

## COMMENT

# ENFORCING THE FEDERAL DILUTION TRADEMARK ACT OF 1995 AND THE ANTICYBERSQUATTING ACT OF 1999: JUDICIAL DISCRETION ADVISED\*

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## I. INTRODUCTION

As originally proposed by the United States Trademark Association,<sup>1</sup> the Federal Trademark Dilution Act<sup>2</sup> (“FTDA”) was intended to be a limited remedy only for those marks that were “truly famous.”<sup>3</sup> Some opinions, however, suggest that U.S. courts favor trademark holders against holders of domain name registrations<sup>4</sup> and sometimes grant FTDA injunctions without ensuring that the mark is famous enough to warrant protection.<sup>5</sup> Trademark owners can force a domain name holder to give up his domain name, arguing that the domain name “dilutes” his/her trademark.<sup>6</sup> A domain name owner can lose his identifying domain name even after he or she has spent a great deal of money setting up and marketing the site. Domain name holders are at a further disadvantage because the Patent and Trademark Office database lists only federally registered trademarks so a search of the trademark registry will not necessarily show all of the names that are protected by trademark.<sup>7</sup> Furthermore, the website version of the database will not alert the searcher to applications for trademarks that are on file.<sup>8</sup> In addition, trademark protection extends to unregistered marks.<sup>9</sup>

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1. See UNITED STATES TRADEMARK ASS'N TRADEMARK REVIEW COMM'N, THE UNITED STATES TRADEMARK ASS'N TRADEMARK REVIEW COMM'N REPORT AND RECOMMENDATIONS TO USTA PRESIDENT AND BD. OF DIRS., in 77 TRADEMARK REP. 375, 455 (1987) [hereinafter COMMISSION REPORT].

2. 15 U.S.C. § 1125(c)(1) (Supp. IV 1998).

3. COMMISSION REPORT, *supra* note 1, at 455; see also *Avery Dennison Corp. v. Sumpton*, 189 F.3d 868, 875 (9th Cir. 1999) (noting that dilution was invented and reserved for “a select class of marks—those marks with such powerful consumer associations that even non-competing uses can impinge on their value”).

4. See GEORGE B. DELTA & JEFFREY H. MATSUURA, LAW OF THE INTERNET § 5.04[B], at 5-58 (Supp. 1998).

5. See Mark R. Becker, Note, *Streamlining the Federal Trademark Dilution Act to Apply to Truly Famous Works*, 85 IOWA L. REV. 1387, 1395 (2000) (noting that while the First Circuit interprets the term “famous” to have a “highly restrictive, legalistic meaning,” other circuits, like the Second Circuit, may permit marks of “lesser eminence to qualify for the FTDA’s protection” by defining “famous” in (its) ordinary English language sense”).

6. See DELTA & MATSUURA, *supra* note 4, § 5.04[B], at 5-67 (Supp. 2000) (noting that “[t]rademark owners are increasingly turning to trademark dilution claims to protect their marks from use by other parties as domain names”); see, e.g., *Panavision Int'l, L.P. v. Toepfen*, 141 F.3d 1316, 1327 (9th Cir. 1998) (concluding that Toepfen’s registration of the plaintiff’s trademark as a domain name diluted the trademark).

7. See Sabra Chartrand, *A New Trademark Policy Provides More Weapons in the Defense of Internet Domain Names*, N.Y. TIMES, Jan. 10, 2000, at C2.

8. See *id.*

9. See KENT D. STUCKEY, INTERNET AND ONLINE LAW § 7.03, at 7-37 (1996) (noting that “there is no requirement under the federal dilution statute that the plaintiff own a federal trademark registration,” and “there is no requirement in most states that the plaintiff own a state trademark registration in order to assert a state-law dilution claim”).

Trademark owners should be able to enforce a dilution-based injunction only for those trademarks that are “truly famous” not only because of their power to enjoin a domain name, but also because domain name holders have an insufficient means of protecting themselves by discovering earlier in the process those marks which are protected. The courts should exercise their discretion with caution when determining which trademarks satisfy this high threshold.

This argument begins with a brief history of the evolution of domain names, explaining what a domain name is and who regulates its assignment. A detailed explanation of the FTDA follows. This section will begin by summarizing the history behind the federal dilution law and will give an overview of the language of the law. The third section includes an examination of the “famousness” and “commercial use” factors, as well as the issue of when “use” officially begins under the dilution law. This section will discuss the eight factors that courts use to determine whether or not a mark is famous. In addition, *Avery Dennison Corp. v. Sumpton*<sup>10</sup> will be highlighted, a case in which the Ninth Circuit strictly interpreted what should be considered a “famous” mark and properly declined to enjoin a domain name.<sup>11</sup> This section will conclude by outlining three types of dilution, “blurring”, “tarnishment” and, specific to the Internet, “cybersquatting.” The final section of the paper will discuss the recently enacted Anticybersquatting Consumer Protection Act<sup>12</sup> (“ACPA”). This act was designed to make up for “perceived shortcomings” of applying the FTDA in cybersquatting cases, and to provide an additional means by which a trademark holder can protect his/her mark.<sup>13</sup>

## II. EVOLUTION OF DOMAIN NAME MANAGEMENT

An Internet Protocol (“IP”) number functions as an address that indicates to which computer information should be routed.<sup>14</sup> Because they are easier to remember, Internet domain names are tied to an Internet site’s individual IP number.<sup>15</sup> On December 31, 1992, Network Solutions, Inc.

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10. 189 F.3d 868 (9th Cir. 1999).

11. *See id.* at 874–77, 881.

12. 15 U.S.C. § 1125(d) (Supp. V 1999).

13. *See Sporty’s Farm, L.L.C. v. Sportsman’s Mkt., Inc.*, 202 F.3d 489, 495–96 (2d Cir. 2000), *cert. denied*, 120 S. Ct 2719 (2000).

14. *See* Management of Internet Names and Addresses, 63 Fed. Reg. 31741, 31741 (June 10, 1998) [hereinafter Management].

15. *See id.*; *see also* The Management of Internet Names and Addresses: Intellectual Property Issues (Apr. 1, 2000), at [http://www.icann.org/wipo/FinalReport\\_1.html](http://www.icann.org/wipo/FinalReport_1.html).

(“NSI”) began managing the registration of domain names on the Internet throughout the United States.<sup>16</sup> While left formally unregulated, through its early association with the National Science Foundation (“NSF”), NSI was originally a part of the U.S. government.<sup>17</sup> In 1998, the U.S. Congress issued two documents, *Improvement of Technical Management of Internet Names and Addresses* (the “Green Paper”) and *Management of Internet Names and Addresses* (the “White Paper”), which proposed that the assignment of domain names become the function of a privatized, non-profit corporation, with complete phase-out of governmental authority by September 30, 2000.<sup>18</sup> Later that same year, the Internet Corporation for Assigned Names and Numbers (“ICANN”), an international, non-profit corporation was formed to address the concern that the assignment of domain names would be under too much U.S. influence if left under the direction of NSI.<sup>19</sup> ICANN took over those aspects of the domain name system that had previously been managed by the Internet Assigned Numbers Authority (“IANA”) and NSI.<sup>20</sup> One of the

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Currently, there are seven generic top-level domain names (“gTLDs”). Three of these gTLDs, <.com>, <.net> and <.org>, do not restrict who can register domain names on them. The remaining four, <.int> (indicating international organizations), <.edu> (indicating addresses from institutions of higher education), <.gov> (indicating addresses of the U.S. government) and <.mil> (indicating addresses of the U.S. military), restrict access only to members of certain groups. *See id.*

16. *See* Management, *supra* note 14, at 31742; *see generally* Karen Kaplan, *\$16.8-Billion Deal for Domain Name Firm*, L.A. TIMES, Mar. 8, 2000, at C1 (reporting that NSI was recently bought by Internet security company VeriSign).

17. *See* Kenneth Neil Cukier, *Addressing the Future*, RED HERRING, Jan. 2000, at 162, 164–65; *see also* Management, *supra* note 14, at 31742.

18. *See* Management, *supra* note 14, at 31741 (noting that the “Green Paper called for the creation of a new private, not-for-profit corporation responsible for coordinating specific [Domain Name System] functions for the benefit of the Internet as a whole”); Request for Comments on the Enhancement of the .us Domain Space, 63 Fed. Reg. 41547, 41548 (Aug. 4, 1998) (stating that the White Paper “invited the international community of private sector Internet stakeholders to work together to form a new, private, not-for-profit corporation to manage DNS functions”); *see also* Improvement of Technical Management of Internet Names and Addresses, 63 Fed. Reg. 8826, 8828 (1998) (projecting that the “U.S. government would gradually transfer existing [Internet Assigned Numbers Authority] functions, the root system and the appropriate databases to this new not-for-profit corporation” and that this transition would occur by September 20, 1998).

19. *See* Angela Proffitt, Comment, *Drop the Government, Keep the Law: New International Body for Domain Name Assignment Can Learn from United States Trademark Experience*, 19 LOY. L.A. ENT. L. REV. 601, 609–10 (1999) (citation omitted) (writing that the country representatives meeting in Geneva, Switzerland for the purpose of reaching a “consensus regarding the definition and development of a non-profit corporation to take over the DNS . . . complained that the proposed structure of Internet management remained too U.S.-centric”).

20. *See* MICHAEL D. SCOTT, MULTIMEDIA LAW § 5.23[D], at 5-43 (2d ed. Supp. 2000) (stating that “ICANN was to assume the responsibility, over time, for the management of

responsibilities ICANN has is to accredit new businesses as registrars of domain names.<sup>21</sup> Once accredited, these registrars can register new domain names in competition with NSI and contribute them to the Shared Registry System (“SRS”), a centralized registry of domain names.<sup>22</sup> By January 2000, more than 100 firms had been accredited by ICANN to register domain names.<sup>23</sup> The number of domain names registered by Network Solutions increased as well. In its infancy, Network Solutions originally registered around thirty names per day; in the year 2000, that number increased to over 10,000 a day.<sup>24</sup>

In November 2000, ICANN decided to release new specialty domain gTLDs.<sup>25</sup> Now, in addition to the gTLDs currently in use (<.com>, <.net> and <.org>.), web site operators will soon be able to register their name under these new additional suffixes. The new gTLDs, however, are particular for the type of website they represent. Thus, the <.museum> domain is to be used by those websites operated by museums; <.coop> is to be used by those websites operated by businesses; the <.aero> domain is to be used by airlines; <.name> is for personal web sites; <.pro> is for use by professionals.<sup>26</sup> “The [<.info>] and [<.biz>] suffixes would be available for any Web sites.”<sup>27</sup> When these additional suffixes take on widespread use, the potential that a domain name will be abusively enjoined will increase further. Therefore, it is even more important for courts to recognize that the FTDA requires a high degree of proof for fame, and only grant injunctions in the limited number of cases where a “famous” trademark warrants protection from dilution. Having outlined the evolution of the Internet domain name, the next section will discuss the federal dilution law.

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certain aspects of the domain name system that Internet Assigned Numbers Authority (IANA) and Network Solutions, Inc. (NSI) had previously managed under U.S. government contract”).

21. See ICANN Accredits Twelve New Domain Name Registrars, M2 PRESSWIRE, Jan. 26, 2000, LEXIS, News Library, Wire Service Stories File (reporting that the accredited registrars join ninety-eight other companies accredited by ICANN, allowing them to “compete in the market for domain name registration services by participating in the Shared Registry System (SRS)”).

22. See *id.*

23. See *id.*

24. See Cukier, *supra* note 17, at 165.

25. See *New Web Suffixes Are Changing the Rules*, (Dec. 11, 2000), at <http://news.cnet.com/news/0-1005-201-4065509-0.html>.

26. See Ted Bridis, *Web Oversight Body Selects Seven New Domain Name Suffixes*, WALL ST. J., Nov. 17, 2000, at B5.

27. *Id.*

## III. DILUTION

A. *History and Overview*

In 1947, Massachusetts first introduced trademark dilution as a state cause of action.<sup>28</sup> In 1964, the United State Trademark Association (“USTA”) added trademark dilution to the Model State Trademark Bill, which encouraged more states to adopt a dilution statute.<sup>29</sup> By 1996, twenty-seven states had already codified dilution statutes<sup>30</sup> when the federal government passed the Federal Trademark Dilution Act of 1995 (“FTDA”). Even though the federal act protects against dilution, a cause of action still remains at the state level. “While creating a federal cause of action, Congress expressly did not preempt state law, but attempted to create uniformity through the availability of a federal cause of action.”<sup>31</sup>

The USTA recommended passage of the federal dilution law not only because some states still had not enacted a dilution law, but also to address inconsistencies which had developed in past court decisions.<sup>32</sup> The USTA felt that these inconsistencies made

28. See COMMISSION REPORT, *supra* note 1, at 454 (noting also that this law was passed “twenty years after the seminal article by Frank Schechter lamenting ‘the gradual whittling away or dispersion of the identity and hold upon the public mind of [a] mark or name by its use upon non-competing goods’”) (quoting Frank I. Schechter, *The Rational Basis of Trademark Protection*, 40 HARV. L. REV. 813, 825 (1927))). “Frank Schechter is generally given credit for raising the idea of dilution in the United States.” Kenneth L. Port, *The Congressional Expansion of American Trademark Law: A Civil Law System in the Making*, 35 WAKE FOREST L. REV. 827, 876 (2000).

29. See COMMISSION REPORT, *supra* note 1, at 454. The Model State Trademark Bill read: the “likelihood of injury to business reputation or of dilution of the distinctive quality of a mark registered under this Act, or a mark valid at common law, or a trade name valid at common law, shall be ground for injunctive relief notwithstanding the absence of competition between the parties or the absence of confusion as to the source of goods or services.” *Id.* The Commission noted that the following states “patterned their statutes” after this language: Alabama, Arkansas, California, Connecticut, Delaware, Florida, Georgia, Idaho, Illinois, Iowa, Louisiana, Maine, Massachusetts, Missouri, Montana, Nebraska, New Hampshire, New Mexico, New York, Oregon, Pennsylvania, Rhode Island and Tennessee. See *id.* The Commission further wrote that “the statutes are generally identical, except Florida, Georgia, and Illinois, where they also prohibit the dilution of ‘labels and forms of advertisement.’” *Id.*

30. See STUCKEY, *supra* note 9, § 7.03, at 7-35 & n.2 (listing states with dilution laws).

31. I.P. Lund Tradings ApS v. Kohler Co., 163 F.3d 27, 45 (1st Cir. 1998).

32. COMMISSION REPORT, *supra* note 1, at 455. The Commission noted that courts have been inconsistent in their position by “awarding injunctive relief solely on dilution grounds, absent likely confusion, in just a handful of cases.” *Id.* (citing Hyatt Corp. v. Hyatt Legal Servs., 736 F.2d 1153 (7th Cir. 1984); Instrumentalist Co. v. Marine Corps League, 509 F. Supp. 323, 340 (N.D. Ill. 1981), *aff’d*, 694 F.2d 145 (7th Cir. 1982)). The Commission also stated that “courts have frequently been influenced by reputational factors, e.g., tarnishment of good will, which are unrelated to the classical Schechter concept of dilution.” *Id.* (citing Cmty. Fed. Sav. & Loan Ass’n v. Orondorff, 678 F.2d

some marks vulnerable. It wrote: “We believe that a limited category of trademarks, those which are truly famous and registered, are deserving of national protection from dilution. Famous marks are most likely to be harmed by reduced distinctiveness. They are enormously valuable but fragile assets, susceptible to irreversible injury from promiscuous use.”<sup>33</sup> The FTDA states:

The owner of a famous mark shall be entitled, subject to principles of equity and upon such terms as the court deems reasonable, to an injunction against another person’s commercial use in commerce of a mark or trade name, if such use begins after the mark has become famous and causes dilution of the distinctive quality of the mark, and to obtain such other relief as is provided in this subsection.<sup>34</sup>

Thus, to be entitled to protection under the FTDA, “a plaintiff . . . [must] establish that (1) its mark is famous; (2) the defendant is making commercial use of the mark in commerce; (3) the defendant’s use began after the plaintiff’s mark became famous; and (4) the defendant’s use presents a likelihood of dilution of the distinctive value of the mark.”<sup>35</sup> Certain uses of trademarks by defendants, however, are not actionable under the FTDA. Those uses are as follows: (1) “Fair use of a famous mark by another person in comparative commercial advertising or promotion to identify the competing goods or services of the owner of the famous mark;” (2) “Noncommercial use of the mark;” (3) “All forms of news reporting and news commentary.”<sup>36</sup>

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1034, 1035 (11th Cir. 1982); *Pillsbury Co. v. Milky Way Prods., Inc.*, 215 U.S.P.Q. 124, 135 (N.D. Ga. 1981); *Gen. Elec. Co. v. Alumpa Coal Co.*, 205 U.S.P.Q. 1036, 1036–37 (D. Mass. 1979)). The Commission went on to say “that trademark tarnishment and disparagement are a separate form of legal wrong, and recommend[ed] amending 43(a) to deal with them.” *Id.* at 454–55.

33. COMMISSION REPORT, *supra* note 1, at 455.

34. 15 U.S.C. § 1125(c)(1) (Supp. IV 1998).

35. *Avery Dennison Corp. v. Sumpton*, 189 F.3d 868, 874 (9th Cir. 1999) (citing *Panavision Int’l L.P. v. Toeppen*, 141 F.3d 1316, 1324 (9th Cir. 1998) (interpreting 15 U.S.C. § 1125(c)(1))). *But see Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208, 215 (2d Cir. 1999) (indicating that the elements of dilution are: “(1) the senior mark must be famous; (2) it must be distinctive; (3) the junior use must be a commercial use in commerce; (4) it must begin after the senior mark has become famous; and (5) it must cause dilution of the distinctive quality of the senior mark”).

36. 15 U.S.C. § 1125(c)(4).

Trademark dilution is different from trademark infringement in that it does not require a finding of consumer confusion.<sup>37</sup> The owner also does not have to show a likelihood of mistake, deception, or that there is direct or indirect competition between the two companies.<sup>38</sup> Rather, a dilution cause of action recognizes that there are other ways in which a famous mark may be harmed:

Even in the absence of confusion, the potency of a mark may be debilitated by another's use. This is the essence of dilution. Confusion leads to immediate injury, while dilution is an infection which if allowed to spread, will inevitably destroy the advertising value of the mark. The concept of dilution recognizes the substantial investment the owner has made in the mark and the commercial value and aura of the mark itself, protecting both from those who appropriate the mark for their own gain.<sup>39</sup>

The protection afforded by the federal dilution statute is vast. As such, it should be exercised judiciously, and granted only when a mark is truly "famous."

#### B. *Factors that Determine if a Mark is Famous*

The FTDA provides a list of several factors for courts to use in determining if a mark is truly distinctive or famous:

- 1) the degree of inherent or acquired distinctiveness of the mark;

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37. See STUCKEY, *supra* note 9, at § 7.03, at 7-36.

38. See Brian Lerner, *Sneaking Through the Back Door with Pepperidge Farm: The Monopoly Advantage of Dilution*, 20 LOY. L.A. ENT. L. REV. 429, 441 (2000) (explaining that "unlike infringement and unfair competition claims, trademark dilution does not require the plaintiff to prove customer confusion, deception, or mistake"); see also, *Nabisco*, 191 F.3d at 222 ("[D]ilution can occur where the junior mark's use competes directly with the seniors as well as where the junior use is in a non-competing market . . . . The act expressly states that dilution can occur 'regardless of the presence or absence of . . . competition between the owner of the famous mark and other parties.'") (citing 15 U.S.C. § 1127(c)). The court also stated: "the closer the products are to one another, the greater the likelihood of both confusion and dilution. The senior user has a right to the antidilution laws remedy in either case . . ." *Id.*

39. H.R. REP. NO. 104-374, at 3 (1995), reprinted in 1995 U.S.C.C.A.N. 1029, 1030.



- 2) the duration and extent of use of the mark in connection with the goods or services with which the mark is used;
- 3) the duration and extent of advertising and publicity of the mark;
- 4) the geographical extent of the trading area in which the mark is used;
- 5) the channels of trade for the goods or services with which the mark is used;
- 6) the degree of recognition of the mark in the trading areas and channels of trade by the mark's owner and the person against whom the injunction is sought;
- 7) the nature and extent of use of the same or similar marks by third parties; and
- 8) whether the mark was registered under the Act of March 3, 1881, or the Act of February 20, 1905, or on the principal register.<sup>40</sup>

These eight factors, however, are not all created equally. While all eight factors should be weighed in the analysis, the factors indicating the distinctiveness of the mark and whether or not other third parties have used the mark, may require more consideration.<sup>41</sup> Despite the guidance of these factors, U.S. courts have still had difficulty recognizing when to grant federal dilution protection.<sup>42</sup>

### 1. Distinctiveness of a Mark

In *Star Markets, Ltd. v. Texaco, Inc.*,<sup>43</sup> the plaintiff, who operated eight supermarkets in Hawaii by the mark "Star Markets,"<sup>44</sup> sued the defendants, claiming their use of the name

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40. 15 U.S.C. § 1125(c)(1).

41. See, e.g., *Hasbro, Inc. v. Clue Computing, Inc.*, 66 F. Supp. 2d 117, 131 (D. Mass. 1999), *aff'd*, 232 F.3d 1 (1st Cir. 2000) (noting that the distinctiveness of the mark and third party uses of the mark deserve "slightly more consideration").

42. See Xuan-Thao N. Nguyen, *The New Wild West: Measuring and Proving Fame and Dilution under the Federal Trademark Dilution Act*, 63 ALB. L. REV. 201, 202-03 (1999) (characterizing dilution case law as a "wasteland . . . with cases that either superficially or erroneously analyze dilution claims or avoid the dilution issue altogether").

43. 950 F. Supp. 1030 (D. Haw. 1996).

44. See *id.* at 1036 (indicating that the plaintiffs did not register this mark federally, and that the mark is registered only in the state of Hawaii).

“Star Mart” on seventeen of their convenience stores in Hawaii diluted the plaintiff’s mark.<sup>45</sup> In analyzing the dilution claim in this case, the Hawaii district court noted that the FTDA “protects truly famous marks, which are presumed distinctive, but not distinctive marks if they are not also sufficiently famous.”<sup>46</sup> The court accepted secondary meaning surveys<sup>47</sup> to determine if the Star Mart mark was distinctive, but then stated that secondary meaning does not alone prove that a mark is distinctive enough to warrant protection. “Acquired distinctiveness is merely a minimum threshold for establishing protectability of a trademark that is not suggestive, arbitrary or fanciful. Once established, the Act compels the court to consider the degree of that distinctiveness as one of many factors for determining whether the mark is famous.”<sup>48</sup>

What is the degree of distinctiveness required to satisfy the famousness prong? Unfortunately, *Star Markets, Ltd.* does not provide any guidance.<sup>49</sup> In his analysis of New York’s dilution statute, section 368-d of New York’s General Business Law, Judge Sweet of the Second Circuit said that dilution laws should protect a trademark’s “selling power.”<sup>50</sup> Survey evidence should be taken, and it should specifically show that consumers *gravitate* towards that particular mark when making purchases because of the *particular* quality of product that it represents. Another court, analyzing a dilution claim under the FTDA, also highlighted the “selling power” of a highly distinctive mark:

The antidilution statutes rest on a judgment that the stimulant effect of a distinctive and well-known

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45. *See id.* at 1031.

46. *Id.* at 1032 (citing JEROME GILSON, TRADEMARK DILUTION NOW A FEDERAL WRONG 11 (1996)).

47. The secondary meaning surveys measured how many of the respondents mentally associated the word “Star” with the plaintiff’s grocery store. *See id.* at 1033.

48. *Id.*

49. *See* Nguyen, *supra* note 42, at 220 (noting that the *Star Markets, Ltd.* court failed to justify its rejection of the survey because it was conducted only in Hawaii and did not proffer a cut-off percentage to measure a mark’s distinctiveness).

50. *See* Mead Data Central, Inc. v. Toyota Motor Sales, U.S.A., Inc., 875 F.2d 1026, 1033 (2d Cir. 1989) (Sweet, J., concurring) (quoting Sally Gee, Inc. v. Myra Hogan, Inc., 699 F.2d 621, 624 (2d Cir. 1983)); *see also* 1 J. THOMAS MCCARTHY, TRADEMARKS AND UNFAIR COMPETITION § 3:12, at 3-25 (4th ed. 1996). McCarthy contextualizes the advertising and selling power of trademarks by the following: “As the geographic scope of markets expanded and systems of distribution became increasingly complex, trademarks came to function as an important instrument of advertising . . . . If the trademark owner succeeds in creating a favorable image for its trademark in the marketplace, the mark becomes a significant factor in stimulating sales.” *Id.* (quoting RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 9 cmt. c (Tentative Draft No. 2, 1990).

mark is a powerful selling tool that deserves legal protection. This power derives not only from the merit of the goods upon which [the mark] is used, but equally [from the mark's] own uniqueness and singularity. Even when the unauthorized use of the mark does not cause consumer confusion, it can reduce[] the public's perception that the mark signifies something unique, singular or particular. The junior use thereby diminishes the selling power that a distinctive mark or name with favorable associations has engendered for a product in the mind of the consuming public.<sup>51</sup>

Thus, to prove that its mark is highly distinctive, a claimant should be required to show that its trademark signals to consumers a quality personal to the mark. As well, the claimant should show that its work and reputation would be seriously taken advantage of should the defendant be allowed to continue using his domain name.<sup>52</sup>

*Avery Dennison Corp. v. Sumpton*<sup>53</sup> is a case that notes the conservative enforcement of the FTDA. In this case, the Ninth Circuit declined to find for a registered trademark holder, saying that a particular trademark did not meet the necessary level of "distinctiveness" to warrant an injunction.<sup>54</sup> In overturning the district court's motion for summary judgment decision, the Ninth Circuit stated that the plaintiffs failed to adequately prove that the defendant's use of the domain names <dennison.net> and <avery.net> as vanity e-mail addresses diluted the "Avery" and "Dennison" registered trademarks held by the plaintiffs.<sup>55</sup> Citing the Trademark Review Commission and J. Thomas McCarthy in *Trademarks and Unfair Competition*, Judge Trott wrote, "[A] higher standard must be employed to gauge the fame of a

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51. *OBH, Inc. v. Spotlight Magazine, Inc.*, 86 F. Supp. 2d 176, 193 (W.D.N.Y. 2000) (citing *Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208, 217 (2d Cir. 1999)).

52. *See Federal Express Corp. v. Federal Espresso, Inc.*, 201 F.3d 168, 175 (2d Cir. 2000) (stating that trademark dilution statutes are meant to address "those situations where the public knows that the defendant is not connected to or sponsored by the plaintiff, but the ability of the plaintiff's mark to serve as a unique identifier of the plaintiff's goods or services is weakened because the relevant public now also associates that designation with a new and different source") (citing *Sports Authority, Inc. v. Prime Hospitality Corp.*, 89 F.3d 955, 965-66) (2d Cir. 1996)).

53. 189 F.3d 868 (9th Cir. 1999).

54. *See id.* at 876-77.

55. *See id.* at 871-73 ("However, because famousness requires a showing greater than mere distinctiveness, the presumptive secondary meaning associated with 'Avery' and 'Dennison' fails to persuade us that the famousness prong is met in this case.").

trademark eligible for this extraordinary remedy . . . .<sup>56</sup> Thus, [t]o be capable of being diluted, a mark must have a degree of distinctiveness and ‘strength’ beyond that needed to serve as a trademark.”<sup>57</sup> The mark has to be “truly prominent and renowned.”<sup>58</sup> Does distinctiveness have to be inherent or can it be acquired? Judge Trott did not agree with the plaintiff’s argument that the FTDA requires “inherent distinctiveness.”<sup>59</sup> He found that it needed more than “mere distinctiveness,” however.<sup>60</sup> Therefore, Judge Trott found that neither Avery nor Dennison met the famousness prong needed for FTDA protection.<sup>61</sup>

## 2. Use by Third Parties

The use of the mark by third parties also weighs heavily in decisions of famousness. The *Star Markets, Ltd.* court found that the “use by third parties” factor favored the defendant because it showed that fifty food-related businesses in the western U.S. and ninety-six businesses in Hawaii used the word “Star” as part of their name.<sup>62</sup> By showing that other goods and services had used the word star, the defendants showed that the particularity of the word had been diminished.<sup>63</sup>

Historically, in making the decision of whether or not to protect a trade name under the FTDA, courts have weighed heavily the prior use of a word by third parties. Some courts have relied, in part, on this factor to find that the plaintiff’s mark was famous, noting the fact that no other party had a mark similar to that of the plaintiff.<sup>64</sup> Third party use has also been cited as a reason to deny a claim to enjoin an Internet domain name. In

56. *Id.* at 876 (quoting COMMISSION REPORT, *supra* note 1, at 461).

57. *Id.* (quoting 3 J. THOMAS MCCARTHY, TRADEMARKS AND UNFAIR COMPETITION § 24:109 (Supp. 1998)).

58. *Id.* at 875 (citing I.P. Lund Trading ApS v. Kohler Co., 163 F.3d 27, 46 (1st Cir. 1998) (citation omitted)).

59. *See id.* at 877.

60. *See id.*

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

62. *See Star Mkts., Ltd. v. Texaco, Inc.* 950 F. Supp. 1030, 1036 (D. Haw. 1996) (“With so many uses of the word ‘Star’ with and without ‘Markets’ by other businesses and the use and federal registration of the exact same ‘Star Markets’ mark by another grocery store chain, the court finds that this factor heavily favors Defendants.”).

63. *See id.* at 1035 (“The more times the word ‘Star’ is used in connection with a variety of goods and services, the less likely Plaintiff’s mark could signify something unique, singular or particular.”).

64. *See, e.g., Jews for Jesus v. Brodsky*, 993 F. Supp. 282, 306 (D.N.J. 1998) (noting in its analysis that there did not seem to be “a mark in use by a third party that is the same or similar to the [m]ark or the [n]ame of the Plaintiff Organization”), *aff’d*, 159 F.3d 1351 (3d Cir. 1998).

*Hasbro, Inc. v. Clue Computing Inc.*,<sup>65</sup> Hasbro Inc., who manufactures the board game “Clue,” sued the Colorado computer consulting business, Clue Computing, Inc., when it registered its domain name <clue.com>, asserting that the defendant’s use of the word “clue” diluted its famous registered “Clue” trademark.<sup>66</sup> The Massachusetts district court did not agree, relying in part on the evidence presented by Clue Computing that other parties have registered trademarks using the word “clue” or a variant thereof.<sup>67</sup> Quoting *Trustees of Columbia University v. Columbia/HCA Healthcare Corp.*,<sup>68</sup> the *Hasbro, Inc.* court reasoned that “[t]his evidence suggests the possibility that ‘any acquired distinctiveness of the plaintiff’s mark . . . has been seriously undermined by third party use of the same or similar marks.’”<sup>69</sup> The Ninth Circuit in *Avery Dennison Corp.* was also swayed significantly by the fact that the words Avery or Dennison were found in the names of over 1000 businesses on the Internet.<sup>70</sup> “Such widespread use of ‘Avery’ and ‘Dennison’ makes it unlikely that either can be considered a famous mark eligible for the dilution cause of action.”<sup>71</sup>

The “use by third party” factor may take on an interesting twist due to the newly released gTLDs. According to the USTA, third party use of the word should not per se defeat a claim for dilution: “[I]solated use of the mark by a third party in a remote geographic area, even for the same or similar goods or services, should not defeat protection from dilution.”<sup>72</sup> Thus, in cyberspace, a persuasive argument could be made that a category, for instance <.museum> or <.aero>, is a “remote geographic area” if evidence shows that it has significantly fewer “hits” than the other categories, such as <.com>. Thus, use of a word in a domain name attached to a less popular gTLD may not per se defeat a dilution claim.

### 3. The Duration of a Mark, and the Extent of Advertising and Publicity

The second and third factors—how long the mark has been used with a particular good or service, and the amount of advertising spent on a mark and the publicity associated with a

65. 66 F. Supp. 2d 117 (D. Mass. 1999).

66. See *id.* at 119.

67. See *id.* at 131.

68. See 964 F. Supp. 733 (S.D.N.Y. 1997).

69. See *Hasbro, Inc.*, 66 F. Supp. 2d at 131 (quoting *Columbia*, 964 F. Supp. at 750).

70. See *Avery Dennison Corp. v. Sumpton*, 189 F.3d 868, 878 (9th Cir. 1999).

71. *Id.*

72. COMMISSION REPORT, *supra* note 1, at 461.

mark—have also been cited by courts as reasons why they decided to grant or deny FTDA protection.<sup>73</sup> In determining whether or not a domain name is famous, courts have also looked to these factors to justify their decision.<sup>74</sup> Yet the courts have applied these factors inconsistently. In *TeleTech Customer Care Management v. Tele-Tech Co., Inc.*,<sup>75</sup> TeleTech Customer Care Management sued Tele-Tech Co., for its use of the domain name <teletech.com>.<sup>76</sup> The court held for the plaintiff,<sup>77</sup> partly because the plaintiffs had spent in excess of \$900,000 in advertising using their TeleTech service mark in 1996.<sup>78</sup> Specifically, the court said: “TeleTech appears to have incurred a great deal of expense over a long period of time developing recognition of its TELETECH (R) mark, and users of the Internet who have become familiar with that mark will probably assume that TeleTech’s website will be found at ‘teletech.com.’”<sup>79</sup> However, simply because a company uses a mark for a long time and spends a great deal of money promoting it does not always mean that the mark is famous. In *Washington Speakers Bureau, Inc. v. Leading Authorities, Inc.*,<sup>80</sup> a Virginia district court, while upholding the trademark infringement action, denied the dilution cause of action brought by WSB when Leading Authorities registered four <washingtonspeakers.com> domain names.<sup>81</sup> The court declined to find that the WSB mark was

73. See, e.g., *Fed. Express Corp. v. Fed. Espresso, Inc.*, 201 F.3d 168, 177 (2d Cir. 2000) (considering the fact that Federal Express spends \$35,000–\$40,000 per month to protect its marks from infringement and dilution, but ultimately denying a preliminary injunction); *Wawa Inc. v. Haaf*, 1996 WL 460083, 40 U.S.P.Q.2d 162, at \*1 (E.D. Pa. 1996) (noting that the court weighed the fact that Wawa had used its mark for 90 years and had spent \$6,000,000 advertising it and ultimately granting an injunction against defendant’s use), *aff’d*, 116 F.3d 471 (3d Cir. 1997); *Star Mkts., Ltd. v. Texaco, Inc.*, 950 F. Supp. 1030, 1034 (D. Haw. 1996) (considering the fact that plaintiff had used its mark for forty-six years and had spent \$30 million dollars in advertising but ultimately found no basis for finding dilution).

74. See, e.g., *Teletech Customer Care Mgmt., Inc. v. Tele-Tech Co., Inc.*, 977 F. Supp. 1407, 1413 (C.D. Cal. 1997) (noting in its analysis that TeleTech companies “appear to have spent hundreds of thousands of dollars promoting their services and advertising under” its mark); *Jews for Jesus v. Brodsky*, 993 F. Supp. 282, 306 (D.N.J. 1998) (noting in its analysis that the plaintiff “has expended a considerable amount of money on advertising” and thus concluding that the phrase “Jews for Jesus appears to have acquired a secondary meaning”).

75. 977 F. Supp. 1407 (C.D. Cal. 1997).

76. See *id.* at 1410–11.

77. See *id.* at 1413–14 (“Plaintiff is the owner of the registered mark TELETECH (R), that mark is probably famous, and Defendant’s use of the [<teletech.com>] domain name most likely dilutes Plaintiff’s mark.”).

78. See *id.* at 1409, 1413.

79. *Id.* at 1410.

80. 33 F. Supp. 2d 488 (E.D. Va. 1999).

81. See *id.* at 491, 502, 504.

famous even though the company had spent over \$1 million in advertising,<sup>82</sup> and had used their mark for eighteen years.<sup>83</sup> The Ninth Circuit in *Avery Dennison Corp.*<sup>84</sup> also found that FTDA protection should not be granted and a domain name should not be relinquished.<sup>85</sup> It took this position regardless of the fact that more than \$5 million dollars had been spent by the plaintiffs marketing their products, including those using the Avery and Dennison marks, and the marks had been in use continuously since the 1930's (Avery) and the late 1800's (Dennison).<sup>86</sup> Despite incurring greater expense than the plaintiffs in *TeleTech Customer Care Management*, and despite their longtime use of the mark by the trademark owners, these courts were reluctant to require a domain name registrar to give up its domain name. The *Washington Speaker's Bureau, Inc.* and the *Avery Dennison Corp.* courts correctly saw that the defendants had a legitimate claim to their domain names, and singular facts such as the plaintiff's length of use or the costs they incurred did not alone justify the courts expelling the defendants from their presence on the Internet.

#### 4. The Geographical Extent of the Trading Area in Which a Mark Is Used

Courts have also had difficulty maintaining consistent positions on the question of whether a mark has to be famous throughout the country to satisfy a dilution claim. Unequivocally, the USTA asserted that a mark should be "in substantially exclusive use and be well known throughout a substantial portion of the United States" to be entitled to protection.<sup>87</sup> Some courts, however, have proposed that nationwide fame is not a requisite of the FTDA. For example, the First Circuit has noted that the FTDA does not require "an explicit finding that a mark's fame extends throughout a substantial portion of the United States."<sup>88</sup> Additionally, the court in *Star Markets, Ltd.* stated specifically that FTDA protection did not require that the fame be nationally recognized.<sup>89</sup> Another court declared that a mark that was used in only five states had

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82. See *id.* at 490, 504.

83. See *id.* at 496.

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

85. See *id.* at 881.

86. See *id.* at 873, 878-79.

87. COMMISSION REPORT, *supra* note 1, at 459.

88. *I.P. Lund Trading ApS v. Kohler Co.*, 163 F.3d 27, 47 n.11 (1st Cir. 1998).

89. See *Star Mkts., Ltd. v. Texaco, Inc.*, 950 F. Supp. 1030, 1034 (D. Haw. 1996).

the requisite fame for dilution protection.<sup>90</sup> Most egregious was the recent holding of the court in *OBH, Inc. v. Spotlight Magazine, Inc.*<sup>91</sup> In this case, the plaintiff, who operated a local newspaper, *The Buffalo News*,<sup>92</sup> sued the defendants for registering and running a web site under the domain name <thebuffalonews.com>.<sup>93</sup> The web site included a disclaimer on the front page that identified that they were “in no way affiliated with or endorsed by “The Buffalo News, OBH Inc. . . . or Columbia Insurance Co.” and further indicated that the web site was intended to act as a parody of the newspaper.<sup>94</sup> The plaintiffs sued for trademark dilution under the FTDA, along with five other causes of action. In evaluating their claim, the court found “The Buffalo News” famous and worthy of protection under the FTDA,<sup>95</sup> despite the fact that the mark was used on a newspaper which was distributed only within the western New York area.

To reiterate, in advocating a federal dilution statute, the USTA stated specifically that a mark’s fame had to be national. This need for national fame applies especially to domain names. A legitimately awarded domain address should not later be enjoined simply because the name is similar to a competing mark known in a small region of the country. In light of the USTA’s assertion, the position taken by the court in *OBH, Inc.* is erroneous. Obviously, consumers who live in different parts of the country who access the web site under that domain name would not likely make the mental association between the domain name and a mark that is locally known in an entirely separate region of the country. Thus, if the courts continue to enjoin domain names based on this limited level of fame, then this standard, along with the insufficient means from which registrars can research from trademark registries the availability of domain names, will leave legitimate domain name registrars especially vulnerable.

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90. See *Wawa, Inc. v. Haaf*, 40 U.S.P.Q.2d 162 (E.D. Pa. 1996) (finding that Wawa operates stores in Pennsylvania, New Jersey, Maryland, Delaware, and Connecticut and concluding that Wawa is a famous mark).

91. 86 F. Supp. 2d 176 (W.D.N.Y. 2000).

92. See *id.* at 181.

93. See *id.* at 182.

94. *Id.*

95. See *id.* at 196 (applying the dilution factors established by the Second Circuit in *Federal Express* and *Nabisco* and concluding that the plaintiffs demonstrated a likelihood of success on their FTDA claim).



### 5. The Channels of Trade and the Degree of Recognition of the Mark

The fifth and sixth factors weigh whether fame within a particular market is sufficient for a dilution claim. A number of courts have taken different positions on whether “niche” or “market” fame was sufficient fame for the purposes of the FTDA. Some courts have found that such a level of fame is insufficient proof to warrant an injunction. For instance, in *I.P. Lund Trading ApS v. Kohler Co.*,<sup>96</sup> the plaintiff sued Kohler for infringement and dilution of trade dress, arguing that Kohler had designed its “Falling Water” faucet to look like Lund’s “Vola” faucet. The First Circuit denied granting dilution protection to the plaintiffs,<sup>97</sup> basing this decision in part on the argument that even though the VOLA faucet was famous within the interior design community, such fame was not sufficient enough to warrant FTDA protection.<sup>98</sup>

Similarly, the court in *Washington Speakers Bureau, Inc. v. Leading Authorities, Inc.*,<sup>99</sup> denied granting FTDA protection partly because the “Washington Speakers Bureau” mark was not “well-known outside its specialized market.”<sup>100</sup> The court found that the mark was not famous “throughout its entire consumer base,” but only “among competitors and speakers,” and that this level of fame was insufficient to warrant protection by the FTDA.<sup>101</sup> The court in *Washington Speakers Bureau, Inc.* noted that the language of the FTDA indicated market or niche fame was insufficient proof. It stated that the position that niche fame was sufficient was “weakened by the fact that Congress explicitly crafted the FTDA to prevent dilution of trademarks even by those users of a famous mark who were not in competition with the famous mark’s owner.”<sup>102</sup> Within the same opinion the court later contradicted itself, however, by writing that the sixth factor—“the degree of recognition [within] channels of trade”<sup>103</sup>—indicated that fame within a niche may be satisfactory proof for the FTDA.<sup>104</sup> Unfortunately, after presenting this

96. 163 F.3d 27 (1st Cir. 1998).

97. *See id.* at 51.

98. *See id.* at 47 (noting that “the district court did not apply the more rigorous definition of fame under the FTDA” and concluding that “Lund has not met its burden of showing likelihood of success”).

99. 33 F. Supp. 2d 488 (E.D. Va. 1999).

100. *See id.* at 503.

101. *Id.*

102. *Id.*

103. *Id.* at 504 (citing 15 U.S.C. § 1125(c)(1) (Supp. IV 1998)).

104. *See id.* at 503–04.

contradiction, the court said it was “unnecessary to resolve this still-unsettled question” given the issues of the case it was deciding.<sup>105</sup>

Similarly, the Ninth Circuit in *Avery Dennison Corp.*<sup>106</sup> noted the inconsistency among the courts of whether proof of national or niche fame should be necessary before an injunction could be rightfully granted. In its opinion, the Ninth Circuit wrote:

The drafters of the Federal Trademark Dilution Act broke from the Trademark Review Commission’s recommendation that only marks “which have become famous throughout a substantial part of the United States” could qualify for protection. Instead, fame in a localized trading area may meet the threshold element under the Act if [the] plaintiff’s trading area includes the trading area of the defendant. The rule is likewise for specialized market segments: specialized fame can be adequate only if the “diluting uses are directed narrowly at the same market segment.”<sup>107</sup>

Ultimately, however, because the plaintiff and defendant in *Avery Dennison Corp.* were not in overlapping commercial channels, the Ninth Circuit was not required to take a pronounced position as to whether market or niche fame was sufficient to satisfy the requisite fame needed for a FTDA injunction.<sup>108</sup> The Ninth Circuit did note that one court has taken the position that fame within a certain market is sufficient to enjoin a domain name.<sup>109</sup> The California district court that decided *TeleTech Customer Care Management, Inc.*<sup>110</sup> found that the TeleTech company mark was famous and worthy of protection, in part, because “the TELETECH (R) mark is probably well recognized and famous within the teleservicing industry.”<sup>111</sup>

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105. *Id.* at 504.

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

107. *Id.* at 877–78 (citations omitted).

108. *See id.* at 878 (indicating that although both parties sold their products on the Internet, the plaintiff sold to purchasers of vanity e-mail addresses whereas the defendant’s customers were purchasers of office products).

109. *See id.* (citing *TeleTech Customer Care Mgmt., Inc. v. Tele-Tech Co.*, 977 F. Supp. 1407, 1409 (C.D. Cal. 1997)).

110. 977 F. Supp. 1407 (C.D. Cal. 1997).

111. *Id.* at 1413.

This issue was further analyzed by the Third Circuit in *Times Mirror Magazines, Inc. v. Las Vegas Sports News, L.L.C.*<sup>112</sup> In that case, the district court issued an injunction against Las Vegas Sports News, concluding that they could no longer use the title *Las Vegas Sporting News* because it diluted “The Sporting News” mark.<sup>113</sup> Las Vegas Sports News (“LVSN”) argued that the FTDA did not apply because the mark was “not famous to the general public.”<sup>114</sup> Referring to an argument made by the Seventh Circuit in *Syndicate Sales, Inc. v. Hampshire Paper Corp.*,<sup>115</sup> the majority for the Third Circuit found that “The Sporting News” was a sufficiently famous mark, stating that “a mark not famous to the general public is nevertheless entitled to protection from dilution where both the plaintiff and the defendant are operating in the same or related markets, so long as the plaintiff’s mark possesses a high degree of fame in its niche market.”<sup>116</sup> It also noted that Restatement (Third) of Unfair Competition “lends further support to the theory that niche market fame is sufficient to protect a mark from dilution within that market.”<sup>117</sup> Quoting from the Restatement, the Third Circuit wrote:

A mark that is highly distinctive only to a select class or group of purchasers may be protected from diluting uses directed at that particular class or group. For example, a mark may be highly distinctive among purchasers of a specific type of

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112. 212 F.3d 157 (3d Cir. 2000).

113. *See id.* at 160.

114. *Id.* at 164.

115. 192 F.3d 633 (7th Cir. 1999). The Seventh Circuit noted that:

[a]t an initial glance, there appears to be a wide variation on this issue [of whether a mark famous in a niche market is entitled to protection under the FTDA]. Some cases apparently hold that fame in a niche market is insufficient for a federal dilution claim, while some hold such fame is sufficient. However, a closer look indicates that the different lines of authority are addressing two different contexts. Cases holding that niche-market fame is insufficient generally address the context in which the plaintiff and defendant are using the mark in separate markets. On the other hand, cases stating that niche-market renown is a factor indicating fame address a context . . . in which the plaintiff and defendant are using the mark in the same or related markets.

*See id.* at 640, quoted in *Times Mirror Magazines, Inc. v. Las Vegas Sports News*, 212 F.3d 157, 164 (3d Cir. 2000) (citations omitted).

116. *Id.*

117. *Id.*

product. In such circumstances, protection against a dilution of the mark's distinctiveness is ordinarily appropriate only against uses specifically directed at that particular class of purchasers . . . .<sup>118</sup>

Because the majority opinion agreed with the district court's finding "that Times Mirror and LVSN competed in the same, or at least significantly related, markets—namely, the sports periodicals market,"<sup>119</sup> the Third Circuit found that "the district court did not commit an obvious error by holding that the mark 'The Sporting News' was famous in its niche and therefore entitled to protection under the FTDA against LVSN's use of a similar mark in the same market."<sup>120</sup>

In a dissenting opinion, Judge Barry agreed with the position of LVSN<sup>121</sup> and took issue with the majority's position that the FTDA allowed "niche fame" rather than national fame. Judge Barry argued:

In a nutshell, the legislative history amply supports the conclusion that the FTDA should be restricted to a narrow category of marks, ensuring that it does not swallow infringement law by allowing mark owners to end-run a likelihood of confusion analysis which they fear—or, indeed, know—they cannot win.<sup>122</sup>

He added, "If marks can be 'famous' within some market, depending on how narrowly that market is defined, then the FTDA will surely devour infringement law."<sup>123</sup> Applying this position to the specific facts of this case, Judge Barry argued that *The Sporting News* newspaper must be nationally famous before it could be protected by the FTDA due to whom the periodical is available for purchase.<sup>124</sup> Highlighting that *The*

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118. *Id.* (citing RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 25 cmt. e (1995 Main Vol.)).

119. *Id.*

120. *Id.* at 165.

121. *See id.* at 170 (Barry, J., dissenting) (concluding that Times Mirror could not show sufficient fame to justify an injunction).

122. *Id.* at 171.

123. *Id.* at 174.

124. *Id.* at 175 (explaining that the legislative history shows a requirement of "substantial renown or fame within both the trading area of the mark and the trading area of the other party to the dilution suit").

*Sporting News* was “directed at the general public via subscriptions and at newsstands,” Judge Barry argued “is not the general public the appropriate universe for assessing the fame of the mark?”<sup>125</sup> Judge Barry took the position that if the majority were to adopt such a novel theory of niche fame, then, said Judge Barry, “the evidence of fame [to support the theory] should be rigorously examined.”<sup>126</sup> According to Judge Barry, the evidence presented at trial did not adequately support a finding that “The Sporting News” was a famous mark even under that lower standard.<sup>127</sup> For instance, Times Mirror Magazines did not prove that “consumers in LVSN’s channel of trade recognize Times Mirror’s mark,”<sup>128</sup> nor did Times Mirror Magazines prove that *The Sporting News* is famous within its niche.<sup>129</sup>

As shown above, this is a very contentious issue in the courts. Many courts have made a viable argument that niche fame is sufficient proof of fame for the purposes of the FTDA.<sup>130</sup> In light of Congress’ intent that the FTDA be, as noted by Senator Hatch, a remedy for marks equal in fame to such nationally famous marks as “Dupont,” “Buick” and “Kodak,”<sup>131</sup> it is the position of this paper, however, that proof of national fame, rather than market or niche fame, be required before an injunction can be granted. Market or niche fame should only be a factor considered along with, but not used as a substitute for, national fame. “The legislative history indicates that the eight factors should be weighed independently ‘and it is the cumulative effect of these considerations which will determine whether a mark qualifies for federal protection from dilution.’”<sup>132</sup> In the context of the Internet, this requirement is especially important. If market or niche fame alone is sufficient, then there is an even greater risk that the FTDA could be applied abusively.

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125. *Id.* at 173.

126. *Id.* at 174.

127. *See id.* at 175–76 (evaluating the evidence under the eight FTDA factors for fame).

128. *Id.* at 175.

129. *See id.* at 176 (asserting that the majority made “an unsupported finding that ‘The Sporting News’ mark is famous within its niche”).

130. *See supra* Part III.B.5.

131. *See* 141 CONG. REC. S19306, S19310 (daily ed. Dec. 29, 1995) (statement of Sen. Hatch) (“A Federal dilution statute is necessary . . . because famous marks ordinarily are used on a nationwide basis and dilution protection is only available on a patchwork system of protection.”).

132. *Times Mirror Magazines*, 212 F.3d at 178 (citing S. REP. NO. 100-515, at 42 (1988), *reprinted in* 1988 U.S.C.C.A.N. 5577, 5605).

## 6. Necessary Federal Registration of the Mark

In its early recommendation for passage of a federal dilution law, the USTA said that federal registration should be a complete defense against a state and federal dilution claim.<sup>133</sup> However, while debating passage of the FTDA, Representative Schroeder indicated that Congress should not limit a federal remedy to only registered marks. She argued that “such a limitation would undercut the United States’ position with our trading partners, which is that famous marks should be protected regardless of whether the marks are registered in the country where the protection is sought.”<sup>134</sup> She further noted that current state statutes and the common law do not find registration is necessary for protection, and therefore, the FTDA should not either.<sup>135</sup>

It is questionable whether allowing marks that have not been federally registered to proceed with a dilution claim is the best approach to take when a domain name is the subject of the suit. Currently it is difficult for applicants to adequately search for available domain names due to the fact that many trademarks are not registered.<sup>136</sup> This puts domain name applicants at a severe disadvantage because, as such, they are put in the position of having to commit financially to a domain name without the full security of knowing that they will not later be enjoined from its use. Having the FTDA require federal registration would give applicants better notice so that they can look elsewhere before devoting their resources to a name that is owned by someone else.

The courts generally find that the lack of registration weighs in favor of defendants in FTDA actions. For example, in *Star Markets, Ltd.*,<sup>137</sup> the court found that not having a federal registration of the mark weighed against the plaintiffs.<sup>138</sup> Also in *Washington Speakers Bureau, Inc.*,<sup>139</sup> the court looked negatively

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133. See COMMISSION REPORT, *supra* note 1, at 458–59 (stating that this approach “would accord registrants additional security in expansion situations while not unduly restricting the operation of state law”).

134. 141 CONG. REC. H14317, H14318 (daily ed. Dec. 12, 1995) (statement of Rep. Schroeder), *available at* 1995 WL 735491 (Cong. Rec.).

135. See *id.*

136. See STUCKEY, *supra* note 9, § 7.03[1], at 7-37.

137. *Star Mkts., Ltd. v. Texaco, Inc.*, 950 F. Supp. 1030 (D. Haw. 1996).

138. See *id.* at 1036 (D. Haw. 1996) (stating that a failure to register the trademark “compels the court to find this factor favors Defendants” notwithstanding the fact that the plaintiff had obtained state of Hawaii registration).

139. *Washington Speakers Bureau, Inc. v. Leading Authorities, Inc.*, 33 F. Supp. 2d 488 (E.D. Va. 1999).

on the fact that the trademark was unregistered.<sup>140</sup> Highlighting J. Thomas McCarthy's observation, the court wrote: "If the owner of an allegedly 'famous' mark did not even bother to take the commercially ordinary and minimal step of federally registering the mark, this is an admission against interest that the mark is not 'famous.'"<sup>141</sup> Lack of registration, while it did not mean per se that the mark could not be diluted, it did "undermine [plaintiff's] contentions of fame."<sup>142</sup>

### C. Commercial Use

Not only must a plaintiff prove that its mark is famous, they must also prove that the famous mark has been used commercially by the defendants.<sup>143</sup> "Commercial use under the Federal Trademark Dilution Act requires the defendant to be using the trademark as a trademark, capitalizing on its trademark status."<sup>144</sup> Use of the first level domain name ".com" alone does not satisfy as "commercial use."<sup>145</sup> Courts have consistently held that registration or activation of a domain name on the Internet does not satisfy the commercial use requirement either.<sup>146</sup> There are a number of ways, however, that courts have found that domain names have been used commercially. One factor courts have used to find that a domain name functions commercially is whether the particular domain name was chosen to divert a consumer audience away from another site.<sup>147</sup> Hyperlinks within one web site with a particular

140. See *id.* at 504 (stating "failure to register is not determinative, but [that] it undermines . . . contentions of fame"). Washington Speakers Bureau had registered its mark after litigation with Leading Authorities had already begun. See *id.* at 491.

141. *Id.* at 504 (quoting 3 MCCARTHY, *supra* note 57, § 24:92).

142. *Id.*

143. See *Avery Dennison Corp. v. Sumpton*, 189 F.3d 868, 873-74 (9th Cir. 1999).

144. *Id.* at 880 (citing *Panavision Int'l, L.P. v. Toeppen*, 141 F.3d 1316, 1325 (9th Cir. 1998)).

145. See *Intermatic, Inc. v. Toeppen*, 947 F. Supp. 1227, 1239 (N.D. Ill. 1996) (holding that Defendant's use of the ".com" internet designation did not in itself constitute a commercial use).

146. See *HQM, Ltd. v. Hatfield, Inc.*, 71 F. Supp. 2d 500, 507 (D. Md. 1999) ("[N]early every court to have decided whether mere registration or activation of a domain name constitutes 'commercial use' has rejected such arguments . . . ."); see also *Academy of Motion Picture Arts & Scis. v. Network Solutions, Inc.*, 989 F. Supp. 1276, 1280 (C.D. Cal. 1997) (holding that mere registration of a domain name does not constitute commercial use); *Lockheed Martin Corp. v. Network Solutions, Inc.*, 985 F. Supp. 949, 961 (C.D. Cal. 1997) ("[R]egistration of a domain name, without more, does not constitute use of the name as a trademark."); *aff'd*, *Lockheed Martin Corp. v. Network Solutions, Inc.*, 194 F.3d 980 (9th Cir. 1999); *Panavision Int'l, L.P. v. Toeppen*, 945 F. Supp. 1296, 1303 (C.D. Cal. 1996) ("Registration of a trade[mark] as a domain name, without more, is not a commercial use of the trademark and therefore is not within the prohibitions of the Act."), *aff'd*, *Panavision Int'l, L.P. v. Toeppen*, 141 F.3d 1316 (9th Cir. 1998).

147. See, e.g., *OBH, Inc. v. Spotlight Magazine, Inc.*, 86 F. Supp. 2d 176, 192-93

domain name, which connect to another web site whose purpose is to raise money or sell products, have led courts to determine that the domain name registry was a commercial use.<sup>148</sup> Finally, sites set up with the intent to disparage other sites, and to prevent the owner from economically exploiting his or her site, have been held to be a commercial use.<sup>149</sup>

However, a trademark holder cannot receive FTDA protection if the domain name, which is similar to the trademark, is being used non-commercially. A notable example of a court administering this exception for non-commercial use was in *Avery Dennison Corp. v. Sumpton*.<sup>150</sup> The Ninth Circuit found that the defendant's use of the words Avery and Dennison in domain-name combinations and e-mail addresses were due to their status as surnames, and not because they were recognizable trademarks.<sup>151</sup> Based on this, the court determined that the defendant did not capitalize on the plaintiff's trademark, and therefore it was non-commercial use.<sup>152</sup>

#### D. *Proof That Diluter's Use Began After the Mark Was Famous*

The plaintiff must also prove that the defendant's use began after the plaintiff's mark had achieved its fame.<sup>153</sup> A California district court debated this factor in *The Network Network v. CBS, Inc.*<sup>154</sup> In this case, plaintiff The Network Network ("the

(W.D.N.Y. 2000) ("Prospective users of plaintiff's news services who mistakenly access defendants' web site may, instead of continuing to look for plaintiffs' web site, opt to select one of the several news-related hyperlinks contained in defendants' web site."); *Jews for Jesus v. Brodsky*, 993 F. Supp. 282, 308 (D.N.J. 1998) (holding that where the defendant's "site intended to intercept, through the use of deceit and trickery, the audience sought by the Plaintiff Organization" balanced in favor of finding the defendant's conduct constituted a commercial use of Plaintiff's trademark).

148. See, e.g., *OBH*, 86 F. Supp. 2d at 192 ("[D]efendants' use of the mark as the domain name for the Tortora web site constitutes a commercial use because . . . that web site contains a hyperlink that connects users to defendants' other web site, . . . which defendants operate for commercial purposes."); *Jews for Jesus*, 993 F. Supp. at 308 (noting that the defendant's site was commercial because it contained hyperlinks to sites that are commercial in nature).

149. See, e.g., *OBH*, 86 F. Supp. 2d at 192 (holding that because defendants' actions were designed to, and did harm the plaintiff commercially, the defendants' use of the plaintiffs' trademark constituted a commercial use); *Jews for Jesus*, 993 F. Supp. at 308 (noting that "[t]he conduct of the Defendant also constitutes a commercial use of the Mark and the Name of the Plaintiff Organization because it is designed to harm the Plaintiff Organization commercially by disparaging it and preventing the Plaintiff Organization from exploiting the Mark and the Name of the Plaintiff Organization").

150. 189 F.3d 868 (9th Cir. 1999).

151. See *id.* at 877.

152. See *id.* at 880.

153. See *Avery Dennison Corp. v. Sumpton*, 189 F.3d 868, 873-74 (9th Cir. 1999).

154. No. CV 98-1349 NM(ANX), 2000 WL 362016 (C.D. Cal. Jan. 18, 2000).



Network”) sought a declaratory judgment that its use of the Internet domain name “tnn.com” did not infringe any of defendant CBS, Inc.’s rights.<sup>155</sup> The parties questioned “whether [the term] ‘such use begins’ refers to the first date of any use of the mark . . . , or the first date the mark was used in the manner the mark’s holder finds objectionable.”<sup>156</sup> The court pointed to two separate periods of time to mark this discrepancy: 1) November 1987, when the Network used “TNN” in business correspondence, and 1989, when TNN was used in its seminars, or 2) January 1994, when the Network registered “TNN” as its domain name.<sup>157</sup> The court determined “that the statute looks to the mark’s fame at the time of the mark’s first commercial use.”<sup>158</sup> The court noted Professor McCarthy’s position:

[T]he junior user must be proven to have first used its mark after the time that plaintiff’s mark achieved fame. This requires evidence and proof of the timing of two events: when the plaintiff’s mark achieved that elevated status called ‘fame’ and when the defendant made its first use of the mark.<sup>159</sup>

The court also analyzed the language of 15 U.S.C. § 1125(c)(1), saying, “[U]nder ordinary rules of construction, the term ‘such use’ must relate back to ‘commercial use in commerce.’”<sup>160</sup> Thus, the court said, it was wrong to interpret the statute to mean that one should look at the first date that the mark’s owner finds the subsequent mark’s use objectionable to determine when use occurred.<sup>161</sup> The court continued:

Indeed, if this latter formulation were the rule, the requirement that infringing use begin after the mark becomes famous would be stripped of all meaning. Owners of famous marks would have the authority to decide when the allegedly diluting use

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155. *Id.* at \*1.

156. *Id.* at \*3.

157. *See id.*

158. *Id.*

159. *Id.* (quoting 4 MCCARTHY, *supra* note 50, at 24:96, at 24-169).

160. *Id.*

161. *See id.*

was objectionable, regardless of when the party accused of diluting first began to use the mark.<sup>162</sup>

Therefore, according to the court, because defendant CBS, Inc. had not shown that their mark was famous in 1989, their dilution claim had to be dismissed.<sup>163</sup>

### E. *Types of Dilution*

Plaintiffs must also show that the defendant's use will dilute their trademark.<sup>164</sup> Primarily, there are two ways a trademark holder can assert that its mark is being diluted: first, that its mark is being diluted by "blurring," and second that its mark is being diluted by "tarnishment."<sup>165</sup> Blurring occurs when "another uses a famous mark on an unrelated product . . . [so that it] weakens the mark because the public comes to associate it with multiple sources of goods or services."<sup>166</sup> Tarnishment occurs "when the goodwill and reputation of a plaintiff's trademark is linked to products which are of a shoddy quality or which conjure associations that clash with the associations generated by the owner's lawful use of the mark."<sup>167</sup> With the rise of the Internet, however, some case law suggests a third type of dilution has developed, dilution by cybersquatting.

#### 1. Dilution by Blurring

Courts have created a somewhat amorphous concept of what constitutes "blurring" due to their inconsistent positions on what is required to prove it. A firmer position on what factors indicate that a trademark has been blurred would provide claimants with a clearer idea of what limitations are present before they pursue their dilution case.

The Second Circuit has taken two positions in determining what constitutes blurring, evolving from its original position suggested by Judge Sweet in his concurring opinion in *Mead Data Central, Inc. v. Toyota Motor Sales, U.S.A., Inc.*<sup>168</sup> to a new position suggested by the Second Circuit in *Nabisco, Inc. v. PF Brands, Inc.*<sup>169</sup> Originally, after analyzing New York's dilution

162. *Id.*

163. *See id.* at \*4.

164. *See supra* note 35 and accompanying text.

165. *See* SCOTT, *supra* note 20, § 5.22, at 5-36.

166. *Id.*

167. *L.L. Bean, Inc. v. Drake Publishers, Inc.*, 811 F.2d 26, 31 (1st Cir. 1987).

168. 875 F.2d 1026 (2d Cir. 1989).

169. 191 F.3d 208 (2d Cir. 1999); *see also* *Times Mirror Magazines, Inc. v. Las Vegas Sports News, L.L.C.*, 212 F.3d 157, 168 (3d Cir. 2000) (noting that most courts have

statute, section 368-d of New York's General Business Law, Judge Sweet indicated that there were six factors that courts should consider when determining whether blurring had occurred: "1) similarity of the marks 2) similarity of the products covered by the marks 3) sophistication of consumers 4) predatory intent 5) renown of the senior mark 6) renown of the junior mark."<sup>170</sup> It should be noted that the *Mead Data Central* case, which was decided in 1989, occurred before the FTDA was passed.<sup>171</sup> In *Nabisco*, however, the Second Circuit indicated that use of these factors should be changed.<sup>172</sup> The Second Circuit argued that it was too early in the evolution of dilution law to establish a definitive test for blurring.<sup>173</sup> "[I]t seems to us that courts would do better to feel their way from case to case, setting forth in each of those factors that seem to bear on the resolution of that case, and, only eventually to arrive at a consensus of relevant factors on the basis of this accumulated experience."<sup>174</sup>

Rather than using the "Sweet" factors to determine whether the Nabisco mark had been diluted, the Second Circuit made its examination using the following factors:

- 1) the distinctiveness of the senior mark; 2) the similarity of the marks; 3) the relatedness of the products and likelihood of overlap; 4) the interrelationship of the preceding factors; 5) the consumer overlap of the senior and junior users' products; 6) the consumers' level of sophistication; 7) the actual confusion between the junior and senior mark; 8) the degree of which the senior user's mark is in fact descriptive of the junior use; 9) the senior user's promptness or delay in seeking to protect its mark; and 10) the senior user's past conduct and its effects in taking action to protect its mark against dilution by others.<sup>175</sup>

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improved upon Judge Sweet's test by adding other considerations "more pertinent to the issue of dilution") (citing *Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208, 227 (2d Cir. 1999)).

170. *Mead Data*, 875 F.2d at 1035 (Sweet, J. concurring).

171. *See id.* at 1026; 15 U.S.C. § 1125(c)(1) (Supp. IV 1998).

172. *See Nabisco, Inc.*, 191 F.3d at 227.

173. *See id.*

174. *Id.*

175. *See id.* at 217-22.

These factors were also used to determine whether a domain name had diluted a trademark in *OBH, Inc. v. Spotlight Magazine*,<sup>176</sup> where the court found the defendants domain name diluted the plaintiff's mark.<sup>177</sup> In applying the first factor, the court decided that "The Buffalo News" mark was distinctive due to the fact that the plaintiff had used the mark since 1977 and had spent substantial amounts of money advertising it.<sup>178</sup> In applying the second factor, the court found that The Buffalo News and <thebuffalonews.com> were identical.<sup>179</sup> They felt that market proximity favored the plaintiffs, because both parties were located on the Internet, and hyperlinks were present to connect competitive sites.<sup>180</sup> Applying the fifth factor, the court said that because of the Internet location, there was also a complete overlap of consumers.<sup>181</sup> The court determined that a consumer's sophistication level was immaterial because both types of consumers were susceptible to the "initial interest confusion" which occurs on the Internet;<sup>182</sup> however, the court found that the plaintiffs had not produced actual evidence of confusion.<sup>183</sup>

Next, wrote the court, because "defendants are intentionally using the plaintiffs' mark to trick Internet users into visiting defendants' web site by making them believe that they are actually accessing the plaintiffs' web site," the factor determining whether the senior user's mark is descriptive of the junior user "should be given little weight."<sup>184</sup> Observed the court, "[t]his is not a case where a junior user is using a senior user's mark as a legitimate description of its product."<sup>185</sup> Finally, by sending a letter informing the defendants that their "use of the mark constituted a trademark violation," the court found the plaintiffs reacted quickly enough to protect its mark, once they had heard of the competitive domain name.<sup>186</sup>

The First Circuit has also been critical of applying the original Sweet test factors to the analysis of whether blurring

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176. 86 F. Supp. 2d 176 (W.D.N.Y. 2000).

177. *See id.* at 185, 194.

178. *See id.* at 194.

179. *See id.*

180. *Id.*

181. *See id.* at 195 (indicating that the fifth factor weighed "heavily in favor of finding dilution").

182. *Id.* Initial interest confusion occurs when a consumer visits what he/she believes will be the plaintiff's web site, and arriving at the defendant's web site, is momentarily confused as to which web site they are viewing. *See id.*

183. *See id.*

184. *Id.*

185. *Id.*

186. *Id.* at 196.

had occurred under the FTDA. In *I.P. Lund Trading ApS v. Kohler Co.*,<sup>187</sup> the Circuit echoed J. Thomas McCarthy's position that "only the first and fifth of Judge's Sweet's factors—the similarity of the marks and the renown of the senior mark—are relevant to determining whether dilution [by blurring] has occurred."<sup>188</sup> The other factors confuse the analysis, working against the original purpose of the dilution law—a purpose being that it was to apply to "widely differing goods."<sup>189</sup> The Sweet test was again criticized in *Hasbro, Inc. v. Clue Computing, Inc.*<sup>190</sup> The *Hasbro, Inc.* court concurred with the writing of the First Circuit in *I.P. Lund Tradings*, arguing that the six Sweet factors should be decreased to only two—the similarity of the marks and the renown of the senior mark.<sup>191</sup> The *Hasbro* court then added another requirement: that the plaintiff should show that "consumers at least potentially associate the two products with the same mark."<sup>192</sup> The court found that Hasbro failed to provide evidence for this third requirement, and thus, did not satisfy its dilution claim.<sup>193</sup> The district court's three-factor analysis was later affirmed by the First Circuit in November 2000.<sup>194</sup>

Another debated issue is whether proof that blurring is likely to occur is sufficient to prove dilution, or if proof of economic harm is necessary.<sup>195</sup> In *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Division of Travel Development*,<sup>196</sup> the Fourth Circuit took a notably different approach to what is necessary to prove dilution by stating that proof of "actual dilution" must be shown before blurring can be found.<sup>197</sup> Thus, to prove dilution the Fourth Circuit requires "(1)

187. 163 F.3d 27 (1st Cir. 1998).

188. *Id.* at 49 (citing 3 MCCARTHY, *supra* note 57, § 24:94.1).

189. *Id.* (citing 3 MCCARTHY, *supra* note 57, §§ 24:94.1–24:94.2) (stating that these factors "are the offspring of classical likelihood of confusion analysis and are not particularly relevant or helpful in resolving the issues of dilution by blurring").

190. 66 F. Supp. 2d 117 (D. Mass. 1999).

191. *See id.* at 134–35 (concluding, however, that "more than fulfillment of the two surviving Sweet factors is required to show dilution").

192. *See id.* at 135–36 (deriving this additional factor from the First Circuit's "call for 'an inquiry into whether target customers are likely to view the products 'as essentially the same'" (citing *I.P. Lund*, 163 F.3d at 50) and from McCarthy's requirement "that one mark be 'seen by customers as now identifying two sources'" (citing 3 MCCARTHY, *supra* note 57, § 24:90.1)).

193. *See id.* at 136.

194. *Hasbro, Inc. v. Clue Computing, Inc.*, 232 F.3d 1, 3 (1st Cir. 2000).

195. *See* Nguyen, *supra* note 42, at 208 (noting that the Fourth Circuit has criticized the notion of dilution through blurring by "incorrect mental association," requiring instead the more stringent showing of "actual economic harm").

196. 170 F.3d 449 (4th Cir. 1999).

197. *See id.* at 458 (requiring, among other things, "an actual lessening of the senior mark's selling power, expressed as 'its capacity to identify and distinguish goods and

a sufficient similarity between the junior and senior marks to invoke an ‘instinctive mental association’ of the two by a relevant universe of consumers which (2) is the effective cause of (3) an actual lessening of the senior mark’s selling power, expressed as ‘its capacity to identify and distinguish goods or services.’”<sup>198</sup> According to the Fourth Circuit, the “likelihood of dilution” analysis “has enabled the courts to avoid hard definition of the economic harm to the senior mark’s ‘selling power’ that they generally agree is an essential element of statutory ‘dilution.’”<sup>199</sup> Additionally, said the court, “the necessary speculativeness of any inquiry into future states and conditions has led some courts to allow the essential elements of ‘likely’ dilution to be inferred as fact . . . or . . . to be presumed from no more than the identity or sufficient similarity of the two marks.”<sup>200</sup>

The *Ringling Bros.* position was recently adopted by the Fifth Circuit in *Westchester Media v. PRL USA Holdings, Inc.*<sup>201</sup> In this case, Polo Ralph Lauren Corp. (“PRL”) objected to Westchester Media’s titling its re-launched magazine *New POLO Magazine*. Noting this objection, Westchester Media filed an action for declaratory judgment that its use of “Polo” in its magazine did not infringe on PRL’s mark. PRL counterclaimed for trademark infringement, dilution and unfair competition. The magistrate judge declined to rule on the dilution claim “finding that the Fifth Circuit had not yet addressed the standards governing relief under the FTDA.”<sup>202</sup> Thus, the Fifth Circuit decided it “must reach the claim . . . as it potentially afford[ed] a distinct basis of equitable relief.”<sup>203</sup> In deciding whether the mark was diluted, the Fifth Circuit endorsed the finding of *Ringling Bros.*, stating that the “plain meaning of the [federal] dilution statute” requires proof of “actual harm.”<sup>204</sup> The Fifth Circuit wrote:

Whereas state antidilution statutes incorporate, often expressly, the “likelihood of dilution” standard, the federal statute does not. Instead, it

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service”).

198. *Id.*

199. *Id.*

200. *Id.*

201. 214 F.3d 658, 670 (5th Cir. 2000) (finding that a trademark dilution claim requires proof of actual dilution caused by the junior mark use because “this standard best accords with the plain meaning of the statute”).

202. *Id.* at 669.

203. *Id.*

204. *Id.* at 670.

prohibits any commercial use of a famous mark that “causes dilution.” Both the present tense of the verb and the lack of any modification of “dilution” support an actual harm standard.<sup>205</sup>

The court concluded that failing to show actual harm “doom[ed] PRL’s dilution claim.”<sup>206</sup>

The Second Circuit in *Nabisco, Inc. v. PF Brands, Inc.*, however, specifically rejected the finding in *Ringling Bros.* that “the FTDA requires proof of an ‘actual, consummated harm.’”<sup>207</sup> The Second Circuit criticized the reading of the statute for many reasons. First, the court noted that if the senior user continued to grow financially while being exploited by the junior users use of their dilutive mark, then “the senior user might never be able to show diminished revenues, no matter how obvious it was that the junior use diluted the distinctiveness of the senior.”<sup>208</sup> Additionally, the Second Circuit noted that to require plaintiffs to present actual economic loss through surveys was misguided in that surveys were “expensive, time-consuming and not immune to manipulation.”<sup>209</sup> Third, the court said that the Fourth Circuit’s argument that the text of the statute requires evidence that the junior use causes dilution “instead of ‘likelihood of dilution,’ . . . depends on excessive literalism.”<sup>210</sup> The Second Circuit argued that Congress intended that the FTDA “prevent the harm before it occurs,”<sup>211</sup> and that “[t]o read the statute as suggested by the *Ringling Bros.* opinion would subject the senior user to uncompensable injury.”<sup>212</sup> Finally, not only would the requirement of proof of actual economic harm hurt the senior user, the junior user would also be disadvantaged because it would only know if it is entitled to use the mark after expending money and energy developing its business.<sup>213</sup> If the *Ringling Bros.* court’s reading of the statute is correct, then “businesses in

205. *Id.* at 670–71 (footnote omitted).

206. *Id.* at 671.

207. 191 F.3d 208, 223 (2d Cir. 1999); accord *Eli Lilly & Co. v. Natural Answers, Inc.*, 233 F.3d 456, 468 (7th Cir. 2000) (concurring with the position taken by the Second Circuit that “mere ‘likelihood of dilution’ is sufficient”).

208. *Nabisco*, 191 F.3d at 223–24.

209. *Id.* at 224.

210. *Id.*

211. *Id.*

212. *Id.*

213. *See id.*

Nabisco's position will be unable to seek declaratory relief before going to market."<sup>214</sup>

## 2. Dilution by Tarnishment

Another way a plaintiff can argue dilution is to prove that the junior user's use "tarnishes" their mark. Tarnishment occurs "when consumer capacity to associate it with the appropriate products or services has been diminished."<sup>215</sup> A small number of courts have considered the issue of tarnishment as it applies to domain names. A district court in Washington addressed the issue of domain names and tarnishment in the case of *Hasbro, Inc. v. Internet Entertainment Group, Ltd.*<sup>216</sup> In this case, the plaintiff, Hasbro, Inc., sued the defendants for dilution of the plaintiff's registered trademark "Candy Land" due to the defendant's use of the domain name <candyland.com> to identify a sexually explicit Internet site.<sup>217</sup> In a short order, the court agreed with Hasbro, Inc., and enjoined the use of the domain name and ordered that all content be removed from the site.<sup>218</sup> The court then allowed the defendants to post a "referral notice" of their new address for ninety days, but explicitly held that no hyperlinks to the new site could be attached to the web site with the domain name <candyland.com>.<sup>219</sup>

A pornography site on the Internet certainly "clash[es] with the associations generated" by Hasbro, Inc.'s "lawful use of the mark."<sup>220</sup> However, the court should have made a more specific finding that the defendant's use of the word "candyland" would actually be likely to diminish the consuming public's "capacity to associate [the mark] with the appropriate products and services."<sup>221</sup>

From the language in the order, a reasonable interpretation can be made that because the mark was being used in a context that Hasbro found inappropriate, then Hasbro, Inc., is entitled to an injunction. The First Circuit has said, however, that tarnishment cannot be found "based solely on the presence of an

214. *Id.*

215. *L.L. Bean, Inc. v. Drake Publishers, Inc.*, 811 F.2d 26, 31 (1st Cir. 1987).

216. *See* 40 U.S.P.Q.2d (BNA) 1479, 1480 (W.D. Wash. 1996) (granting a preliminary injunction prohibiting use of domain name "candyland.com" for a sexually-explicit Internet site).

217. *See id.* at 1480.

218. *Id.*

219. *See id.*

220. *Id.* at 31 ("The threat of tarnishment arises when the goodwill and reputation of a plaintiff's trademark is linked to products which are of shoddy quality . . .").

221. *Id.*



unwholesome or negative context in which a trademark is used without authorization.”<sup>222</sup> Therefore, the court’s finding of tarnishment in this case does not rest on solid ground.

Another issue involved in tarnishment is whether the domain name is protected by the First Amendment. The case of *Bally Total Fitness Holding Corp. v. Faber*<sup>223</sup> illustrates this question. The defendant in this case, Andrew Faber, set up a web site with the domain name <compupix.com>.<sup>224</sup> This domain name was the address of a web site partially devoted to criticism of the company, Bally Total Fitness. Located on this site is the Bally’s mark with the word “sucks” printed across it.<sup>225</sup> Under this picture, reads “Bally Total Fitness Complaints! Unauthorized.”<sup>226</sup> Bally Total Fitness sued the defendant for trademark dilution, along with other causes of action, after the court initially denied Bally’s request for a temporary restraining order.<sup>227</sup> The court denied Bally’s motion for summary judgment and ordered Faber to bring his own motion for summary judgment.<sup>228</sup> In responding to Faber’s motion, the court held that Faber did not dilute the Bally mark because Bally had shown insufficiently that Faber was using his web sites commercially.<sup>229</sup> By not referring to the Bally mark commercially, but rather by using the mark to express criticism about how the company operates, Faber’s web site was protected by the First Amendment.<sup>230</sup> Addressing this issue in *L.L. Bean, Inc. v. Drake Publishers, Inc.*,<sup>231</sup> the First Circuit wrote:

If the anti-dilution statute were construed as permitting a trademark owner to enjoin the use of his mark in a noncommercial context found to be negative or offensive, then a corporation could shield itself from criticism by forbidding the use of its name in commentaries critical of its conduct. The legitimate aim of the anti-dilution statute is to prohibit the unauthorized use of another’s

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222. *Id.*

223. 29 F. Supp. 2d 1161 (C.D. Cal. 1998).

224. *Id.* at 1162.

225. *See id.*

226. *See id.*

227. *See id.*

228. *See id.*

229. *See id.* at 1167 (noting that “Faber is not using the Bally mark to sell his services” nor is he “using Bally’s mark to identify his goods in commerce”).

230. *See id.*

231. F.2d 26 (1st Cir. 1998).

trademark in order to market incompatible products or services. The Constitution does not, however, permit the range of the anti-dilution statute to encompass the unauthorized use of a trademark in a noncommercial setting such as an editorial or artistic context.<sup>232</sup>

In the same way, if someone uses another company's trademark in their domain name, and the domain name is the address of a site whose intent is to express criticism of that company, then that domain name may be protected by the First Amendment.

### 3. Dilution by Cybersquatting

Companies use their Internet web site to connect with their customers. A web site offers a company another avenue in which it can advertise new products, and where customers can place orders for these products.<sup>233</sup> So customers can access the web site quickly, companies like to have an uncomplicated domain name,<sup>234</sup> such as <ford.com> rather than <fordcar.com>. Certain individuals (often referred to as cybersquatters) have realized the value of these famous marks, and registered many of them as domain names with NSI.<sup>235</sup> "These individuals attempt to profit from the Internet by reserving and later reselling or licensing domain names back to companies that [have] spent millions of dollars developing the goodwill of the trademark."<sup>236</sup>

In some cases, plaintiffs have argued that this is a new kind of dilution.<sup>237</sup> It occurs if a consumer, not knowing the web site

232. *Id.* at 33.

233. *See* Ughetta Manzone, Panavision International, L.P. v. Toeppen, 13 BERKELEY TECH. L.J. 249, 249 (1998) (noting that the "use of domain names to facilitate advertising and sales is already well-documented").

234. Panavision Int'l, L.P. v. Toeppen, 945 F. Supp. 1296, 1299 (C.D. Cal. 1996) (concluding that "having a known or deducible domain name is important to companies seeking to do business on the Internet, as well as important to consumers who want to locate those businesses' web sites," based on the fact that "users may have difficulty accessing web sites or may not be able to access web sites at all when they do not know (or cannot deduce) the proper domain name, businesses frequently register their names and trademarks as domain names").

235. *See* Intermatic, Inc. v. Toeppen, 947 F. Supp. 1227, 1233-34 (N.D. Ill. 1996) ("Cyber-squatters such as Toeppen contend that because they were the first to register the domain name through NSI it is theirs.").

236. *Id.* at 1233.

237. *See, e.g.,* HQM, Ltd. v. Hatfield, Inc., 71 F. Supp. 2d 500, 508 (D. Md. 1999). That court addressed the plaintiff's novel dilution argument stating that:

Plaintiffs rely on a relatively novel theory of blurring which has been recognized by some courts. Plaintiffs speculate that individuals searching for Hatfield, Inc. products on the Internet "are likely to begin a search using a

address, speculates that it is the proper name of the business, with the “.com” attached. After typing in this address, if no site appears, the consumer either assumes that the company does not have a web site, or simply gives up trying to find it.<sup>238</sup> “[T]his diminishes [for the consumers] ‘the capacity of the marks to identify and distinguish the mark holder’s goods and services on the Internet.’”<sup>239</sup>

This “cybersquatting” type of dilution was found in the case of *Intermatic v. Toeppen*.<sup>240</sup> In this case, the plaintiff, Intermatic, sued Dennis Toeppen for numerous causes of actions, including violation of the FTDA.<sup>241</sup> Defendant, Dennis Toeppen, was an Internet service provider who had previously registered many other well-known business names as domain names, including <deltaairlines.com>, <britishairways.com>, <eddiebauer.com> and <neiman-marcus.com>.<sup>242</sup>

To satisfy the first requirement of dilution, the court found that the Intermatic mark was famous by the fact that it “is a strong fanciful federally registered mark, which has been exclusively used by Intermatic for over 50 years.”<sup>243</sup> Toeppen, however, then argued that his use of the Intermatic trademark was not commercial.<sup>244</sup> The court, however, found that Toeppen’s intention in registering the domain name was to later be able to sell it, and thus, this intention served as proof of commercial use.<sup>245</sup> Finally, the court took an interesting approach to find that Toeppen had “diluted” the plaintiff’s mark. The court found dilution because “Intermatic is not currently free to use its mark as its domain name . . . . [Toeppen’s] conduct lessens the capacity of Intermatic to identify its goods to potential consumers who would expect to locate Intermatic on the Internet through the

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TLD of <.com>. When they do not uncover Hatfield’s goods under <Hatfield.com>, they are likely to mistakenly believe that Hatfield does not have a web site” . . . . Plaintiffs cite the Toeppen cases on their behalf, *Panavision* and *Intermatic*. These cases theorize that dilution may occur because customers might fail to continue to search for the mark holder’s web site . . . .

*Id.* However, the court also noted that “[a]nother federal court has rejected such theories. In *Hasbro, Inc. v. Clue Computing Inc.*, 66 F. Supp. 2d 117, 124–25 (D. Mass. 1999), the court noted that trademark law has always required reasonableness on the part of consumers. The court held that while the need to search for a mark holder’s site ‘may rise to the level of inconvenience,’ this inconvenience was not cognizable.” *Id.* at 124–25.

238. See *HQM, Ltd.*, 71 F. Supp. 2d at 508.

239. *Id.* (quoting *Panavision*, 141 F.3d at 1327).

240. 947 F. Supp. 1227 (N.D. Ill. 1996).

241. See *id.* at 1229.

242. See *id.* at 1230.

243. *Id.* at 1239.

244. See *id.*

245. See *id.*

'intermatic.com' domain name."<sup>246</sup> This language indicated a new type of dilution, separate from that of blurring or tarnishment.

The Ninth Circuit also recognized cybersquatting dilution when it affirmed the lower court's holding that Toeppen's conduct constituted dilution in *Panavision International, L.P. v. Toeppen*.<sup>247</sup> The facts in this case are similar to those in the *Intermatic* case. In December 1995, Dennis Toeppen registered the domain name <panavision.com> with NSI.<sup>248</sup> "When Panavision notified Toeppen of its desire to use the [<panavision.com>] domain name, Toeppen demanded \$13,000 to discontinue his 'use'" which Panavision refused.<sup>249</sup> The district court found Toeppen had violated federal and state dilution laws.<sup>250</sup> The district court stated specifically that "Toeppen's conduct varies from the two standard dilution theories."<sup>251</sup> The dilution occurred because "Toeppen was able not merely 'to lessen[] the capacity of a famous mark to identify and distinguish goods or services but to *eliminate* the capacity of the Panavision marks to identify and distinguish Panavision's goods and services on the Internet."<sup>252</sup> In supporting the district court's opinion that Toeppen's hijacking of the Panavision domain name constituted dilution, the Ninth Circuit argued that the plaintiff's trademark is harmed because "potential customers of Panavision will be discouraged if they cannot find its web page by typing in 'Panavision.com,' but instead are forced to wade through hundreds of web sites. This dilutes the value of Panavision's trademark."<sup>253</sup>

In *Hasbro, Inc. v. Clue Computing, Inc.*, the court, however, rejected the per se dilution recognized in the above cases and *Avery Dennison Corp.*<sup>254</sup> It rejected the idea that "preventing a plaintiff from using his own famous trademark as a domain name dilutes the plaintiff's ability to identify his goods and services, and may frustrate or deter potential consumers."<sup>255</sup> The court wrote "while use of a trademark as a domain name to extort money from the

246. *Id.* at 1240.

247. 141 F.3d 1316, 1327 (9th Cir. 1998).

248. *See Panavision Int'l, L.P. v. Toeppen*, 945 F. Supp. 1296, 1300 (C.D. Cal. 1996), *aff'd*, 141 F.3d 1316 (9th Cir. 1998).

249. *Id.*

250. *See id.* at 1306.

251. *Id.* at 1304.

252. *Id.* (emphasis added) (citing 15 U.S.C. § 1127 (Supp. II 1996)).

253. *Panavision Int'l*, 141 F.3d at 1327.

254. *See Hasbro, Inc. v. Clue Computing, Inc.*, 66 F. Supp. 2d 117, 132-33 (D. Mass. 1999).

255. *Id.*

markholder or to prevent that markholder from using the domain name may be per se dilution, a legitimate competing use of the domain name is not.”<sup>256</sup> However, the court warned, “[h]olders of a famous mark are not automatically entitled to use that mark as their domain name; trademark law does not support such a monopoly.”<sup>257</sup>

#### IV. THE ANTICYBERSQUATTING CONSUMER PROTECTION ACT

Congress passed the Anticybersquatting Consumer Protection Act<sup>258</sup> (“ACPA”) in November 1999.<sup>259</sup> According to Judge Calabresi of the Second Circuit, “the ACPA was passed to remedy the perceived shortcomings of applying the FTDA in cybersquatting cases.”<sup>260</sup> The ACPA is designed to “protect consumers and American businesses, to promote the growth of online commerce, and to provide clarity in the law for trademark owners by prohibiting the bad-faith and abusive registration of distinctive marks as Internet domain names with the intent to profit from the goodwill associated with such marks—a practice commonly referred to as ‘cybersquatting.’”<sup>261</sup> “[G]ood faith, innocent or negligent uses of a domain name that is identical or confusingly similar to another’s mark or dilutive of a famous mark are not covered by the [ACPA].”<sup>262</sup> If the use is dilutive, the ACPA follows established trademark dilution law in requiring that a mark be “famous” before a plaintiff can recover statutory damages.<sup>263</sup> However, “uses of others’ marks in a way that causes a likelihood of consumer confusion is actionable whether or not the mark is famous.”<sup>264</sup> The amended Trademark Act of 1946 reads:

(1)(A) A person shall be liable in a civil action by the owner of a mark, including a personal name which is protected as a mark under this section,

256. *Id.* at 133.

257. *Id.*

258. 15 U.S.C. § 1125(d) (Supp. V 1999).

259. *See Sporty’s Farm L.L.C. v. Sportsman’s Mkt., Inc.*, 202 F.3d 489, 492 (2d Cir. 2000).

260. *Id.* at 496.

261. *Id.* at 495 (quoting S. REP. NO. 106-140, at 4 (1999)).

262. 145 CONG. REC. S14986-03, S15026 (daily ed. Nov. 19, 1999) (statement of Sen. Leahy), available at 1999 WL 1050353; *see also Harrods Ltd. v. Sixty Internet Domain Names*, 110 F. Supp. 2d 420, 425–26 (E.D. Va. 2000) (concluding that a showing of bad faith is necessary in “in rem” proceedings under the ACPA).

263. *See* 145 CONG. REC. S10513, S10516 (daily ed. Aug. 5, 1999) (statement of Sen. Hatch), available at 1999 WL 593845.

264. *Id.*

- if, without regard to the goods or services of the parties, that person
- (i) has a bad faith intent to profit from that mark, mark, including a personal name which is protected as a mark under this section; 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 that mark;
    - (II) in the case of a famous mark that is famous at the time of registration of the domain name, is identical or confusingly similar to or dilutive of that mark; or
    - (III) is a trademark, word, or name protected by reason of section 706 of Title 18 or section 220506 of Title 36.<sup>265</sup>

The Act also lists nine nonexclusive factors that courts should examine in determining whether a person has the requisite “bad faith.”<sup>266</sup>

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265. 15 U.S.C. § 1125(d)(1)(A) (Supp. V 1999).

266. *Id.* § 1125(d)(1)(B). The Code defines the nonexclusive factors of bad faith as follows:

I) the trademark or other intellectual property rights of the person, if any, in the domain name;

II) the extent to which the domain name consists of the legal name of the person or a name that is otherwise commonly used to identify that person;

III) the person’s prior use, if any, of the domain name in connection with the bona fide offering of any goods or services;

IV) the person’s bona fide noncommercial or fair use of the mark in a site accessible under the domain name;

V) the person’s intent to divert consumers from the mark owner’s online location to a site accessible under the domain name that could harm the goodwill represented by the mark, either for commercial gain or with the intent to tarnish or disparage the mark, by creating a likelihood of confusion as to the source, sponsorship, affiliation or endorsement of the site;

VI) the person’s offer to transfer, sell, or otherwise assign the domain name to the mark owner or any third party for financial gain without having used, or having an intent to use, the domain name in a bona fide offering for any goods or services, or the person’s prior conduct indicating a pattern of such conduct;

VII) the person’s provision of material and misleading false contact information when applying for the registration of a domain name, the person’s intentional failure to maintain accurate contact information, or the person’s prior conduct indicating a pattern of such conduct;

### A. *Specific Finding of “Bad Faith” by the Court*

A number of cases have been decided since the passage of ACPA. The first was *Sporty’s Farm L.L.C. v. Sportsman’s Market, Inc.*<sup>267</sup> The plaintiffs in this case, Sportsman’s Market, Inc., owned a mail order catalog business that sold piloting products. They had used the logo “sporty” to sell their products since the 1960s, and in 1985, registered the trademark.<sup>268</sup> The defendants, Arthur and Betty Hollander, owned Omega, a mail order catalog that originally sold mostly scientific process measurement and control instruments.<sup>269</sup> In 1994-1995, the Hollanders then began offering aviation catalogs, and subsequently registered the domain name <sportys.com>.<sup>270</sup> Arthur Hollander had previously received Sportsman’s catalogs and “thus was aware of the sporty’s trademark.”<sup>271</sup> In 1996, the Hollanders formed “Sporty’s Farm,” a wholly-owned subsidiary of Omega that sold Christmas trees, and transferred the domain name to it.<sup>272</sup>

In 1996, after Sportsman’s discovered the <sportys.com> domain name, Omega filed for declaratory judgement “seeking the right to continue its use of sportys.com.”<sup>273</sup> When asked how they came up with the name Sporty’s Farm, the CEO of Omega and manager of Sporty’s farm, Ralph S. Michael, explained that he originally thought of the land that the Christmas tree business was located on as Spotty’s farm.<sup>274</sup> It was named Spotty’s farm because it reminded him of the farmland that his uncle had owned in upstate New York, where his uncle had taken Mr. Michael’s childhood dog to live after the dog had once

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VIII) the person’s registration or acquisition of multiple domain names which the person knows are identical or confusingly similar to marks of others that are distinctive at the time of registration of such domain names, or dilutive of famous marks of others that are famous at the time of registration of such domain names, without regard to the goods or services of the parties; and

IX) the extent to which the mark incorporated in the person’s domain name registration is or is not distinctive and famous within the meaning of subsection (c)(1) of this section.

*Id.*

267. 202 F.3d 489 (2d Cir. 2000).

268. *Id.* at 494.

269. *Id.*

270. *Id.*

271. *Id.*

272. *Id.*

273. *Id.*

274. *Id.*

strayed.<sup>275</sup> He said Sporty's farm was a derivation of Spotty's Farm.<sup>276</sup> The district court "issued an injunction forcing Sporty's Farm to relinquish all rights to sportys.com."<sup>277</sup> While on appeal, Congress passed the ACPA.<sup>278</sup> Therefore, where the district court had to analyze the case in terms of the FTDA, the Second Circuit was in the position to analyze the facts of this case according to the terms of the ACPA.<sup>279</sup>

In order to satisfy the requirements of the ACPA, the Second Circuit had to find that 1) the plaintiff's mark is distinctive or famous; 2) the defendant's domain name is "identical or confusingly similar" to the plaintiff's mark; and 3) the "defendant used, registered or trafficked in the domain name with a bad faith intent to profit from the sale of the domain name."<sup>280</sup> In addressing the first issue, the Second Circuit wrote, "[w]e have no doubt that sporty's, as used in connection with Sportsman's catalogue of merchandise and advertising, is inherently distinctive."<sup>281</sup> The Circuit found this position supported by the fact that Sportsman's had registered the sporty's mark for incontestability status, "which entitles Sportsman's 'to a presumption that its registered trademark [was] inherently distinctive.'"<sup>282</sup> Addressing the second issue, the Second Circuit found that sportys.com was "confusingly similar to the sporty's mark," because "apostrophes cannot be used in domain names" and, "[a]s a result, the secondary domain name in this case (sportys) is indistinguishable from the Sportsman's trademark (sporty's)."<sup>283</sup> In addressing the issue of "bad faith," the Second Circuit found that there was "more than enough evidence" to show the Hollanders had registered their domain name with "bad faith intent to profit."<sup>284</sup> First, neither party had intellectual property rights to the domain name before the lawsuit.<sup>285</sup>

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275. *Id.*

276. *Id.*

277. *Id.* at 495.

278. *Id.*

279. *See id.* at 496–97 (noting that the "new law was adopted specifically to provide courts with a preferable alternative to stretching federal dilution law when dealing with cybersquatting cases" and that the "new law constitutes a particularly good fit with this case").

280. *See id.* at 496–98, *cited in* Northland Ins. Cos. v. Blaylock, 115 F. Supp. 2d 1108 (D. Minn. 2000).

281. *Id.* at 497.

282. *Id.* (citing *Equine Tech., Inc. v. Equitechnology, Inc.*, 68 F.3d 542, 545 (1st Cir. 1995)).

283. *Id.* at 497–98.

284. *Id.* at 498.

285. *See id.*



“Sporty’s Farm was not formed until nine months after the domain name was registered, and it did not begin operations or obtain the domain name from Omega until after this law suit was filed.”<sup>286</sup> Second, the domain name was not the same legal name as Omega, the company who registered it.<sup>287</sup> Third, the defendant did not use the web site to sell Christmas trees until after the lawsuit was filed, “undermining its claim that the offering of Christmas trees on the site was in good faith.”<sup>288</sup> Additionally, the trial record and the district court’s findings showed “that Omega planned to enter into direct competition with Sportman’s in the pilot and aviation consumer market.”<sup>289</sup> “It cannot be doubted . . . that Omega registered sportys.com for the primary purpose of keeping Sportsman’s from using that domain name.”<sup>290</sup> Finally, the court believed the defendant’s explanation that they had named the domain name, and subsequent business, Sporty’s Farm, after a dog to be “more amusing than credible.”<sup>291</sup> Therefore, having found that the defendant had violated the ACPA, the Second Circuit affirmed the district court’s grant of a permanent injunction, but found that damages were not available because Omega had registered their domain name before passage of the ACPA.<sup>292</sup>

#### B. *No Finding of “Bad Faith” by the Court*

In *Cello Holdings, L.L.C. v. Lawrence-Dahl Companies*,<sup>293</sup> a New York district court was more reticent in granting ACPA protection to the plaintiffs. The plaintiffs in this case had sold “highend audio equipment” under the name “Cello” since 1985.<sup>294</sup> The defendant, Lawrence Storey, operated a small business selling “vintage audio equipment and accessories” under the name Audio Online.<sup>295</sup> Storey had registered many domain names, including <cello.com>, <4nasdaq.com> and <goldmetal.com>, and offered some of these domain names, including <cello.com> for sale at another website.<sup>296</sup> Storey also sent targeted e-mail addresses to individuals or companies he felt

286. *Id.* at 498.

287. *Id.* at 498–99.

288. *Id.* at 499.

289. *Id.*

290. *Id.*

291. *Id.*

292. *See id.* at 500.

293. 89 F. Supp. 2d 464 (S.D.N.Y. 2000).

294. *See id.* at 466.

295. *See id.* at 467.

296. *Id.*

would be interested in the domain names, and offered them for sale.<sup>297</sup> He offered <cello.com> for sale for \$4,800.<sup>298</sup>

Denying cross-motions for summary judgment,<sup>299</sup> the court found that genuine issues of material fact existed both in Cello's claim under the FTDA, as well as their claim under the ACPA.<sup>300</sup> First, the court was uncertain as to whether the name cello met the famousness requirement of the FTDA and the ACPA.<sup>301</sup> Second, the court noted that the word "cello" could have been registered as a common noun.<sup>302</sup> As such, it was reasonable for Storey to believe that his registration of <cello.com> was "fair use."<sup>303</sup> According to this court, "[a] critical issue under the ACPA is intent, for the statute imposes liability only on a person who registers a domain name with 'bad faith intent to profit from that mark.'"<sup>304</sup> Due to the possible interpretation that the defendant registered "cello" in its status as a common noun, this court was unprepared to award the domain name <cello.com> to the plaintiffs.<sup>305</sup>

Again, in *Northland Insurance Co. v. Blaylock*,<sup>306</sup> a Minnesota district court did not find that the plaintiffs had properly shown that the defendants adopted their mark with the "bad faith intent to profit."<sup>307</sup> In this case, the plaintiff sued the defendant for establishing the domain names <northlandinsurance.com> and <sailinglegacy.com>, alleging that defendant's use of the name "Northland Insurance" violated the plaintiff's trademark rights and the ACPA.<sup>308</sup> The defendant argued that his use of the names was to establish a website where he, and others, could comment on the plaintiff's business practices.<sup>309</sup> "[The] [p]laintiff, however, argue[d] that an inference [could] be made that [the] defendant's intent [was] to use this Internet domain name as leverage to extract a sum of money that [would] help compensate him for his perceived losses from the

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297. *Id.* at 468.

298. *Id.*

299. *See id.* at 466–67.

300. *See id.* at 472.

301. *See id.*

302. *Id.* at 473.

303. *See id.* at 474.

304. *Id.* at 473 (quoting 15 U.S.C. § 1125(d)(1)(A)(i) (Supp. V 1999)).

305. *See id.* at 474.

306. 15 F. Supp. 2d 1108 (D. Minn. 2000).

307. *See id.* at 1125.

308. *See id.* at 1114.

309. *See id.* The defendant was critical of the plaintiff's business after the plaintiff allegedly did not pay the defendant the insurance money owed to the defendant for the damage to his yacht. *See id.*

underlying insurance settlement.”<sup>310</sup> In analyzing whether the defendant acted in bad faith, the district court found that the noncommercial use factor “strongly weighs in the defendant’s favor” because there was no direct evidence that the defendant tried to sell the domain name.<sup>311</sup> Additionally, the evidence also did not support a finding of bad faith because it did not show that the defendant had diverted customers to his website, or from the plaintiff’s web site, for the purpose of financial gain or with the design to tarnish the plaintiff.<sup>312</sup> Therefore, the court concluded that a preliminary injunction was not warranted:

While the evidence indicates that [the] defendant has perhaps exhibited bad intent in setting up this web site to criticize [the] plaintiff’s business practices, his ‘intent to profit,’ is not sufficiently discernable at this stage and presents an issue that seems best resolved by the trier of fact.<sup>313</sup>

The positions taken by the *Cello Holdings, L.L.C.* and *Northland Insurance Co.* courts are similar to the one taken by the Ninth Circuit in *Avery Dennison Corp.* As mentioned previously, the Ninth Circuit did not find that the defendants had diluted the Avery or Dennison mark because they felt: 1) the marks were not sufficiently famous,<sup>314</sup> and 2) it was possible that the defendant registered the names as the proper names Avery and Dennison, rather than with the intent to exploit the trademark held by the plaintiffs.<sup>315</sup> Where the *Avery Dennison* decision provides a good example of judicial discretion and conservatism in granting an injunction based on the FTDA, so too do the holdings in *Cello Holdings, L.L.C.* and *Northland Insurance Co.* exemplify the need for the same discretion in granting injunctions under the new ACPA law.

## V. CONCLUSION

The protections granted by the Federal Trademark Dilution Act of 1995 and the newly enacted Anticybersquatting Consumer Protection Act should be granted by the courts against domain name holders only in a limited number of situations. Trademark

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310. *Id.* at 1124.

311. *Id.*

312. *See id.*

313. *Id.* at 1125.

314. *See Avery Dennison Corp. v. Sumpton*, 189 F.3d 868, 877 (9th Cir. 1999).

315. *See id.* at 880.

holders should only be able to enjoin a domain name when they have proven that their mark is truly famous.<sup>316</sup> Further, courts should find this quality of famousness for only a limited number of marks. To find that the mark is sufficiently famous, first, the courts should require that the mark is distinctive enough to trigger a certain level of quality in a consumer's mind, and that the consumer then attaches that level of quality to the product it represents. In other words, the mark should have "selling power." Next, the mark should be original to the trademark holder to the extent that there is little other third party use of the mark, and such use is remote. The trademark should be nationally famous and recognizable. The trademark, as well, should be federally registered. A federal registration requirement is the only way to ensure that domain name holders can thoroughly search available domain names before financially committing to a name. Finally, the trademark holder must prove that the domain name holder is using the trademark commercially. If the mark is used in a noncommercial way by the domain name, and the injunction is granted, then the injunction may be in violation of the registrar's First Amendment rights.<sup>317</sup>

The Internet is a vast, international commercial link. For both private individuals and businesses, it is a valuable resource for reaching customers. For example, during the 2000 Christmas shopping season, Americans spent approximately \$8.7 billion online, "more than doubling the \$4.2 billion spent on the web during the same period in 1999."<sup>318</sup> This sales figure encapsulates the power that comes with having a presence on the Internet. If a court finds that a domain name federally dilutes a trademark, the trademark owner can bar the registrar's entrance into this large market with that domain name, or can require the registrar to relinquish its name even after its business has forged a presence on the Internet. This exemplifies the power behind the FTDA. Therefore, the protections afforded by the federal dilution law should only be granted in very limited circumstances. If a person registers a domain name specifically

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316. See *id.* at 875; COMMISSION REPORT, *supra* note 1, at 455.

317. See 5 MCCARTHY, *supra* note 50, § 31:155, at 31-237 ("The Constitution is not offended when the antidilution statute is applied to prevent a defendant from using a trademark without permission in order to merchandise dissimilar products or services.' But when defendant's trademark use consists of an editorial or artistic parody, rather than a commercial use, then anti-dilution law cannot be used to suppress the parody . . .") (citing *L.L. Bean, Inc. v. Drake Publishers, Inc.*, 811 F.2d 26, 31 (1st Cir. 1998)).

318. See Paul Elias, *The 2001 Retail Space Odyssey*, (Jan. 3, 2001), at <http://www.redherring.com/industries/2001/0103/ind-retail010301.html>.

with the intent to take advantage of the trademark's reputation, and this harms the trademark, then an injunction should be granted. The new cybersquatting law provides a good resource with which trademarks can be protected in this situation. However, not all domain names are registered with improper motives. Most of the time, domain names are registered for legitimate reasons, after which, the registrars spend a great deal of money producing and marketing the site. It would be unjust for these individuals to lose access to their domain name based on a loose interpretation of the Federal Trademark Dilution Act by the courts.

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