continued Suspension of Proceedings

# EXHIBIT A

No. _____

# In The Supreme Court of the United States

REX WAYNE BELL,

*Petitioner,*

v.

STARBUCKS U.S. BRANDS CORPORATION;
STARBUCKS CORPORATION,
d/b/a Starbucks Coffee Co.,

*Respondents.*

ON PETITION FOR WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE FIFTH CIRCUIT

## PETITION FOR WRIT OF CERTIORARI WITH APPENDIX

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## QUESTION PRESENTED FOR REVIEW

What is the standard of proof for a "likelihood of dilution" under the Trademark Dilution Revision Act of 2006 and the Texas Anti-Dilution Statute and is merely a mental association sufficient to prove a "likelihood of dilution" under said Federal and State statutes?

## PARTIES TO THE PROCEEDING

*Petitioner*

Rex Wayne Bell is an individual and citizen of the United States having his principal office and place of business in the Southern District of Texas, Galveston Division. Petitioner was the Plaintiff and Counter-Defendant in the District Court, and he was the Plaintiff-Counter Defendant-Appellant in the Fifth Circuit Court of Appeals.

*Respondents*

Starbucks U.S. Brands Corporation is a limited liability company organized and existing under the laws of the State of Nevada, with its principal place of business located in Minden, Nevada. Starbucks Corporation is a corporation organized and existing under the laws of the state of Washington, with its principal place of business located in Seattle, Washington. Respondents are "related compan[ies]" as that term is defined in the Lanham Act § 45, 15 U.S.C. § 1127. Respondents were Defendants and Counter Claimants in the District Court, and Respondents were Defendants-Counter Claimants-Appellees in the Fifth Circuit Court of Appeals.



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## PETITION FOR WRIT OF CERTIORARI

Petitioner respectfully petitions for a writ of certiorari to review the judgment of the United States Court of Appeals for the Fifth Circuit in this case.

## OPINIONS AND ORDERS BELOW

The Court of Appeals determined that the opinion of the Court (Appendix ("App."), *infra*, 1a–2a) for the appeal should not be published pursuant to 5th Cir. R. 47.5; nonetheless, the Fifth Circuit's opinion is located at No. 05-41480, 2006 WL 3253005 (5th Cir. Nov. 10, 2006). The district court's Final Judgment (App., *infra*, 3a–4a) and Findings of Fact and Conclusions of Law (App., *infra*, 5a–26a) are reported at 389 F. Supp. 2d 766.

## JURISDICTION

The opinion and judgment of the Court of Appeals was entered on November 10, 2006. (App., *infra*, 1a). Petitioner did not file a petition for rehearing en banc. The jurisdiction of this Court is invoked under 28 U.S.C. § 1254(1).

## STATUTORY PROVISIONS INVOLVED

Lanham Act Section 43(c)(1), as amended by The Trademark Dilution Act of 2006, 15 U.S.C. § 1125(c)(1), provides, in relevant part: Subject to the principles of equity, the owner of a famous mark that is distinctive, inherently or through acquired distinctiveness, shall be entitled to an injunction

against another person who, at any time after the owner's mark has become famous, commences use of a mark or trade name in commerce that is likely to cause dilution by blurring or dilution by tarnishment of the famous mark, regardless of the presence or absence of actual or likely confusion, of competition, or of actual economic injury.

Lanham Act Section 43, as amended by The Trademark Dilution Act of 2006, 15 U.S.C. § 1125(c)(2)(B), provides, in relevant part: For purposes of paragraph (1), 'dilution by blurring' is association arising from the similarity between a mark or trade name and a famous mark that impairs the distinctiveness of the famous mark. In determining whether a mark or trade name is likely to cause dilution by blurring, the court may consider all relevant factors, including the following: (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.

Tex. Bus. & Com. Code Ann. § 16.29 (Vernon 2002), provides, in relevant part: A person may bring an action to enjoin an act likely to injure a business reputation or to dilute the distinctive quality of a mark registered under this chapter or Title 15, U.S.C., or a mark or trade name valid at



common law, regardless of whether there is competition between the parties or confusion as to the source of goods or services.

## STATEMENT OF THE CASE

Respondent Starbucks U.S. Brands Corporation ("U.S. Brands") is the record owner of a number of federally-registered trademarks, most of which are comprised of the mark STARBUCKS. U.S. Brands licenses Respondent Starbucks Corporation (both U.S. Brands and Starbucks Corporation referred to collectively herein as "Starbucks" or "Respondents") to use the STARBUCKS marks, which are used in the operation of selling, among other things, coffee, cappuccino, espresso-based beverages, teas and many different varietals of roasted coffees. As of 2005, Starbucks claimed to own and operate, through affiliates and licensees, at least 8,800 retail stores in the United States, Canada, and worldwide, under the trade names "Starbucks Coffee Company" and "Starbucks Coffee."

Petitioner Rex Wayne Bell ("Bell") owns and operates a small, part-time business in Galveston, Texas, operating under the name "The Old Quarter Acoustic Cafe." In this small, informal acoustical music venue, Bell sells a variety of beers, limited other beverages, limited cold snacks and souvenir items promoting an alcoholic creation which poured from a single draft-beer tap identified as "Starbock Beer" and/or "Star Bock Beer." Bell is a former musician and enjoys providing a venue for young and old musicians to perform. Bell's sole source of

income at this unique "watering-hole" is from the sale of the above-identified beverages, snacks and promotional items. Any nominal admission charge is paid to the performers.

On May 22, 2003, Respondents' counsel sent a cease and desist letter alleging that Bell's use of the "Starbock Beer" and "Starbock" marks as infringing and dilutive of Respondents' marks. Respondents' counsel sent a second and third (June 12, 2003 and July 18, 2003) cease and desist letters again alleging that Bell's use of the word "Starbock" and/or "Star Bock Beer" was infringing and dilutive of Starbucks' marks.

Having no other recourse to Respondents' continued threats and harassment, on March 17, 2004, Bell filed a Declaratory Judgment action against Respondents in the United States District Court for the Southern District of Texas, Galveston Division, seeking a declaration that his use of "Star Bock Beer" and "Starbock" does not, among other things, infringe or dilute Starbucks' marks. Respondents filed an Answer and Counterclaims against Petitioner for, among other things, trademark infringement under the Lanham Act, unfair competition, trademark dilution under Texas law, and trademark dilution under the Federal Trademark Dilution Act ("FTDA"), codified as Lanham Act Section 43(c) (codified as amended by The Trademark Dilution Revision Act of 2006 at 15 U.S.C. § 1125(c) (2006)).

After adequate time for discovery and disposition of all dispositive motions, the district



court set this case for a non-jury adjudication to be held on June 6, 2005. Both parties appeared and announced ready for trial, and the non-jury trial proceeded throughout that day. After the trial, on August 19, 2006, the district court issued a Final Judgment and its Findings of Fact and Conclusions of Law, pursuant to Fed. R. Civ. P. 54.

The district court found that the use of Bell's "Star Bock Beer" logo set out in Trial Exhibit 1, and sold in conjunction with the musical activities presented at the Cafe does not in any way "infringe, unfairly compete, dilute or otherwise impugn Respondent's marks"; however, the district court found that "any further use of the terms 'Starbock Beer' and 'Star Bock Beer' in a more generalized context would likely cause infringement, unfair competition, and dilution to the Starbucks' brand and marks" and therefore prohibited any broader use of the "Star Bock Beer" logo/mark outside of Bell's musical venue, or another similar venue, in Galveston, Texas.

The district court applied a novel standard to prove actual dilution and found that the evidence presented at trial "goes beyond a mere mental association" and that this was a sufficient showing to prove actual harm under the FTDA and Texas law. Nevertheless, the district court again found that the Respondents failed to provide any evidence that Bell's use of the "Star Bock Beer" logo actually dilutes Respondent's marks. To support a finding of a "likelihood of dilution" under Texas law, the district court relied on the "likelihood of consumer confusion" and apparently applied the same

infringement standard and relied on the same infringement evidence to support a finding of dilution. The current use of Bell's "Star Bock Beer" logo was again found to not dilute and not even be "likely to dilute" Respondent's marks.

Bell appealed the district court's decision to the Court of Appeals for the Fifth Circuit. Respondents did not cross-appeal. Without entertaining oral argument, a three-judge panel confronted the issues raised by Bell as to whether the same evidence may be used to prove the two divergent concepts of trademark infringement and trademark dilution. The Fifth Circuit panel relied on a footnote provided in the Seventh Circuit decision of *James Burrough, Ltd. v. Sign of Beefeater, Inc.*, 540 F.2d 266, 274 n.16 (7th Cir. 1976), while applying the Illinois Anti-Dilution Act, 140 Ill. Rev. Stat. § 22, and the court stated that "[a] trademark likely to confuse is necessarily a trademark likely to dilute." Thus, the Fifth Circuit panel affirmed the injunction based on the district court's finding that both dilution and infringement may be established concurrently with identical evidence. Particularly relevant here, the district court's "beyond a mere mental association" standard to prove actual harm was affirmed. It is axiomatic that this same showing would necessarily be sufficient to prove the less stringent "likelihood of dilution" under the Trademark Dilution Revision Act of 2006 in the Fifth Circuit.

Petitioner did not file a petition for rehearing en banc to the Fifth Circuit.



## REASONS FOR GRANTING THE PETITION

### I. CONGRESS EFFECTIVELY REVERSED THIS COURT'S DECISION IN MOSELEY V. V SECRET CATALOGUE, INC. WHEN IT PASSED THE TRADEMARK DILUTION REVISION ACT OF 2006 AND REQUIRED MERELY A "LIKELIHOOD OF DILUTION" RATHER THAN "ACTUAL DILUTION" TO RECOVER UNDER THE ACT

#### A. "Likelihood Of Dilution" Is The Standard For Proving Dilution By Blurring Under The Federal Trademark Dilution Act And The Texas Statute.

At the time of this cause of action, the federal law for trademark dilution read, in pertinent part:

> Remedies for Dilution of Famous Marks. (1) The owner of a famous mark shall be entitled, subject to the principles of equity and upon such terms as the court deems reasonable, to an injunction 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 . . . .

15 U.S.C. § 1125(c) (2000) (emphasis added). The standard for proving dilution was proving that a

junior mark causes the dilution. *Id.* This Court further interpreted "causes dilution" to mean that the alleged diluting mark must cause actual dilution of the distinctiveness of the famous mark, as opposed to a mere likelihood that the alleged diluting mark dilutes the distinctiveness of the famous mark. *Moseley v. V Secret Catalogue, Inc.*, 537 U.S. 418 (2003).

The Trademark Dilution Revision Act of 2006 amended the federal anti-dilution statute. Pub. L. No. 109-312, 120 Stat. 1730 (amending 15 U.S.C. § 1125(c)). The federal anti-dilution statute now reads:

> Dilution by Blurring; Dilution by Tarnishment.
> (1) Injunctive Relief. Subject to the principles of equity, the owner of a famous mark that is distinctive, inherently or through acquired distinctiveness, shall be entitled to an injunction against another person who, at any time after the owner's mark has become famous, commences use of a mark or trade name in commerce that is *likely to cause dilution* by blurring or dilution by tarnishment of the famous mark, regardless of the presence or absence of actual or likely confusion, of competition, or of actual economic injury.

*Id.* (emphasis added). The amended federal anti-dilution statute changed the standard of dilution, as



set forth by this Court in *Moseley*, from actual dilution to a likelihood of dilution. *Id.*

Moreover, an alleged diluter can dilute a famous mark regardless of actual or likely confusion, competition, or actual economic injury. *Id.*

The amended federal anti-dilution statute is now more consistent with several state anti-dilution statutes, such as Texas, which require merely a "likelihood of dilution" when proving dilution. The Texas anti-dilution statute reads:

> INJURY TO BUSINESS REPUTATION OR TRADE NAME OR MARK. A person may bring an action to enjoin an act likely to injure a business reputation or to dilute the distinctive quality of a mark registered under this chapter or Title 15, U.S.C., or a mark or trade name valid at common law, regardless of whether there is competition between the parties or confusion as to the source of goods or services. An injunction sought under this section shall be obtained pursuant to Rule 680 et seq. of the Texas Rules of Civil Procedure.

Tex. Bus. & Com. Code Ann. § 16.29 (Vernon 2002). It is clear that the standard for finding dilution under federal and Texas law is to prove a likelihood of dilution. However, there still exists an important

issue of what likelihood of dilution means and the proof required under both Federal and State law.

### B. The Decision Below Illustrates A Troubling Conflict Among The Courts Of Appeals As To The Meaning Of And Evidentiary Standard For Proof Of A "Likelihood Of Dilution."

The Second, Third, Sixth and Seventh Circuits presume harm upon proof of a likelihood of dilution. These Circuits disagree, however, as to what evidentiary standard is required to establish a "likelihood of dilution."

The Second Circuit uses a number of factors to prove likelihood of dilution: (1) similarity of the marks, (2) distinctiveness, (3) proximity of the products and likelihood of bridging the gap, (4) the interrelationship of the first three factors, (5) shared consumers and geographic limitations, (6) sophistication of consumers, (7) actual confusion, (8) adjectival or referential quality of the junior's use, (9) harm the junior user will experience by finding a likelihood of dilution, and (10) the effect of the senior user's laxity in bringing the dilution claim. *Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208, 217–222 (2d Cir. 1999). These factors are a non-exclusive list for proving likelihood of dilution and are to "develop gradually over time." *Id.* at 217. Moreover, these factors were admittedly derived from "the related question of infringement by reason of likelihood of consumer confusion." *Id.*; *see also Mead Data*



*Central, Inc. v. Toyota Motor Sales, U.S.A., Inc.*, 875 F.2d 1026 (2d Cir. 1989).

The Sixth Circuit diluted (no pun intended) the *Nabisco* test by applying only three factors to find a likelihood of dilution: (1) distinctiveness, (2) similarity of the marks, and (3) consumer sophistication. *V Secret Catalogue, Inc. v. Moseley*, 259 F.3d 464, 476 (6th Cir. 2001), *rev'd*, 537 U.S. 418 (2003). Upon discussing the distinctiveness of the senior mark, similarity between the senior and junior marks, and the sophistication of the senior's consumers, the Sixth Circuit concluded that "classic" dilution had occurred "even without an exhaustive consideration of all ten of the *Nabisco* factors." *Id.* at 477.

The Third Circuit looked to Judge Sweet's opinion in *Mead Data*. *See Times Mirror Magazines, Inc. v. Las Vegas Sports News, L.L.C.*, 212 F.3d 157 (3d Cir. 2000) (using the factors set forth by Judge Sweet in *Mead Data*). The Third Circuit affirmed the district court's finding of likelihood of dilution by saying the district court's use of the factors in *Mead Data* satisfied the *Nabisco* test. *Id.* at 169. In *Times Mirror*, the district court found a likelihood of dilution using: (1) similarity of the marks, (2) proximity of the marks, (3) consumer sophistication, (4) intent of the junior user, (5) renown of the senior mark, and (6) renown of the junior mark. This test uses factors similar to those used in proving likelihood of confusion; however, considering the Second Circuit has since developed a test for likelihood of dilution under federal law in *Nabisco*, it is confusing as to why the Third Circuit has followed

the older case of *Mead Data*, which concerns New York state law.

The Seventh Circuit, however, disagrees with the factors endorsed by the Second, Third, and Sixth circuits and advocates using only two factors to prove likelihood of dilution: (1) similarity of the marks and (2) renown of the senior mark. *Eli Lilly & Co. v. Natural Answers, Inc.*, 233 F.3d 456, 468–469 (7th Cir. 2000) (referring to but not using all factors listed in *Mead Data*. The Seventh Circuit did not use the factors for federal dilution as set forth by the Second Circuit in *Nabisco*. Instead, the Seventh Circuit considered factors set forth by Judge Sweet's opinion in *Mead Data*, which concerned a state dilution claim. *Id.* Interestingly, the Seventh Circuit still abandoned the Second Circuit's interpretation of Judge Sweet's likelihood of dilution factors reasoning that those factors are "more suited to an inquiry into the likelihood of confusion." *Id.* Thus, the Seventh Circuit brought its dilution analysis more into the purview of the dilution contemplated by Congress—a cause of action that does not rely on consumer confusion.

The First Circuit, like the Seventh Circuit, abandoned the use of inappropriate "Sweet" factors. *I.P. Lund Trading ApS v. Kohler Co.*, 163 F.3d 27 (1st Cir. 1998). Specifically, the First Circuit believed "[t]he district court's finding of likelihood of dilution depended on its use of inappropriate Sweet factors." *Id.* at 49. The First Circuit further stated, "As [trademark scholar J. Thomas] McCarthy points out, use of factors such as predatory intent, similarity of products, sophistication of customers, and renown of



the junior mark work directly contrary to the intent of a law whose primary purpose was to apply in cases of widely differing goods, i.e., Kodak pianos and Kodak film." *Id.* (citing 4 J. Thomas McCarthy, McCarthy on Trademarks and Unfair Competition (hereinafter "McCarthy") § 29:94.30 (4th ed. 2006)). "The Sweet factors have been criticized by both courts and commentators for introducing factors that are the offspring of classical likelihood of confusion analysis and are not particularly relevant or helpful in resolving the issues of dilution by blurring." *Id.* at 49 (citing and quoting 4 McCarthy § 29:94.30).

The Sixth Circuit's decision not to use all of the *Nabisco* factors is quite interesting. The Sixth Circuit seemed to endorse the *Nabisco* test that utilizes factors from trademark infringement's likelihood of confusion test. However, in applying the test, the Sixth Circuit only used three *Nabisco* factors: (1) distinctiveness of the senior mark, (2) similarity between the junior and senior marks, and (3) the sophistication of the senior's consumers. Therefore, although the Sixth Circuit endorsed the Second Circuit's *Nabisco* test, its analysis is closer to that of the Seventh Circuit, which rejects the *Nabisco* test. The Seventh Circuit uses the similarity of the marks and the distinctiveness of the senior mark to determine a likelihood of dilution; therefore, the Sixth Circuit's test adds only one factor (sophistication of the senior's consumers) to the Seventh Circuit test while it disregards seven of the ten factors in the *Nabisco* test.

The Fifth Circuit circumvents the cumbersome multi-factor *Nabisco* test, yet adheres to the spirit of *Nabisco* by finding dilution upon a finding of likelihood of confusion as demonstrated by the court below. *See Bell v. Starbucks U.S. Brands Corp.*, 389 F. Supp. 2d 766 (S.D. Tex. 2005). No other factors were used, so this test is unlike the *Nabisco* test because it uses only a likelihood of confusion to find dilution, yet is also unlike the Seventh Circuit's *Eli Lilly* test because it focuses on consumer confusion and not the distinctiveness of the senior mark. The Fifth Circuit has created a hybrid standard for proving dilution—once infringement is found, then dilution is found. *Id.*

The Eighth Circuit has long disagreed with the infringement-equals-dilution approach of the Fifth Circuit. In *Viacom, Inc. v. Ingram Enters.*, the Eighth Circuit noted "[it] was error [for the district court] to conclude that the proof of a mark's strength sufficient for federal trademark infringement purposes is necessarily sufficient to sustain a claim of dilution-by-blurring under Missouri law." 141 F.3d 886, 891 (8th Cir. 1997). Although the Eighth Circuit's discussion centered on the distinctiveness of the senior mark, *Viacom* is still in conflict with the Fifth Circuit's *Starbucks* decision because the Eighth Circuit does not assume dilution upon a finding of infringement.

While all circuits agree that the senior mark must be famous and that the similarity between the junior and famous mark is the starting factor in analyzing likelihood of dilution, a significant conflict remains among the circuits as to what are the



remaining factors, if any, of the likelihood of dilution test. The Seventh Circuit believes that likelihood of dilution should not use factors used for likelihood of confusion, while the Second Circuit believes that the two tests can be synonymous. Moreover, the Third Circuit uses an old Second Circuit case that applied New York state law and not the federal anti-dilution statute. The Sixth Circuit's treatment of likelihood of dilution is most peculiar because while it endorses using the likelihood of confusion approach in *Nabisco*, it uses only three factors to find a likelihood of dilution, none of which are consumer confusion. The Sixth Circuit, in practice, endorses the Second Circuit's likelihood of confusion test while applying a test similar to that of the Seventh Circuit, which rejects the Second, Fifth and Eighth Circuit's test.

## II. THE DISTRICT COURT AND THE FIFTH CIRCUIT ERRED BY EQUATING TRADEMARK INFRINGEMENT AND TRADEMARK DILUTION

### A. Trademark Infringement And Trademark Dilution Are Divergent Legal Concepts And Each Requires A Different Analysis And Therefore May Not Be Established By Identical Evidence.

Traditional trademark law is focused on the protection of consumers from confusion, mistake and deception as to the source, sponsorship or affiliation of goods and services. 4 McCarthy § 24:70. In order to prevail on a cause of action for trademark infringement, it must be proven that a consumer

necessarily is likely to, or has actually experienced, confusion as to the source, affiliation and sponsorship of the junior mark. 15 U.S.C. § 1125(a). In contrast, trademark dilution does not protect consumers from deception. 4 McCarthy § 24:70; *see also* J. Thomas McCarthy, *Proving A Trademark Has Been Diluted: Theories Or Facts*, Hous. L. Rev. 713 (2004). Instead, dilution is concerned with an entirely different consumer state of mind, where the consumer is not confused; rather, dilution rests primarily upon the policy of protecting distinctive, well-recognized marks from the diminishment or dilution of their source identification value by a junior mark. *Id.*

The conceptual difference between trademark infringement and dilution has even created a conflict between the two foremost experts in trademark law; specifically, J. Thomas McCarthy and Jerome Gilson disagree as to whether the same consumer may be confused as to the source of a product while a mark is simultaneously being diluted. On one hand, Gilson[1] asserts that "where there is dilution there will also be confusion." 2 Anne Gilson Lalonde, *Trademark Protection & Practices* § 5A.01(5)(b). For example, while it is possible for a consumer to not be confused as to source when seeing a CHEVROLET bra, it is still "more likely than not that she will have such a strong association with the CHEVROLET mark that she will think that nearly any product

[1] Anne Gilson Lalonde is the daughter of Jerome Gilson, the original author of the Gilson treatise. Anne recently assumed the role as the author Gilson's *Trademark Protection & Practice*.



that contains that mark is somehow associated with the car maker, [even a bra]." *Id.* Further, Gilson discusses how so-called "supermarks," such as IBM, MICROSOFT, or STARBUCKS are "so well-known that consumers . . . would almost certainly assume an association or license arrangement with the trademark owner." *Id.* Therefore, the marks that are famous enough to qualify for dilution are also so prevalent in the minds of consumers that federal dilution law adds "little to the protection that already exists under likelihood of confusion." *Id.* Gilson thus equates dilution to a finding of confusion as to source and sees dilution and infringement (or blurring and confusion) as different stops along the same trademark-protection highway. Under this view, it is plausible to use evidence for proving a likelihood of confusion to also prove dilution because dilution collapses into infringement. *See id.*

On the other hand, J. Thomas McCarthy, completely disagrees with the Gilsonian view. McCarthy asserts that, in Dilution, there is no consumer confusion as to source: "[b]lurring and confusion are not stops along the same [highway], they are different [highways] altogether. The mark that confuses does not necessarily dilute. It does not [dilute] because dilution is a separate legal theory positing a different kind of damage to a mark caused by a different form of consumer perception." 4 McCarthy § 24:70. Using the CHEVROLET example above, McCarthy asserts that the consumer's perception cannot be evidence of both confusion and dilution. *See id.* If she "does mistakenly think there is a connection between the company that makes the bras and the company that makes the cars, then

"traditional trademark infringement has occurred." *See id.* If she does not think the bra maker and car maker are connected, then dilution may occur if the mark is famous and she thinks of the senior mark even subtly or subliminally. *See id.* Regardless, there is a split among the foremost experts in trademark law disagree as to what is required to prove dilution.

A rational understanding of trademark infringement and trademark dilution illustrates the radically divergent theories on which they are found. In trademark infringement, a consumer is confused as to the source of the goods or services. In trademark dilution, a consumer is not confused as to the source of these same goods or services whatsoever. The difference being that in trademark dilution, a consumer forms the mental association between the famous mark and junior mark, but is not confused as to the source of the goods or services because they are so removed from the goods and services of the famous mark (think Apple computers and Apple motor oil). Any damage that has occurred to the famous mark is in the form of a loss of distinction of the famous mark in the individual consumer's mind— certainly a remarkably difficult measurement to analyze.

If this same consumer is confused as to the source of the goods at any time, then no dilution has occurred because the consumer thinks the goods or services are related to the famous mark and the distinctiveness of the famous mark remains intact. This association without confusion is the main distinction between trademark confusion and



dilution, namely, the consumer's mental association of the famous mark with the junior mark has diluted the distinctive quality of the famous mark to a degree in the consumer's mind. It necessarily follows then, in the dilution analysis, that the consumer is not confused as to the source, sponsorship or affiliation of a particular mark. Therefore, evidence of a likelihood of confusion belies the evidence required to establish the divergent standard of likelihood of dilution.

### 1. Proof Of Trademark Infringement Requires Proof Of A "Likelihood Of Confusion."

In the Fifth Circuit, courts typically consider the following "digits of confusion" when a trademark infringement analysis is employed: (1) the type of the mark allegedly infringed; (2) the similarity between the two marks; (3) the similarity of the products and services; (4) the identity of the retail outlets and purchasers; (5) the identity of the advertising media used; (6) the defendant's intent; and (7) any evidence of actual confusion. *See Pebble Beach Co. v. Tour 18 I Ltd.*, 155 F.3d 526, 543 (5th Cir. 1998). The Fifth Circuit has explained that these factors are flexible and nonexhaustive. *Westchester Media v. PRL USA Holdings, Inc.*, 214 F.3d 658, 663 (5th Cir. 2000). Nonetheless, these factors are intended to establish a "likelihood of confusion" *vel non* as to the source, affiliation, sponsorship in order to protect the consumer from said deception in the marketplace. Dilution, on the other hand, focuses on the reduction of a marks

identification power, not a consumer's "likelihood of confusion."

### 2. Proof Of Trademark Dilution Requires Proof Of Association And Diminishment Or "Whittling Away" Of The Trademark's Strength And Source Identification Value As A Result Of The Association.

The dilution doctrine is firmly rooted in protection of a famous mark from a gradual "whittling away" of its strength and source identification value. *See* Frank I. Schechter, *The Rational Basis of Trademark Protection*, 40 Harv. L. Rev. 813, 825 (1927). As the leading commentator on trademark law explains:

> [I]t is erroneous to conclude from a finding of a likelihood of confusion that dilution automatically and logically follows. It does not follow because dilution is a separate legal theory positing a different kind of damage to a mark caused by a different form of consumer perception. "[A] finding of trademark dilution does not necessarily flow from a finding of trademark infringement." The courts do not always appreciate this point....
>
> "Dilution" is not just a type of injury to a mark that is caused by a prospective buyer who is confused as to affiliation or connection caused by the similarity of two marks on related goods or services. Rather "dilution" is a legal claim separate and distinct from that of the traditional infringement claim. "Dilution" has its own criteria for triggering liability: criteria that are different in kind from that of the traditional likelihood of confusion claim.



4 McCarthy § 24:70 (citations omitted). McCarthy further notes that there is a misunderstanding as to what "dilution" means in trademark law. *Id.* "Dilution is not synonymous with confusion-caused 'injury' or 'damage' to the senior user's mark . . . . [T]he legal concept of dilution presumes that the defendant's use of the mark does not cause a likelihood of confusion . . . ." 4 McCarthy § 24:70. Dilution may occur regardless of whether there is a "likelihood of confusion." As explained above, this theory of liability focuses on an opposite consumer state of mind. Rather than confusion, it is the junior's mark that would bring to mind (association) a famous mark, even though the consumer is not confused as to the source or sponsorship of the goods. As the theory goes, a "gradual attenuation or whittling away" will diminish the strength and source identification value of a trademark. As noted *supra*, the standard of proof necessary for proving trademark dilution is widely unsettled. While the Courts of Appeals are split with regard to what is required, this Court implied in *Moseley* that some

proof greater than a "mere mental association" should be required. *Moseley*, 537 U.S. at 432.

### 3. Under The Trademark Dilution Revision Act Of 2006, Dilution Should Require Proof Different From Confusion Because Dilution May Occur Regardless Of Any Confusion.

After this Court's decision in *Moseley*, Congress took note of the stringent standard that was established (proof of association and lessening of trademark value) and passed the Trademark Dilution Revision Act of 2006. In the Act, Congress lowers the bar by merely requiring a trademark owner to make a showing of a "likelihood of dilution." Under traditional trademark law, all courts agree that proving a "likelihood of confusion" means proving that confusion is "probable," not just "possible." 4 McCarthy § 23:3; *see, e.g., Estee Lauder Inc. v. The Gap, Inc.*, 108 F.3d 1503, 1510 (2d Cir. 1997) ("Likelihood of confusion means a probability of confusion; it is not sufficient if confusion is merely 'possible.'"); *Westchester Media*, 214 F.3d at 663–64. ("Likelihood of confusion is synonymous with a probability of confusion, which is more than a mere possibility of confusion."); *Rodeo Collection, Ltd. v. West Seventh*, 812 F.2d 1215, 1217 (9th Cir. 1987) ("Likelihood of confusion requires that confusion be probable, not simply a possibility."). Proving that dilution is "likely" therefore is synonymous with proving that dilution is "probable," not just "possible." *See id.*



This lower standard, however, has not been clearly articulated as evidenced by the Fifth Circuit's approval of an evidentiary showing of "merely a mental association" to establish dilution. Other circuits require a different and more stringent showing by a trademark owner. In any event, there remains a question as to what is actually required in order to establish a "likelihood of dilution" and whether "merely a mental association" is the appropriate bar for trademark dilution under the Act.

## B. The District Court And The Fifth Circuit Found Both Infringement And Dilution As A Result Of Proof Of Merely A Mental Association.

The district court and the Fifth Circuit exacerbate the now-common misstep upon which the correct analysis for dilution is lost. The district court found and the Fifth Circuit affirmed an incorrect analysis where both infringement and dilution may be established by the same mental association. Without a clear standard for what proof is required under the "likelihood of dilution" test, this error will continue to arise across the currently split Courts of Appeals. This Court now has the opportunity to establish the correct standard and establish that (1) the two tests require a separate consumer state of mind and may not occur in the same consumer's mind at one time and (2) establish that the evidentiary bar for a "likelihood of dilution" requires more proof than "merely a mental association," as the district court held and the Fifth Circuit upheld.

### C. It Is Error For The District Court And The Fifth Circuit To Blend The Divergent Concepts Of Trademark Infringement And Dilution By Generalizing Both From A Proof Of Merely A Mental Association.

As discussed *supra*, dilution is firmly rooted in the protection of the strength and source identification value of a famous mark. In contrast, infringement is firmly rooted in the protection of consumers from confusion as to the source and affiliation of goods. Just as the policy upon which these causes of action emanate are distinctly different, the test for dilution (likelihood of dilution) should be distinct from the test for infringement (likelihood of confusion). Following this sound reasoning, it is error for the district court and the Fifth Circuit to confuse the two tests and even further error to find infringement based upon a dilution analysis or to establish a finding of dilution based upon an infringement analysis.

## CONCLUSION

As the foregoing demonstrates, there is a widening divide among the Courts of Appeals as to the meaning and required proof to establish a "likelihood of dilution." Congress exacerbated the problem by passing the Trademark Dilution Revision Act of 2006, which now requires proof of a "likelihood of dilution" instead of the actual dilution standard articulated by this Court in *Moseley*. The courts below were snagged in the now-common thicket of trademark infringement and trademark dilution



when they equated the analysis for both of these divergent causes of action and determined that identical evidence, displaying only one consumer state of mind, suffices to establish both. As trademark infringement and dilution are separate causes of action requiring a separate state of mind from the consumer, it is error to equate the two. This Court currently is presented with a pristine opportunity to issue a proper standard for the "likelihood of dilution" that sets the appropriate evidentiary bar above "merely a mental association" and therefore provides clarity and consistency to the circuits below and mends the current divide. This case provides an ample opportunity to do so. Accordingly, the petition for a writ of certiorari should be granted.

Respectfully Submitted,

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# APPENDIX

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IN THE UNITED STATES COURT OF APPEALS
FOR THE FIFTH CIRCUIT

No. 05-41480

REX WAYNE BELL,

Plaintiff-Appellant,

Versus

STARBUCKS U.S. BRANDS CORPORATION and STARBUCKS CORPORATION,

Defendants-Appellees.

**[Filed November 10, 2006]**

Appeal from the United States District Court
for the Southern District of Texas
USDC No. 3:04-CV-169

Before GARWOOD, DENNIS, and OWEN, Circuit Judges.
PER CURIAM:*

Rex Wayne Bell, owner of a business selling beer under the "Star Bock Beer" label in Galveston, appeals the decision of the district court finding trademark infringement of the Starbucks mark and

* Pursuant to 5TH CIR. R. 47.5, the court has determined that this opinion should not be published and is not precedent except under the limited circumstances set forth in 5TH CIR. R. 47.5.4.

issuing an injunction prohibiting the broader use of "Star Bock Beer" outside of Galveston or outside the context of Bell's weekly musical events.

Bell contends that because the district court found that his distinctive logo did not infringe on the Starbucks mark, the injunctive relief which included restrictions on the use of the logo was inappropriate. The district court did find infringement as to the "Star Bock Beer" name, however, and once infringement has been found a district court may proscribe related activities that might have been legally permissible standing on their own. Kentucky Fried Chicken Corp. v. Diversified Packaging Corp., 549 F.2d 368, 390 (5th Cir. 1977). Bell additionally argues that dilution and confusion causes of action are mutually exclusive and cannot be supported by the same evidence. He provides only secondary authority for this contention, and courts to consider the question have rejected this theory. See James Burrough, Ltd. v. Sign of Beefeater, Inc., 540 F.2d 266, 274 n. 16 (7th Cir. 1976). The district court's decision was not clearly erroneous. Kentucky Fried Chicken, 549 F.2d at 382. The judgment of the district court is AFFIRMED.



**IN THE UNITED STATES DISTRICT COURT**
**FOR THE SOUTHERN DISTRICT OF TEXAS**
**GALVESTON DIVISION**

| | | |
|---|---|---|
| REX WAYNE BELL, | § | |
| | § | |
| Plaintiff, | § | |
| | § | CIVIL ACTION NO. G-04-169 |
| v. | § | |
| | § | |
| STARBUCKS U.S. | § | |
| BRANDS CORP. | § | |
| and STARBUCKS | § | |
| CORP. d/b/a | § | |
| STARBUCKS | § | |
| COFFEE | § | |
| COMPANY, | § | |
| | § | |
| Defendants. | § | |

**FINAL JUDGMENT**

**BE IT REMEMBERED** that on the 6th day of June 2005, this action came on for trial before the Court, without benefit of a jury, Honorable Samuel B. Kent, United States District Judge presiding. Plaintiff Rex Wayne Bell appeared in person, by and through his attorney, John Egbert, and announced ready for trial. Starbucks U.S. Brands Corporation and Starbucks Corporation d/b/a Starbucks Coffee Company, appearing by and through their attorneys John C. Rawls, Marc Louis Delflache, and Sarah A. Silbert, also announced ready for trial. The Court determined that it had jurisdiction over the subject matter and the parties to this proceeding, and that

venue was proper. The Court then heard the evidence and the arguments of counsel. As explained in the Findings of Fact and Conclusions of Law, this day concurrently entered, the Court reached a verdict. The issues having been duly tried and decided, it is

**ORDERED, ADJUDGED,** and **DECREED** that Bell's sale of Star Bock Beer or related minor promotional items out of The Old Quarter Acoustic Café, in Galveston, Texas, or any subsequently owned local establishment bearing the logo set out in Exhibit 1, and sold in conjunction with the musical activities presented at the Café does not in any way infringe, unfairly compete, dilute or otherwise impugn the Starbucks brands or trademarks. It is further

**ORDERED, ADJUDGED,** and **DECREED** that Bell's broader use of the terms Starbock Beer and Star Bock Beer and/or the sale of beer or promotional items in a more generalized context would likely cause infringement, unfair competition, and dilution to the Starbucks brands and trademarks, and such practices consequently are hereby **PROHIBITED**. It is further

**ORDERED, ADJUDGED,** and **DECREED** that beyond such specific relief Defendants and Counter-Claimants **TAKE NOTHING** of and from Plaintiff. Plaintiff's request to have Defendants' trademarks cancelled is **DENIED**.

All relief not expressly granted herein is **DENIED**. Each Party is to bear its own attorney's fees, taxable costs, and expenses incurred herein to date. **THIS IS A FINAL JUDGMENT.**



**IT IS SO ORDERED.**

**DONE** this 19th day of August, 2005, at Galveston, Texas.

/s/ Samuel B. Kent
Samuel B. Kent
United States District Judge

IN THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
GALVESTON DIVISION

| | | |
|---|---|---|
| REX WAYNE BELL, | § | |
| | § | |
| Plaintiff, | § | |
| | § | |
| v. | § | |
| | § | CIVIL ACTION NO. G-04-169 |
| STARBUCKS U.S. | § | |
| BRANDS CORP. | § | |
| and STARBUCKS | § | |
| CORP. d/b/a | § | |
| STARBUCKS | § | |
| COFFEE | § | |
| COMPANY, | § | |
| | § | |
| Defendants. | § | |

**FINDINGS OF FACT AND CONCLUSIONS OF LAW**

This cause was originally filed on March 17, 2004. Plaintiff herein sought declaratory relief that his use of "Star Bock" or "Starbock" does not infringe on Defendants' "Starbucks" trademark. He also asked for a judgment that he is not diluting Defendants' trademark under federal or state law or violating unfair competition laws. Defendants counterclaimed on all issues seeking exactly opposite relief. At the time of filing, the matter was routinely set for a Rule 16 Scheduling Conference, which occurred on June 2, 2004. Counsel for both sides appeared and announced ready, and pursuant to agreement of counsel and the



Court, the matter was set for non-jury adjudication before the Court, on June 6, 2005. Such setting was confirmed by a routine Scheduling Order entered by this Court's Magistrate Judge, Hon. John R. Froeschner, on June 9, 2004. Docket Call was held regarding such trial setting on June 2, 2005, and again counsel for both sides appeared and announced ready for trial. On that date, again with agreement of counsel, the trial date was adjusted slightly, to commence June 6, 2005. Trial proceeded non-jury, Hon. Samuel B. Kent presiding, throughout that day. At the conclusion thereof, the Court established a post-trial submissions schedule which has been, in all timely respects, complied with.

The Court, having carefully considered all pleadings on file in this matter, having carefully considered and having reviewed the trial testimony of all live witnesses, and having made credibility assessments in regard thereto, having considered and having reviewed exhibits entered in this matter, having carefully considered the Pre-Trial Order, together with all attachments, and the post-trial submissions, hereby enters its Findings of Fact and Conclusions of Law, pursuant to FED.R.CIV.P. 52.

**FINDINGS OF FACT**

1. Plaintiff Rex Wayne Bell ("Bell") owns and operates a small, part-time business in Galveston, Texas, operating under the name "The Old Acoustic Café". This is a small, informal acoustical music venue which is open typically only on Thursday, Friday and Saturday nights. Musicians, typically

accompanied by acoustical instruments (guitars and the like) perform. An admission fee is charged, which Bell generally gives to the entertainers. His sole source of income in this establishment is from the sale of beer, limited other beverages, limited cold snacks and souvenir items promoting an alcoholic beverage sold only there, identified as "Starbock Beer" and/or "Star Bock Beer". He is a former musician and very much enjoys his contacts in the music industry and the promotion of young artists. His beer sales are only an adjunct to those interests.

2. This Court has jurisdiction over the subject matter of this cause, pursuant to 28 U.S.C. § 1331 and § 1338(a), inasmuch as such arises under the Lanham Act, 15 U.S.C. § 1051 *et seq.* and the Federal Trademark Dilution Act, 15 U.S.C. § 1125(c) and § 1127, 28 U.S.C. § 2201-2202, as well as being a declaratory judgment action arising under the Lanham Act, 15 U.S.C. § 1051 *et seq.* Finally, the Court has jurisdiction pursuant to 28 U.S.C. § 1332(a), inasmuch as this action is between citizens of different states and the matter in controversy exceeds the sum of $75,000.00, exclusive of interest and costs. This Court has jurisdiction over the subject matter of those claims that arise under state law based upon the principals of supplemental jurisdiction, as provided in 28 U.S.C. § 1367, as well as the provisions of 28 U.S.C. § 1338(b), allowing jurisdiction over claims for dilution and unfair competition joined with substantial and unrelated claims under the federal trademark laws. Jurisdiction has not been contested by any of the parties. Venue is proper in this Court as well, inasmuch as Plaintiff conducts his business in this



Division, indeed only within a few blocks of the courthouse, and Defendants do extensive business in this District and Division. Venue has not been contested by any of the parties, either.

3. Bell applied for registration of the "Starbock Beer" trademark with the United States Patent and Trademark Office and the application was subsequently approved and published for opposition. During the opposition phase, Defendants filed a Notice of Opposition to Bell's application and mailed "cease and desist" letters to Bell alleging that Bell's mark would: cause confusion as to the origin of the parties' respective goods; misappropriate Starbucks' goodwill; and further violate federal, state, and common law dilution principals. Defendants insisted that Bell immediately cease all use of the "Starbock Beer" trademark, destroy all signage and materials bearing this trademark, and abandon the trademark application. Pending the resolution of this litigation, the United States Patent and Trademark Office suspended the opposition period and stayed all proceedings regarding Bell's registration application approval.

4. Defendants have continuously done business under the trademarks and trade names "Starbucks®," "Starbucks® Coffee," and "Starbucks® Coffee Company" since 1971. The Starbucks® mark is the subject of at least 60 trademark registrations issued by the United States Patent and Trademark Office, and has been similarly registered in more than 130 foreign countries.

5. Bell filed a Complaint in this action, seeking a declaratory judgment that Bell's use of the "Star Bock Beer" mark in connection with alcoholic beverages is not in violation of any rights Defendants may have pursuant to: the Federal Law of Trademark Infringement as set forth in 15 U.S.C. § 1114; the Federal Law of Unfair Competition as set forth in 15 U.S.C. § 1125; the Common Law of Unfair Competition; the Federal Trademark Dilution Act as set forth in 15 U.S.C. § 1125; and, the Texas Anti-Dilution Statute as set forth in Tex. Bus. & Com. Code Ann. § 16.29 (Vernon 2002). Defendants Starbucks® U.S. Brands Corporation and Starbucks® Corporation d/b/a Starbucks® Coffee Company ("Starbucks") contest those claims, and have concurrently asserted counterclaims against Bell, alleging: federal trademark dilution, in violation of 15 U.S.C. § 1125(c) and § 1127; federal trademark infringement, in violation of 15 U.S.C. § 1114(1); violation of 15 U.S.C. § 1125(a); violation of the Texas Anti-Dilution Statute, Tex. Bus. & Com. Code Ann. § 16.29 (Vernon 2002); violation of Texas Common Law Trademark Dilution; and. the common law doctrine of unfair competition. Bell of course contests these counter-claims.

6. Bell concedes receipt of the cease and desist demands from Starbucks and further concedes that he ignored such; instead retaining counsel and filing suit. However, beyond continuing to sell the beer that he had on hand at the time of receipt of such notification, and the related memorabilia and small advertising products (caps, t-shirts, etc.), out of his Old Acoustic Café, he has undertaken no other



product production, sales or advertising or promotional efforts.

7. On the other hand, he readily conceded in his trial testimony that he has encouraged his friends in the music industry to favorably mention and endorse Star Bock Beer, that he sought out, benefitted from and encouraged extensive local and national media coverage of this "David vs. Goliath" controversy, and that his ultimate ambition is to be "just as big and successful as Starbucks."

8. Bell continues to make use, in commerce, of the "Starbock" and/or "Star Bock" logos, but with an important distinction. In the correspondence and official notifications to and from the United States Patent and Trademark Office, Bell sought a trademark for "Starbock Beer." Currently, and for the last several months prior to temporarily suspending operations shortly after the trial, Bell used a somewhat distinctive and modified logo (Exhibit 1) that has "Star" on one line, "Bock" beneath it, and "Beer" beneath that in red superimposed over a blue star on a white field, in a circular logo, with "Since 2003" immediately below the three words, and in circular form around the outside of the logo, the information "Born in Galveston—The Old Quarter Acoustic Café". As noted above, this product is sold exclusively at the The Old Quarter Acoustic Café, on a limited number of nights per week, and only in association with the presentation of live musical performances by acoustical artists. Bell's crowds are of relatively small size, the facility only seating a few dozen people at most, and his patrons tend to be both locals and regulars, for the most part. No Starbucks®

Coffee Company products are sold in the facility, and Star Bock Beer is not sold outside the facility.

9. Bell testified that he had his beer brewed by a contract brewer in Brenham, Texas. He does not know the recipe for the beer or indeed any of its ingredients. He oversees no aspects of the production of the beer, has no idea actually how it is made, and can only state that the production of his beer is in compliance with state health laws. Other than that simple statement, he has no knowledge whatever of its contents, preparation, aging, or kegging. It is sold in draft form, not in bottles or cans. He had a limited production made in the early stages of this controversy, and once that was sold out, he suspended any further production, awaiting the outcome of this litigation. Tragically, in regard to which the Court expresses its most heartfelt condolences, shortly after the completion of the trial of this matter, local media reported the untimely and regretful passing of Bell's beloved wife. Bell has indefinitely ceased operation of the The Old Quarter Acoustic Café and consequently, as a practical (not legal) matter, this entire controversy may have thereby been rendered moot. The Court does not speculate in that regard, and notes that this information is officially outside the record of these proceedings; but simply cannot rule in the matter without a real world consideration of the overall facts of this case, which certainly includes taking judicial notice of such a significant event affecting not only the life of the Plaintiff, but his economic circumstances as well.

10. Bell testified that he began the production of his Star Bock Beer in the May-June 2003 time frame,



although apparently he was selling a generic, unnamed draft beer prior to that time. He came up with the name around Christmas, 2002, ordered the beer, and then filed for a trademark on March 1, 2003. He testified that in conversation with customers and friends, he blended the terms "Lone Star" (which is a Texas-based beer of long standing), and "Shiner Bock" (again referring to one type of beer brewed by the Shiner Brewery in Shiner, Texas, also of long standing). He claims that by borrowing "Star" from the one and "Bock" from the other, he came up with Starbock Beer. He claims that it was not his intention then, and has never been, his intention to infringe or unfairly capitalize upon the dominant Starbucks trade name. While the Court sincerely believes that Plaintiff was innocently motivated at the time he came up with the name and began selling the named beer, given his trial testimony that he very much enjoyed the media attention given to this controversy and that he now wants to be as "big and successful" as Starbucks, the Court has some apprehension that his perceptions may have morphed over the evolution of this controversy into something somewhat less innocent than he originally intended.

11. Patricia Chapman was presented as the sole Starbucks fact witness. She is in charge of brand strategy for the Starbucks family of corporations. She is extremely bright, articulate, and professional, and appeared remarkably knowledgeable of both her company and the marketplace dynamics affecting her company. Based upon her testimony, this Court believes that Starbucks is a well run, competent and professional corporation. It has an ambitious marketing strategy and has been extraordinarily

profitable. She testified that enormous care and effort goes into each of the products Starbucks produces, from original recipe design through final preparation, field testing, market testing, production and marketing. The highest level of quality control goes into each product, and is constantly monitored and maintained. This of course differs markedly from the *ad hoc*, remote and secondhand production of Star Bock Beer. Ms. Chapman also described the "siren" logo that Starbucks uses: a green-and-white circular logo depicting a long-haired woman in the center with the words "STARBUCKS COFFEE" in the outer band. Significantly, the logo differs markedly from that used currently by Bell, as set out in Exhibit 1.

12. Plaintiff did not present any expert testimony in the case, relying instead on the sole testimony of Plaintiff. Defendants countered with the presentation of a statistical expert, Professor Edward A. Blair, Ph.D. Dr. Blair appeared, as did Ms. Chapman, to be exceptionally articulate, intelligent and professional. He undertook an exhaustive statistical analysis of marketplace responses with regard to potential confusion in consumers having to do with Starbock and Star Bock relative to Starbucks. He found that 25% of consumers believed that "Star Bock" beer was affiliated with Starbucks and that 43% believed the same of "Starbock" beer. He also found that for 48% of consumers, "Star Bock" beer brought Starbucks to mind, and for 58% of consumers, "Starbock" beer brought Starbucks to mind. On the basis of his uncontroverted testimony, the Court is satisfied that there is a significant likelihood of confusion when those two terms are compared to Starbucks. However, the Court is not



satisfied with the further conclusion that the distinctive logo currently utilized by Plaintiff, as set out in Exhibit 1, is likely to cause any confusion whatsoever. In its present form, the logo used by Bell provides for a sufficiently distinctive difference between Starbucks and the Star Bock Beer name, to avoid consumer confusion. The current logo unequivocally indicates that the product was born in Galveston (not Seattle) in 2003 (not 1971), and is sold in only The Old Quarter Acoustic Café (which sells no Starbucks products whatever).

13. On the basis of the trial testimony, the exhibits admitted into the record and the remarkably thorough and extensive submissions and arguments of counsel, the Court finds that Bell's sale of Star Bock Beer and related minor promotional items out of The Old Quarter Acoustic Café, in Galveston, Texas, or any subsequently owned local establishment bearing the logo set out in Exhibit 1, and sold in conjunction with the musical activities presented at the Café does not in any way infringe, unfairly compete, dilute or otherwise impugn the Starbucks brands or trademarks. The Court further finds that the sale and use of that brand, in the logo presented in Exhibit 1, at The Old Quarter Acoustic Café, in Galveston, Texas, or a subsequent local facility is a reasonable business practice. The Court declines to require Plaintiff to terminate those activities and finds that counter-Plaintiffs have failed in sustaining their burdens of proof as regards any causes of action herein asserted against Plaintiff, pertaining to the sale of Star Bock Beer in that facility, or a subsequent local facility, under the brand name set out in Exhibit 1.

14. The Court does, however, find that Bell's broader use of the terms Starbock Beer and Star Bock Beer and/or the sale of beer in a more generalized context would likely cause infringement, unfair competition, and dilution to the Starbucks brands and trademarks, and such practices consequently are hereby **PROHIBITED**.

15. The Court finds, nevertheless, that Defendants have sustained no actual damages arising from any alleged infringement, unfair competition or dilution, and considering the equities and the enormous economic disparity between the parties involved in the case, the Court respectfully declines to award attorneys' fees or to assess costs. The Court finds that each party shall bear his or its own taxable costs, expenses and attorneys' fees arising from this litigation.

16. The Court finds that Bell is authorized to use his Star Bock Beer logo, as presented in Exhibit 1, with regard to the sale of beer and related minor promotional items exclusively at The Old Quarter Acoustic Café, or subsequent local establishment run by Bell. The Court finds that Bell is **PROHIBITED** from the more generalized use of the term Starbock Beer with regard to sales in any broader venue than The Old Quarter Acoustic Café or a subsequent local establishment. "Local" is herein defined as Galveston, Texas, Galveston Island, Galveston County, Texas.

## CONCLUSIONS OF LAW

1. The first issue is whether declaratory judgment is appropriate. If an actual controversy



does not exist, the Court does not have subject matter jurisdiction. *See, e.g., Orix Credit Alliance, Inc. v. Wolfe,* 212 F.3d 891, 895 (5th Cir. 2000). In an intellectual property case, an actual controversy exists "(1) when the declaratory plaintiff has a real and reasonable apprehension of litigation and (2) when the declaratory plaintiff has engaged in a course of conduct that brings it into adversarial conflict with the declaratory defendant." *Texas v. West Publ'g Co.,* 882 F.2d 171, 175 (5th Cir. 1989).

2. In this case, an actual controversy exists. Plaintiff has already engaged in the activity objectionable to Defendants. At the time this suit was filed, Defendants had taken action against Plaintiff in the trademark registration process and had threatened further legal action against Plaintiff.

3. Plaintiff first asks for a declaratory judgment that his mark does not infringe Defendants' mark. Defendants have counterclaimed that Plaintiff's mark does infringe their mark.

> Any person who shall, without consent of the registrant...use in commerce any...colorable imitation of a registered mark in connection with the sale, offering for sale...or advertising of any goods or services on or in connection with such use is likely to cause confusion, or to cause mistake, or to deceive...shall be liable in a civil action....

15 U.S.C. § 1114(1).

4. The preliminary decision of the United States Patent and Trademark Office that no conflicts exist between Starbock and Defendants' mark is accorded some weight, but it is not dispositive. Even if the USPTO had already granted registration to Plaintiff, this does not mean that Plaintiff necessarily has a right to use the mark. "The rights to use and register are not identical." *In re E. I. DuPont DeNemours & Co.*, 476 F.2d 1357, 1364 (C.C.P.A. 1973); *see also Elvis Presley Enters., Inc. v. Capece*, 141 F.3d 188, 194 (5th Cir. 1998).

5. The owner of the mark must show the validity of the mark and that use of that mark or an imitation of it by the other party is likely to cause confusion. *Pebble Beach Co. v. Tour 18 I, Ltd.*, 942 F.Supp. 1513, 1536 (S.D. Tex. 1996).

6. Defendants have a registered mark. Registration is prima facie evidence of validity of the mark as to the uses specified in the registration. *See id.* at 1536-37. Plaintiff has not offered evidence to rebut this presumption. Therefore, Defendants meet the first requirement of the statute.

7. In determining whether likelihood of confusion exists, the Court must consider the following factors: "(1) the type of mark allegedly infringed, (2) the similarity between the two marks, (3) the similarity of the products or services, (4) the identity of the retail outlets and purchasers, (5) the identity of the advertising media used, (6) the defendant's intent, and (7) any evidence of actual



confusion."[1] *Westchester Media v. PRL USA Holdings, Inc.*, 214 F.3d 658, 664 (5th Cir. 2000); *see also Elvis*, 141 F.3d at 194.

8. "The type of trademark refers to the strength of the mark" and its distinctiveness. *See Elvis*, 141 F.3d at 201. A mark may be generic, descriptive, suggestive, arbitrary, or fanciful. *See Sunbeam Prods., Inc. v. West Bend Co.*, 123 F.3d 246, 252 (5th Cir. 1997). As to coffee, "Starbucks" is either arbitrary or fanciful, categories which receive more protection. Federal registration is also prima facie evidence of distinctiveness. *See* 15 U.S.C. §§ 1057(b), 1115(a); *Creative Gifts, Inc. v, UFO*, 235 F.3d 540, 545 (10th Cir. 2000). Defendants also offered evidence as to the strength and pervasiveness of the mark.

9. Because "Starbucks" is an arbitrary or fanciful mark and because Defendants have shown that it is a very strong and distinctive mark, it is entitled to strong protection. *See Elvis*, 141 F.3d at 201.

10. When considering the second factor, the similarity between the two marks, the Court must

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[1] This is a non-exclusive list. Earlier courts also considered the sophistication of the consumers, the quality of the allegedly infringing product, and the likelihood that the owner of the first mark would enter the market occupied by the owner of the second mark. *See, e.g., Sunbeam Prods., Inc. v. West Bend Co.*, 123 F.3d 246, 257 (5th Cir. 1997); *Oreck Corp.* v. *U.S. Floor Sys., Inc.*, 803 F.2d 166, 171 (5th Cir. 1986); *In re E. I DuPont DeNemours & Co.*, 476 F.2d 1357, 1361 (C.C.P.A. 1973); *Polaroid Corp. v. Polorad Elecs. Corp.*, 287 F.2d 492 (2d Cir. 1961).

look at the whole mark, not just one particular feature. *See Oreck Corp. v. U.S. Floor Sys., Inc.*, 803 F.2d 166, 171 (5th Cir. 1986). The "appearance, sound, and meaning" of the two marks must be compared. *Elvis*, 141 F.3d at 201. When the words are identical, different pictorial representations may suffice to differentiate the two marks. *See Sears, Roebuck & Co. v. Allstate Driving Sch., Inc.*, 301 F.Supp. 4, 13 (S.D.N.Y. 1969).

11. Here, the difference in "Star Bock Beer" as used in Plaintiff's beer label and the bare words "Starbock" or "Star Bock" becomes important. The words "Starbock" and "Star Bock" are very similar in appearance, sound, and meaning to the word "Starbucks." *See, e.g., Exxon Corp. v. Texas Motor Exch., Inc.*, 628 F.2d 500 (5th Cir. 1980) (finding strong similarity between "Texon" and "Exxon"). However, the "Star Bock Beer" label, with the red and blue coloring, "Born in Galveston" wording, separation of the three words of the name onto three lines, and the large star, is very different in appearance and meaning (and also more different in sound) from the word "Starbucks" and Defendants' "siren" logo. (Pl.'s Ex. 1; Defs.' Ex. 15.)

12. The meaning of the words should also be taken into consideration. Where the words have well known and understood, widely differing meanings, a small difference in spelling or appearance may be sufficient to distinguish them and avoid a finding of confusing similarity. On the other hand, with coined words which are meaningless so far as the English language is concerned, slight variations in spelling or arrangement of letters are often insufficient to direct



the buyer's attention to the distinction between marks.

*Seven-Up Co. v. Tropicana Prods., Inc.*, 356 F.2d 567, 568 (C.C.P.A. 1966).

13. In this analysis, whether Plaintiff uses "Starbock," "Star Bock," or "Star Bock Beer" is important. "Starbucks" can certainly be considered a meaningless coined word, as could "Starbock." But "Star Bock Beer" is composed of three common words that have meaning independent of any trademark. This meaningful combination could easily be distinguished by consumers from the meaningless "Starbucks."

14. The third factor the Court must consider is the similarity of the products. Products do not have to be in direct competition to be similar, nor do they have to be nearly identical. *See Westchester*, 214 F.3d at 666; *Pure Foods v. Minute Maid Corp.*, 214 F.2d 792, 796 (5th Cir. 1954).

15. Defendants formerly produced a beer in conjunction with another company, and Defendants now have a Starbucks-branded liqueur on the market. Defendants do not now produce a beer, nor have they indicated any intention of doing so again in the future. Defendants' main business, of course, is coffee. While coffee, coffee liqueur, and beer are all beverages, they are not typically purchased for the same purpose or occasion (unlike, for example, coffee and tea, beer and wine coolers, or lemonade and iced tea).

16. Whether products are "closely related in distribution and use" helps determine the similarity of the products. *John Walker & Sons, Ltd., v. Tampa Cigar Co.*, 124 F.Supp. 254, 256 (S.D. Fla. 1954), *aff'd* 222 F.2d 460 (5th Cir. 1955). Plaintiff's and Defendants' products do not currently appear in the same distribution channels, nor do people purchase beer and coffee for the same purpose. The products are similar enough to make confusion *reasonable,* but not so similar that confusion is automatic.

17. Fourthly, the Court must consider the identity of retail outlets and purchasers. "[I]f the parties' goods and services are offered at the same level of distribution and at the same type of facilities, the identity of service factor is met." *Pebble Beach,* 942 F.Supp. at 1545.

18. Plaintiff's product is currently offered only at his specific-function "acoustical" bar. Defendants offered no evidence that their products are sold at bars (although their liqueur may be available at some bars, it is undoubtedly not available at Plaintiff's bar). Neither Party offered evidence as to the identity of purchasers. At this time, there is no evidence that the products share a common pool of retail outlets and purchasers.

19. The fifth factor in the likelihood of confusion analysis is the identity of advertising media. Even though the Parties do not have to advertise on the same scale for media to be identical, there must be evidence that "the parties aim their advertising campaigns at the same region and the same consumers." *Pebble Beach,* 942 F.Supp. at 1546.



20. Defendants do advertise in the Galveston area, as they do throughout the United States and the world. Plaintiff has received national publicity due to this litigation exercise, but he does not advertise other than through promotional items distributed at his bar and through his website. Neither Party offered probative evidence on whether they targeted the same consumers. While some consumers have probably seen advertisements for both Defendants' and Plaintiff's products, there is no evidence that the Parties have *targeted* the same consumers.

21. Next, the Court must consider the intent of the alleged infringer If intent to benefit from the mark of another is found, "it may provide compelling evidence of a likelihood of confusion." *Oreck,* 803 F.2d at 173; *see also Elvis,* 141 F.3d at 203; *Sunbeam,* 123 F.3d at 258. Intent to confuse can also be described as "intent to benefit from the goodwill associated with a protectable mark." *Pebble Beach,* 942 F.Supp. at 1546.

22. Plaintiff has offered an explanation of how he came up with the name—combining "Lone Star" and "Shiner Bock"—that is free from any intent to infringe Defendants' mark. While Defendants have shown that Plaintiff intended to benefit from the publicity surrounding this trial and the trademark registration proceedings, this demonstrates only that Plaintiff intended to benefit from *allegations* of infringement, not from actual infringement. There is no evidence to support a conclusion that Plaintiff intended for anyone to buy his product because of a mistaken association with Defendants' mark, nor is

there evidence that Plaintiff created the mark with an intent to infringe.

23. Finally, the Court must consider evidence of actual confusion. Defendants' expert, Dr. Edward Blair, properly examined consumer response to the similarity between "Starbock" and "Star Bock" on one hand and "Starbucks" on the other. Even if the words sound alike, "[t]he fact that one mark may bring another mark to mind does not in itself establish likelihood of confusion as to the source." *In re P. Ferrero,* 479 F.2d 1395 (C.C.P.A. 1973); *see also Eli Lilly & Co. v. Natural Answers, Inc.,* 233 F.3d 456, 462 (7th Cir. 2000).

24. Blair asked consumers both questions: whether "Starbock" or "Star Bock" brought to mind another company and whether they believed it to be affiliated with another company. He found that 25% of consumers believed that "Star Bock" beer was affiliated with Starbucks and that 43% believed the same of "Starbock" beer. He also found that for 48% of consumers, "Star Bock" beer brought Starbucks to mind, and for 58% of consumers. "Starbock" beer brought Starbucks to mind. (Defs. Ex. 14a.)

25. These percentages suffice to show a significant level of actual confusion. *See, e.g., Exxon,* 628 F.2d at 507 (finding 15% association significant); *Tiffany & Broadway, Inc. v. Comm'r of Patents & Trademarks,* 167 F. Supp. 2d 949, 955 (S.D. Tex. 2001) (finding 15% association significant).

26. The similarity must be judged from the perspective of a consumer who does not have the



opportunity to see the products side-by-side. *See, e.g., Gen. Adjustment Bureau, Inc., v. Fuess,* 192 F.Supp. 542, 547 (S.D. Tex. 1961). By presenting consumers with the word "Starbock" or "Star Bock" but not showing them any representation of "Starbucks," Blair fairly tested this reaction.

27. The survey also met the other requirements of the Fifth Circuit, such as asking why consumers associated the mark with Defendants and drawing from a pool of consumers likely to purchase beer. *See Exxon,* 628 F.2d at 507. Therefore, the results of the survey should be given great weight in the Court's analysis. *Id.* at 506-507.

28. Defendants have shown evidence of significant actual confusion between the words "Star Bock" as used for beer and their "Starbucks" mark. Defendants have also shown evidence of significant actual confusion between the word "Starbock" as used for beer and their "Starbucks" mark.

29. The Court finds that Plaintiff's use of the word "Starbock," as presented in Plaintiff's trademark application, and his use of "Star Bock" in word form without the word "beer" or any design elements, manifestly infringes Defendants' mark. The words "Starbock" or "Star Bock" and "Starbucks" are remarkably similar in sight and sound. Defendants have presented uncontroverted and credible expert testimony showing that consumers are likely to believe that a beer called "Starbock" or "Star Bock" is connected to Defendants. Although Plaintiff's and Defendants' products are not identical, the fact that both are beverages adds to the likelihood of

confusion. Plaintiff's small-guy-against-behemoth-corporation theme starkly conflicts with his trial testimony unequivocally expressing his ambitious desire to make his beer a national product; such a national market would also increase the likelihood of confusion and interference with Defendants' mark.

30. However, the Court finds that Plaintiff's use of his "Star Bock Beer" logo, as presented in Plaintiff's Exhibit 1, does not infringe Defendants' mark. Defendants did not present evidence of actual confusion or the likelihood of confusion between the logo and Defendants' mark "Starbucks" or Defendants' "siren" logo. Plaintiff's logo is sufficiently different from Defendants' mark. But the Court's finding only applies to Plaintiff's current use of this logo on beer and a small amount of promotional items available only at his bar (or any subsequent local establishment owned or operated by Plaintiff) in Galveston, Texas. Given Plaintiff's current limited use of the logo; the minute, local channels of distribution and sale; the identity of a relatively small specific interest group of acoustical music consumers; and the identity of modest and bar-activity-specific advertising media are sufficiently different from those used by Defendants so as not to cause a strong likelihood of confusion, or indeed any realistic confusion at all.

31. Plaintiff next asks for a declaratory judgment that he has not engaged in unfair competition under the Lanham Act, 15 U.S.C. § 1125(a). Defendants counterclaim that Plaintiff has violated this statute.



> Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof . . . which-
> (a) is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person . . . shall be liable in a civil action....

15 U.S.C. § 1125(a).

32. "The same facts which support an action for service mark infringement also support claims for ... Lanham Act unfair competition." *Pebble Beach,* 942 F.Supp. 1554. The likelihood of confusion analysis is the same. *See id; see also Daddy's Junky Music v. Big Daddy's Family Music,* 109 F.3d 275, 288 (6th Cir. 1997); *Chevron Chem. Co. v. Voluntary Purchasing Groups, Inc.,* 659 F.2d 695, 703 (5th Cir. Unit A, 1981).

33. As discussed above, Plaintiff's use of the mark "Starbock" or "Star Bock" creates a likelihood of confusion, but his use of the "Star Bock Beer" logo (as presented in Plaintiff's Ex. 1.) on beer and a small amount of promotional items in his bar in Galveston, Texas does not create such confusion. Therefore, his use of "Starbock" or "Star Bock" constitutes unfair competition under the Lanham Act, but his use of the "Star Bock Beer" logo does not.

34. Plaintiff also asks for a judgment that he has not violated the common-law prohibition on unfair competition. Again, Defendants counterclaim that Plaintiff has engaged in common-law unfair competition. "Unfair competition...is a tort and is governed by the law of the state wherein the cause of action arises." *Jud Plumbing Shop On Wheels, Inc. v. Jud Plumbing & Heating Co.*, 695 S.W.2d 75, 78 (Tex. App.-San Antonio 1985, reh'g denied).

35. In Texas, unfair competition arises when "deception would naturally and probably result" from the use of the similar mark, or when "the public [is] likely to be deceived or confused." *Id.* Neither fraudulent intent nor actual deception must be shown. *See id.* The mark must have acquired a secondary meaning in order to receive protection. *See Hudgens v. Goen*, 673 S.W.2d 420, 423 (Tex. App.-Ft. Worth 1984, writ ref'd n.r.e.).

36. Defendants' mark has acquired sufficient secondary meaning to receive protection. The word "Starbucks" is a meaningless term that, through extensive advertising and successful sales, has come to be strongly associated with Defendants' products. Defendants therefore meet the first prong of the test.

37. As to the likelihood of confusion, the same standards apply as with the trademark infringement claims. "A trademark infringement and unfair competition action under Texas common law presents essentially 'no difference in issues than those under federal trademark infringement actions.'" *Horseshoe Bay Resort Sales Co. v. Lake Lyndon B. Johnson Improvement Corp.*, 53 S.W.3d



799, 806 n.3 (Tex. App.-Austin 2001, writ denied) (quoting *Zapata Corp. v. Zapata Trading Int'l, Inc.*, 841 S.W.2d 45, 47 (Tex. App.-Houston [14th Dist] 1992, no writ)).

38. Therefore, as explained above, Plaintiff's use of "Star Bock" and "Starbock" constitute unfair competition because it is likely that consumers will confuse those words with "Starbucks." However, Plaintiff's use of his "Star Bock Beer" logo (as presented in Plaintiff's Ex. 1.) under the localized and limited conditions described above is not likely to cause consumer confusion and does not constitute unfair competition under Texas law.

39. Next, Plaintiff asks for a judgment that he is not diluting Defendants' mark under the federal trademark dilution statute. Defendants counterclaim that Plaintiff's mark does dilute their mark. "The owner of a famous mark shall be entitled...to an injunction against another person's commercial use in commerce of a mark or trade name, if such use...causes dilution of the distinctive quality of the mark ...." 15 U.S.C. § 1125(c). As the record shows, Defendants' mark is undoubtably famous and therefore qualifies for protection against dilution.

40. Dilution is:

> the lessening of the capacity of a famous mark to identify and distinguish goods and services, regardless of the presence or absence of (1) competition between the owner of the famous mark and other

> parties, or (2) the likelihood of confusion, mistake, or deception.

15 U.S.C. § 1127.

41. According to the Supreme Court, this statute "unambiguously requires a showing of actual dilution." *Moseley v. V Secret Catalogue, Inc.*, 537 U.S. 418, 433, 123 S. Ct. 1115, 1124, 155 L. Ed. 2d 1 (2003). The Supreme Court held that "at least where the marks at issue are not identical, the mere fact that consumers mentally associate the junior user's mark with a famous mark is not sufficient to establish actual dilution." *Id.*

42. Defendants have produced evidence that a significant percentage of consumers surveyed believed that a beer called "Starbock" or "Star Bock" was put out by, affiliated or connected with, or approved or sponsored by Defendants. This evidence goes beyond a mere mental association. It shows that Plaintiff's mark lessens Defendants' ability "to identify and distinguish goods and services." *Id.* at 434, 123 S. Ct. at 1125.

43. Therefore, Plaintiff's use of "Star Bock" and "Starbock" does dilute Defendants' mark under federal law. However, Defendants have not produced any evidence that Plaintiff's use of his "Star Bock Beer" logo, as presented in Plaintiff's Ex. 1, actually dilutes their mark. Because the Supreme Court specifically requires this evidence to sustain a finding of dilution, the Court finds that Plaintiff's use of his Exhibit 1 logo does not dilute Defendants' mark.



44. Finally, Plaintiff asks for a declaratory judgment that he has not violated the Texas Anti-Dilution Statute. Defendants counterclaim that he has either violated the statute or the common law prohibition on dilution. The statute states:

> A person may bring an action to enjoin an act likely to injure a business reputation or to dilute the distinctive quality of a mark registered under this chapter or Title 15, U.S.C. . . . regardless of whether there is competition between the parties or confusion as to the source of goods or services.

Tex. Bus. & Com. Code Ann. § 16.29 (Vernon 2002).

45. The Fifth Circuit has determined that a mark need not be "famous" to fall within this statute as long as it is "distinctive." *Advantage Rent-A-Car, Inc., v. Enterprise Rent-A-Car, Inc.*, 238 F.3d 378, 381 (5th Cir. 2001). This distinguishes the statute from the federal law. Defendants' registration of the mark is prima facie evidence of distinctiveness. *See Pebble Beach,* 942 F.Supp. at 1536-37.

46. In contrast to federal law, state law only requires that dilution be "likely," not actual. Tex. Bus. & Com. Code Ann. § 16.29 (Vernon 2002). This dilution can occur by blurring, which refers to a lessening of the mark's ability to distinguish between brands, or by tarnishing, which refers to a diminishing of the good reputation of the mark. *See, e.g., E. & J. Gallo Winery v. Spider Webs Ltd.*, 129 F. Supp. 2d 1033, 1038 (S.D. Tex. 2001).

47. The junior mark must be similar to the senior mark for dilution to occur. *See id.* at 1038 (quoting *Polaroid Corp. v. Polaraid, Inc.*, 319 F.2d 830, 836 (7th Cir. 1963)). Plaintiff's and Defendants' marks are sufficiently similar to meet the threshold requirement for a dilution claim.

48. Defendants' evidence on the likelihood of consumer confusion between Plaintiff's use of "Star Bock" and "Starbock" and their mark certainly meets the lower state-law test of "likely" dilution by blurring, but Defendants have not produced any evidence that Plaintiff's use of the "Star Bock Beer" logo, as presented in Plaintiff's Ex. 1, dilutes or is likely to dilute their mark.

49. While Defendants questioned Plaintiff on his lack of personal control of the quality of his product and their own corporate representative on the importance of the premium reputation of their products, Defendants did not produce any evidence that Plaintiff's product is actually inferior such that Plaintiff's use of a similar mark would tarnish the reputation of Defendants' mark.

50. Therefore, Plaintiff's use of "Star Bock" or "Starbock" violates Tex. Bus. & Com. Code Ann. § 16.29 (Vernon 2002) because this use dilutes Defendants' mark by blurring, but his use of the "Star Bock Beer" logo as set out in Exhibit 1 does not violate the statute.

51. The Court **GRANTS** Defendants' request for a permanent injunction against Plaintiff's use of the mark "Starbock" or "Star Bock," except for his use of



"Star Bock Beer" as used in his logo presented in Plaintiff's Exhibit 1 on beer sold in his Galveston bar (or any other local establishment Plaintiff may own or operate in the defined Galveston area) and on a reasonable amount of promotional items available exclusively at his bar. As Defendants have not asked for any money damages, none are granted.

52. The Court **DENIES** Plaintiff's request for the Court to cancel Defendants' trademarks. This request is wholly unfounded in tact and law.

53. 15 U.S.C. § 1117(a) states that when a violation of 15 U.S.C. § 1125(a) has been found, the plaintiff is entitled, "subject to the principles of equity," to recover the costs of the action. The Court finds that the Parties litigated this matter in good faith, and therefore it would not be equitable to award costs to Defendants. Moreover, the Court considers the enormous economic disparity between the parties. Defendants conduct a world-wide, sophisticated and highly profitable beverage industry. Plaintiff, however ambitious, is a tiny bar operator who operates only part-time and on a shoestring. The bar is not his primary occupation and is run for almost avocational purposes. Moreover, due to the untimely and tragic death of his beloved wife, which occurred shortly after the trial of this matter, the bar is now closed indefinitely. Additionally, as discussed above, the Court concludes that his limited use of his logo as set out in Exhibit 1 does not infringe, dilute, or otherwise harm Defendants' mark.

54. Further, and because the Court finds that Plaintiff's use of the words "Star Bock" and

"Starbock" alone violate numerous state and federal laws but that his primary logo, the "Star Bock Beer" logo with the "Born in Galveston" wording as shown in Plaintiff's Exhibit 1, does not violate any trademark or unfair competition laws, the Court declines to award attorneys' fees to either Party under the "exceptional case" standard set out in the statute. *See* 15 U.S.C. § 1117(a). Each Party is to bear its own taxable costs, expenses and attorney's fees incurred herein to date.

55. To the extent any Finding of Fact constitutes a Conclusion of Law, it is adopted as such. To the extent any Conclusion of Law constitutes a Finding of Fact, it is adopted as such.

Contemporaneous with the entry of its Findings of Fact and Conclusions of Law, the Court will enter its Final Judgment as to all controversies existing herein.

**IT IS SO ORDERED.**

**DONE** this the 19th day of August, 2005, in Galveston, Texas.

/s/ Samuel B. Kent
Samuel B. Kent
United States District Judge