

No. 05-41480

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**UNITED STATES COURT OF APPEALS  
FOR THE FIFTH CIRCUIT**

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**REX WAYNE BELL**

Plaintiff - Counter Defendant - Appellant,

v.

**STARBUCKS U.S. BRANDS CORPORATION and STARBUCKS  
CORPORATION**

doing business as Starbucks Coffee Company,

Defendant - Counter Claimant - Appellee.

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Appeal from the United States District Court  
for the Southern District of Texas  
Galveston Division  
No. G-04-CV-169  
The Honorable Samuel B. Kent

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**BRIEF OF PLAINTIFF - COUNTER DEFENDANT-  
APPELLANT**

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## CERTIFICATE OF INTERESTED PERSONS

Pursuant to 5 Cir. R. 26.1 and 28.2.1, Rex Wayne Bell makes the following disclosure:

The undersigned counsel of record certifies that the following listed persons and entities as described in the fourth sentence of Rule 28.2.1 have an interest in the outcome of this case. These representations are made in order that the Judges of this Court may evaluate possible disqualification or recusal.

1. Appellant is Rex Wayne Bell;
2. Egbert Law Offices, Counsel for Rex Wayne Bell;
3. Appellee is Starbucks U.S. Brands Corporation and Starbucks Corporation doing business as Starbucks Coffee Company, a Delaware corporation (collectively, "Starbucks"). Starbucks is publicly traded.
4. Fulbright & Jaworski, L.L.P. (Los Angeles, California, and Houston, Texas), Counsel for Starbucks.

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(Signature of Counsel)

(Date)

## **STATEMENT CONCERNING ORAL ARGUMENT**

Pursuant to Rule 34(a) of the Federal Rules of Appellate Procedure, Plaintiff-Appellant Rex Wayne Bell (“Bell” or “Appellant”) hereby requests oral argument in this case. This is an appeal that involves highly contested and important issues of law, on which argument should be heard, concerning federal trademark infringement, federal trademark dilution, whether both causes of action may lie in the same act, the evidentiary standard to prove federal trademark dilution, and whether the same evidence may be provided to prove both causes of action. Indeed, this appeal presents an excellent opportunity for this Circuit to address the standard for proving actual dilution set forth by the United States Supreme Court in *Mosley v. V. Secret Catalogue, Inc.*, 537 U.S. 418 (2003). Counsel believes that oral argument will assist the court in considering the issues, understanding the evidence and determining the outcome of this case. For the foregoing reasons, Appellant respectfully asks this Court to hear oral argument in this appeal.

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## **JURISDICTIONAL STATEMENT**

This appeal is from the Final Judgment of the United States District Court for the Southern District of Texas, Galveston Division, dated August 19, 2005. (C.D. 42, Final Judgment).<sup>1</sup> The district court had jurisdiction pursuant to 15 U.S.C § 1121 and 28 U.S.C. §§ 1331 and 1338, because the action arose in part under 15 U.S.C. §§ 1114 and 1125. Rex Bell filed a timely Notice of Appeal on September 15, 2005. This Court has jurisdiction pursuant to 28 U.S.C. § 1291.

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<sup>1</sup>“P.R. \_\_\_” refers to plaintiff-appellant’s Record Excerpts. “C.D. \_\_\_” refers to the district court’s docket entries.

## **STATEMENT OF ISSUES PRESENTED FOR REVIEW**

1. Did the district court err in geographically and musically restricting the use of Rex Wayne Bell's "Star Bock Beer" logo despite findings of neither trademark infringement nor trademark dilution?
2. Can the same survey evidence prove both trademark infringement and trademark dilution?

## STATEMENT OF THE CASE

### **A. Procedural History.**

This matter emanates from an international coffee company's ubiquitous campaign of harassment and oppression of an innocuous trademark owner. Starbucks Coffee Company's campaign was initiated against Rex Wayne Bell, the owner of a small bar which poured draft beer from a single tap that displayed the logo "Star Bock Beer" in Galveston, Texas. Starbucks subsequently peppered Bell with cease-and-desist letters which instructed Bell to cease of all use of the "Star Bock Beer" logo and destroy all signage and materials bearing the logo, and abandon the trademark application.



As a result, on March 17, 2004, Bell filed a Complaint for Declaratory Judgment in the United States District Court for the Southern District of Texas, Galveston Division. (C.D. 1, Complaint). The Complaint alleged that Bell's use of the "Star Bock Beer" logo does not infringe Starbucks' marks under federal law, does

not dilute Starbucks' marks under federal law, does not unfairly compete with Starbucks' marks under federal law, does not unfairly compete with Starbucks' marks under common law, and does not dilute Starbucks' marks under Texas law. (C.D. 1, Complaint).

Starbucks filed its Answer to the Complaint for Declaratory Judgment and Counterclaims on April 12, 2004. (C.D. 8, Answer and Counterclaims). The counterclaims alleged that Bell was currently engaged in federal trademark infringement, federal trademark dilution, violations of Texas anti-dilution laws, Texas common law trademark infringement, and common law unfair competition. (C.D. 8, Answer and Counterclaims). Bell filed a Reply to Starbucks' counterclaims on April 21, 2004. (C.D. 11, Answer to Counterclaims).

After adequate time for discovery had taken place, on December 23, 2004, Starbucks filed a Motion for Partial Summary Judgment, or in the alternative, Motion for Summary Adjudication. (C.D. 21, Motion for Partial Summary Judgment). On January 1, 2005, Bell filed his Response to the Motion for Partial Summary Judgment, or in the alternative, Motion for Summary Adjudication. (C.D. 23, Response to Motion). The district court denied Starbucks Motion for Partial Summary Judgment and issued an Order denying the Motion on January 21, 2005. (C.D. 25, Order).

Thereafter, a bench trial was held on June 2, 2005. The trial was completed that same day. The district court issued its Findings of Fact and Conclusions of Law and Final Judgment on August 19, 2005. (C.D. 41, Findings of Fact and Conclusions of Law; C.D. 42, Final Judgment). This Appeal followed.

## **B. Statement of Facts.**

### **1. Background**

Rex Wayne Bell owns and operates a small bar called “The Old Acoustic Café” in Galveston, Texas, which sells a proprietary beer from one (1) draft-beer tap. The tap bears a logo that displays “Star Bock Beer.” (P.R. Trial Exhibit 1). Starbucks is the owner of an international chain of coffee retail stores and a manufacturer of various coffee related goods under the trademark “Starbucks” or “Starbucks Coffee.” The “Starbucks” mark is the subject of at least 60 trademark registrations issued by the United States Patent Office, and has been similarly registered in more than 130 foreign countries.

In early 2003, Bell created a beer which offers a unique blend of flavors. Bell’s beer was brewed by a contract brewer in Brenham, Texas. Bell has sold this beer under the “Star Bock Beer” logo since May-June 2003. Starbucks then mailed “cease and desist” letters to Bell alleging that Bells mark would: (1) cause confusion as to the origin of the parties’ respective goods; (2) misappropriate Starbucks’ goodwill; and (3) violate federal, state, and common law dilution laws.

Starbucks insisted that Bell immediately cease all use of the “Star Bock Beer” logo and destroy all signage and materials bearing “Star Bock Beer.” Bell subsequently filed an Complaint For Declaratory Judgment seeking a declaration of

non-infringement and costs of the suit. Starbucks filled multiple counterclaims alleging federal trademark infringement, federal, state, and common law dilution, and common law unfair competition.

**2. Findings Of Fact And Conclusions Of Law State That The Logo Does Not Infringe Nor Dilute Starbucks' Marks.**

Although the district court repeatedly states in its Findings of Fact and Conclusions of Law that Bell's "Star Bock Beer" Logo does not infringe nor dilute Starbucks' marks. The court nonetheless erroneously restricted the use of the Bell's Logo to "musical activities" in Galveston, Texas. Similarly, the court came to the legal conclusion and found that "Plaintiff's use of his Exhibit 1 logo does not dilute Defendant's mark." (C.D. 41¶ 43, Conclusions of Law).

Nonetheless, despite a finding of no dilution, the court restricted the use of Bell's logo to "musical activities" in Galveston, Texas.

**3. The District Court Used the Same Survey Evidence To Prove Both Trademark Infringement And Trademark Dilution.**

At trial, Starbucks presented a consumer survey expert, Professor Edward A. Blair, Ph.D. Dr. Blair presented the results of an Internet consumer survey that he conducted which purported to be an analysis of marketplace responses with respect to the marks "Starbock" and "Star Bock" relative to the "Starbucks" marks. Dr. Blair

did not include in his analysis the “Star Bock Beer” logo. Nevertheless, the court erroneously credited the identical survey evidence to prove both trademark infringement and trademark dilution.

## **STANDARD OF REVIEW**

The propriety of injunctive relief in a trademark case is reviewed on appeal under an abuse of discretion standard. *Westchester Media v. PRL USA Holdings, Inc.*, 214 F.3d 658, 671; *Pebble Beach Co. v. Tour 18 I Ltd.*, 155 F.3d 526 (5th Cir. 1998). A trial court abuses its discretion if it misinterprets the governing law. *Westchester*, 214 F.3d at 671; *Peaches Entertainment Corp. v. Entertainment Repertoire Assocs., Inc.*, 62 F.3d 690, 693 (5th Cir. 1995). With respect to accompanying findings of fact and conclusions of law made by the trial court, the factual findings are reviewed for clear error and the legal conclusions are reviewed de novo. See Fed. R. Civ. P. 52(a); *Luhr Bros., Inc. v. Shepp*, 157 F.3d 333, 337-38 (5th Cir. 1998); *Downey v. Denton County, Texas*, 119 F.3d 381, 385 n.5 (5th Cir. 1997).

## **SUMMARY OF THE ARGUMENT**

After a bench trial, the district court found that Bell's "Star Bock Beer" Logo did not infringe Starbucks' marks and did not dilute Starbucks' marks. Nonetheless, the court issued a Final Judgment completely inconsistent with and contrary to its findings of non-infringement and no dilution. The Final Judgment imposes "musical and geographical" restrictions on the use of Bell's logo. It is an abuse of discretion for a district court, after finding no infringement and no dilution, to issue a Final Judgment imposing musical and geographical restrictions. This is completely inconsistent with and contrary to the district court's own factual findings and legal conclusions.

Secondly, the district court erroneously based its findings of trademark infringement and trademark dilution on the identical consumer survey. A consumer survey panelist cannot be confused as to the source of a good or service as in trademark infringement, and also believe the senior mark is used by unrelated entity on different goods and services as in trademark dilution. Evidence in the form of survey responses that is sufficient to reach a conclusion as to infringement is exclusive of dilution and vice-versa. The legal concepts of trademark infringement and trademark dilution are mutually exclusive of each other. Therefore, the district

court erred by using the same survey evidence to prove both trademark infringement and trademark dilution of Starbucks' marks by the words "Star Bock."

## ARGUMENT

### **I. The Findings of Fact and Conclusions of Law Do Not Support a Final Judgment Imposing “Geographical and Musical” Restrictions.**

The district court repeatedly states in its Findings of Fact and Conclusions of Law that Bell’s “Star Bock Beer” Logo does not infringe nor dilute Starbucks’ marks. The court nonetheless erroneously restricted the use of the Bell’s Logo to “musical activities” in Galveston, Texas. The district court’s Findings of Fact and Conclusions of law are inconsistent with these “geographical and musical” restrictions. Since the district court found that Bell’s “Star Bock Beer” Logo did not infringe nor dilute any of Starbucks’ marks, it is legal error to “geographically and musically” restrict the use of Bell’s Logo.

#### **A. Starbucks Produced No Evidence of Infringement and the District Court Found No Likelihood of Confusion Between the Star Bock Beer Logo and Starbucks’ Marks.**

The district court issued its Findings of Fact after the non-jury adjudication. (See C.D. 41, Findings of Fact and Conclusions of Law). In the Findings of Fact, the district court states, “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.” (C.D. 41 ¶ 12, Findings of Fact and Conclusions of Law). The court continues, “...the logo used by Bell provides for a sufficiently distinctive difference between Starbucks and the Star Bock Beer name, to avoid any consumer

confusion.” (Id.). Moreover, the district court concluded that “Plaintiff’s use of his ‘Star Bock Beer’ logo, as presented in Exhibit 1, does not infringe Defendant’s mark.” (C.D. 41 ¶ 30, Conclusions of Law).

Likewise, the district court’s opinion states, “[H]owever, the Court finds that the Plaintiff’s use of his “Star Bock Beer” logo, as presented in Plaintiff’s Exhibit 1, *does not infringe Defendant’s mark*. Defendants did *not* present evidence of actual confusion or the *likelihood of confusion* between the logo and Defendant’s mark “Starbucks” or Defendants’ “siren” logo.” (C.D. 41 ¶ 30, Conclusions of Law, emphasis added). Therefore, the court acknowledges that Starbucks failed to present any evidence of the “likelihood of confusion” between Bell’s Logo and Starbucks marks. As detailed below, the only way a party can prove trademark infringement is by showing that a defendant’s use of the mark is likely to cause confusion among customers as to the source, affiliation, and sponsorship, namely by proving a “likelihood of confusion” exists. See 15 U.S.C.S. § 1125(a).

**B. Starbucks Produced No Evidence of Dilution and the District Court Found No Dilution of Starbucks’ Marks by the Star Bock Beer Logo.**

The district court came to the legal conclusion that Bell’s “Star Bock Beer” Logo does not dilute Starbucks’ marks. (C.D. 41 ¶ 43, Conclusions of Law).

Nonetheless, despite a legal conclusion of no dilution, the district court erroneously “geographically and musically restricted the use of Bell’s logo.

The district court states, “[H]owever, 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 Defendant’s mark.” (C.D. 41¶ 43, Conclusions of Law). The district court clearly states that no evidence was produced at trial or otherwise by Starbucks to sustain a finding of trademark dilution.

**C. Since the District Court Unequivocally Found No Trademark Infringement and No Trademark Dilution It is Erroneous to Impose any Geographical or Musical Restrictions on Bell’s Logo.**

Despite the court’s unequivocal finding that Starbucks presented no evidence of the likelihood of confusion between Bell’s Logo and Starbucks marks, the court issued a Final Judgment completely inconsistent with and contrary to its findings of non-infringement. The Final Judgment imposes “musical and geographical” restrictions on the use of Bell’s logo. Despite the court’s unequivocal finding that Starbucks did not present any evidence of actual dilution between Bell’s Logo and Starbucks' marks, the court issues a Final Judgment completely inconsistent with its finding of no dilution, which imposes “musical and geographical” restrictions on the

use of Bell's logo. Indeed, a district court may not restrict a party's use of its mark unless the court finds trademark infringement or trademark dilution. The court found neither here. It is an abuse of discretion for a district court to issue a Final Judgment that is completely inconsistent with and contrary to its own factual findings and legal conclusions.

## **II. Trademark Infringement and Trademark Dilution Cannot be Proven by The Same Survey Evidence.**

### **A. The Standard of Proof for Trademark Infringement.**

To prove trademark infringement, a plaintiff must show that defendant's use of the mark is likely to cause confusion among customers as to the source, affiliation, and sponsorship. 15 U.S.C.S. § 1125(a). A "likelihood of confusion" means confusion is not just possible, but probable. Likelihood of confusion is ordinarily a factual question. *Fuji Photo Film v. Shinohara Shoji Kabushiki Kaisha*, 754 F.2d 591, 595 n.4 (5th Cir. 1985). Courts in the Fifth Circuit typically consider the following "digits of confusion" in analyzing the likelihood of confusion:

- (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.

*Pebble Beach Co. V. Tour 18 I Ltd.*, 155 F.3d. 526, 543 (5th Cir. 1998). The factors are flexible and nonexhaustive. *Westchester Media v. PRL USA Holdings, Inc.*, 214 F.3d 658, 663 (5th Cir. 2000). No single factor is dispositive, and a finding that a

likelihood of confusion exists does not require a positive finding on a majority of these “digits of confusion.” *Id.*

**B. The Standard of Proof for Trademark Dilution.**

Dilution by blurring is defined in the Federal Trademark Dilution Act (FTDA) as “the lessening of the capacity of a famous mark to identify and distinguish goods or services, regardless of the presence or absence of (1) competition between the owner of the famous mark and other parties, or (2) likelihood of confusion, mistake, or deception.” Lanham Act § 45, 15 U.S.C. § 1127 (2000). To prevail on a dilution claim, the plaintiff must prove that its marks are famous and distinctive; that the junior user adopted his mark after the senior user's marks became famous and distinctive; and that the junior user caused dilution of the senior user's marks. 15 U.S.C. §§ 1125(c)(1), 1127. The Supreme Court has also recently held that under the FTDA, a plaintiff must show actual dilution, not just a likelihood of dilution. *See Moseley v. V. Secret Catalogue, Inc.*, 537 U.S. 418, 433 (2003). In *Moseley*, the Supreme Court created two categories of dilutions cases: cases in which the marks are identical and cases in which the marks differ. As to the later, the Court indicated that the actual economic consequence of dilution need not be shown, but actual dilution must be established. Moreover, it is not enough to prove that consumers “mentally associate” the junior user's mark with the famous mark; such mental

association will not necessarily reduce the capacity of the famous mark to identify the owners' goods.<sup>2</sup>

**C. The District Court Found that the Consumer Survey Showed Both Trademark Infringement and Trademark Dilution.**

The district court erroneously treated Starbucks' trademark infringement and trademark dilution claims as interchangeable causes of action, namely, the court analyzed the Starbucks' dilution claims using the same survey evidence. As explained by Professor McCarthy: "Blurring and confusion are not stops along the same railway line; they are different lines that proceed in altogether different directions. The mark that confuses does not necessarily dilute. It does not because dilution is a separate legal theory, positing a different kind of damage to a mark that is caused by a different form of consumer perception. Any attempt to weld the two doctrines together is bound to result in obfuscation and befuddlement." *See* J.T. McCarthy, *DILUTION OF A TRADEMARK: EUROPEAN AND UNITED STATES LAW COMPARED*, 41 U. of Houston L. Rev. 101 (2004). Dilution by blurring requires the same mark to identify two different sources in the consumer's mind. *Hasbro, Inc. v.*

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<sup>2</sup> In *Moseley*, the army officer who saw the "Victor's Secret" advertisement did make a mental association with Victoria's Secret, but there was a complete absence of evidence of any lessening of the capacity of the VICTORIA'S SECRET mark to identify and distinguish goods or services sold in Victoria's Secret stores or advertised in its catalogs. The officer was offended by the ad, but it did not change his conception of Victoria's Secret. His offense was directed entirely at petitioners, not at respondents. Moreover, an expert retained by respondents had nothing to say about the impact of petitioner's name on the strength of respondent's mark. *See Moseley* at 1808.

*Clue Computing, Inc.*, 66 F. Supp. 2d 117, 134 (D. Mass. 1999), *aff'd*, 232 F.3d 1 (1st Cir. 2000) (citing 3 MCCARTHY, *supra* note 13). It is well settled that trademark infringement requires the opposite, namely, two different marks that identify the same source in the consumer's mind. *See* J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION: INFRINGEMENT BY USE OF MARK ON NON-COMPETITIVE GOODS OR SERVICES § 24:70 (4<sup>th</sup> ed. 2005).

As such, survey evidence sufficient to reach a conclusion as to dilution or infringement has to be mutually exclusive. A single consumer cannot be confused as to the source of a good or service as in trademark infringement, and also believe the senior mark is used by unrelated entity on different goods and services and therefore weakening the distinctiveness of the senior mark as in dilution by blurring. *See* J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION: INFRINGEMENT BY USE OF MARK ON NON-COMPETITIVE GOODS OR SERVICES § 24:70 (4<sup>th</sup> ed. 2005). The obvious reason being that in order for dilution by blurring to occur, a consumer necessarily cannot be confused as to the source, and for infringement to occur, a consumer must be confused as to the source.

**D. It Is Erroneous to Use the Same Survey Evidence to Prove and Therefore Conclude Both Trademark Infringement and Trademark Dilution Exists.**

The district court's findings of fact and conclusions of law state that the court based its findings of trademark infringement and trademark dilution entirely on the identical statistical evidence, namely, the consumer survey prepared by Edward A. Blair, PhD. While Bell objected that the Blair consumer survey never even put Bell's entire mark "STAR BOCK BEER" in front of the panelist, and instead incorrectly used the term "STAR BOCK" or "STARBOCK", despite this obvious obfuscation, it is clear that the survey results revealed no evidence of dilution or infringement. By Blair's own admission, he only measured "likelihood of confusion and level or degree of association." *See Blair Direct at Page 90, Paragraph 14-15.* The Blair survey admittedly failed to test or measure the weakening, if any, of the distinctiveness of the Starbucks marks caused or likely to be caused by Bell's use of his mark and logo. As such, it is clear that no evidence of dilution by blurring was presented by Starbucks at trial, yet the district court erroneously found that the Blair consumer survey provided evidence of dilution. (C.D. 41 ¶¶ 42-43, Findings of Fact and Conclusions of Law). As explained above, a consumer survey panelist cannot be confused as to the source of a good or service as in trademark infringement, and also believe the senior mark is used by unrelated entity on different goods and services

and therefore weakening the distinctiveness of the senior mark as in dilution by blurring. Evidence in the form of survey panelist responses that is sufficient to reach a conclusion as to dilution or infringement has to be mutually exclusive. Since trademark infringement and trademark dilution cannot be proven by the same evidence, it is legal error for the district court to find both trademark infringement and trademark dilution based on the same evidence.

## CONCLUSION

The Final Judgment geographically and musically restricting Bell's use of his "Star Bock Beer" logo is an abuse of discretion. Since the district court unequivocally found no trademark infringement and no dilution by Bell's "Star Bock Beer" logo and Starbucks marks, this case should be reversed and rendered with a judgment that imposes no such restrictions on the use of Bell's logo. In addition, since trademark infringement and trademark dilution cannot be proven by the same survey evidence, it is legal error for the district court to find both trademark infringement and trademark dilution based on the same survey evidence. Therefore, this case should be reversed.

Respectfully submitted,

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**CERTIFICATE OF SERVICE**

I hereby certify that on this the 9th day of January, 2006, I caused to be filed via Federal Express overnight delivery the original, seven copies and one computer readable disk copy of the foregoing Brief of Appellant by serving the same upon the Clerk of Court, and served two paper copies and one computer readable disk copy upon each of the following Counsel for Defendant-Appellee:

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## CERTIFICATE OF COMPLIANCE

Pursuant to 5th Cir. R. 32.2.7(c), the undersigned certifies this brief complies with the type-volume limitations of 5th Cir. R. 32.2.7(b).

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