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Kimberly A. O'Meara

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AVERY DENNISON V. SUMPTON: THE NINTH CIRCUIT RAISES THE BAR FOR SUCCESSFUL DILUTION CLAIMS IN DOMAIN NAME CASES

I. INTRODUCTION

In 1997, Eric Soderholm, a ticket broker and former Chicago White Sox player, invested in his daughter Misty's new company, Soderworld Holistic Health and Wellness Center, Inc.¹ To increase business, he decided to create a web site.² In developing the web site, Solderholm found that Joseph Brown—a rival ticket broker and Misty Soderholm's former boyfriend—had already registered the domain name³ "soderworld.com."⁴ Brown also reserved other domain names such as "soderworld.net," "ericsoderholm.com," and "ericsoderholm.net."⁵ When Brown offered to sell the domain names for two thousand dollars each, Soderholm filed suit alleging violations of Illinois consumer laws.⁶

Domain name disputes do not always involve cybersquatters⁷ like Joseph Brown, who reserve domain names for the sole purpose of selling them for a profit.⁸ Instead, an individual's motive in registering a company or trademark ("mark") name as a domain name may be completely

1. See Andrew Zajac, *Domain Names @Hoardcom Cybersquatters Buy Up Internet Addresses for Profit*, CHI. TRIB., June 27, 1999, at 1, available in 1999 WL 2887623.

2. See *id.*

3. Domain names identify host computers for e-mail and web site addresses and usually contain an abbreviation, name or acronym, followed by a period and one of five generic top level domain name categories: .com, .edu, .org, .gov or .net. See Ian C. Ballon, *Internet Issues for the Travel Industry*, in INT'L TRAVEL AND TOURISM: LAW, MGMT. & REG. 1999, at 11, 71 (PLI Com. L. & Prac. Course Handbook Series No. A0-002V, 1999).

4. See Zajac, *supra* note 1.

5. *Id.*

6. See *id.*

7. Cybersquatters are individuals who "attempt to profit from the Internet by reserving and later reselling or licensing domain names back to the companies that spent millions of dollars developing the goodwill of the trademark." *Intermatic, Inc. v. Toeppen*, 947 F. Supp. 1227, 1233 (N.D. Ill. 1996).

8. See Eric Blom, *Hot Web Addresses Snapped Up Want E-Maine.Com? It's for Sale by a Florida Firm. Augustame.com has a Price Tag of \$5,000*, PORTLAND PRESS HERALD, July 18, 1999, at 1B, available in 1999 WL 4478400.

innocuous.⁹ Nevertheless, when the trademark holder discovers the trademark name has been legitimately registered as a domain name by another party, that holder may be forced into paying a substantial price to obtain that registered name.¹⁰ On the other hand, a domain name registration may be challenged if the name is a valid trademark and the trademark registration date, or date of first use, precedes the domain name activation.¹¹ Typically, trademark owners prevail over cybersquatters by proving the unauthorized use of the trademark infringes¹² or dilutes¹³ the mark in violation of the Lanham Act.¹⁴ However, the outcome of such a

9. See Sally M. Abel, *Reading the Tea Leaves: Drawing the Policing Line in Cyberspace*, in UNDERSTANDING BASIC TRADEMARK LAW 1999, at 347, 349 (PLI Intell. Prop. Course Handbook Series No. 6-569, 1999). For example, in 1997, David Sams registered the domain name "veronica.org" and developed a web site to commemorate the birth of his daughter. See *id.* Sams spent about \$1,500 and many days creating and updating the web site, where he posted photos of his two-year-old bathing and eating. See Karen Kaplan, *The Cutting Edge: What's in a Name? A Legal Tangle for a Little Girl*, L.A. TIMES, Jan. 18, 1999, at C1. However, earlier this year, Archie Comic Publications, publishers of the comic strip "Archie" and owners of the trademark name "Veronica," threatened legal action against Sams if he did not shut down the web site and turn the domain name over to the company. See *id.* The company eventually withdrew its efforts to recover the domain name and conceded it would not take action against Sams unless the web site posted offensive material. See Yes, *Veronica, You Can Take on Big Business*, BUFF. NEWS, Jan. 26, 1999, at 7D. The company has since registered the "veronica.com" domain name for its character. See *id.*

10. See *TeleTech Customer Care Management, Inc. v. Tele-Tech Co.*, 977 F. Supp. 1407, 1410 (C.D. Cal. 1997) (stating only one entity may use a domain name and defendant's domain name prevented the plaintiff from using its registered trademark as its domain name).

11. See Linda A. Goldstein, *Advertising on the Internet: Laws and Regulations*, in COMPUTER LAW at 353, 363 (PLI Intell. Prop. Course Handbook Series No. G-547, 1999).

12. See 15 U.S.C. §§ 1114, 1125(a) (1994); see also Brown, Raysman, Millstein, Felder & Steiner LLP, *Recent Trends in Domain Name Litigation*, in COMPUTER LAW, at 157, (PLI Intell. Prop. Course Handbook Series No. G-547, 1998) [hereinafter Brown, Raysman].

13. See 15 U.S.C. § 1125(c) (Supp. IV 1998). Professor Frank I. Schechter introduced trademark dilution theory to the United States in 1927. See Frank I. Schechter, *The Rational Basis of Trademark Protection*, 40 HARV. L. REV. 813 (1927). He proposed the true value of a trademark "lies in its selling power" based upon the mark's "uniqueness and singularity." *Id.* at 831. Thus, an original mark is injured when someone other than the mark's owner uses it to market even a non-competing product. See *id.* at 825. He defined this injury as a "gradual whittling away or dispersion of the identity and hold upon the public mind of the mark or name." *Id.*

14. Under section 32(1) of the Trademark Act of 1946 ("Lanham Act"), owners of federally registered trademarks can assert claims for trademark infringement. Trademark (Lanham) Act § 32(1), 15 U.S.C. § 1114 (1994); see also Bruce P. Keller, et al., *Trademark and Unfair Competition Issues*, in PROTECTING YOUR INTELL. PROP. ASSETS 1999, at 257, 261 (PLI Intell. Prop. Course Handbook Series No. G-568, 1999). Under section 43(a), owners of registered or non-registered trademarks can assert trademark infringement claims. Trademark (Lanham) Act § 42(a), 15 U.S.C. § 1125(a) (1994). The Federal Trademark Dilution Act of 1995 amended the Lanham Act by including a new section, 43(c), which allows owners of famous marks to protect those marks from unauthorized use in the absence of confusion. Federal Trademark Dilution Act § 43(c), 15 U.S.C. 1125(c) (Supp. IV 1998); see also Patricia V. Norton, Comment, *The Effect of*

dispute becomes more uncertain when two businesses are involved.¹⁵ This is especially true when one innocently registers a domain name for his business that is identical or similar to another's trademark.¹⁶ The registrant may then be forced to either forfeit a legitimately registered domain name used for business, or defend a lengthy, costly and unpredictable trademark lawsuit.¹⁷

Historically, courts have been sympathetic to trademark holders.¹⁸ However, in *Avery Dennison Corp. v. Sumpton*,¹⁹ the United States Court of Appeals for the Ninth Circuit found Avery Dennison's trademarks "Avery" and "Dennison" were not famous within the meaning of the Federal Trademark Dilution Act.²⁰ Furthermore, the court also found registration of "avery.net" and "dennison.net" as surnames for an e-mail and web site business did not dilute the marks.²¹ This case represents a tremendous victory for non-trademark holders because large corporations that hold trademarks can no longer automatically claim trademark dilution simply because another's internet domain name is identical to its trademark.²² The *Avery Dennison* case represents the first time an appellate court has applied trademark dilution law to a domain name dispute and found the trademarks at issue were not famous, and therefore unprotected by the Dilution Act.²³ As a result, courts will look to *Avery Dennison* as precedent in applying the famousness factors in future dilution-domain name disputes.

This Note focuses on the Ninth Circuit's analysis in applying the Federal Trademark Dilution Act²⁴ in *Avery Dennison*.²⁵ Part II presents an

Article 10bis of the Paris Convention on American Unfair Competition Law, 68 FORDHAM L. REV. 225, 255 (1999). Therefore, both infringement and dilution are causes of action under the Lanham Act.

15. See Brown, Raysman, *supra* note 12.

16. See generally *id.*

17. See G. Gervaise Davis III, *Internet Domain Names and Trademarks: A Growing Area of Domestic and International Disputes*, in INTELL. PROP. LAW, 1997-1998 at 383, 396 (PLI Patents, Copyrights, Trademarks and Literary Prop. Course Handbook Series No. G-532, 1997-1998).

18. See *Brookfield Communications, Inc. v. West Coast Entertainment Corp.*, 174 F.3d 1036 (9th Cir. 1999); *Panavision Int'l L.P. v. Toeppen*, 141 F.3d 1316 (9th Cir. 1998).

19. 189 F.3d 868 (9th Cir. 1999).

20. See *id.* at 877, 879.

21. See *id.* at 879, 881.

22. See Brenda Sandburg, *Domain Name Can Use Trademark Words*, 222 N.Y. L.J. 40 (1999).

23. See *Avery Dennison*, 189 F.3d at 871, 877.

24. See 15 U.S.C. § 1125(c) (Supp. IV 1998).

25. 189 F.3d 868.

overview of trademark law, specifically trademark infringement and trademark dilution under the Lanham Act. Part III discusses the background of *Avery Dennison Corp. v. Sumpton* and provides an overview of the district court and Ninth Circuit decisions. Part IV analyzes the Ninth Circuit's opinion and concludes the court correctly held that the "Avery" and "Dennison" marks did not meet the threshold element of fame, and additionally, suffered no dilution of these marks. However, the court should have held Avery's marks satisfied the "commercial use in commerce" element of the Federal Trademark Dilution Act.²⁶

II. TRADEMARK LAW

A. What is a Trademark?

A trademark is a word, name, symbol, device, design or other distinctive item used by companies or individuals to distinguish, identify and indicate the source of their goods.²⁷ Trademarks identify and differentiate products and facilitate advertising and sales by imposing in the minds of consumers positive associations between the goods and the company that is the source of those goods.²⁸

To register a trademark with the United States Patent and Trademark Office, the applicant must prove actual use or intent to use the goods or work product of services in the stream of commerce.²⁹ In other words, the product, along with the trademark, must be shipped across at least one state line.³⁰ Trademark registration is granted for a period of twenty years and can be renewed after expiration, so long as it is still in use.³¹ Once the trademark is registered, the owner may place the symbol "®" adjacent to the trademark name.³² This indicates the trademark has been federally

26. See 15 U.S.C. § 1125(c). However, all four elements listed in the Dilution Act must be satisfied in order for a dilution claim to be successful. See *Panavision Int'l v. Toeppen*, 141 F.3d 1316, 1324 (9th Cir. 1998) (interpreting 15 U.S.C. § 1125(c)).

27. See 15 U.S.C. § 1127 (1994); Sheldon H. Klein, *Introduction to Trademarks, in UNDERSTANDING BASIC TRADEMARK LAW 1999*, at 193, 197 (PLI Intell. Prop. Course Handbook Series No. G-569, 1999); see also Lynda J. Oswald, "Tarnishment" and "Blurring" Under the Federal Trademark Dilution Act of 1995, 36 AM. BUS. L.J. 255 (1999).

28. See Oswald, *supra* note 27, at 256.

29. See Jerome D. Drabiak, *Patents, Copyrights, and Trademarks: A Primer on Protecting Intellectual Work Product*, 11 S. ILL. U. L.J. 1, 22 (1986).

30. See *id.*

31. See *id.*

32. See Daniel R. Kimbell, *Intellectual Property: An Attorney's Guide*, 27 BEVERLY HILLS B. ASS'N J. 109, 112 (1993).

registered, thereby granting the owner exclusive rights to use the trademark for designated goods or services.³³ However, if there is no use after two years, the trademark will be deemed abandoned and all rights to the trademark are lost.³⁴ Besides abandonment, rights to a trademark may be forfeited when use of the trademark name becomes so widespread that “the mark becomes the common descriptive name for the goods or services and ceases to function as an indication of the source of those particular goods.”³⁵ When this occurs, the mark is considered “generic” and passes into the common vocabulary.³⁶ Thus, the trademark owner is prevented from continued exclusive and protected use of the registered trademark.³⁷

In the United States, trademark registration is not necessary to assert a trademark claim.³⁸ Instead, the use of the trademark creates exclusive rights for the trademark holder.³⁹ To protect a trademark, an owner can assert a claim under either trademark infringement⁴⁰ or trademark dilution.⁴¹ Although trademark law was developed to protect the source or origin of particular goods or services, courts have expanded trademark doctrine by applying it to internet domain name cases.⁴² Typically, courts have held that using another’s trademark as a domain name constitutes either trademark infringement or trademark dilution.⁴³

33. *See id.*

34. *See* Drabiak, *supra* note 29, at 25.

35. *See id.*; *see also* Klein, *supra* note 27, at 215. This is called “genericization” of the mark and is “the consequence of commercial promotion which is too successful.” *Id.* Marks that have become generic include: aspirin, cellophane, escalator, thermos, gold card, and shuttle. *See id.* Marks that are vulnerable but have not become generic include: Beer Nuts, Honey Baked Ham, Kleenex, Xerox, Sanka and Teflon. *See id.*

36. Drabiak, *supra* note 29, at 25.

37. *See id.*

38. *See* Brookfield Communications, Inc. v. West Coast Entertainment Corp., 174 F.3d 1036, 1047 (9th Cir. 1999); *see also* Barbara R. Shufro, *Hosting Entity’s Liability for Seller’s Content*, in ECOMMERCE STRATEGIES FOR SUCCESS IN THE DIGITAL ECONOMY 1999, at 139, 141 (PLI Intell. Prop. Course Handbook Series No. G-570, 1999).

39. *See* Brookfield, 174 F.3d at 1047 (“To acquire ownership of a trademark, it is not enough to have invented the mark first or even to have registered it first; the party claiming ownership must have been the first to actually use the mark in the sale of goods or services.”); *see also* Ronald A. Panitch, *Intellectual Property Law Overview*, in TRADEMARKS, COPYRIGHTS, & UNFAIR COMPETITION FOR THE GEN. PRAC. & THE CORP. COUNS. 1999, at 1, 10 (ALI-ABA Course of Study Materials No. SD68, 1999).

40. *See* 15 U.S.C. § 1125(a) (1994); *see also* 15 U.S.C. § 1114 (1994).

41. *See* 15 U.S.C. § 1125(c)(1) (Supp. IV 1998).

42. *See* Brookfield, 174 F.3d at 1051–52; Panavision Int’l L.P. v. Toeppen, 141 F.3d 1316 (9th Cir. 1999); Avery Dennison Corp. v. Sumpton, 189 F.3d 868, 871 (9th Cir. 1999); *see also* Mark A. Lemley, *The Modern Lanham Act and the Death of Common Sense*, 108 YALE L.J. 1687, 1701 (1999).

43. *See* Nabisco, Inc. v. PF Brands, Inc., 191 F.3d 208, 228–29 (2d Cir. 1999); Brookfield,

B. Trademark Infringement

American trademark law protects source identification and enables the public to easily associate a particular product with a particular source.⁴⁴ Therefore, trademark owners can “prevent others from using the same or similar mark which is likely to cause confusion, deception, or mistake in the mind of the public as to the source of those goods or services associated with the trademark.”⁴⁵

Trademark infringement⁴⁶ occurs when there is a likelihood of confusion, mistake or deception as to the affiliation of goods, services or commercial activities with a competitor’s product.⁴⁷ This “likelihood of confusion”⁴⁸ test is the core element of trademark infringement.⁴⁹ It ultimately prevents the use of a trademark if that use is likely to confuse the public as to the actual source of the goods in question.⁵⁰ In addition, to prevail on an infringement claim, there must be use of the mark “in connection with the sale, offering for sale, distribution or advertising of any goods or services. . . .”⁵¹

In domain name cases, infringement can occur whenever a trademark is used in a way that is likely to cause confusion as to whether the actual trademark owner is the source of a web site.⁵² Therefore, the issue that has

174 F.3d at 1066; *Panavision Int’l*, 141 F.3d at 1327; *Cardservice Int’l, Inc. v. McGee*, 950 F. Supp. 737, 742 (E.D. Va. 1997), *aff’d*, 129 F.3d 1258 (4th Cir. 1997); *Intermatic, Inc. v. Toeppen*, 947 F. Supp. 1227, 1239–41 (N.D. Ill. 1996).

44. See Davis, *supra* note 17, at 397.

45. Kimbell, *supra* note 32, at 112.

46. 15 U.S.C. §§ 1114(1), 1125(a)(1)(A) (1994); see also *Brookfield*, 174 F.3d at 1046 n.8 (noting § 1125(a)(1)(A) applies to both registered and unregistered trademarks while § 1114(1) applies only to federally registered marks). Although different, the analysis under the two provisions has generally been identical. See *id.* at 1046–47.

47. See 15 U.S.C. § 1125(a)(1)(A). To prevail on a trademark infringement claim, a plaintiff must show: 1) use and therefore ownership of the mark, 2) use by the defendant of the same or similar mark and 3) likelihood that defendant’s use will confuse the public, thereby harming the plaintiff. *Hasbro, Inc. v. Clue Computing, Inc.*, 66 F. Supp. 2d 117, 121 (D. Mass. 1998).

48. 15 U.S.C. § 1125(a)(1)(A). Eight factors are used to make an assessment of whether there is a likelihood of confusion: 1) similarity of the marks; 2) similarity of the goods [or services]; 3) relationship between the parties’ channels of trade; 4) the relationship between the parties’ advertising; 5) the classes of prospective purchasers; 6) evidence of actual confusion; 7) the defendant’s intent in adopting the mark; 8) the strength of the plaintiff’s mark. See *Clue Computing*, 66 F. Supp. 2d at 121; see *Brookfield*, 174 F.3d at 1054 (stating that these eight factors are often referred to as the “*Sleekcraft*” factors).

49. See *Brookfield*, 174 F.3d at 1053.

50. See *id.*

51. 15 U.S.C. § 1114(1)(a) (1994).

52. See Shufro, *supra* note 38, at 141.

arisen in domain name disputes is whether there is confusion when a consumer attempts to access the web site of a company using the company's name, but instead accesses the web page of some other unrelated entity.⁵³ The resolution of this issue depends upon factors such as the similarity of the marks, the relatedness of the products and services accompanied by those marks, and the parties' simultaneous use of the Web as a marketing and advertising tool.⁵⁴

Proving confusion in domain name cases may be difficult because the domain name registrant and trademark holder may sell or advertise different goods or services, thereby decreasing the likelihood of consumer confusion.⁵⁵ However, it is more likely that the court will find confusion if the goods or services are sufficiently similar.⁵⁶

For example, in *TeleTech Customer Care Management, Inc. v. Tele-Tech Co.*,⁵⁷ the plaintiff, owner of the trademark "Teletech," sued for infringement when the defendant registered and began using the domain name "teletech.com."⁵⁸ The court found this use did not satisfy the likelihood of confusion test because an individual would only experience initial confusion as to the source of the web site accessed.⁵⁹ Closer inspection of the web site would likely dispel that confusion because the companies offered dissimilar products.⁶⁰ Therefore, this type of initial confusion was not cognizable under the trademark laws because it was too brief.⁶¹

On the other hand, the court held in *Cardservice International, Inc. v. McGee*⁶² there was a likelihood of confusion because the parties provided

53. See Abel, *supra* note 9, at 361; see also *Brookfield*, 174 F.3d at 1045 (stating "[w]eb users often assume, as a rule of thumb, that the domain name of a particular company will be the company name followed by '.com'").

54. See *Brookfield*, 174 F.3d at 1058.

55. See *id.* at 1056; see also Ronald Abramson, *Internet Domain Name Litigation*, in ADVANCED SEMINAR ON TRADEMARK 1999, at 7, 17 (PLI Intell. Prop. Course Handbook Series No. G-558, 1999). This has encouraged trademark owners to file actions under trademark dilution law rather than under trademark infringement law because anti-dilution statutes do not require proof of consumer confusion. See *id.* These statutes only require the mark be famous. See 15 U.S.C. § 1125(c)(1) (Supp. IV 1999).

56. See *Brookfield*, 174 F.3d at 1056; see also Charles D. Ossola & Carol W. Lally, *Trademarks and Domain Names on the Internet*, in INTELL. PROP. LAW 1998, at 355, 364 (PLI Patents, Copyrights, Trademarks and Literary Prop. Course Handbook Series G-532, 1998).

57. 977 F. Supp. 1407 (C.D. Cal. 1997).

58. See *TeleTech Customer Care Management, Inc. v. Tele-Tech Co.*, 977 F. Supp. 1407, 1407-08 (C.D. Cal. 1997).

59. See *id.* at 1414.

60. See *id.*

61. See *id.*

62. 950 F. Supp. 737 (E.D. Va. 1997), *aff'd*, 129 F.3d 1258 (4th Cir. 1997).

similar services and the defendant's domain name "cardservice.com" was an exact duplicate of the plaintiff's trademark, "Cardservice."⁶³ As a result, the court held consumers using the "cardservice.com" domain name would likely experience confusion wondering whether the plaintiff's database still existed or had been replaced by the defendant's database, or erroneously believing they did in fact reach the plaintiff's web site.⁶⁴ Because these internet users would not know whether they were at the plaintiff's web site—or otherwise know how to reach that web site—they may take advantage of the defendant's services and allow the defendant to gain new customers at the expense of the plaintiff's goodwill.⁶⁵

Finally, in *Brookfield Communications, Inc. v. West Coast Entertainment Corp.*,⁶⁶ an entertainment industry information provider and owner of the trademark "MovieBuff" sued a video rental store chain, West Coast Entertainment, for trademark infringement.⁶⁷ West Coast registered the "moviebuff.com" domain name claiming it was part of its federally registered trademark "The Movie Buff's Movie Store."⁶⁸ The court focused on the similarity of the products offered and whether the consuming public would likely associate the defendant's products with the plaintiff's.⁶⁹ Because both companies offered products and services relating to the entertainment industry and both of their principal lines of business related to movies, the court found these weighed heavily in favor of finding a likelihood of confusion.⁷⁰ The court determined consumers could incorrectly assume the plaintiff and defendant were related companies, the defendant licensed the domain name from the plaintiff, or the plaintiff sponsored the defendant's web site.⁷¹

In addition to the similarity between the products, courts have found a greater likelihood of confusion when both the trademark holder and domain name registrant simultaneously utilize the Web as a marketing and advertising vehicle.⁷² In *Planned Parenthood Federation of America, Inc. v. Bucci*,⁷³ the defendant, an anti-abortion activist, obtained and used the

63. See *Cardservice Int'l, Inc. v. McGee*, 950 F. Supp. 737, 741 (E.D. Va. 1997).

64. See *id.*

65. See *id.*; see also *Brookfield*, 174 F.3d at 1057.

66. 174 F.3d 1036.

67. See *Brookfield*, 174 F.3d at 1041.

68. See *id.* at 1042.

69. See *id.* at 1056.

70. See *id.*

71. See *id.* at 1057.

72. See *Brookfield*, 174 F.3d at 1057.

73. 42 U.S.P.Q.2d 1430 (S.D.N.Y. 1997).

domain name “plannedparenthood.com”⁷⁴ to attract pro-choice individuals to his web site, which promoted anti-abortion sentiment.⁷⁵ In assessing whether there was a likelihood of confusion, the court found the defendant’s web site was close in proximity to the plaintiff’s own web site.⁷⁶ Both sites competed for the same audience, those internet users who searched for the plaintiff’s web site by entering its trademark name “plannedparenthood.com.”⁷⁷ The court concluded this high degree of competitive proximity increased the likelihood of confusion among internet users.⁷⁸

C. Trademark Dilution

On January 1, 1996, Congress amended the Lanham Act to include the Federal Trademark Dilution Act (“Dilution Act”).⁷⁹ Unlike traditional trademark violations, such as infringement, dilution is a cause of action invented and reserved only for those marks having such powerful consumer associations, where even non-competing uses can infringe on their value.⁸⁰ The addition of the Dilution Act expanded trademark law by allowing the trademark owner to obtain injunctive relief by any commercial use of a similar mark that may dilute or damage the value of their trademark.⁸¹

74. See *Planned Parenthood Fed’n v. Bucci*, 42 U.S.P.Q.2d 1430, 1432 (S.D.N.Y. 1997).

75. See *id.* Defendant was the host of “Catholic Radio” and an active participant in the anti-abortion movement. See *id.*

76. See *id.* at 1438. Plaintiff, Planned Parenthood Federation, has owned trademark rights to “Planned Parenthood” since 1955 and operates a web site at www.ppfa.org. See *id.* at 1432. Planned Parenthood offers internet users resources regarding sexual and reproductive health, contraception and family planning, pregnancy, sexually transmitted diseases and abortion. See *id.*

77. See *id.*

78. See *id.* at 1438.

79. See Pub. L. No. 104-98, 109 Stat. 985 (codified as amended at 15 U.S.C. § 1125(c) (Supp. IV 1998)). The Federal Trademark Dilution Act provides that “[t]he owner of a famous mark shall be entitled . . . to an injunction against another person’s commercial use in commerce of a mark or trade name, if such use begins after the mark has become famous and causes dilution of the distinctive quality of the mark” 15 U.S.C. § 1125(c). Before the Federal Trademark Dilution Act was passed, trademark owners used state anti-dilution statutes to prevent third party use of their mark. See Marshall Leaffer, *Domain Names, Globalization, and Internet Governance*, 6 IND. J. GLOBAL LEGAL STUD. 139, 148 (1998). However, the state statutes provided uncertain and uneven protection while the Federal Trademark Dilution Act “provided [missing] uniformity and certainty, thereby offering a potent new remedy to trademark owners.” *Id.*

80. See generally Schechter, *supra* note 13 (proposing a cause of action for dilution). See *Hasbro, Inc. v. Internet Entertainment Group, Ltd.*, 40 U.S.P.Q.2d 1479, 1480 (W.D. Wash. 1996). Hasbro’s Candyland is a children’s board game: Defendants used “candyland” as the domain name for a pornographic web site. *Id.*

81. See 15 U.S.C. § 1125(c)(2) (Supp. IV 1998).

Therefore, unlike trademark infringement, consumer confusion is not required to prove dilution.⁸² Instead, a plaintiff need only show the distinctiveness of his mark has been weakened by the unauthorized use of the mark on goods or services which are completely unrelated to those sold by that plaintiff.⁸³ While infringement laws seek to protect the consumer, dilution law protects a “famous mark” from losing its selling power in the marketplace.⁸⁴ Because dilution does not require that goods be similar or competing, it is becoming the more popular theory upon which to challenge those who register another’s trademark as a domain name.⁸⁵

Under the Dilution Act, if a person willfully intends to trade on the owner’s reputation, or to dilute the famous mark, the trademark owner is entitled to damages, attorney’s fees and the destruction of goods bearing the offending mark.⁸⁶ To prevail on a claim under the Dilution Act, a plaintiff must establish: 1) its mark is famous; 2) the defendant is making commercial use of the mark in commerce; 3) the defendant’s use presents a likelihood of dilution of the distinctive value of the mark; and 4) the defendant’s use began after the plaintiff’s mark became famous.⁸⁷

1. Famousness of the Mark

The first element to consider in a claim under the Dilution Act is whether the mark is famous.⁸⁸ A court may look to a number of factors in order to make this determination:⁸⁹

(A) [T]he degree of inherent or acquired distinctiveness of the mark; (B) the duration and extent of use of the mark in connection with the goods or services with which the mark is used; (C) the duration and extent of advertising and publicity of the mark; (D) the geographical extent of the trading area in which the mark is used; (E) the channels of trade for the goods or services with which the mark is used; (F) the degree of recognition of the mark in trading areas and channels of trade

82. See Klein, *supra* note 27, at 203.

83. See *id.*

84. See Leslie F. Brown, *Avery Dennison Corp. v. Sumpton*, 14 BERKELEY TECH. L.J., 247, 249 (1999).

85. See *TeleTech Customer Care Management, Inc. v. Tele-Tech Co.*, 977 F. Supp. 1407 (C.D. Cal. 1997).

86. See *id.*

87. See *Panavision Int’l L.P. v. Toeppen*, 141 F.3d 1316, 1324 (9th Cir. 1998) (quoting 15 U.S.C. § 1125(c)(1) (Supp. IV 1998)).

88. See 15 U.S.C. § 1125(c)(1).

89. See 15 U.S.C. § 1125(c)(1)(A)–(H) (Supp. IV 1998).

used by the marks' owner and the person against whom the injunction is sought; (G) the nature and extent of use of the same or similar marks by third parties; and (H) whether the mark was registered under the Act of March 3, 1881, or the Act of February 20, 1905, or on the principal register.⁹⁰

Although a mark may be commonly used, or even federally registered, the Dilution Act does not apply if the mark does not meet the threshold fame element.⁹¹ To be famous, a mark must be more than distinctive,⁹² it must be "truly prominent and renowned."⁹³ This rigorous standard is due to the extraordinary remedy available when a violation of the Dilution Act is found.⁹⁴ A plaintiff prevailing under the Dilution Act may prevent use of the mark regardless of whether or not the marks are those of competitors or in related fields.⁹⁵ Despite extensive advertising and sales, courts have found these types of promotional factors insufficient to satisfy fame.⁹⁶ Because the Dilution Act only protects famous marks, if a mark is not distinctive and famous, the trademark owner must seek an injunction under a trademark infringement claim by proving likelihood of confusion.⁹⁷

a. Distinctiveness

Although the Dilution Act gives protection to "distinctive and famous" marks, interpretation of the Act has left some question as to whether a mark must be both famous and distinctive, or whether the two are combined as a single test.⁹⁸ In *Nabisco, Inc. v. PF Brands, Inc.*⁹⁹, a

90. *Id.*

91. *See id.* § 1125(c)(1); *Avery Dennison*, 189 F.3d at 877; *see also* *Star Markets, Ltd. v. Texaco, Inc.*, 950 F. Supp. 1030 (D. Haw. 1996) (declining to address remaining elements of Dilution Act claim after finding the plaintiff's mark was not nationally famous).

92. *See Avery Dennison*, 189 F.3d at 877.

93. *See I.P. Lund Trading ApS v. Kohler Co.*, 163 F.3d 27, 46 (1st Cir. 1998); *see also* *Michael Caruso & Co. v. Estefan Enters.*, 994 F. Supp. 1454, 1463 (S.D. Fla. 1998) (stating "[t]o be inherently distinctive, a mark must 'clearly be more than just distinctive in a trademark sense' and must rise to the level of 'Buick' or 'Kodak'" (citation omitted)).

94. *See Avery Dennison*, 189 F.3d at 875.

95. *See id.* at 873.

96. *See id.* at 878; *see also* *Carnival Corp. v. SeaEscape Casino Cruises, Inc.*, 74 F. Supp. 2d 1261, 1270 (S.D. Fla. 1999) (stating the plaintiff's use of its mark since the early 1970s and the millions of dollars spent on promoting the mark nationally did not establish fame).

97. *See* 15 U.S.C. § 1125(a)(1)(A). A trademark infringement claim requires proof of likelihood of confusion in the marketplace, which may be harder to prove when a domain name and a trademark represent two different products. *See supra* Part II.B.

98. *See Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208, 216 (2d Cir. 1999) (stating McCarthy's treatise contends the statute does not include an independent requirement of

non-domain name case, the court focused on the literal reading of the statute, “whether the mark is distinctive and famous” and found that the statute intended both distinctiveness and fame to be essential elements under the Dilution Act.¹⁰⁰

In order to determine the distinctiveness of a mark, the mark is generally categorized along a “spectrum of distinctiveness”¹⁰¹ into one of four classes,¹⁰² “reflecting [its] inherent strength or weakness.”¹⁰³ At the low end of the spectrum are generic words,¹⁰⁴ which are terms that refer to a general category of goods without distinguishing the source or origin of the specific product.¹⁰⁵ These marks are completely devoid of distinctiveness and are ineligible for protection as this would deprive competitors and the public from using these names to refer to goods and services that are considered common words.¹⁰⁶

“Descriptive” marks are stronger than generic words and are comprised of attributes or claims that describe the product.¹⁰⁷ These marks also have little distinctiveness and are usually not protected unless they have acquired “secondary meaning,” where the public has come to associate the mark with the products or services of its user.¹⁰⁸ Secondary meaning can be established by “evidence of long and exclusive use, the

distinctiveness). *See id.* at 216 n.2. The court rejected this idea and found the requirement of distinctiveness was intended to deny the protection of the statute to non-distinctive marks. *See* RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 25(1)(a) (1995) (requiring the mark be “highly distinctive” and the use of the junior mark be “likely to cause a reduction in that distinctiveness”).

99. 191 F.3d 208 (2d Cir. 1999).

100. *See id.* at 216. “It is quite clear that the statute intends distinctiveness, in addition to fame, as an essential element.” *See id.*

101. Klein, *supra* note 27, at 205–07.

102. *See* *Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4, 9 (2d Cir. 1976). These classes, from weakest to strongest are: 1) generic, 2) descriptive, 3) suggestive and 4) arbitrary or fanciful. *Id.*

103. *Nabisco*, 191 F.3d at 215.

104. *See* *Abercrombie & Fitch Co.*, 537 F.2d at 9 n.6. For example, “‘Ivory’ would be generic when used to describe a product made from the tusks of elephants but arbitrary as applied to soap.” *Id.*

105. *See* *Clue Computing*, 66 F. Supp. 2d at 125; *see also* *Nabisco*, 191 F.3d at 215. “‘Car’ would be an example of a generic name. *See* *Haughton Elevator Co. v. Seeberger*, 85 U.S.P.Q. 80 (1950) (holding the word “escalator,” once coined fanciful, or at the least suggestive, had become generic).

106. *See* Klein, *supra* note 27, at 207 (using “supermarket” and “escalator” as examples of generic words); *see also* *Nabisco*, 191 F.3d at 215.

107. *See* *Nabisco*, 191 F.3d at 215; *see also* *Carnival Corp.*, 74 F. Supp. 2d at 1265 (stating the “Fun Ship” mark falls into the descriptive category, as it describes a characteristic or quality of the product or service, such as its desirable features).

108. *See* *Nabisco*, 191 F.3d at 215.

prominence of the plaintiff's enterprise, extensive advertising and promotion of the mark, and recognition of secondary meaning among the public."¹⁰⁹ Once a mark has established secondary meaning, it has also established acquired distinctiveness which is the first element of the famousness inquiry.¹¹⁰ However, the Dilution Act requires a greater showing than just mere distinctiveness¹¹¹ in order "to meet the threshold element of fame."¹¹² Therefore, even if a mark has achieved the level of distinctiveness required in the statute, courts have determined this is not enough.¹¹³ A mark must be greater than distinctive in order to qualify for protection under the Dilution Act.¹¹⁴

The third category along the spectrum of distinctiveness is "suggestive" marks, [which] do not name or describe the product for which they are used, but suggest the qualities or claims of that product."¹¹⁵ Although these marks are more distinctive than generic or descriptive words, they only suggest a quality or characteristic of a product and do not describe it.¹¹⁶ Some degree of thought is still required to connect the mark with the product.¹¹⁷ Therefore, these types of marks are still somewhat weak because "they possess a low level of distinctiveness."¹¹⁸ As a result, they are given less protection than the more distinctive marks which are those that are "arbitrary" or "fanciful."¹¹⁹

Finally, the highest level of distinctiveness applies to those marks that are "arbitrary" or "fanciful" which means they have no logical relationship with the product on which they are used.¹²⁰ The most distinctive marks are those that are "the product of the imagination and evoke no associations with human experience that relate intrinsically to the product."¹²¹ The

109. *Clue Computing*, 66 F. Supp. 2d at 126.

110. *See Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 769 (1992) (determining secondary meaning is generally called acquired distinctiveness); *see also* 15 U.S.C. § 1125(c)(1)(A) (referring to "inherent or acquired distinctiveness").

111. *See Accuride Int'l, Inc. v. Accuride Corp.*, 871 F.2d 1531, 1539 (9th Cir. 1989) (citing *Sykes Laboratory, Inc. v. Calvin*, 610 F.Supp. 849, 858 (C.D. Cal. 1985)).

112. *Avery Dennison*, 189 F.3d at 877.

113. *See id.*

114. *See id.*

115. *Nabisco*, 191 F.3d at 215.

116. *See Klein, supra* note 27, at 207.

117. *See id.*

118. *See Nabisco*, 191 F.3d at 215.

119. *See id.* at 216.

120. *See id.*

121. *Id.*

Dilution Act is meant to protect these highly distinctive marks, thus entitling them to the highest degree of protection under the law.¹²²

2. Commercial Use in Commerce

In addition to famousness, the second element of a dilution claim requires the defendant use the trademark to capitalize on its value obtained as a trademark.¹²³ In domain name cases, courts have divided this element into two inquiries: 1) whether the use was “in commerce” and 2) whether the use was commercial in nature (“commercial use”).¹²⁴

The in commerce requirement is easy to satisfy because courts have held the simple use of the trademark on the Internet is sufficient to meet this requirement.¹²⁵ The second requirement, the commercial use of the trademark, is more difficult to satisfy.¹²⁶ Courts have found that simply registering a trademark as a domain name cannot constitute commercial use under the Dilution Act.¹²⁷ For example, in *Intermatic, Inc. v. Toeppen*,¹²⁸ the court held, although the defendant registered the plaintiff’s domain name in the “.com” top-level domain,¹²⁹ this designation alone did not constitute commercial use.¹³⁰ However, the court did find buying domain names and then attempting to sell them for a profit did meet the commercial use requirement.¹³¹

Similarly, in *Panavision International v. Toeppen*,¹³² the court found commercial use when the defendant registered the plaintiff’s trademark as a domain name and then attempted to sell it to the plaintiff.¹³³ This court found because the defendant held the internet registrations, he prevented

122. *See id.*

123. *See* 15 U.S.C. § 1125(c)(1); *see also Panavision*, 141 F.3d at 1325.

124. *See Intermatic*, 947 F. Supp. at 1239.

125. *See id.* (stating “[b]ecause Internet communications transmit instantaneously on a worldwide basis there is little question that the ‘in commerce’ requirement would be met in a typical Internet message . . .”) (quoting 1 Jerome Gilson & Anne Gilson, TRADEMARK PROTECTION AND PRACTICE § 5.11[2], at 5-233 (1996)).

126. *See Brown*, *supra* note 84, at 260.

127. *See Panavision*, 141 F.3d at 1324.

128. 947 F. Supp. 1227.

129. The Internet is divided into several “top-level domains.” *Intermatic*, 947 F. Supp. at 1231. For example, “.edu” is a domain name reserved for educational institutions, “.gov” is a domain name reserved for government entities and “.net” is reserved for networks. *Id.* Although “.com” is short for “commercial,” it is a catchall domain and the only one generally available to internet users that do not fall into the other categories. *Id.*

130. *See Intermatic*, 947 F. Supp. at 1239.

131. *See id.*

132. 141 F.3d 1316.

133. *See id.* at 1325.

the plaintiff from benefiting from the value of its trademarks on the internet.¹³⁴ The defendant later used this value himself when he attempted to sell the domain name to the plaintiff.¹³⁵

Therefore, in domain name cases involving a cybersquatter, case law supports the contention that a party who registers a domain name and then tries to sell it to the company or trademark holder for a profit has satisfied the in commerce and commercial use requirements of the Dilution Act.¹³⁶

3. Dilution of the Trademark

The third element under the Dilution Act is whether the defendant's use of the mark dilutes the distinctive quality of the plaintiff's mark.¹³⁷ Dilution is defined 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) the likelihood of confusion, mistake, or deception."¹³⁸ The statute's "causes dilution" language indicates a plaintiff must prove actual dilution, and some degree of quantifiable harm to the mark in order to prevail.¹³⁹

Two traditional types of dilution that can occur under the Dilution Act include blurring and tarnishment.¹⁴⁰ The most common form of dilution is

134. *See id.*

135. *See id.*

136. *See Intermatic*, 947 F. Supp. at 1239 (stating the defendant's intent to resell the domain name is sufficient to meet the "commercial use" requirement of the Dilution Act); *Panavision*, 141 F.3d at 1325 (stating the defendant's business of registering trademarks as domain names and then selling them back to the rightful trademark owners is commercial use).

137. *See* 15 U.S.C. § 1125(c)(1).

138. 15 U.S.C. § 1127 (1994 & Supp. IV 1998).

139. *See Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Div. of Travel Dev.*, 170 F.3d 449, 461 (4th Cir. 1999) (stating to prove dilution a plaintiff must prove an actual lessening of the senior mark's selling power). Actual harm can be proved by three means: 1) actual loss of revenues; 2) skillfully constructed consumer surveys or the extent of the junior mark's exposure; and 3) similarity of the marks and firmness of the senior mark's hold. *See id.* at 465-66. *But see Nabisco*, 191 F.3d at 223 (holding proof of dilution under the Dilution Act does not require proof of actual loss of revenues, nor does it require proof in the form of consumer surveys). Even though the statute states "causes dilution," not likelihood of dilution, granting or denying an injunction is permitted before dilution has actually occurred. *See id.* at 224-25.

140. *See Anne Hiarng, Basic Principles of Trademark Law, in UNDERSTANDING BASIC TRADEMARK LAW 1999*, at 9, 28 (PLI Intell. Prop. Course Handbook Series No. G-569, 1999). However, tarnishment was not explicitly stated in the Dilution Act. *See* Patrick M. Bible, *Defining and Quantifying Dilution Under the Federal Trademark Dilution Act of 1995: Using Survey Evidence to Show Actual Dilution*, 70 U. COLO. L. REV. 295, 307 (1998). However, in Senator Orrin Hatch's introduction of the bill to the Senate, he stated, "[T]his bill is designed to protect famous trademarks from subsequent uses that blur the distinctiveness of the mark or

blurring, which occurs mainly to marks exclusively associated with the trademark owner's goods and services.¹⁴¹ The injury to the mark occurs when a subsequent party uses the owner's identical mark on a different product, thereby "creating in the consumer's mind a new association with the original mark."¹⁴² Thus, the original mark's selling power is diminished because it no longer serves as a unique identifier of the original trademark owner's products.¹⁴³ Illustrations of dilution by blurring include use of the trade name Buick for aspirin and Kodak for pianos.¹⁴⁴

The more injurious type of dilution is tarnishment, which occurs when unauthorized use of the mark creates negative associations with the mark in the eyes of the consumers.¹⁴⁵ In *Hasbro, Inc. v. Internet Entertainment Group Ltd.*,¹⁴⁶ the owner of the trademark "Candyland," brought suit under the Dilution Act against the registrant of a sexually explicit web site entitled "candyland.com."¹⁴⁷ The court found the defendant's use of "candyland.com" for a pornographic web site tarnished Hasbro's Candyland trademark because the original mark was associated with a children's board game.¹⁴⁸ It found the plaintiff's mark was famous under the Dilution Act and issued a preliminary injunction against the defendant, ordering it to move its web site to a different internet address.¹⁴⁹

A third type of dilution is cybersquatting dilution,¹⁵⁰ a hybrid theory based neither on blurring nor tarnishment.¹⁵¹ It has developed in cases

tarnish or disparage it, even in the absence of likelihood of confusion." S. 1513, 104th Cong. (1995) (statement of Sen. Orrin Hatch).

141. See Bible, *supra* note 140, at 305.

142. *Id.*

143. See *Wawa, Inc. v. Haaf*, 40 U.S.P.Q.2d 1629, 1632-33 (E.D. Pa. 1996) (holding defendant's use of the name HAHA for its 24 hour market diluted plaintiff's mark of WAWA for its convenience stores based upon evidence that 29% of persons interviewed at defendant's HAHA market associated it with plaintiff's WAWA market); see also Bible, *supra* note 140, at 305; Steven B. Polotilow, *Is Evidence of Actual Harm or Confusion Required to Establish Dilution by Blurring Under the Federal Dilution Act?*, in *ADVANCED SEMINAR ON TRADEMARK LAW 1999*, at 99, 102 (PLI Intell. Course Handbook Series No. G-558, 1999).

144. See *Viacom, Inc. v. Ingram Enters.*, 141 F.3d 886, 889 (8th Cir. 1998) (citing 141 CONG. REC. H14317 (daily ed. Dec. 12, 1995) (statement of Rep. Moorhead)).

145. See *Toys "R" Us, Inc. v. Akkaoui*, 40 U.S.P.Q.2d 1836 (N.D. Cal. 1996) (holding defendant's use of Adults "R" Us was likely to tarnish, thus diluting, plaintiff's marks by associating them with sexual goods inconsistent with the wholesome image of plaintiff's goods in the marketplace); see also Brown, *supra* note 84, at 250.

146. 40 U.S.P.Q. 2d 1479 (W.D. Wash. 1996).

147. See Kimberly W. Alcantara, *Trademarks in Cyberspace*, in *UNDERSTANDING BASIC TRADEMARK LAW 1999*, at 425, 432 (PLI Intell. Prop. Course Handbook Series No. G-569, 1999).

148. See *Internet Entertainment*, 40 U.S.P.Q.2d at 1479-80.

149. See *id.*

150. See *Avery Dennison Corp. v. Sumpton*, 189 F.3d 868, 880 (9th Cir. 1999).

where a cybersquatter attempts to sell a domain name to the trademark holder.¹⁵² This type of dilution has been defined as the diminishment of “the capacity of the [plaintiff’s] marks to identify and distinguish [the plaintiff’s] goods and services on the Internet.”¹⁵³ This diminishment may occur if potential customers cannot find a web page by using a company’s name or trademark as the domain name in the top-level domain “.com.”¹⁵⁴ This dilutes the value of the company’s marks because “[p]rospective users of plaintiff’s services who mistakenly access [the] defendant’s web site may fail to continue to search for plaintiff’s own home page due to anger, frustration or the belief that plaintiff’s home page does not exist.”¹⁵⁵

4. Use Began After the Plaintiff’s Mark Became Famous

Finally, the fourth element under the Dilution Act requires the defendant’s infringing use of the plaintiff’s mark occur after the mark becomes famous.¹⁵⁶

In summary, based upon the previous elements of the Dilution Act, domain name claims asserted under a dilution theory have been more successful than infringement claims.¹⁵⁷ Courts appear more willing to find that domain names dilute a trademark rather than cause consumer confusion on the internet.¹⁵⁸ Furthermore, in cases involving domain name disputes, plaintiffs favor filing dilution claims over infringement claims because dilution claims do not require proof of actual confusion.¹⁵⁹ For this reason, trademark dilution claims have become more popular in suits

151. See *Panavision*, 141 F.3d at 1326.

152. See *id.* at 1327.

153. See *id.* at 1326 (quoting *Panavision Int’l L.P. v. Toeppen*, 945 F. Supp. 1296, 1304 (C.D. Cal. 1996)); see also *Avery Dennison*, 189 F.3d at 880.

154. See *Panavision*, 141 F.3d at 1327.

155. *Jews for Jesus v. Brodsky*, 993 F. Supp. 282, 307 (D.N.J. 1998) (quoting *Planned Parenthood Fed’n of Am., Inc. v. Bucci*, 42 U.S.P.Q.2d 1430, 1435 (S.D.N.Y. 1997)); see also *TeleTech Customer Care Management, Inc. v. Tele-Tech Co.*, 977 F. Supp. 1407, 1410 (C.D. Cal. 1997) (finding use of a search engine can generate as many as 800 to 1000 matches, which result is “likely to deter web browsers from searching for Plaintiff’s particular web site”).

156. See 15 U.S.C. § 1125(c)(1); see also *Gateway 2000, Inc. v. Gateway.com, Inc.*, No. 5:96-CV-1021-BR(3), 1997 U.S. Dist. LEXIS 2144, at *1 (E.D.N.C. Feb. 6, 1997) (preliminary injunction denied because it was not clear that plaintiff’s fame predated defendant’s use).

157. See *Ossola & Lally*, *supra* note 56, at 364.

158. See *id.* at 364–65.

159. See Marcy J. Bergman, *Trademark Infringement Litigation Primer*, in UNDERSTANDING BASIC TRADEMARK LAW 1999, at 443 (PLI Intell. Prop. Course Handbook Series No. G-569, 1999).

against cybersquatters and other trademark infringers.¹⁶⁰ However, the

160. See Goldstein, *supra* note 11, at 359–60. Two recent enactments to the law in this area may have been applicable to the *Avery* case: the Anticybersquatting Consumer Protection Act (“ACPA”) and the ICANN Uniform Domain Name Dispute Resolution Policy. The ACPA, enacted in November 1999 now serves as the law under which to prosecute those who intentionally register a domain name to earn a profit. See 15 U.S.C. § 1125 (d) (Supp. IV 1998). The ACPA was intended to “overcome the uncertainty as to the Federal Trademark Dilution Act’s application to the Internet because this uncertainty had produced inconsistent judicial decisions and created extensive monitoring obligations, unnecessary legal costs, and uncertainty for consumers and trademark owners alike.” Martin Flumenbaum & Brad S. Karp, *Cybersquatting*, 223 N.Y. L.J. 3 (2000).

The ACPA amends the Lanham Act and provides a specific federal remedy for cybersquatting. See 15 U.S.C. § 1125 (d)(1)(A) (Supp. IV 1998). The Act provides in part that a person violates the Act if that person

- (i) has a bad faith intent to profit from that trademark...; and (ii) registers, traffics in, or uses a domain name that: (I) in the case of a mark that is distinctive at the time of registration of the domain name is identical or confusingly similar to such mark; (II) in the case of a famous mark that is famous at the time of registration of the domain name, is dilutive of such mark....

Id. The statute also includes a list of eleven non-exclusive factors to determine whether the registrant possessed a “bad faith intent” to profit. 15 U.S.C. § (d)(1)(B) (Supp. IV 1998).

In *Sporty’s Farm LLC v. Sportsman’s Market Inc.*, 202 F.3d 489 (2d Cir. 2000), the Second Circuit became the first federal appellate court to interpret the ACPA. It held that the owner of the domain name “sportys.com” acted with a bad faith intent to profit from a catalog company’s “Sporty’s” trademark. *Id.* at 499. This bad faith intent was supported by evidence that the domain name owner’s parent company sought to enter into direct competition with the catalog company, the parent company knew of the catalog company’s trademark and registered the domain name for the purpose of preventing the catalog company from using that domain name. See *id.* at 498.

In addition to the ACPA, cybersquatting victims can also obtain relief under the recently enacted ICANN Uniform Domain Dispute Resolution Policy, which is an administrative proceeding intended to provide a fast and cost-effective remedy. See <<http://www.icann.org/udrp/udrp-policy-24oct99.htm>> (visited Mar. 15, 2000). The policy requires that a domain name registrant submit to a mandatory administrative proceeding in the event that a third party asserts that 1) the registrant’s domain name is identical or confusingly similar to a trademark in which the third party has rights; 2) the registrant has no rights or legitimate interests in respect to the domain name; and 3) the domain name has been registered and is being used in bad faith. See *id.* The Policy lists a number of circumstances that may constitute use of a domain name in “bad faith,” such as registering the domain name only to sell it for valuable consideration, registering it to prevent the trademark owner from using the corresponding domain name or registering the domain name solely for the purpose of disrupting the business of a competitor. *Id.*

Even if the ACPA had been enacted at the time of the *Avery* case, it is unlikely that Avery Dennison could have brought its claim against Sumpton under the ACPA or under the ICANN Dispute Policy. First, it would have been difficult to prove that Sumpton registered the names in bad faith. Although Sumpton did register over 12,000 names for his business, he did not try to sell the domain names to Avery Dennison for a profit. Furthermore, Sumpton and Avery were not competitors and the domain names were legitimately registered for Sumpton’s business so that customers could use the “avery” and “dennison” marks as a personalized email or web site name. The court found that the marks “avery” and “dennison” were not famous or distinctive, thereby unable to satisfy the requirement that the domain name be famous or distinctive under the ACPA. Finally, Sumpton did not prevent Avery from using its trademark name as a domain

recently enacted Trademark Cyberpiracy Prevention Act¹⁶¹ will now serve as the law under which to prosecute those who intentionally register a trademark as a domain name for the sole purpose of reselling it to the owner for a profit.¹⁶²

III. *AVERY DENNISON V. SUMPTON*

A. Background

Jerry Sumpton is the president of Freeview Listings Ltd., a domain name company that leases names for vanity e-mail accounts and web sites for clients around the world.¹⁶³ Freeview, which does business on the internet as "Mailbank,"¹⁶⁴ classifies domain names and e-mail names according to categories such as animals, people, music, sports and family names.¹⁶⁵ These categories allow users to incorporate their surname or some special interest into their e-mail or web site address, similar to vanity license plates.¹⁶⁶ Mailbank has registered over 12,000 domain names and leases e-mail and web site addresses under the top-level domain names such as ".com," ".net" and ".org."¹⁶⁷ Among the surnames that Freeview registered to be used as domain names were "avery.net" and "dennison.net."¹⁶⁸

Avery Dennison manufactures and sells office products under the registered trademarks "Avery" and "Dennison."¹⁶⁹ It spends over five million dollars annually to advertise its products, including those marketed under the "Avery" and "Dennison" trademarks.¹⁷⁰ Furthermore, the company yields over three billion dollars in sales each year for all of its

name because Sumpton registered the names in ".net" while Avery had already registered "avery" and "averydennison" in ".com."

161. 15 U.S.C. § 1125(d) (Supp. IV 1998) (amending Section 43 of the Trademark Act of 1946). Under this statute, courts may consider nine factors in determining whether the defendant acted in bad faith. *Id.*

162. *See id.*

163. *See Mailbank.com* (visited Jan. 14, 2000) <<http://www.mailbank.com>>.

164. *See Avery Dennison Corp. v. Sumpton*, 189 F.3d 868, 872 (9th Cir. 1999).

165. *See id.*

166. *See Brown, supra* note 84, at 254. For example, if Mailbank owned the domain name "Monroe.net," then a user who wanted a personalized e-mail and Web address incorporating her first and last name could lease "Marilyn@Monroe.net" for an e-mail address, and "http://Marilyn.Monroe.net" for a web site address.

167. *See Avery Dennison*, 189 F.3d at 873.

168. *See id.*

169. *See id.*

170. *See id.*

products combined.¹⁷¹ Avery Dennison owns the domain names “avery.com” and “averydennison.com” and markets its products on the internet using these web site addresses.¹⁷² When Avery learned Freeview registered the domain names “avery.net” and “dennison.net,” it offered to purchase the names from Freeview.¹⁷³ After Freeview refused to relinquish the names, Avery Dennison filed suit against Sumpton and Freeview alleging trademark dilution under the Dilution Act and the California Business and Professional Code Section 14330.¹⁷⁴ The district court granted summary judgment to Avery Dennison on its dilution claims and entered a preliminary injunction against Sumpton, ordering him to transfer the domain names “avery.net” and “dennison.net” to Avery Dennison.¹⁷⁵ Further, the court ordered Avery Dennison to compensate Sumpton \$300 for each domain name.¹⁷⁶

B. Overview of the District Court Opinion

The district court began its opinion by perfunctorily labeling the defendant, Sumpton, a “cybersquatter.”¹⁷⁷ The court assumed when his company registered over 12,000 internet domain names, it did not register the domain names for its own use.¹⁷⁸ Instead, the court concluded Sumpton was a cybersquatter because he was intentionally preventing others from using those names.¹⁷⁹ The court then analyzed whether Sumpton’s use of the domain names diluted Avery Dennison’s trademarks and determined whether the marks were famous under the Dilution Act.¹⁸⁰ Although the Act enumerates eight non-exclusive factors to determine whether a mark is distinctive and famous,¹⁸¹ the district court did not perform an analysis using these factors.¹⁸² Instead, it concluded Avery Dennison’s marks were famous based upon its longstanding use of the marks and the degree of recognition by individuals in the community.¹⁸³

171. *See id.*

172. *See id.*

173. *See Brown, supra* note 84, at 254–55.

174. *See Avery Dennison*, 189 F.3d at 873.

175. *See Avery Dennison Corp. v. Sumpton*, 999 F. Supp. 1337, 1342 (C.D. Cal. 1998).

176. *See id.*

177. *See id.* at 1338.

178. *See id.*

179. *See id.*

180. *See id.* at 1339.

181. *See* 15 U.S.C. § 1125(c)(1)(A)–(H) (Supp. IV 1998).

182. *See Avery Dennison*, 999 F. Supp. at 1339.

183. *See id.*

Next, the court addressed whether Sumpton engaged in the commercial use of Avery's marks.¹⁸⁴ It applied its own definition to determine whether the mark was used in the ordinary course of trade.¹⁸⁵ The court used very broad language in its commercial use definition.¹⁸⁶ It implied any time a non-inherently distinctive domain name is registered for an e-mail or web site address, the domain name is elevated to the status of a trade or service mark.¹⁸⁷

The court then found registration of the domain names "avery.net" and "dennison.net" diluted the ability of Avery Dennison to identify and distinguish its goods because it was precluded from using its trademark name as an internet domain name.¹⁸⁸ Sumpton argued the licensees' use of the names as e-mail addresses eliminated the dilutive effect.¹⁸⁹ However, the court rejected this argument and stated the sale or license of the domain name to another for a purpose not intended by the trademark holder did not eliminate the dilution.¹⁹⁰

Finally, the court found equity demanded a finding in favor of Avery Dennison and ordered Sumpton to relinquish use of the domain names.¹⁹¹ Sumpton and Freeview argued they had invested \$1.2 million into their business and provided services to their licensees that the licensees could not provide themselves.¹⁹² Nonetheless, the court refused to acknowledge that Sumpton and Freeview would suffer any harm by relinquishing the two names.¹⁹³ The district court granted summary judgment for Avery Dennison and dismissed the case.¹⁹⁴

184. *See id.*

185. *See id.* at 1339-40. "[A] famous mark is 'used in the ordinary course of trade' when (a) it is registered as a domain name by a registrant who is not otherwise identified by or associated with any of the commonly accepted meanings of the domain name, and (b) it is not used by the registrant as its own domain name, but rather is held by the registrant for sale or license to others." *Id.*

186. *See Brown, supra* note 84, at 260-61.

187. *See id.*

188. *Court Finds Registration of Surnames As Domain Names Violated Federal Anti-Dilution Law*, 15 *COMPUTER LAW* 17 (1998).

189. *See Avery Dennison*, 999 F. Supp. at 1340.

190. *See id.* at 1341.

191. *See id.* at 1342.

192. *See id.* at 1341.

193. *See id.* at 1342.

194. *See id.*

C. *The Ninth Circuit Opinion*

The United States Court of Appeals for the Ninth Circuit reversed the lower court's decision and entered summary judgment in favor of Sumpton and Freeview.¹⁹⁵ The court held the marks were not eligible for dilution protection because they were not famous under the Dilution Act.¹⁹⁶

First, the court addressed whether Avery's marks, "Avery" and "Dennison" satisfied the first element of famousness under the Dilution Act.¹⁹⁷ The court held after applying the famousness factors of the Dilution Act,¹⁹⁸ the marks did not meet the threshold element of fame required for protection.¹⁹⁹ Next, the court found Sumpton's use of the marks did not satisfy the second element of commercial use in commerce.²⁰⁰ It found Sumpton did not intend to capitalize on the surname status of "Avery" and "Dennison."²⁰¹ Instead, Sumpton used words that happened to be trademarks for their non-trademark value.²⁰² Finally, the court considered Avery's contention that Sumpton's use of "Avery" and "Dennison" as domain names diluted the marks.²⁰³ Ultimately, the court rejected this argument and found neither cybersquatting dilution nor tarnishment.²⁰⁴ Therefore, no elements of the Dilution Act were satisfied and the summary judgment in favor of Avery Dennison was reversed.²⁰⁵

195. See *Avery Dennison*, 189 F.3d at 881–82.

196. See *id.* at 879.

197. See *id.* at 874.

198. See *supra* Part II.C.1.

199. See *Avery Dennison*, 189 F.3d at 877. Because the court did not find Avery Dennison's marks to be famous, it did not address the fourth element of a Dilution Act claim: whether the defendant's use began after the plaintiff's mark became famous. See *id.*; see also *Panavision Int'l, v. Toeppen*, 141 F.3d 1316, 1324 (9th Cir. 1998) (interpreting 15 U.S.C. § 1125(c)(1) (Supp. IV 1998)).

200. See *Avery Dennison*, 189 F.3d at 880.

201. See *id.*

202. See *id.*

203. See *id.*

204. See *id.* at 881.

205. See *id.*

D. Analysis Of The Ninth Circuit Decision

1. The Court Properly Concluded the “Avery” and “Dennison” Marks Did Not Satisfy the Threshold Element of Fame

In determining whether or not Avery Dennison’s marks met the first element of the Dilution Act, the court established the marks must be both distinctive and famous.²⁰⁶ In applying the famousness factors, the court found Avery Dennison’s marks failed the first, fifth, sixth and seventh factors, and likely satisfied the remaining four.²⁰⁷ The court focused much of its discussion on the distinctiveness factor, which appears to be the most probative in determining fame.²⁰⁸ Because the court found the marks had not achieved the required degree of distinctiveness under the Dilution Act, they did not meet the threshold element of fame.²⁰⁹

a. Distinctiveness

The court began its analysis with the first factor of famousness: “the degree of inherent or acquired distinctiveness of the mark.”²¹⁰ The Ninth Circuit recognized “Avery” and “Dennison” were common surnames and therefore not inherently distinctive.²¹¹ Consequently, marks that are not inherently distinctive require a showing of acquired distinctiveness through secondary meaning in order to satisfy the first factor of famousness.²¹² Under a federal infringement claim, a trademark that is registered on the principal register²¹³ has a presumption of secondary meaning.²¹⁴ This

206. See *Avery Dennison*, 189 F.3d at 876.

207. See *id.* at 877–78.

208. See *id.* at 876–77.

209. See *id.* at 877.

210. 15 U.S.C. § 1125(c)(1)(A). This factor requires the plaintiff’s mark possess a distinctive quality capable of dilution. See *Brown*, *supra* note 84, at 257.

211. See *Avery Dennison*, 189 F.3d at 877. An inherently distinctive mark is one that is strong because it is arbitrary, fanciful or coined. See *Wawa, Inc.*, 40 U.S.P.Q.2d at 1631 (holding plaintiff’s mark was arbitrary and fanciful and thus satisfied the first element of a dilution claim).

212. See *Avery Dennison*, 189 F.3d at 877. Acquired distinctiveness is attained when consumers associate a mark with a single producer or source rather than with the product itself. See *First Brands Corp. v. Fred Meyer, Inc.*, 809 F.2d 1378, 1383 (9th Cir. 1987). “[S]econdary meaning’ is the consumer’s understanding that the mark refers not to what the descriptive mark ordinarily describes, but to the particular business that the mark is meant to identify.” *Brown*, *supra* note 84, at 258.

213. See *Hiaring*, *supra* note 140, at 37. The Lanham Act provides for the registration of trademarks that are used in interstate or foreign commerce and provides two separate registers under which the marks may be registered, the Principal Register and the Supplemental Register. See *id.*

satisfies the acquired distinctiveness requirement for an infringement claim.²¹⁵ The *Avery* court recognized Avery's marks were registered on the principal register and had therefore achieved the secondary meaning required for infringement protection.²¹⁶ Nevertheless, it refused to recognize this presumptive secondary meaning satisfied the more rigorous requirement under the Dilution Act.²¹⁷ The court held registration on the principal register satisfies only "mere distinctiveness" for dilution, but not the "greater than distinctiveness" showing that is required for the threshold element of fame.²¹⁸

The first sentence of the Dilution Act states injunctive relief is available when use of a famous mark dilutes the distinctiveness of that mark.²¹⁹ This sentence implies only famous marks are protected, and what they are protected against is the diminution of their distinctive qualities. Therefore, this first sentence suggests the terms "famous" and "distinctive" are not synonymous, but instead are two separate requirements for fame. However, the second sentence of the Dilution Act states a mark must be distinctive and famous, but provides only one set of criteria.²²⁰ Arguably, this could indicate these terms are analogous, not separate and distinct inquiries. Therefore, a distinctive mark under the combined criteria would thus be considered to be both famous and distinctive and to have met the threshold element of fame under the Dilution Act.

It is unlikely that these terms were intended to be synonymous. If they were, a mark found distinctive—either inherently or through acquired distinctiveness—would also be considered famous. As a result, if all marks were somehow distinctive, and a showing of distinctiveness met the element of fame, there would be no marks outside the protection of the Dilution Act. In addition, there would be no purpose for the remaining factors enumerated in the Act.

In *Avery*, the court required Avery Dennison's marks to have achieved a high degree of distinctiveness or "greater than distinctiveness"

214. See *Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208, 215 (2d Cir. 1999). Secondary meaning is achieved when "the consuming public has come to associate the mark with the products or services of its user." *Id.*

215. See *Avery Dennison*, 189 F.3d at 876. However, trademark registration on the principal register satisfies only mere distinctiveness, not "greater than distinctiveness" required under the Dilution Act. See *id.* at 877.

216. See *id.* at 877.

217. See *id.*

218. See *id.*

219. See 15 U.S.C. § 1125(c)(1).

220. See *id.* These criteria are the eight famousness factors set forth in the Dilution Act. See 15 U.S.C. § 1125(c)(1)(A)–(H).

in order to have satisfied the threshold element of fame under the Act.²²¹ Although it is unclear what “greater than distinctiveness” requires, it most likely indicates a mark must be well renowned and have strength beyond just its trademark status.²²² Moreover, it must be able to provoke in the consumer’s mind the immediate association that the trademark holder is the source or origin of the goods or services.

Based upon the court’s analysis in *Avery*, it appears as if the famousness test hinges on whether or not the mark is distinctive. After concluding the “Avery” and “Dennison” marks failed the “greater than distinctiveness” requirement, and before analyzing the remaining famousness factors, the court found Avery Dennison failed to show the famousness prong was met in this case.²²³ Therefore, it appears the court only determined the marks were not famous because they were not distinctive.²²⁴ The court then continued its determination of fame by addressing the remaining elements of the famousness inquiry.²²⁵

Because the statute has been interpreted to require both famousness and distinctiveness, if a mark is not distinctive, then it automatically should fail to meet the threshold element of fame. The statute should be interpreted to mean the remaining factors enumerated in the Act, other than inherent or acquired distinctiveness, are relevant only when the mark is found to be distinctive. In other words, the remaining factors should be considered in determining whether a mark is sufficiently famous once distinctiveness is found. Therefore, if the mark is distinctive and the other seven factors weigh heavily in favor of its famousness, then the mark should be found to be distinctive and famous, thereby meeting the first element of the Dilution Act. However, if the mark does not meet the distinctiveness inquiry, then it automatically has failed the distinctiveness requirement and the remaining factors are no longer relevant in determining its famousness.

It is unclear whether the *Avery* court in fact analyzed this case in this manner because even after concluding the mark was not distinctive, it continued to address the remaining factors. However, the above analysis would allow the famousness prong to include both the distinctiveness and famousness requirements while at the same time providing a clearer analysis and interpretation of this first element of the Dilution Act.

221. See *Avery Dennison*, 189 F.3d at 877.

222. See *id.* at 876.

223. See *id.* at 877.

224. See *id.*

225. See *id.* at 877–79.

b. Channels of Trade

Next, the court considered the fifth and sixth factors of the famousness inquiry,²²⁶ “[t]he channels of trade for the plaintiff’s goods and the degree of recognition of the mark in the trading areas and channels of trade used by the [mark’s owner and the person against whom the injunction is sought].”²²⁷ In making its determination, the court focused on the legislative history of these factors.²²⁸ It emphasized the plaintiff’s fame in a “localized” trading area may satisfy the threshold element of fame if the plaintiff’s trading area includes the trading area of the defendant.²²⁹ Furthermore, the court determined fame could be found in a specialized market segment if the defendant’s dilutive acts are directed at the same market segment as the plaintiff’s.²³⁰ Because Avery’s customer base included purchasers of office products and Sumpton’s customer base consisted of internet users who wanted vanity e-mail addresses, the court found they were two non-competing market segments.²³¹ Therefore, Avery’s marks had not satisfied the fifth and sixth factors under famousness.²³²

c. Other Famousness Factors

The last analysis the court performed under the famousness inquiry of the Dilution Act focused on the second, third and fourth factors.²³³ These factors inquire into “(C) the duration and extent of use of the mark in connection with the goods or services with which the mark is used; (D) the duration and extent of advertising and publicity of the mark; [and] (E) the geographical extent of the trading area in which the mark is used.”²³⁴ The court conceded these remaining factors likely supported Avery’s argument that its marks were famous.²³⁵ However, the court refused to find the marks

226. *See id.* at 877–78. Distinctiveness is the first factor under the famousness inquiry. *See* 15 U.S.C. § 1125(c)(1)(A).

227. *Avery Dennison*, 189 F.3d at 877.

228. *See id.* at 877–78; *see also* *Washington Speakers Bureau, Inc. v. Leading Auths., Inc.*, 33 F. Supp. 2d 488, 503–04 (E.D. Va. 1999); *Teletch Customer Care Management, Inc. v. Tele-Tech Co.*, 977 F. Supp. 1407, 1413 (C.D. Cal. 1997).

229. *See Avery Dennison*, 189 F.3d at 877–78.

230. *See id.* at 878.

231. *See id.*

232. *See id.*

233. *See id.*

234. 15 U.S.C. § 1125(c)(1)(C)–(D) (Supp. IV 1999).

235. *See Avery Dennison*, 189 F.3d at 878.

were famous enough to satisfy the threshold element of fame under the Dilution Act.²³⁶

The court also addressed the seventh factor²³⁷ of famousness. It indicated because over 800 businesses used the name “Avery” and over 200 businesses use the name “Dennison,” the mark was not distinct or famous.²³⁸ The court held because of the widespread use of these marks, it was unlikely that they could be considered famous under the Dilution Act.²³⁹

The court correctly decided the “Avery” and “Dennison” marks were not distinctive because they have not achieved the same degree of distinctiveness that is afforded to extremely strong marks such as McDonalds, Kodak or Coca-Cola. Therefore, the marks did not meet the threshold element of fame under the Dilution Act and are not subject to the heightened degree of protection granted to more distinctive marks.

2. The Court Should Have Held the Marks Were Used in Commerce

The second element under the Dilution Act involves a determination of whether the defendant’s use of the mark was a commercial use in the stream of commerce.²⁴⁰ To be subject to an injunction under the Dilution Act, a defendant’s use of the marks must be both “commercial” and “in commerce.”²⁴¹

The district court concluded because Sumpton registered the marks to sell to internet users for vanity e-mail addresses and because the names were not his own, he used the marks “in the ordinary course of trade.”²⁴² However, the Ninth Circuit rejected the district court’s finding. This court held because Sumpton did not register the trademarks to capitalize on their trademark status, but instead registered them with the intent to capitalize on

236. *See id.* The court rejected the three market research studies submitted by Avery Dennison as flawed because the surveyed persons were already acquainted with Avery and Avery Dennison products. *See id.* at 879.

237. *See* 15 U.S.C. § 1125 (c)(1)(G) (“[T]he nature and extent of use of the same or similar marks by third parties”).

238. *See Avery Dennison*, 189 F.3d at 878.

239. *See id.*

240. *See id.* at 874; *see also* 15 U.S.C. § 1125(c)(1).

241. 15 U.S.C. § 1125(c)(1) (“[T]he owner of a famous mark shall be entitled. . . to an injunction against another person’s commercial use in commerce”); *see also* 15 U.S.C. § 1125(c)(4)(B) (“The following shall not be actionable under this section: . . . (B) Noncommercial use of a mark”).

242. *Avery Dennison Corp. v. Sumpton*, 999 F. Supp. 1337, 1339–40 (C.D. Cal. 1998).

their surname status, the use of “avery.net” and “dennison.net” did not constitute commercial use under the Dilution Act.²⁴³

The *Avery* court based its decision on the only two cases in which appellate courts have resolved a domain name dispute under the Dilution Act.²⁴⁴ In *Intermatic, Inc. v. Toeppen*,²⁴⁵ the court separated the commercial use element into two components: 1) whether the use was commercial in nature and 2) whether the use was in commerce.²⁴⁶

a. Commercial in Nature

The *Intermatic* court determined the defendant’s mere registration of the plaintiff’s marks did not establish commercial use in and of itself.²⁴⁷ Rather, the court held the defendant’s act of registering the marks as domain names, with the intent to sell them to Intermatic for a profit, satisfied the in commerce requirement.²⁴⁸

In *Panavision International, L.P. v. Toeppen*,²⁴⁹ the court found commercial use because the defendant²⁵⁰ attempted to sell the trademarks themselves.²⁵¹ This prevented Panavision from doing business on the internet under “panavision.com” without paying the defendant a fee.²⁵² Both the *Intermatic* and *Panavision* courts held that trading on the value of a domain name was “commercial use” as defined in the Dilution Act.²⁵³

In *Avery*, the court relied heavily on *Intermatic* and *Panavision* to determine whether Sumpton’s use of Avery’s marks was in fact commercial use.²⁵⁴ In both *Intermatic* and *Panavision*, the courts found

243. See *Avery Dennison*, 189 F.3d at 880; see also *Panavision Int’l L.P. v. Toeppen*, 141 F.3d 1316, 1325 (9th Cir. 1998) (finding commercial use under the Dilution Act requires the defendant to use the trademark as a trademark, capitalizing on its trademark status); *Intermatic, Inc. v. Toeppen*, 947 F. Supp. 1227, 1239 (N.D. Ill. 1996) (finding defendant’s “intention to arbitrage” the registration of domain names for profit was commercial use).

244. See *id.* at 879–81 (citing *Panavision*, 141 F.3d 1316; *Intermatic*, 947 F. Supp. 1227).

245. 947 F. Supp. 1227.

246. See *id.* at 1239.

247. See *id.* (rejecting plaintiff’s argument that the defendant’s use of the mark was commercial because the top level domain “.com” is short for commercial and the defendant used “intermatic.com” in connection with the sale of a computer software program).

248. See *id.* (“[The defendant’s] intention to arbitrage the ‘intermatic.com’ domain name constitutes commercial use.”).

249. 141 F.3d 1316.

250. See *id.* at 1325. The defendant in *Panavision*, Dennis Toeppen, is the same defendant as in *Intermatic*. See *id.*

251. See *id.*

252. See *id.*

253. See *id.*; see also *Intermatic*, 947 F. Supp. at 1239.

254. *Avery Dennison*, 189 F.3d at 880.

commercial use when the defendant registered marks as a domain name, with the intent to sell it to the trademark owner for a profit.²⁵⁵ In *Avery*, the court recognized that Sumpton had not attempted to sell the domain names to Avery.²⁵⁶ Accordingly, the court found no commercial use.²⁵⁷

However, unlike *Intermatic* and *Panavision*, *Avery* did not involve a cybersquatter.²⁵⁸ Because the *Avery* court determined Sumpton was not a cybersquatter, it concluded there was no commercial use of the marks.²⁵⁹ Although Sumpton conceded that leasing the domain names was “commercial use,” the court dismissed this concession because Sumpton had not attempted to sell the marks.²⁶⁰

The *Avery* court, in ruling no commercial use existed, based its entire decision on the fact that Sumpton had not registered the domain names with the intent to sell them to Avery Dennison. After this determination, the court believed no further analysis of the commercial use factor was necessary. Until further case law clarifies this element in cases not involving a cybersquatter, uncertainty remains as to what a plaintiff must prove in order to satisfy the commercial use requirement.

b. In Commerce

Unlike *Intermatic*, the *Avery* court did not address the in commerce component of the Dilution Act.²⁶¹

Most courts find the simple use of the internet constitutes in commerce under the Dilution Act.²⁶² However, use in commerce is defined as:

The bona fide use of a mark in the ordinary course of trade, and not made merely to reserve a right in a mark. For purposes of this chapter, a mark shall be deemed to be in use in commerce . . . (2) on services when it is used or displayed in the

255. *Panavision*, 141 F.3d at 1325; see also *Intermatic*, 947 F. Supp. at 1239.

256. See *Avery Dennison*, 189 F.3d at 880.

257. See *Id.*

258. See *Panavision*, 141 F.3d at 1325; see also *Intermatic*, 947 F. Supp. at 1234.

259. See *Avery Dennison*, 189 F.3d at 881.

260. See *Brown*, *supra* note 84, at 260.

261. See 15 U.S.C. § 1125(c)(1).

262. See *Brown*, *supra* note 84, at 259–60. “Because Internet communications transmit instantaneously on a worldwide basis, there is little question that the ‘in commerce’ requirement would be met in a typical Internet message, be it trademark infringement or false advertising.” See *Gilson*, *supra* note 125, at 5-233. The Supreme Court has held the in commerce requirement should be construed liberally because the Lanham Act “confers broad jurisdictional powers upon the courts of the United States.” *Steele v. Bulova Watch Co.*, 344 U.S. 280, 283 (1952).

sale or advertising of services and the services are rendered in commerce . . . and the person rendering the services is engaged in commerce in connection with the services.²⁶³

The *Panavision* and *Intermatic* courts did not apply the Dilution Act's rigorous definition of in commerce because the defendant in these cases did not use the domain names as a mark or trade name. Instead, the defendant was a cybersquatter and he reserved names and retained them until he could sell them to the trademark owner.²⁶⁴

However, under the Dilution Act, it could be argued that Avery's marks were used in commerce because Sumpton offered leasing services to his customers by allowing them to lease their surname as a vanity email address.²⁶⁵ Sumpton's business profited from these internet users who utilized his business by leasing their surnames for their email or web site address.²⁶⁶ Therefore, by registering and then leasing a personalized domain name like "Avery" and "Dennison" to his users, Sumpton provided a service that could qualify as a use in commerce.²⁶⁷ Thus, the court should have found that Sumpton's use of the "Avery" and "Dennison" marks were in commerce.²⁶⁸

It is still unclear whether future court decisions will interpret the Dilution Act as requiring both commercial use and in commerce as separate elements. Currently, although federal dilution law requires use in commerce, *Intermatic* is the only appellate decision which has discussed this in commerce element.²⁶⁹ The *Avery* court did not address this element, as it only discussed commercial use.²⁷⁰ As a result, courts may continue to interpret use in commerce and commercial use as synonymous.

263. 15 U.S.C. § 1127 (1994). This section also states "a mark shall be deemed to be in use in commerce (1) on goods when- (A) it is placed in any manner on the goods or their containers or the displays associated therewith or on the tags or labels affixed thereto . . . and (B) the goods are sold or transported in commerce. . . ." 15 U.S.C. § 1127.

264. See Jennifer Golinveaux, *What's in a Domain Name: Is "Cybersquatting" Trademark Dilution?*, 33 U.S.F. L. Rev. 641, 660 (1999).

265. See *Avery Dennison*, 189 F.3d at 872; see also Brown, *supra* note 84, at 260.

266. See Brown, *supra* note 84, at 254.

267. See 15 U.S.C. § 1127.

268. See 15 U.S.C. § 1125(c)(1). The second factor to be established under the Dilution Act is whether the defendant is making commercial use of the mark in commerce. 15 U.S.C. § 1125(c)(1).

269. See 15 U.S.C. § 1125(c)(1).

270. See *Avery Dennison*, 189 F.3d at 879-80.

3. The Court Properly Concluded There Was No Dilution of Avery's Marks

The third element of a dilution claim is whether the defendant's use of the mark diluted the plaintiff's trademarks.²⁷¹ Two theories of dilution were implicated in this case, the first being cybersquatting and the second being tarnishment.²⁷² Although Avery argued Sumpton's use of the marks constituted "cybersquatting dilution," the court rejected this theory because the marks were registered in the ".net" top-level domain and not the ".com" top-level domain.²⁷³

Instead of relying on the two standard dilution theories of blurring and tarnishment,²⁷⁴ the court applied the cybersquatting dilution theory.²⁷⁵ Although the *Panavision* court did not explicitly use the term cybersquatting, it was the first to develop the legal theory.²⁷⁶ The court stated dilution occurs when a defendant's use diminishes the capacity of the plaintiff's marks to identify and distinguish the plaintiff's goods or services on the internet.²⁷⁷ In other words, dilution occurs when a consumer searches for a company's web site and the site cannot be retrieved because the consumer incorrectly assumed the domain name corresponded to the company's name or trademark.²⁷⁸ As a result, the consumer becomes angry

271. See 15 U.S.C. § 1125(c)(1).

272. See *Avery Dennison*, 189 F.3d at 880–81 ("Cybersquatting dilution is the diminishment of 'the capacity of the plaintiff's marks to identify and distinguish the plaintiff's goods and services on the Internet.'" (quoting *Panavision*, 141 F.3d at 1326)). "Tarnishment occurs when a defendant's use of a mark similar to a plaintiff's presents a danger that consumers will form unfavorable associations with the mark." See *Hasbro, Inc. v. Internet Entertainment Group, Ltd.*, 40 U.S.P.Q.2d 1479, 1480 (W.D. Wash. 1996).

273. See *Avery Dennison*, 189 F.3d at 880–81.

274. Under 15 U.S.C. § 1127, the definition of dilution includes all forms of dilution recognized by the courts, including dilution by blurring, tarnishment, disparagement and diminishment. See *Intermatic*, 947 F. Supp. at 1238.

275. See Golinveaux, *supra* note 264, at 657.

276. *Panavision*, 141 F.3d at 1326–27.

277. See *id.* at 1327. This type of dilution, also known as "dilution by elimination" which enjoins the use of a mark entirely apart from its use in a trademark capacity as a source identifier. See Golinveaux, *supra* note 264, at 657.

278. See *Panavision*, 141 F.3d at 1327. "A customer who is unsure about a company's domain name will often guess that the domain name is also the company's name." *Cardservice Int'l, Inc. v. McGee*, 950 F. Supp. 737, 741 (E.D. Va. 1997). "For this reason, a domain name mirroring a corporate name may be a valuable corporate asset, as it facilitates communication with a customer base." *Id.* (quoting *MTV Networks, Inc. v. Curry*, 867 F. Supp. 202, 203–04 n.2 (S.D.N.Y. 1994)).

and frustrated and fails to search any further for the company's site under the belief that it does not exist.²⁷⁹

In applying the *Panavision* definition of "cybersquatting dilution," the *Avery* court properly concluded there was no dilution of Avery's marks. The court found it unlikely that Sumpton's registration of Avery's marks in the ".net" top-level domain would cause the consumer any frustration resulting from a search of Avery's web site.²⁸⁰ Furthermore, because ".com" is the more common and popular top-level domain,²⁸¹ it is likely that a consumer would first try to access the web site under ".com" rather than ".net."²⁸² Therefore, the consumer would locate the web site on the first try and would not become frustrated while attempting to access the company's web sites under "avery.com," "dennison.com," or "averydennison.com."²⁸³ Thus, the *Avery* court found no dilution occurred when Sumpton registered the domain names in ".net" and not ".com," the top-level domain that courts have generally considered when applying the dilution cause of action to domain name registrations.²⁸⁴

Based on *Panavision*, the *Avery* court properly concluded dilution did not occur because the ability to identify plaintiff's marks on the internet was not hindered.²⁸⁵ However, it can be argued that the court erroneously concluded dilution could only occur with a "trademark.com" registration.²⁸⁶

It is likely that a trademark owner who registers a mark in the ".net" top-level domain could have its mark diluted. Currently, ".com," ".org" and ".net" are three top-level domains open for unrestricted use.²⁸⁷ Therefore, businesses are not necessarily limited to ".com." These businesses can register a name under ".net" even though that top-level domain is intended for internet services.²⁸⁸ As more companies use ".com" and ".net" interchangeably, the ".com" top-level domain will become more saturated. Eventually, there may no longer be any distinction between the two top-level domains for registration purposes. As a result, a trademark

279. See *Panavision*, 141 F.3d at 1327 (quoting *Jews for Jesus v. Brodsky*, 993 F. Supp. 282, 306-07 (D.N.J. 1998)).

280. See *Avery Dennison*, 189 F.3d at 880-81.

281. See Golinveaux, *supra* note 264, at 642.

282. See *Avery Dennison*, 189 F.3d at 880-81.

283. See *id.*

284. See *id.*

285. See *id.*

286. See *id.*

287. See Martin B. Schwimmer, *Domain Names and Everything Else: Trademark Issues in Cyberspace*, in UNDERSTANDING BASIC TRADEMARK LAW 1999, at 381, 391 (PLI Intell. Prop. Course Handbook Series No. G-569, 1999).

288. See *id.*

holder may be able to register its mark as a domain name in the “.net” top-level domain rather than “.com” and still deserve the same level of protection as a mark registered in the “.com” top-level domain. The *Avery* court’s decision does not protect the two top-level domains equally. Instead, it gives preferential treatment to those marks registered in “.com.”²⁸⁹

Furthermore, in deciding whether or not Sumpton diluted Avery’s trademarks, the *Avery* court relied heavily on the diminishment theory developed in *Panavision*.²⁹⁰ However, the *Panavision* court did not find dilution solely because the marks were registered in the “.com” top-level domain.²⁹¹ Instead, the court in *Panavision* found the defendant was a cybersquatter who registered the domain names under “.com” with the intent to extort money from the plaintiff.²⁹² In contrast, Sumpton never attempted to sell the domain names to Avery, but registered them for his business, rather than for pure financial gain.²⁹³

IV. CONCLUSION

In *Avery*, the Ninth Circuit raised the standard in determining whether a mark is famous under the Federal Trademark Dilution Act. The question is now whether that standard is set so high that it will be difficult for many trademarks to gain protection under the Dilution Act. Prior to the *Avery* decision, courts accommodated trademark holders by interpreting the famous mark requirement expansively, allowing less than famous marks to obtain relief under the Dilution Act.²⁹⁴ As a result, trademark owners of famous marks looked to the Dilution Act as the remedy of choice in domain name disputes.²⁹⁵ Moreover, the legislative history of the Dilution Act indicates Congress intended the Act to provide relief against cybersquatters on the internet.²⁹⁶ However, after the *Avery* decision, it appears a trademark holder will have more difficulty establishing the mark is indeed famous.

One reason the Dilution Act was passed was to prevent aggrieved trademark owners from pursuing a claim under the more stringent

289. See *Avery Dennison*, 189 F.3d at 880–81.

290. See *id.* Avery Dennison argued Sumpton’s conduct constituted cybersquatting dilution and tarnishment in this case. See *id.*

291. See *Panavision*, 141 F.3d at 1327.

292. See *id.*

293. See *Avery Dennison*, 189 F.3d at 872.

294. See Leaffer, *supra* note 79, at 148.

295. See *id.*

296. See 141 CONG. REC. S19, 312 (daily ed. Dec. 29, 1995) (statement of Sen. Leahy).

standards of traditional trademark law, such as infringement. However, now trademark owners may face an equally difficult time proving their mark is famous under the Dilution Act. Conversely, *Avery* also represents a tremendous victory for the non-trademark holder. Now, trademark holders can no longer take the position that because they own a registered trademark they are automatically entitled to the domain name.

Currently, the Ninth Circuit is the only appellate court that has applied the famousness factors of the Dilution Act to a domain name case. In fact, *Avery Dennison Corp. v. Sumpton* represents only the third time the Ninth Circuit has applied trademark law to the internet.²⁹⁷ Because trademark law, as applied to the internet and domain name cases, is still evolving, courts will undoubtedly look to the Ninth Circuit's application of the famousness factors for all dilution cases involving the Federal Trademark Dilution Act.

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297. See *Avery Dennison*, 189 F.3d at 871.

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