Case Study of a Coffee War: Using the *Starbucks v. Charbucks* Dispute to Teach Trademark Dilution, Business Ethics, and the Strategic Value of Legal Acumen

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I. Case

Two years after opening their family-owned coffee bean roastery, Jim and Annie Clark had become accustomed to long work weeks and bootstrap financing. By 1997, their Black Bear Micro Roastery (“Black Bear”) was finally growing, and the Clarks were hopeful that their new specialty blend, Charbucks, would give their uniquely dark roasted coffee bean a catchy name to remember. Soon after launching their new blend, Annie Clark received a phone call from an insistent in-house lawyer at coffee giant Starbucks that threatened the very existence of their company. Starbucks claimed that the Charbucks Blend name and label infringed on their trademark and demanded that Black Bear cease the use of the name Charbucks and remove any existing products with the Charbucks Blend label from retail shelves. Yet the Clarks insisted that they had been careful to design the label with Black Bear Micro Roastery logos so that the name and label were tied to their dark roasting process and not to anything related to the name Starbucks. Despite their belief that no infringement had taken place, the Clarks entered into settlement negotiations to avoid the legal costs associated with defending a trademark lawsuit. After settlement negotiations failed, Starbucks sued Black

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Bear Micro Roastery, and the stage was set for a coffee war that pitted a multinational powerhouse against a Main Street merchant.

The Black Bear Micro Roastery

Jim and Annie Clark were native New Englanders who shared a passion for coffee and an entrepreneurial spirit. After three years of research, they launched Black Bear Micro Roastery in 1995 with a mission of creating a unique methodology for roasting gourmet coffee beans through use of advanced technology and “traditional Yankee work ethic.” The company was situated in the lakes region of New Hampshire and targeted connoisseur coffee drinkers, primarily in the New England area, who appreciated the micro-roastery approach of producing small, high quality batches of coffee beans. The beans were sold via Black Bear’s Web site and through New England specialty retail stores and supermarkets. Eventually, Black Bear also sold its products through its own retail outlet and cafe in Portsmouth, New Hampshire.

True to their belief in the micro-roastery concept and their entrepreneurial courage, the Clarks invested their life savings. The couple sold many of their assets and refinanced the mortgage on their home to raise start-up capital. They enlisted their teenaged daughters as their labor force and committed to seven day work weeks. Their coffee bean roastery business was the centerpiece of the family’s livelihood.

As with many new ventures, business for Black Bear was slow and rocky at first. The price of green coffee beans had fluctuated unexpectedly, and the 1997 Teamsters union strike at United Parcel Service had eaten into profit margins. Undeterred, Jim and Annie Clark kept the company going until it began to grow ever so slowly. In order to develop a niche in the gourmet coffee market, Black Bear began to develop unique blends with catchy, memorable names. This included blends such as “Country French,” “Kenya Safari,” and “Mocha Java.”

Charbucks

By April 1997, Black Bear had developed a loyal customer base from which the company often solicited feedback and suggestions for new products. One common theme from customers was a desire for a blend with a darker roasted bean that yielded a richer taste. Responding to that customer demand, Black Bear developed a darker roasted blend and named it “Charbucks Blend,” the “Char” being a reference to the new, darker roasted coffee bean blend.
Charbucks Blend was sold in packaging that showed a picture of a black bear above the large font print “Black Bear Micro Roastery.” The label also informed consumers that the coffee was roasted and “Air Quenched” in New Hampshire and contained catch phrases such as “You wanted it dark...You’ve got it dark!” and “Roasted to the extreme...For those that like the extreme.” There was no similarity between the Starbucks famous logo—a circular shape with the graphic of a mermaid-like siren encircled by the phrase “Starbucks Coffee”—and the Charbucks label, except for the syllable “bucks.”

A Call from Goliath

It did not take long for Starbucks to get word of the Charbucks Blend. Just four months after making their first sale of the new blend, the Clarks received a call from Starbucks’ in-house counsel. In what Annie Clark, who received the initial call, described as an unmistakably threatening tone, Starbucks’ counsel insisted that the Charbucks Blend infringed upon Starbucks’ trademark rights and demanded that Black Bear cease the use of the name and take steps to completely remove Charbucks Blend from the marketplace. Starbucks followed up with a formal demand to cease and desist, and alleged that Black Bear’s use of Charbucks was disparaging, diluted Starbucks’ mark, and violated federal trademark law.

The Clarks held a family meeting to discuss the matter. While they believed that they had done nothing wrong, they decided that a trademark battle with Starbucks could bankrupt their family business even if they eventually prevailed in court. The risk was too high, so they decided to pursue negotiations for settlement. They hired an attorney, who sent Starbucks a letter on behalf of Black Bear denying any liability for trademark infringement but also offering to engage in settlement negotiations given the limited time and financial resources that the Clarks had at their disposal. Starbucks hired outside counsel to negotiate a settlement agreement. In the event that settlement negotiations failed, Starbucks made it clear to Black Bear that it intended to file suit for trademark infringement. The negotiations dragged on for three years, and Black Bear’s legal bills were soaring. Starbucks offered to compensate Black Bear for some of its legal expenses and costs of compliance (e.g., changing advertising, removal of the products), but the parties could not agree on the amount nor on a mutually acceptable public statement. On July 2, 2001, nearly four years after the first phone call about the dispute, Starbucks filed suit against Black Bear in the U.S. District Court.
for the Southern District of New York alleging trademark dilution, trademark infringement, and violation of Section 43(a) of the Lanham Act (the federal trademark law). Starbucks demanded both damages and injunctive relief.

**Starbucks’ Strategy**

The Clarks breathed a sigh of relief after learning that Zurich, the insurance carrier that issued Black Bear’s general commercial liability insurance policy, determined that Black Bear was covered under its policy for the Starbucks lawsuit. Zurich would provide legal defense costs in the Starbucks litigation, and the Clarks would have an opportunity to have their day in court without the fear that Starbucks would use the litigation process to drive Black Bear out of business. Both sides were ordered to mediation, but little progress was made, and the case appeared to be headed for the courtroom.

However, soon after the mediation attempts failed, Starbucks employed a more aggressive litigation strategy. Its outside counsel notified Black Bear’s counsel that, unless the case was resolved, Starbucks would move to amend its lawsuit to drop a claim for certain damages listed in the original complaint. The impact of this amendment would be that Zurich could withdraw coverage for Black Bear’s defense on the basis that the remaining claims in the lawsuit were exempt from Black Bear’s policy. Still, the Clarks would not settle the claim. Three months later, Starbucks followed through on its promise to amend the complaint, and Zurich soon notified the Clarks of its decision to terminate coverage for defense of the Starbucks case once the amendment was approved by the court. Ultimately, however, the court denied Starbucks’ attempt to amend the complaint, finding that the amendment was designed primarily for affecting settlement negotiation leverage. Zurich was therefore compelled to continue covering the costs of Black Bear’s defense.

In March 2005, a two-day trial was held in the matter of Starbucks Corp. v. Wolfe’s Borough Coffee, Inc., dba Black Bear Micro Roastery in the U.S. District Court for the Southern District of New York. Starbucks relied primarily on the testimony of its expert, Warren Mitofsky, a scientist who had conducted a consumer survey and concluded that the number one association of the nature of the name ‘Charbucks’ in the mind of the consumers is with the brand ‘Starbucks.’ However, Mitofsky also conceded that his survey had been conducted entirely by telephone and that any measurement of reaction to the familiarity with other visual cues, such as the Charbucks Blend label, could not be accomplished through a telephone survey. The trial court ruled in favor of Black Bear and dismissed all counts of Starbucks’ complaint. The court
held that Starbucks did not meet its burden of proving that *actual dilution* had taken place and that Starbucks could not prevail on the trademark infringement claim because there was no likelihood that consumers would confuse the Charbucks mark with the Starbucks mark.

For the time being, David had battled back Goliath—but the giant continued the fight in the appellate courts.

**The Trademark Dilution Revision Act (TDRA)**

In January 2006, Starbucks filed an appeal of the trial court’s decision. While the appeal was pending, Congress amended the trademark laws by passing the Trademark Dilution Revision Act of 2006 (TDRA). The TDRA was passed primarily in response to the U.S. Supreme Court’s decision in *Moseley v. V Secret Catalogue, Inc.*, in which the Court established that, as a prerequisite to proving their claim, trademark holders must provide evidence that *actual dilution* of their mark had occurred. Starbucks argued that under the TDRA, the new test for dilution was now substantially easier to meet because the statute rejected the *Moseley* court’s actual dilution standard in favor of a more relaxed *likelihood of dilution* standard. Starbucks contended that the TDRA definitions of dilution by blurring and/or tarnishment were directly related to their claims against Black Bear and that the case should now be evaluated in light of changes made by the TDRA.

The appellate court ordered a rehearing by the trial court in light of the TDRA. The trial court again entered a judgment in favor of Black Bear for substantially the same reasons detailed in the first opinion. Not surprisingly, Starbucks appealed.

In a December 2009 opinion, the U.S. Court of Appeals for the Second Circuit handed down its decision and affirmed much of the trial court’s ruling. Specifically,

- Although the appellate court agreed with the trial court’s conclusion that the Charbucks package design was significantly different in imagery, color, and format from Starbucks’ logo and signage, it also held that the trial court had used the incorrect analytical framework for evaluating

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dilution by blurring as set out in the TDRA. Therefore, the appellate court remanded this single issue back to the trial court.\(^3\)  
- The appellate court affirmed the trial court’s ruling that Starbucks did not provide sufficient evidence that dilution had occurred through tarnishment because Black Bear’s intent was clearly to promote a positive image for its brand of coffee rather than referring to it as a way to harm the reputation of Starbucks coffee.\(^4\)  
- The appellate court also affirmed the trial court’s ruling that no infringement had occurred under the federal trademark statute and agreed with Black Bear’s argument that the coexistence of the Starbucks mark and the Charbucks Blend for eleven years with no report of a single customer becoming confused is a powerful indication that there is no confusion or likelihood of confusion.\(^5\)

**Discussion Questions**

**Trademark Law**

1. The TDRA defines blurring as an “association arising from the similarity between a mark and a famous mark that impairs the distinctiveness of the famous mark.” How should the trial court rule on the issue of dilution by blurring given the new language in the TDRA?  
2. Should the court have given more weight to the testimony of Starbucks’ expert? Although the survey was conducted by telephone, could consumer confusion in the similar sounds (Charbucks versus Starbucks) be sufficient to show dilution? What other type of evidence could Starbucks use to prove consumer confusion or dilution?  
3. What legal issues must a famous mark holder consider in preserving its trademark?  

**Ethical Decision Making**

1. Consider Starbucks’ litigation strategy. When the company used legal maneuvering in an attempt to get Zurich to withdraw, was that ethical?

\(^3\) *Id.* at 110.  
\(^4\) *Id.* at 111.  
\(^5\) *Id.* at 117.
Was it a legitimate hard-nosed business practice, or did Starbucks wrongly use its resources in an attempt to force Black Bear into settlement?

2. Starbucks invests substantial resources into being a responsible company. On its Web site, the company announces that “We’ve always believed that businesses can-and should-have a positive impact on the communities they serve.” How does that statement square with its strategy in the Charbucks litigation? Is there any ethical conflict between a company’s stated objectives to be a good corporate neighbor and its obligation to its stakeholders to protect its intellectual property?

3. Even if Black Bear was legally entitled to use “Charbucks,” is it ethical for a coffee bean roastery to use a name that sounds so close to such a famous coffee trademark?

Strategic Value of Legal Acumen

1. What lessons can managers learn from this case in terms of avoiding trademark liability and about decision making when enforcing a trademark?

2. Think of several names and marks that Black Bear could have used for its dark roasted coffee beans instead of Charbucks. Conduct a preliminary search on the U.S. Patent and Trademark Office’s (USPTO’s) Web site (http://www.uspto.gov) and on a commercial domain name Web site such as http://www.register.com to see if these names and marks are available. Use your knowledge of dilution law to be sure that your trademark is viable and protectable.

3. Consider the Charbucks dispute from a cost-benefit perspective. What was the return on Starbucks’ investment to pursue Black Bear for trademark infringement? Even if Black Bear’s defense was covered by insurance, did the investment of time by the Clarks yield a sufficient return? At what point, if any, does the cost-benefit analysis suggest that a settlement agreement would have yielded the most return for each party?

II. Teaching Note

A Harvard Business School–style teaching case can be a powerful pedagogical tool to teach law and ethics to business students because instructors can

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6The term “Harvard Business School–style teaching case” generally refers to case studies and exercises related to a certain aspect of particular business’s dilemma, conflict, or transaction. When students are presented a case, they place themselves in the role of a decision maker who
combine a traditional business case study with Socratic-style dialogue\(^7\) and legal analysis from a managerial perspective. This teaching note includes suggestions for several methods of using the case, all with the objective of engaging students while recognizing classroom realities. “Pedagogical experts contend that students learn best when they are actively involved” in the course work and material.\(^8\) The best case studies provide students with current and interesting contexts to which students will readily relate and helps the student bridge the gap between theory and practice.\(^9\)

The Charbucks case is an ideal context for college-aged students because they are typically interested in both the subject matter and the parties in the dispute. It is a classic David versus Goliath pitting of famous multinational company Starbucks against a family-owned, Main Street small business over a coffee trademark. With the increased popularity of coffee among college-aged students, the Starbucks trademark is a familiar sight on or near many college campuses.\(^10\)

Part A of this teaching note sets out learning objectives. Part B suggests alternative formats for using the case in various classroom situations


(including assignments sheets and rubrics in the appendix). Part C provides a synopsis of case facts. Part D is a primer on trademark law, ethical decision making, and strategic use of legal acumen. Part E provides instructors with guidance and sample answers to the case discussion questions. Part F is a list of recommended Web sites.

A. Learning Objectives

Students who have fully mastered the materials in this case will be able to

1. Explain the fundamentals of trademark law protections and infringement.
2. Articulate the difference between blurring and tarnishment as forms of trademark dilution.
3. Demonstrate analytical skills by comparing and contrasting various dilution standards.
4. Identify and resolve ethical dilemmas in business disputes.
5. Draw conclusions from the legal and ethical aspects of the case and demonstrate how they add value by informing managerial decision making and limiting risk.

B. Alternative Formats for Using the Case Study

While cases are a powerful teaching method, sometimes classroom realities (such as high enrollment or short class periods) can impede even the most conscientious instructor. This case is designed to be scalable and flexible for a variety of uses at both the undergraduate and graduate level in various classroom circumstances. Although this topic is traditionally covered in Business Law and/or Legal Environment of Business courses, this case is robust enough to be used as a stand-alone module in Marketing Law, Principles of Management, Corporate Strategy, or Entrepreneurship. In the absence of

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11 Most or all Legal Environment of Business and Business Law textbooks contain coverage of trademarks and trademark dilution. The author surveyed ten legal environment and/or business law textbooks from three major publishers, and each provided coverage of trademark law and dilution sufficient for students to understand the issues presented in this case study. See, e.g., Nancy K. Kubasek et al., Dynamic Business Law, 283–89 (2d ed. 2012); Jeffrey F. Beatty & Susan S. Samuelson, Legal Environment 617–22 (4th ed. 2011).
sufficient coverage in the course textbook for trademark law background, students may be directed to materials on Bitlaw\textsuperscript{12} and USPTO\textsuperscript{13} Web sites.

In-Class Discussion

Perhaps the easiest method for using the case study is through a classroom discussion. In this format, students are assigned relevant background reading, either in their textbook or from an assigned Web site, then after some brief time in class on the basics of trademark law, students are assigned to read the case and prepare answers to the questions prior to the class meeting where the case is to be discussed. Some instructors find the use of classroom response systems, such as i>clickers,\textsuperscript{14} helpful to assess student understanding\textsuperscript{15} of trademark law before moving onto the case study.

Writing Assignment

The case is also an appropriate platform for a writing exercise. Once again, students are assigned relevant background reading, and after some brief time in class on the basics of trademark law, students are assigned to read the case and discussion questions. Students are then assigned to spot as many legal and ethical issues as possible, and then write a five- to seven-page memorandum that advocates a particular side of the dispute. Typically the sides are assigned randomly, but it is always interesting to give students a choice on which side

\begin{footnotesize}
\begin{enumerate}
\item An overview of trademark law with coverage of dilution issues may be found at http://www.bitlaw.com/trademark/.
\item The USPTO provides an excellent guide to the essentials of trademark law at http://www.uspto.gov/trademarks/basics/index.jsp.
\item i>clicker is a brand of classroom response system in use by over two million students in North America. The device enables instructors to gauge the level of understanding of an entire class through the use of remote control devices used by students. In its simplest form, students select answers to a question from a multiple choice list for a question that has been flashed on a classroom screen. About i>clicker, http://www.iclicker.com/about/overview/ (last visited Oct. 12, 2011). For an explanation of the various alternatives and learning benefits of classroom response systems, see generally Ian D. Beatty & William J. Gerace, Technology-enhanced Formative Assessment: A Research-based Pedagogy for Teaching Science with Classroom Response Technology, 18 J. Sci. Educ. & Tech. 146 (2009).
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to advocate. A sample assignment sheet and grading rubric for this exercise are in Appendix A.

Arbitration Simulation

Depending on time constraints, instructors may alternatively wish to use the case as the centerpiece of a mock arbitration. In this format, students are assigned relevant background reading, then after some brief time in class on the basics of trademark law, students are assigned to read the case and prepare answers to the questions. The parties then prepare to participate in a private arbitration with the issue narrowed down to whether Black Bear’s use of the Charbucks label constitutes dilution by blurring in light of the TDRA. If students have not yet studied alternative dispute resolution, they should be directed to their textbook or may access a primer on the American Arbitration Association’s Web site. The instructor or a teaching assistant acts as the arbitrator, asking the parties questions about their theories of the case and assessing (1) their knowledge of the application of statutory and case law, (2) their ability to cite specific points of law and case facts, (3) their explanation of how the cases support their arguments or are distinguishable, (4) their ability to articulate an argument and respond to questions about their arguments, (5) their overall engagement level in the exercise. A sample assignment sheet and grading rubric for this exercise are in Appendix B.

C. Case Synopsis

Two years after opening their family-owned coffee bean roastery, Jim and Annie Clark had become accustomed to long work weeks and bootstrap financing. By 1997, their Black Bear Micro Roastery was finally growing, and the Clarks were hopeful that their new specialty blend, Charbucks, would give their uniquely dark roasted coffee bean a catchy name to remember. Just four months after making their first sale of their new blend, the Clarks received a call from Starbucks’ in-house counsel that threatened the very existence of their company. Starbucks claimed that the Charbucks brand name and label diluted and infringed on its trademark and demanded that they cease the use of the name Charbucks and that any existing products with that name

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be removed from supermarket shelves. But the Clarks insisted that they had been careful to design the label with Black Bear Micro Roastery logos and that the name was tied to the dark roasting process and not to anything related to the name Starbucks. Despite their beliefs that no infringement had taken place, the Clarks entered into settlement negotiations to avoid the legal costs associated with defending a trademark lawsuit. After settlement negotiations failed, Starbucks sued Black Bear and the stage was set for a coffee war that pitted a multinational powerhouse against a Main Street merchant.

After Black Bear refused to comply with its demand to cease and desist, Starbucks filed suit for trademark infringement and trademark dilution. The trial court ruled in favor of Black Bear and dismissed Starbucks’ case concluding that there was no dilution or likelihood of confusion under federal trademark law. Starbucks appealed, and, while the appeal was pending, Congress passed the Trademark Dilution Revision Act of 2006 (TDRA) and gave Starbucks another bite at the apple. Starbucks argued that that new federal law made it easier for famous mark holders to prove infringement through dilution. After a rehearing by the trial court in light of the TDRA, Black Bear prevailed once again, and Starbucks appealed to the U.S. Court of Appeals for the Second Circuit. Ultimately the appellate court affirmed the lower court’s decision that (1) no dilution existed through tarnishment, and (2) no infringement existed because there was no evidence of actual or likelihood of confusion. However the Second Circuit vacated and remanded on the issue of dilution by blurring because they determined

18 For the sake of accuracy, it should be noted that Starbucks also filed claims of unfair competition under New York state law. However, the court dismissed those claims in the first trial and Starbucks did not contest the dismissal. The claim is omitted from this case study for the sake of clarity.
22 Id. at 111.
23 The district court heard the case on remand on November 17, 2011. As of December 1, 2011, the court has not yet issued its ruling. Telephone interview with Jim Clark (Nov. 28, 2011).
that the lower court had used the wrong analytical model as set out in the TDRA.\textsuperscript{24}

\textit{D. Fundamentals of Trademark Law, Ethical Decision Making, and Strategic Use of Legal Acumen}

1. Trademark Law

A trademark is a nonfunctional, distinctive word, name, shape, symbol, phrase, or some combination of words and symbols, that helps consumers to distinguish one product from another.\textsuperscript{25} The Lanham Act\textsuperscript{26} is the federal statute that protects an owner’s registered trademark from use without the mark holder’s permission. Some examples of famous marks are Nike’s “swoosh” symbol, McDonald’s famous golden arches, and Coca Cola’s script and color combination. Apple was successful in obtaining trademark protection for the three-dimensional shape of its iPod player.\textsuperscript{27} The key requirement to a protectable trademark is \textit{distinctiveness}.\textsuperscript{28} One court put it concisely:

\begin{quote}
Generally speaking, a [trademark is a] distinctive mark of authenticity, through which the products of particular manufacturers or . . . commodities of particular merchants may be distinguished from those of others.\textsuperscript{29}
\end{quote}

\textit{Infringement.} In order for a mark holder to prevail on a claim of trademark infringement under the Lanham Act, in addition to demonstrating that the plaintiff’s mark is protected, the holder also has the burden of proving that the infringement would likely cause confusion among reasonable consumers

\textsuperscript{24}Starbucks Corp. v. Wolfe’s Borough Coffee, Inc., 588 F.3d 97, 119 (2d Cir. 2009).
\textsuperscript{28}J. Thomas McCarthy, 4 McCarthy on Trademarks and Unfair Competition § 24:96 (4th ed. 2009).
(called the “likelihood of confusion” standard). In determining whether a likelihood of confusion exists, many courts apply a balancing test that has largely grown from a model set out by the U.S. Court of Appeals for the Second Circuit in the seminal case Polaroid Corp. v. Polarad Electronics Corp. The factors are (1) strength of the mark (how famous is it?), (2) similarity between marks, (3) proximity of the products and their competitiveness with each other, (4) evidence that the mark holder may be preparing to launch a product for sale in the market of the alleged infringer’s product (known in trademark law as “bridging the gap”), (5) evidence of actual consumer confusion, (6) evidence of bad faith by the infringer, (7) respective quality of the products, and (8) sophistication of consumers in the relevant market. The application of the Polaroid test is “not mechanical, but rather focuses on the ultimate question of whether, looking at the products in their totality, consumers are likely to be confused.”

Dilution. Dilution of a trademark is the legal centerpiece of this case study. Therefore, it is suggested that the instructor provide students with both the

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30 See Savin Corp. v. Savin Group, 391 F.3d 439, 456 (2d Cir. 2004) (“The crucial issue in an action for trademark infringement...is whether there is any likelihood that an appreciable number of ordinarily prudent purchasers are likely to be misled, or indeed simply confused, as to the source of the goods in question.”).

31 See, e.g., Fisons Horticulture, Inc. v. Vigoro Indus., Inc., 30 F. 3d 466, 473 (3d Cir. 1994) (setting out the Third Circuit’s likelihood of confusion factors, calling them “Lapp factors,” which are substantially identical to the Polaroid factors); Anheuser-Busch, Inc. v. L & L Wings, Inc., 962 F.2d 316, 320 (4th Cir. 1992) (calling them “Pizzeria Uno factors”); Sno-Wizard Mfg., Inc. v. Eisemann Prods. Co., 791 F.2d 423,428 (5th Cir. 1986); Homeowners Group, Inc. v. Home Mktg. Specialists, Inc., 931 F.2d 1100,1106 (6th Cir. 1991) (calling them “Frisch’s factors”). See also Kevin Blum et al., Consistency of Confusion? A Fifteen-Year Revisiting of Barton Beebe’s Empirical Analysis of Multifactor Tests for Trademark Infringement, 2010 STAN. TECH. L. REV. 3 (2010) (“This inquiry into likelihood of confusion is most often governed by multifactor tests, the most prominent of which is the test articulated in Polaroid Corp. v. Polarad Elecs. Corp. by the U.S. Court of Appeals for the Second Circuit.”).

32 See Barton Beebe, An Empirical Study of the Multifactor Tests for Trademark Infringement, 94 CAL. L. REV. 1581, 1594–96 (2006) (observing that the Second Circuit decides the greatest number of trademark infringement cases and thus its opinions are frequently cited by courts and scholars).

33 Polaroid Corp. v. Polarad Electronics Corp., 287 F.2d 492 (2d Cir. 1961).

34 Id. at 495.

35 Gruner + Jahr USA Publ’g v. Meredith Corp., 991 F.2d 1072, 1077 (2d Cir. 1993).
substance and a brief history of trademark dilution law so that they can fully comprehend the issues presented in the case.

In addition to an infringement claim under the Lanham Act, holders of famous marks may also enforce their rights via the Federal Trademark Dilution Act of 1995,\textsuperscript{36} as amended by the Trademark Dilution Revision Act of 2006 (TDRA).\textsuperscript{37} This law is a powerful tool for trademark holders because evidence of consumer confusion is not necessary in order for the mark holder to prevail in a dilution claim. Dilution occurs either through blurring or tarnishment.\textsuperscript{38} Blurring dilutes the distinctive quality of the mark through its identification with goods that are not alike. Dilution by blurring may be found regardless of the presence or absence of actual or likely confusion, of competition, or of actual injury.\textsuperscript{39} For example, consider the hypothetical products of Kodak brand pianos or Buick brand tennis shoes. Consumers would not necessarily be confused about the origin, but each dilutes the distinctive quality of a famous mark. Dilution by tarnishment occurs when an association arising from the similarity between a mark or trade name and a famous mark harms the reputation of the famous mark with something that a consumer might find objectionable or unflattering (such as Apple brand cigarettes).\textsuperscript{40}

The U.S. Supreme Court imposed a higher bar on mark holders that brought actions for dilution in the 2003 landmark case of \textit{Moseley v. V Secret Catalog, Inc.}\textsuperscript{41} In \textit{Moseley}, the Court held that the mark holders must prove “actual dilution” in order to establish a dilution claim.\textsuperscript{42} This was a difficult


\textsuperscript{38}\textit{McCarthy}, supra note 28, § 24:67 (“A weakening or reduction in the ability of a mark to clearly distinguish only one source [i.e., dilution] can occur in two different dimensions: ‘blurring’ and ‘tarnishment’”).


\textsuperscript{40}Id. § 1125(c)(2)(C).


\textsuperscript{42}Id. at 433.
hurdle for mark holders to clear.\textsuperscript{43} Largely in response to \textit{Moseley},\textsuperscript{44} Congress passed the TDRA, which provided the owner of a famous mark injunctive relief against the use of the mark that is “likely” to cause dilution of the famous mark.\textsuperscript{45} The likelihood of dilution standard is a more relaxed standard than the \textit{Moseley} Court’s actual dilution standard.\textsuperscript{46}

The TDRA specifies six nonexhaustive factors for courts to consider in determining whether there is dilution by blurring:

- The degree of similarity\textsuperscript{47} between the mark and the famous mark;\textsuperscript{48}
- The degree of inherent or acquired distinctiveness of the mark;\textsuperscript{49}
- The extent to which the owner of the famous mark is engaging in substantially exclusive use of the mark;\textsuperscript{50}
- The degree of recognition (fame) of the mark;\textsuperscript{51}
- Whether use of the mark by the alleged infringer was intended to create an association with the famous mark;\textsuperscript{52}
- Any actual association between the mark and the famous mark.\textsuperscript{53}

In addition to setting out statutory blurring standards, the TDRA also requires the mark holders claiming dilution to prove that their marks are

\textsuperscript{43}See Clarisa Long, \textit{Dilution}, 106 COLUM. L. REV. 1029, 1042 (2006) (analyzing data on the success of trademark claims before and after the \textit{Moseley} decision, Prof. Long concluded that “[t]he results show that the rate at which trademark holders have been able to get injunctive relief on their dilution claims in [federal] district court has been dropping over time from an initial success rate of 54% in 1996 to 12% for the first half of 2005.”).


\textsuperscript{46}Beebe, supra note 44.

\textsuperscript{47}Note that TDRA does not use the words “very” or “substantial” in connection with the similarity factor.


famous by offering evidence that they are “widely recognized by the general consuming public of the United States.”

Policing the Mark. One important aspect of trademark law is the obligation of mark holders to protect their rights by “policing” their mark. Famous mark holders will often employ watch services and other methods to identify potential infringers of their marks and will typically have a system set up of sending a cease and desist letter and, if necessary, litigation in support of their policing efforts. In order to be protected, a trademark must be in use and stay distinctly tied to a product in the consuming public’s mind. If a word becomes too generic to the point where it has lost its distinctiveness, the rights are lost through genericization (the most famous case being Bayer’s loss of the right to protect the mark “aspirin”).

2. Ethical Decision Making

The breadth and depth of coverage of ethical decision making and corporate social responsibility in business curricula varies widely from institution to institution and from classroom to classroom. Some instructors take the approach of comparing duty-based ethics and the categorical imperative.

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55 McCarthy, supra note 28, at § 28:12.
56 For example, according to its Web site, Volkswagen’s trademark policing program has been in place for “almost as long as Volkswagen has sold cars in the U.S.” and employs a system that begins with a cease and desist letter to the infringer and, if necessary, a lawsuit to “seek an injunction ... and monetary damages.” Volkswagen of America, *Trademark Enforcement Policy Statement*, http://vwtrademarks.com/vw.aspx?file=vwpolicy.htm (last visited Oct. 12, 2011). Similarly, guitar manufacturer Gibson Guitar Corp. underscored its hard line enforcement policy when it recently sued a producer of paper replica guitars for trademark infringement and emphasized in a press release that the company intended to “remain aggressive in protecting such trademarks, as it relates to guitar shapes and designs” adding that it is of the “highest priority to protect a consumer’s right to purchase an authentic Gibson guitar, regardless of form.” Alte Churerstr, *Gibson Guitars Is Granted Injunction for Trademark Infringing Paper Guitars*, iP FRONTLINE, Jan. 3, 2011, at 1, available at http://www.ip frontline.com/depts./article.aspx?id=24758&deptid=4 (last visited Oct. 12, 2011).
57 McCarthy, supra note 28, at § 28:13
to outcome-based ethics and utilitarianism.59 One textbook uses the models created by various business ethicists such as Laura Nash.60 The overwhelming majority of business law and legal environment textbooks give substantial coverage to business ethics and ethical decision making.61

One concise and memorable test that students might apply to the case study is the well-known three-step ethics check articulated by Peale and Blanchard in their famous book The Power of Ethical Management.62 First, is it legal? If the answer is no, then the manager is bound by the compliance principle because failing to comply may result in a penalty for the firm and/or the manager.63 Second, is it balanced? This part of the test requires that managers realize that “not all actions which are legal are ethical.”64 Instead, managers must use a broad perspective by examining the decisional impact not only on their company’s own shareholders and employees, but on other stakeholders such as the community, customers, and vendors.65 Third, how does it make me feel? In the final part of the test, a manager should examine her own conscience and judge her level of personal and professional comfort with the alternative decisions. The manager is compelled to determine to what extent the decision comports or conflicts with the personal values of the manager and the values articulated in the firm’s mission and ethical codes.66

Other instructors favor a comparative approach to business ethics wherein students compare application of two or more schools of ethical thought.68 A useful and accessible approach is to compare a principles-based

63 Id. at 8.
64 Id. at 12-13.
65 Id.
66 Id. at 22.
67 Id.
68 See, e.g., Tammy W. Cowart & Wade M. Chumney, I Phone, You Phone, We All Phone with iPhone: Trademark Law and Ethics from an International and Domestic Perspective, 28 J. Legal Stud. Educ.
approach with a consequences-based approach to resolving this dilemma. A principles-based approach centers on the notion of determining an ethical course of conduct through rules that are derived from either religious precepts or a categorical imperative whereby individuals make ethical decisions with any eye toward the potential consequences if everyone in society were to act in the same way. A consequences-based approach emphasizes that the ethical course of action is the one that promotes the greatest amount of happiness for the greatest number of people. This approach is based on the utilitarian stream of moral philosophy and method for evaluating ethical dilemmas. Simply put, the course of action that results in the most benefits for the most individuals is the most ethical. To take a simple example of the two approaches in a business context, suppose that a manager is charged with cutting personnel costs by 10 percent. A principled-based approach might lead a manager to decide that the categorical imperative is that each worker be able keep her or his job and therefore that the most ethical way to cut costs is by imposing a 10 percent pay cut to all employees. A manager using a consequences-based approach may decide that reducing the workforce by 10 percent is more ethical than the salary cuts because, while 10 percent of people would lose their jobs, the overwhelming majority of workers would not lose their job nor have their pay cut back.

3. Strategic Value of Legal Acumen

Recent trends in legal studies pedagogy and scholarship have embraced a more managerially focused approach to the subject matter. Scholars have postulated that legal knowledge should be bridged with managerial knowledge in order to add value to the firm as a source of sustainable competitive advantage. There is an identifiable shift toward teaching business students that law cannot be the sole consideration when a business manager or owner

331, 351–53 (2011) (providing a comparative ethical analysis of a trademark dispute between Apple and Cisco, using both a utilitarian and natural rights theory).


faces a legal challenge. Rather, business decisions must be made in “the shadow of the law.”

Legal challenges in the business require managers to understand the legal ramifications and to factor them into business decisions using the same cost-benefit analysis as they would use for any other managerial challenge such as allocation of personnel and operational issues. As Bagley observed, “General managers must decide how much to spend to obtain more information, whether market research or a legal opinion.” This case study presents an excellent mechanism for exploring issues related to using legal knowledge as a source of strategic value and allows for an evaluation of the decision making in a legal dispute from a managerial, cost-benefit, and return on investment perspective.

E. Guidance and Sample Answers for Discussion Questions

Trademark Law

1. The TDRA defines blurring as an “association arising from the similarity between a mark and a famous mark that impairs the distinctiveness of the famous mark.” How should the trial court rule on the issue of dilution by blurring given the new language in the TDRA?

Despite the trial court’s rulings against Starbucks on the company’s dilution claim, there are some factors that weigh in Starbucks’ favor under the TDRA’s statutory scheme. The appellate court in the Charbucks case pointed out that “it is significant that the federal dilution statute does not use the words ‘very’ or ‘substantial’ in connection with the similarity factor to be considered

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73See John W. Collins, Learning to Make Business Decisions in the Shadow of the Law, 17 J. Legal Stud. Educ. 117, 118 (1999) (“the law is only an influencing factor that needs to be considered when selecting among decision alternatives.”).

74A cost-benefit analysis is using the process of quantifying costs and benefits of a decision over a certain period, and those of its alternatives within the same period, in order to have a single scale of comparison. Webster’s New World Finance and Investment Dictionary 133 (2010).

75Bagley, supra note 71, at 381-82.
in examining a federal dilution claim.”\textsuperscript{76} This is a subtle distinction, and sometimes students have trouble grappling with it, but it could well be that this subtlety decides the issue. Thanks to the TDRA, on remand Starbucks need only prove that the infringing mark is similar to the famous mark instead of having to prove substantial similarity. Other blurring factors to consider include the following:

- \textit{The degree of inherent or acquired distinctiveness of the mark}; Starbucks’ marks are distinctive and have been registered and used in commerce continuously since 1985.\textsuperscript{77}
- \textit{The extent to which the owner of the famous mark is engaging in substantially exclusive use of the mark}; Starbucks has a regular practice of policing its marks to be sure that they are in substantially exclusive use.\textsuperscript{78}
- \textit{The degree of recognition (fame) of the mark}; Starbucks has one of the most well-known trademarks and trade names in the world.\textsuperscript{79} From fiscal years 2000 to 2003, Starbucks spent over $136 million on advertising, promotions, and marketing activities. Starbucks has over 8,700 retail locations in the United States, Canada, and thirty-four foreign countries.\textsuperscript{80}
- \textit{Whether use of the mark by the alleged infringer was intended to create an association with the famous mark}; although the Clarks deny that they intended to get a free ride from Starbucks’ name, a court may find that the similarity between “char” and “star” in combination with the word “bucks” on a coffee product is sufficient to trigger liability for Black Bear under the TDRA.
- \textit{Any actual association between the mark and the famous mark}; none.

\textsuperscript{76} Starbucks Corp. v. Wolfe’s Borough Coffee, Inc., 588 F.3d 97, 108 (2d Cir. 2009).
\textsuperscript{77} Id. at 103.
\textsuperscript{78} Id.
\textsuperscript{79} Id. at 102.
\textsuperscript{80} Id.
2. Should the court have given more weight to the testimony of Starbucks’ expert?

Although the survey was conducted by telephone, could consumer confusion in the similar sounds (Charbucks versus Starbucks) be sufficient to show dilution? What other type of evidence could Starbucks use to prove consumer confusion or dilution?

Under the pre-TDRA standard of “substantially similar” it is easier to conclude, as the district court did, that the marks were not substantially similar. However, given the TDRA’s relaxed standards for proving dilution, the expert testimony may become more important. Courts routinely allow consumer survey evidence in trademark cases to test for secondary meaning in the consuming public’s mind, to evaluate likelihood of consumer confusion, and to ascertain whether a mark is generic. This type of evidence includes several methods including telephone surveys such as the one conducted by Starbucks. However, courts have been reluctant to consider survey evidence when it comes to proving dilution, and there is no majority rule establishing a standard criterion for surveying dilution via consumer surveys. Courts are reluctant to rely on survey data “because it is almost impossible to prepare a properly dilution survey that effectively detects the requisite ‘whittling away’ found when dilution supposedly occurs.”

Employing telephone research methodology, Mitofsky’s study for Starbucks concluded that the name “Charbucks” creates many negative associations in the mind of the consumer. Starbucks’ claim under the TDRA may be satisfied with the help of Mitofsky’s testimony. This is also a prime opportunity for a teaching moment on the use of expert witnesses in general and the weight of expert testimony in a trademark dispute.

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82 Id. at 724.

83 Id. at 732.

84 Id. at 738.

85 Id. at 716.

86 Id. at 741 (citing Hershey Foods Corp. v. Mars, Inc., 998 F. Supp. 500, 518 (M.D. Pa. 1998)).

87 Id.
3. What legal issues must a famous mark holder consider in preserving its trademark?

In order to preserve its trademark protections, a famous mark holder (such as Starbucks) must implement a policing system to detect and investigate any alleged use or dilution of its marks such as employing watch services and other methods to identify potential infringers of their marks and have a system set up of sending a cease and desist letter and, if necessary, litigation in support of their policing efforts. In order to be protected, a trademark must be in use and stay distinctly tied to a product in the consuming public’s mind. If a word becomes too generic to the point where it has lost its distinctiveness, the rights are lost through genericization.

Ethical Decision Making

1. Consider Starbucks’ litigation strategy. When the company used legal maneuvering in an attempt to get Zurich to withdraw, was that ethical? Was it a legitimate hard-nosed business practice, or did Starbucks wrongly use its resources in an attempt to force Black Bear into settlement?

This is one of the classic ethical dilemmas in business ethics: if it is legal, is it also ethical? In short, no. This dilemma could be analyzed using the Peale-Blanchard test:

First: Is it legal? Perhaps. Starbucks was free to file a motion with the court to amend their complaint during the lawsuit. However, if Starbucks’ motion was filed to “harass, cause unnecessary delay, or needlessly increase the cost of litigation,” then under Rule 11 of the Federal Rules of Civil Procedure the court may, on its own initiative or based on a motion from Black Bear, impose sanctions on Starbucks, which “suffices to deter repetition of the conduct or comparable conduct by others similarly situated.” Although the rule may have a broad textual sweep, the U.S. Supreme Court has cautioned that Rule 11 should be “read in light of concerns that it will spawn satellite litigation and chill vigorous advocacy.” Indeed, Rule 11 seeks to strike a careful balance between reducing frivolous motions and preserving fair access by

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88 See generally supra note 56 (describing Volkswagen’s trademark enforcement procedure).
not deterring presentation of novel legal theories or zealous advocacy.\textsuperscript{92} Note that in the Starbucks litigation no Rule 11 motion for sanctions were filed, and the court did not impose any sanctions related to the filing of their motion to amend the complaint.

Second: Is it balanced? This is where the questions become thorny. From Starbucks’ perspective, it is simply following its existing trademark policing policy. But was it balanced to invest all of its resources into a litigation battle and then to use a legal mechanism to cut off Black Bear’s legal air supply (its insurance carrier’s coverage of legal defense costs)?

Third: How does it make me feel? It is always fascinating to hear or read a student’s subjective notions as to how a business transaction makes one “feel.” It can also be fodder for stimulating classroom debate about the notion of ethics generally and the roots of an individual’s ethical decision making model. This is also a convenient springboard for a discussion of whether business ethics can be taught in the business curriculum.

Students should be also encouraged to use ethical schools of thought to analyze this question. A Starbucks executive using a principles-based approach to decide whether or not to employ aggressive litigation tactics may conclude that ultimately the use of legal maneuvering in an attempt to have the insurance carrier withdraw coverage was unethical because if every litigant acted in the same manner, it would contribute to the erosion of the public’s confidence in the fairness of the civil justice system. Moreover, the primary public policy underlying insurance contracts is to exchange an uncertain loss (future liability) for a certain loss (paying premiums).\textsuperscript{93} Starbucks’ aggressive litigation strategy potentially interferes with the reliability created by insurance contracts. Therefore, the categorical imperative in this case could be to assure that the fundamental public policy benefits of insurance\textsuperscript{94} are not undermined by legal maneuvering. A Starbucks’ executive may also come to a similar conclusion using a consequences-based approach. Since this approach is based on what decision would please the most number of people, one could conclude that the overwhelming majority of the public would meet


\textsuperscript{93}Keene Corp. v. Ins. Co. of N. Am., 667 F.2d 1034, 1041 (D.C. Cir. 1981) (“At the heart of the [insurance] transaction is the insured’s liability in exchange for a fixed sum of money”).

\textsuperscript{94}Id.
the requisite happiness standard (in a utilitarian sense) if Starbucks did not use legal maneuvering to force a small business owner into settling a legal dispute through financial bullying.

2. Starbucks invests substantial resources into being a responsible company. On its Web site, the company announces that “We’ve always believed that businesses can and should have a positive impact on the communities they serve.”\(^{95}\) How does that statement square with the company’s strategy in the Charbucks dispute? Is there any ethical conflict between a company’s stated objectives to be a good corporate neighbor and its obligation to its stakeholders to protect its intellectual property?

This question is intended to examine the extent of incompatibility between the duties of corporate officers to carry out the best interests of their company and a corporation’s commitment the community at large. Can a corporation do both? Business ethicists such as Nash, Peale, and Blanchard believe so.\(^{96}\) Still, Starbucks may not have acted as the best “corporate neighbor” here. Is it possible that this matter was so small that it escaped any business ethics or corporate social responsibility analysis? This question drives home the point that a corporation must systematize its sense of values and the ethical decision-making models throughout its company including third party contractors (such as outside counsel).

3. Even if Black Bear was legally entitled to use “Charbucks,” is it ethical for a coffee bean roaster to use a name that sounds so close to a famous coffee trademark?

This question shines the spotlight of business ethics on the Clarks. Although they denied any intent to get a free ride from the Starbucks trademark, it stretches the bounds of credibility to conclude that the Clarks had no idea of the connection between Charbucks and Starbucks. From the small business owner’s perspective, should they not have found a name that, at the very least, was not close to a trademark of another coffee-related company? Using the Peale-Blanchard model, the first question (legality) may be settled, but the second and third questions are more problematic.

Instructors who wish to have students compare a principles-based to a consequences-based approach could have them examine the role of legal rights for trademark owners. In a principles-based approach, the manager


\(^{96}\) Jennings, supra note 60, at 45-48.
must define the categorical imperative. Thus, if the manager is deciding on whether to use a mark for her new product which is substantially similar to a protected trademark of another product, she would likely refrain from using the mark because if everyone were entitled to use that mark, consumers would be deprived of the ability to distinguish their favorite brand from that of a counterfeit brand of lower quality. One of the primary public policy justifications for trademark laws is the protection that they provide to the consuming public. Some scholars have posited that the consequences-based approach is the theory most applicable to a trademark dispute because the protection of a trademark promotes the greatest amount of good for society as opposed to bad consequences. Trademark protection was intended to protect the goodwill of the tradesperson and, in turn, protect the consumer from being deceived. Moreover, “where the owner of a trademark has spent energy, time, and money in presenting to the public the product, he is protected in his investment from misappropriation by pirates and cheats.”

From a utilitarian perspective, trademark protection promotes the greatest amount of good for society and therefore any decision to copy the mark or use the fame of the mark is unethical using a consequences-based approach.

Strategic Value of Legal Acumen

1. What lessons can managers learn from this case in terms of avoiding trademark liability and about decision making when enforcing a trademark?

One lesson is that although holders of famous trademarks are very aggressive about policing their marks, they may still have difficulty proving an infringement claim without the evidence of consumer confusion. Businesses should carefully limit the use of any label, advertising, or product names if they are in any way similar to a famous trademark. Business owners and managers can minimize liability by ensuring that a trademark is clearly tied to the business or service provided with an eye towards avoiding likelihood of confusion.

However, the greatest chance for potential liability of a business is through the dilution statute (TDRA). Since the TDRA made it easier for mark holders to prove dilution through blurring or tarnishment, any use of a trademark that is similar in appearance or sound to a famous mark should

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97 Beebe, supra note 32, at 1594.
98 Cowart, supra note 68, at 351-52.
100 Id. at 826.
be avoided entirely. From a trademark holder’s perspective, the Starbucks’ policy used to protect the distinctiveness of its mark, with a gradual enforcement mechanism that ultimately leads to litigation, provides an example of how companies use enforcement mechanisms to prevent dilution of their mark.\footnote{See, e.g., supra note 56 (describing a similar trademark enforcement procedure used by Volkswagen).} At the same time, a mark holder’s policing system must be designed to be sure that enforcement measures are balanced with corporate values.

2. Think of several names and marks that Black Bear could have used for its dark roasted coffee beans instead of Charbucks. Conduct a preliminary search on the USPTO’s Web site (http://www.uspto.gov) and on a commercial domain name Web site such as http://www.register.com to see if these names and marks are available. Use your knowledge of dilution law to be sure that your trademark is viable and protectable.

Students benefit from a brief demonstration using the USPTO Web site to use the Trademark Electronic Search system (TESS).\footnote{On the Web site http://www.uspto.gov, from the main “Trademarks” menu, choose the “Search Marks” tab. Choose “Basic Word Search” and enter “Starbucks.”} Note the many marks that are registered for Starbucks and its products (and the “Starbucks barista”) and services (Starbucks Entertainment), but that some “dead” marks are also listed. A particularly fascinating one is “NO! Starbucks Coffee” which was used by groups opposing the building of a Starbucks in a particular neighborhood. Students may also be assigned to list names and trademarks of local businesses that they think may have a protected trademark and to run a TESS search.

This exercise gives students a chance to engage in thinking about business strategy alternatives in the context of trademark law. Examples of nonprotected marks that Black Bear could have used include Char Roast, Charred Roast, Midnight Roast, Midnight Blend, Early Morning Dark Blend, and Charred Roasted Blend.

3. Consider the Charbucks dispute from a cost-benefit perspective. What was the return on Starbucks’ investment to pursue Black Bear for trademark infringement? Even if Black Bear’s defense was covered by insurance, did the investment of time by the Clarks yield a sufficient return? At what point, if any, does the cost-benefit analysis suggest that a settlement agreement would have yielded the most return for each party?

This question provides students with the opportunity to balance competing business interests: costs of litigation versus benefits of policing the trademark.

\footnote{See, e.g., supra note 56 (describing a similar trademark enforcement procedure used by Volkswagen).}
Starbucks spent an extraordinary amount of money to litigate against Black Bear. In addition to paying legal fees to law firms in Los Angeles and New York to prosecute the trademark claim against Black Bear, the company also paid $30,000 for their expert’s survey plus $400 per hour for expert testimony. Although it lost the case, would it have been worth it even if they had won? Were the benefits worth the costs? If the damages caused by any of Black Bear’s actions are basically inconsequential to a company like Starbucks, why did they invest so heavily in pursuing this case?

Other than court-ordered mediation, the parties never attempted to use lower cost options to resolve the dispute (alternative dispute resolution). Although Black Bear’s defense was covered under their insurance policy, they were still out of pocket for legal costs from before the lawsuit was filed. More importantly to small business owners, the Clarks expended extraordinary amounts of time in the matter. A cost-benefit analysis would suggest that both parties used nonbusiness factors that prevented settlement. Black Bear’s sense of justice and irritation were clearly driving their decisions. Starbucks may have followed their policing policy without fully considering alternatives or consequences.

F. Recommended Web Sites

http://www.starbucks.com
Starbucks Corporate Web site, which includes their logo and factual information about the company’s origins.

http://www.starbucks.com/responsibility
Starbucks Web page on their commitment to the community and environment.

http://www.blackbearcoffee.com
Black Bear’s Web site with logo. The site includes a special link created by the Clarks to chronicle their feud with Starbucks including commentary and background information. As of October 12, 2011, one could still order a bag of Charbucks Blend from its Web site menu. It also includes links to many of the documents related to the case including the original complaint filed against Black Bear by Starbucks at http://www.blackbearcoffee.com/Starbucks/Complaint/Entier%20Complaint.htm

103 The survey (including a statement on experts’ compensation) may be found at http://www.blackbearcoffee.com/Starbucks/ExpertTestimony_and_Surveys/Mitofsky-4-8-02-Survey Results.htm.
Appendix A

Writing Exercise: Issue Spotting and Advocacy Memorandum

Introduction: This exercise requires students to (1) study trademark dilution law provided in your textbook and/or by the instructor, (2) analyze the case study facts, (3) spot as many trademark related issues as possible, and (4) write a 5-7-page memorandum that identifies the issues and advocates for a particular party in the dispute.

Assignment:

- Review the case study with an eye toward spotting issues related to trademark law and the business ethics aspects of the case.
- Your instructor will assign you to advocate for either Starbucks or Black Bear.
- Compose a five- to seven-page memorandum that focuses on the issue of Black Bear’s potential liability and defenses. Your memorandum should contain (1) a brief summary of relevant facts of the dispute, (2) an explanation of each legal issue in the analysis with an application of legal rules or doctrines governing the dispute, (3) potential remedies available, (4) a tenable solution to resolve the dispute in a nonjudicial forum. Your memorandum should articulate arguments that support your side of the case by citing to the case study directly using a simple parenthetical citation format. Example: (Case Study, p.2).
- Be sure to explain why you cited a particular point. Start with your strongest argument and give an analysis as to the likelihood of success for each theory.
- In determining a tenable solution, carefully consider the business objectives of each party.
Grading Criteria:

See Writing Assignment Evaluation Rubric (attached) for specific factors used in evaluating your assignment.

Due Date: [Instructor]

Policy on Late Work: [Instructor]

Writing Assignment Evaluation Rubric

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<td>5 Demonstrated understanding of the impact of the TDRA on the dispute.</td>
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<td>5 Used case law and statutes to support points.</td>
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Appendix B

Arbitration Simulation Assignment Sheet and Grading Rubric

Introduction:

This is an arbitration simulation exercise in which students take on the role of advocates in a mock arbitration. Each individual student will be assigned to [a team of two that will] assume the role of one of the parties in the case.

Additional Facts:

In addition to the case study facts, assume that Starbucks and Black Bear agreed that they would submit to private arbitration. Assume further that the parties have agreed to narrow the dispute to one issue: Does Black Bear’s use of the Charbucks label dilute Starbucks’ trademark under the TDRA standards? They
further agreed upon the arbitrator (your instructor) and to limit the total time of the arbitration hearing to twenty minutes.

**Assignment:**

Using your textbook as a reference (alternatively, students may find an excellent overview of the topic at http://www.bitlaw.com/trademark/ and at the U.S. Patent and Trademark Office at http://www.uspto.gov/trademarks/basics/index.jsp) to analyze this question, each party [team] should gain a full understanding of the case study facts and prepare for an arbitration hearing. Students are strongly encouraged to use note cards or other mediums to prepare their arguments and must be prepared to cite specific points of law and/or excerpts from the case study to support arguments or defenses. Each student must be sufficiently familiar with the facts and cases during the arbitration such that each student is able to answer any questions the arbitrator will have and to justify their positions on the basis of case law and/or statutes.

**Grading Criteria:**

See Arbitration Assignment Evaluation Rubric (attached) for specific factors used in evaluating your engagement in the arbitration.

**Due Date:** [Instructor]

**Policy on Late Work:** [Instructor]

*Arbitration Assignment Evaluation Rubric*

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