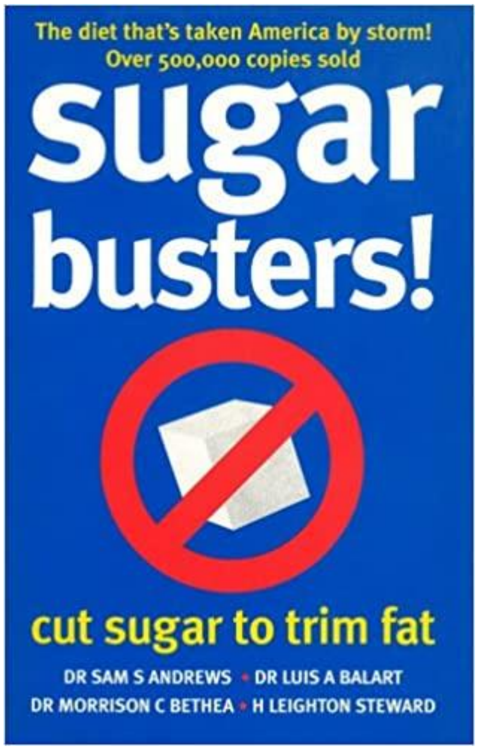


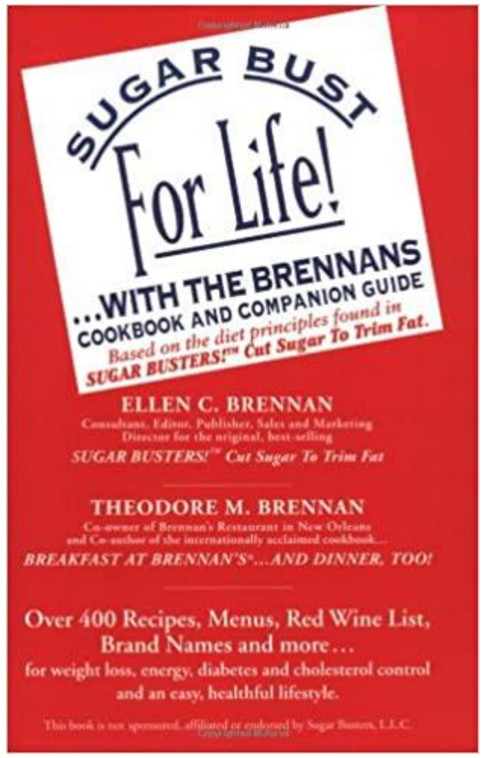


# Sugar Busters LLC v Brennan

**177 F.3d 258 (5th Cir. 1999)**

KING, Chief Judge:

This appeal challenges the district court's grant of a preliminary injunction prohibiting defendants-appellants from selling or distributing a book entitled "SUGAR BUST For Life!" as infringing plaintiff-appellee's federally registered service mark, "SUGARBUSTERS." Plaintiff-appellee is an assignee of a registered "SUGARBUSTERS" service mark and the author of a best-selling diet book entitled "SUGAR BUSTERS! Cut Sugar to Trim Fat." We determine that the assignment of the registered "SUGARBUSTERS" service mark to plaintiff-appellee was in gross and was therefore invalid, and we vacate the injunction . . . .

*I. FACTUAL AND PROCEDURAL HISTORY*

Plaintiff-appellee Sugar Busters, L.L.C. (plaintiff) is a limited liability company organized by three doctors and H. Leighton Steward, a former chief executive officer of a large energy corporation, who co-authored and published a book entitled "SUGAR BUSTERS! Cut Sugar to Trim Fat" in 1995. In "SUGAR BUSTERS! Cut Sugar to Trim Fat," the authors recommend a diet plan based on the role of insulin in obesity and cardiovascular disease. The authors' premise is that reduced consumption of insulin-producing food, such as carbohydrates and other sugars, leads to weight loss and a more healthy lifestyle. The 1995 publication of "SUGAR BUSTERS! Cut Sugar to Trim Fat" sold over 210,000 copies, and in May 1998 a second edition was released. The second edition has sold over 800,000 copies and remains a bestseller.

Defendant-appellant Ellen Brennan was an independent consultant employed by plaintiff to assist with the sales, publishing, and marketing of the 1995 edition. In addition, Ellen Brennan wrote a foreword in the 1995 edition endorsing the diet plan, stating that the plan "has proven to be an effective and easy means of weight loss" for herself and for her friends and family. During her employment with plaintiff, Ellen Brennan and Steward agreed to co-author a cookbook based on the "SUGAR BUSTERS!" lifestyle. Steward had obtained plaintiff's permission to independently produce such a cookbook, which he proposed entitling "Sugar Busting is Easy." Plaintiff reconsidered its decision in December 1997, however, and determined that its partners should not engage in independent projects. Steward then encouraged Ellen Brennan to proceed with the cookbook on her own, and told her that she could "snuggle up next to our book, because you can rightly claim you were a consultant to Sugar Busters!"

Ellen Brennan and defendant-appellant Theodore Brennan then co-authored "SUGAR BUST For Life!," which was published by defendant-appellant Shamrock Publishing, Inc. in May 1998. "SUGAR BUST For Life" states on its cover that it is a "cookbook and companion guide by the famous family of good food," and that Ellen Brennan was "Consultant, Editor, Publisher, [and] Sales and Marketing Director for the original, best-selling 'Sugar Busters!™ Cut Sugar to Trim Fat.'" The cover states that the book contains over 400 recipes for "weight loss, energy, diabetes and cholesterol control and an easy, healthful lifestyle." Approximately 110,000 copies of "SUGAR BUST For Life!" were sold between its release and September 1998.

Plaintiff filed this suit in the United States District Court for the Eastern District of Louisiana on May 26, 1998 . . . .

The mark that is the subject of plaintiff's infringement claim is a service mark that was registered in 1992 by Sugarbusters, Inc., an Indiana corporation operating a retail store named "Sugarbusters" in Indianapolis that provides products and information for diabetics. The "SUGARBUSTERS" service mark, registration number 1,684,769, is for "retail store services featuring products and supplies for diabetic people; namely, medical supplies, medical equipment, food products, informational literature and wearing apparel featuring a message regarding diabetes." Sugarbusters, Inc. sold "any and all rights to the mark" to Thornton–Sahoo, Inc. on December 19, 1997, and Thornton–Sahoo, Inc. sold these rights to Elliott Company, Inc. (Elliott) on January 9, 1998. Plaintiff obtained the service mark from Elliott pursuant to a "servicemark purchase agreement" dated January

26, 1998. Under the terms of that agreement, plaintiff purchased "all the interests [Elliott] owns" in the mark and "the goodwill of all business connected with the use of and symbolized by" the mark. Furthermore, Elliott agreed that it "will cease all use of the [m]ark, [n]ame and [t]rademark [i]nterests within one hundred eighty (180) days."

. . . .

Defendants argued to the district court that plaintiff's service mark is invalid because: (1) it was purchased "in gross," . . . .

. . . The district court found that the mark is valid and that the transfer of the mark to plaintiff was not "in gross" because

> [t]he plaintiff has used the trademark to disseminate information through its books, seminars, the Internet, and the cover of plaintiff's recent book, which reads "Help Treat Diabetes and Other Diseases." Moreover, the plaintiff is moving forward to market and sell its own products and services, which comport with the products and services sold by the Indiana corporation. There has been a full and complete transfer of the good will related to the mark, and the plaintiff has licensed the Indiana corporation to use the mark for only six months to enable it to wind down its operations.

*Id.*

### *II. DISCUSSION*

. . . .

#### *B. Plaintiff's Registered Service Mark*

A trademark is merely a symbol of goodwill and has no independent significance apart from the goodwill that it symbolizes. *See Marshak v. Green,* 746 F.2d 927, 929 (2d Cir. 1984); 2 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 18:2 (4th ed. 1999) [hereinafter MCCARTHY]. "A trade mark only gives the right to prohibit the use of it so far as to protect the owner's good will . . . ." *Prestonettes, Inc. v. Coty,* 264 U.S. 359, 368, 44 S.Ct. 350, 68 L.Ed. 731 (1924) (Holmes, J.). Therefore, a trademark cannot be sold or assigned apart from the goodwill it symbolizes. *See* 15 U.S.C. § 1060 ("A registered mark or a mark for which application to register has been filed shall be assignable with the goodwill of the business in which the mark is used, or with that part of the goodwill of the business connected with the use of and symbolized by the mark."); *Marshak,* 746 F.2d at 929. The sale or assignment of a trademark without the goodwill that the mark represents is characterized as in gross and is invalid. *See PepsiCo, Inc. v. Grapette Co.,* 416 F.2d 285, 287 (8th Cir. 1969); 2 MCCARTHY § 18:3.

The purpose of the rule prohibiting the sale or assignment of a trademark in gross is to prevent a consumer from being misled or confused as to the source and nature of the goods or services that he or she acquires. *See Visa, U.S.A., Inc. v. Birmingham Trust Nat'l Bank,* 696 F.2d 1371, 1375 (Fed. Cir. 1982). "Use of the mark by the assignee in connection with a different goodwill and different product would result in a fraud on the purchasing public who reasonably assume that the mark signifies the same thing, whether used by one person or another." *Marshak,* 746 F.2d at 929. Therefore, "'if consumers are not to be misled from established associations with the mark, [it must] continue to be associated with the same or similar products after the assignment.' *Visa, U.S.A.,* 696 F.2d at 1375 (quoting *Raufast S.A. v. Kicker's Pizzazz, Ltd.,* 208 U.S.P.Q. 699, 702 (E.D.N.Y. 1980)).

Plaintiff's purported service mark in "SUGARBUSTERS" is valid only if plaintiff also acquired the goodwill that accompanies the mark; that is, "the portion of the business or service with which the mark is associated." *Id.* Defendants claim that the transfer of the "SUGARBUSTERS" mark to plaintiff was in gross because "[n]one of the assignor's underlying business, including its inventory, customer lists, or other assets, were transferred to [plaintiff]." Defendants' view of goodwill, however, is too narrow. Plaintiff may obtain a valid trademark without purchasing any physical or tangible assets of the retail store in Indiana—"the transfer of goodwill requires only that the services be sufficiently similar to prevent consumers of the service offered under the mark from being misled from established associations with the mark." *Id.* at 1376 (internal quotation marks omitted); *see Marshak,* 746 F.2d at 930 ("The courts have upheld such assignments if they find that the assignee is producing a product or performing a service substantially similar to that of the assignor and that the consumers would not be deceived or harmed."); *PepsiCo,* 416 F.2d at 288 ("Basic to this concept [of protecting against consumer deception] is the proposition that any assignment of a trademark and its goodwill (with or without tangibles or intangibles assigned) requires the mark itself be used by the assignee on a product having substantially the same characteristics."); *cf. Money Store v. Harriscorp Fin., Inc.,* 689 F.2d 666, 678 (7th Cir. 1982) ("In the case of a service mark . . . confusion would result if an assignee offered a service different from that offered by the assignor of the mark.").

The district court found, without expressly stating the applicable legal standard, that "[t]here has been a full and complete transfer of the good will related to the mark." *Sugar Busters,* 48 U.S.P.Q.2d at 1514. The proper standard, as discussed above, is whether plaintiff's book and the retail store in Indiana are sufficiently similar to prevent consumer confusion or deception when plaintiff uses the mark previously associated with the store as the title of its book. We conclude that even if the district court applied this standard, its finding that goodwill was transferred between Elliott and plaintiff is clearly erroneous.

In concluding that goodwill was transferred, the district court relied in part on its finding that the mark at issue is registered in International Class 16, "information, literature, and books." However, the registration certificate issued by the United States Patent and Trademark Office states that the service mark is "in class 42" and is "for retail store services featuring products and supplies for diabetic people." *Id.* The district court also relied on its finding that "plaintiff is moving forward to market and sell its own products and services, which comport with the products and services sold by the Indiana corporation." *Id.* Steward testified, however, that plaintiff does not have any plans to operate a retail store, and plaintiff offered no evidence suggesting that it intends to market directly to consumers any goods it licenses to carry the "SUGAR BUSTERS!" name. Finally, we are unconvinced by plaintiff's argument that, by stating on the cover of its diet book that it may "[h]elp treat diabetes and other diseases" and then selling some of those books on the Internet, plaintiff provides a service substantially similar to a retail store that provides diabetic supplies. *See PepsiCo,* 416 F.2d at 286–89 (determining that pepper-flavored soft drink and cola-flavored soft drink are not substantially similar and therefore purported assignment was in gross and invalid). We therefore must conclude that plaintiff's purported service mark is invalid. Thus, its trademark infringement claim under 15 U.S.C. § 1114 cannot succeed on the merits and the district court improperly relied on this ground in granting plaintiff's request for a preliminary injunction.

{The court remanded the case for a determination of, among other things, whether the plaintiff's book title was protectable as an unregistered mark.}