Briefing Paper: *Avery Dennison v. Sumpton*
Trademark Dilution

THE LANHAM ACT – THE FEDERAL TRADEMARK DILUTION ACT OF 1995

The two fundamental purposes of the Lanham Act are (1) to protect the consumer from confusion as to the source of the merchant's goods or services, and (2) to protect the trademark holder's investment in his mark by prohibiting others from using the trademark to misrepresent their goods.[1] In contrast to trademark infringement, which focuses on protecting consumers from confusion, dilution focuses on protecting the trademark holder's investments in their trademarks.[2]

TRADEMARK INFRINGEMENT

Section 32(1) of the Lanham Act protects trademark holders against infringement for federally registered trademarks.[3] Infringement occurs when a person "uses a similar mark on or in connection with the sale, distribution, or advertising of any goods if such use is likely to cause confusion."[4] The crucuial determination is whether an appreciable number of consumers are likely to be confused over the source of the goods at issue.[5]

In a claim for trademark infringement, "the trademark holder must show (1) prior rights in the trademark and (2) that the unauthorized use of the trademark will likely cause consumer

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[1] Greg Duffey, *Trademark Diluion Under the Federal Trademark Dilution Act of 1995: You've Come a Long Way Baby – Too Far, Maybe?*, 39 S. TEX. L. REV. 133, 136 (1997) *citing* S. Rep. No. 79-1333, at 3 (1996).
[2] *Id*.
[3] Ira S. Nathenson, *Showdown at the Domain Name Corral: Property rights and Personal Jurisdiction Over Squatters, Poachers and Other Parasites*, 58 U. PITT. L. REV. 911 (1997).
[4] *Id*.
[5] *Id*.

confusion, deception, or mistake."[6] The federal circuits have applied many different tests to determine the "likelihood of confusion."[7] The Ninth Circuit balances the following 8 factors: similarity of the marks; (2) proximity of the goods; (3) marketing channels used; (4) defendant's intent in selecting the mark; (5) type of goods and degree of care likely to be exercised by the purchaser; (6) evidence of actual confusion; (7) strength of the mark; and (8) likelihood of expansion of the product lines.[8] In determining whether use of another's trademark as a domain name constitutes infringement, the most important factors appear to be: (1) similarity of the marks; (2) proximity of the goods; and (3) marketing channels used.[9]

TRADEMARK DILUTION

Trademarks can also be protected against dilution – a "lessening of the capacity of a famous mark to identify and distinguish goods or services."[10] The Federal trademark Dilution Act of 1995 (FTDA) (15 U.S.C. § 1125(c), 1127) provides in relevant part that:

> (1) The owner of a famous mark shall be entitled, subject to the principles of equity and upon such terms as the courts 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.

The trademark holder is entitled to injunctive relief if he can 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

[6] Danielle Weinberg Swartz, *The Limitations of Trademark Law in Addressing Domain Name Disputes*, 45 UCLA L. REV. 1487, 1496 (1998).
[7] *Id.*; *See also* Duffey, *supra* note 1, at 137.
[8] *Id*.
[9] Swartz, *supra* note 6, at 1498.
[10] Nathenson, *supra* note 3, *citing* 15 U.S.C.§ 1127.

presents a likelihood of dilution of the distinctive value of the mark."[11] The likelihood of dilution has traditionally been demonstrated through a showing of blurring of tarnishment, although these theories do not cover the full range of dilution actions.[12] Unlike claims for trademark infringement, dilution claims do not require a likelihood of confusion.[13]

<u>THRESHOLD REQUIREMENT OF FAMOUSNESS</u>

Dilution is a special cause of action that can only be used to protect "famous" marks – "those marks with such powerful consumer associations that even non-competing uses can impinge on their value"[14] - since dilution laws come very close to granting a trademark "rights in gross."[15] Without the requirement that the trademark be famous, the balance would be upset in favor of over-protecting trademarks.[16] As stated by the Trademark Review Commission, "a higher standard must be employed to gauge the fame of a trademark eligible for this extraordinary remedy."[17] The FTDA lists the following eight non-exclusive factors to be considered in the famousness inquiry:

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

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[11] *Avery Dennison Corp. v. Sumpton,* No. 98-55810, ___ F.3d ___, 1999 WL 637085, at *3 (9th Cir. Aug. 23, 1999) *citing Panavision Int'l, L.P. v. Toeppen*, 141 F.3d 1216, 1324 (9th Cir. 1998) (interpreting 15 U.S.C. § 1125(c)(1)).
[12] *Panavision Int'l, L.P. v. Toeppen*, 945 F.Supp. 1296, 1304, 40 U.S.P.Q.2d 1908, __ (C.D. Cal. 1996) *citing Deere & Co. v. MTD Products, Inc*., 41 F.3d 39, 44 (2d Cir. 1994) (noting that "the blurring/tarnishment dichotomy does not necessarily represent the full range of uses that can dilute a mark under New York law.").
[13] *See generally Trustees of Columbia University v. Columbia/HCA Healthcare Corp*., 964 F.Supp. 733, 749-50, 43 U.S.P.Q.2d 1083, ___ (19XX).
[14] *Avery Dennison,* 1999 WL 637085, at *4, *citing* Frank L. Schechter, *The Rational Basis for Trademark Protection*, 40 HARVARD L. REV. 813 (1927).
[15] *Id. citing* 3 J. THOMAS MCCARTHY, TRADEMARKS & UNFAIR COMPETITION § 24:108 (Supp. 1998).
[16] *Id*. at *4.
[17] *Id*. at *6 *citing* Trademark Review Commission, *Report & Recommendations*, 77 TRADEMARK REP. 375, 455 (Sept.-Oct. 1987).

(F) the degree of recognition of the mark in the trading areas and channels of trade used by the mark's owner and the person against whom the injunction is sought;
(G) the nature and extent of use of the same or similar marks by third parties; and
(H) whether the mark was registered … on the principal register.[18]

In theory, the famousness requirement is a difficult standard to meet. However, in adjudicating dilution claims under state laws in the past, many courts have not required "the mark to have such great strength."[19] In adjudicating a dilution claim under the New York Anti-Dilution Statute, the district court noted that although some "cases proposes that perhaps only the strongest, most well-established marks are protected by New York's 'anti-dilution' statute, this conclusion would effectively limit [dilution] protection to nationally famous marks."[20] The court instead chose to interpret the state dilution statute as protecting "the selling power that a distinctive mark or name with favorable associations has engendered for a product in the mind of the consuming public,"[21] a much lower standard than that of national fame.

Recent cases under the FTDA suggest that the famousness determination is becoming a more substantial barrier to dilution protection. In *Avery Dennison*, the Ninth Circuit clearly stated that "famousness requires a showing greater than mere distinctiveness."[22] The *Nexxus* Court noted that the "plaintiff in a dilution action has a high hurdle to clear to demonstrate that a mark is truly famous and distinctive."[23] Likewise in *Washington Speakers Bureau* (WSB), the court stated that "[t]he FTDA's language and its underlying policy dictate that courts must 'be

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[18] 15 U.S.C. § 1125(c)(1).
[19] Megan E. Gray, *Defending Against a Dilution Claim: A Practitioner's Guide*, 4 TEX. INTELL. PROP. L.J. 205, 218 (1996) *citing Hester Indus., Inc. v. Tyson Foods, Inc.*, 16 U.S.P.Q.2d (BNA) 1275, 1278-79 (N.D.N.Y. 1990); *Dreyfus Fund, Inc. v. Royal Bank of Canada*, 525 F.Supp. 1108, 213 U.S.P.Q. (BNA) 872 (S.D.N.Y. 1981).
[20] *Hester Indus. Inc*., 16 U.S.P.Q.2d 1275, 1278 *citing P.F. Cosmetique, S.A. v. Minnetonka Inc*., 605 F. Supp. 662, 672 (S.D.N.Y. 1985).
[21] *Id. citing Sally Gee, Inc. v. Myra Hogan, Inc*., 699 F.2d 621, 624 (2d Cir. 1983).
[22] *Avery Dennison*, 1999 WL 637085, at *7.
[23] *Nexxus Products Co. v. CVS New York, Inc*., No. CIV. A. 97-40197-PBS, __ F.R.D. ___, 1999 WL 498051 (D. Mass. July 8, 1999).

discriminating and selective in categorizing a mark as famous.'"[24] However, "[b]ecause these factors are vague and non-binding, this element of the FTDA will be the subject of litigation for years to come, especially in domain name disputes."[25]

Before determining that WSB did not qualify as a famous mark, the court reviewed the current debate over whether fame in a specialized market, rather than being well-known to the general public, should qualify as "famous" under the FTDA.[26] Some authorities argue that a mark which is only famous in a specialized market segment still qualifies for dilution protection when the diluting uses are directed at that same narrow segment of the market.[27] However, this theory is discordant with the Congressional purpose of the FTDA – to prevent dilution even by users who were not in direct competition with the famous mark's owner.[28] In addition, in such a situation where both parties were in the same market segment, the holder of the famous trademark presumably could also seek relief through a trademark infringement claim.[29] On the other side of the debate, the language in the statute seems to support this idea that famous marks in narrow markets can protect against diluting uses in the same market.[30] However, the question was never answered by the *WSB* Court since WSB failed to even establish fame in the niche market.[31]

The *Avery Dennison* Court addressed this debate in their analysis of the fifth and sixth factors of the famousness inquiry: the channels of trade with which the mark is used and the

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[24] *Washington Speakers Bureau, Inc. v. Leading Authorities, Inc*., 3 F.Supp.2d 488, 502, 49 U.S.P.Q.2d (BNA) 1893, __ (E.D. Vir. 1999).
[25] Duffey, *supra* note 1, at 143.
[26] *Washington Speakers Bureau,* 3 F.Supp.2d at 503.
[27] *Id. citing TeleTech Customer Care Management, Inc. v. Tele-Tech Co*., 977 F.Supp. 1407, 1413 (C.D. Cal. 1997); 3 J. THOMAS MCCARTHY, TRADEMARKS AND UNFAIR COMPETITION §24:112 (4th ed. 1996 & Supp. 1998).
[28] *Washington Speakers Bureau,* 3 F.Supp.2d at 503.
[29] *Id*.
[30] *Id. citing* 15 U.S.C. § 1125(c)(1)(F) – the degree of recognition of the mark in the trading area and channels of trade used by the marks' owner and the person against whom the injunction is sought.
[31] *Id*. at 504.

degree of recognition of the mark in those channels used by both parties. The Ninth Circuit first noted that the drafters of the FTDA did not follow the Trademark review Commission's view that only marks which are famous "throughout a substantial portion of the United States" qualify for dilution protection.[32] Therefore, they found that "fame in a localized trading area may meet the threshold element [of famousness] under the Act if plaintiff's trading area includes the trading area of the defendant."[33] However, Avery Dennison was unable to meet this lower standard of fame in the same narrow market since the court found that the parties did not share the same customer base.[34]

<u>DILUTION DUE TO BLURRING</u>

Blurring of the trademark occurs when another's use of the famous mark "whittles away the strong association consumers have between the trademark and the trademark holder."[35] Most of the blurring cases involve a defendant's use of a similar mark on different products, resulting in the diminishment of the consumer's mental association between the trademark and goods.[36] Courts view these claims with skepticism, fearing that broad application could result in "'swallow[ing] up all competition' in the name of protecting a trademark."[37]

In applying the FTDA to blurring claims, the courts have adopted the multi-factor test articulated by Judge Sweet in *Mead Data Central, Inc. v. Toyota Motor Sales, U.S.A., Inc*.[38] The following factors are balanced by the court: (1) similarity of the marks; (2) similarity of the

[32] *Avery Dennison*, 1999 WL 637085, at *7 *citing* Trademark Review Commission, *supra* note 17, AT 456.
[33] *Id*. at *7 *citing* S.Rep. No. 100-515, at 43 (other citations omitted).
[34] *Id*. at *7 (noting Sumpton's "sought after customer base is Internet users who desire vanity email addresses, and Avery Dennison's customer base includes purchasers of office products and industrial fasteners").
[35] Swartz, *supra* note 6, at 1513.
[36] Duffey, *supra* note 1, at 161.
[37] *Id. citing Elvis Presley Enterprises, Inc. v. Capece*, 950 F.Supp. 783, 798 (S.D. Tex. 1996).
[38] 875 F.2d 1026, 1034 (2d Cir. 1989) (Sweet, J., concurring) (construing New York dilution statute).

products covered by the marks; (3) sophistication of the consumers; (4) renown of the senior mark; and (5) renown of the junior mark.[39]

<u>DILUTION DUE TO TARNISHMENT</u>

Dilution can also occur when famous trademarks become associated with inferior quality or unsavory products in the minds of the consumer, thereby injuring the reputation of the trademark holder.[40] In the internet context, this can occur when a competitor employs a domain name based on a famous mark in an effort to take advantage of the goodwill and reputation for quality associated with the mark.[41]

Marks can also be harmed when they become associated with derogatory or obscene associations.[42] This type of tarnishment has been found numerous times in the context of the internet. In *Hasbro Inc. v. Internet Entertainment Group*, Ltd., the court issued a preliminary injunction to prevent the posting of obscene material on "candyland.com" after finding that Hasbro would likely succeed in proving their dilution claim.[43]

As an alternative ground for affirming the district court's finding of dilution, Avery Dennison asserted that Sumpton's housing "avery.net" and "dennison.net" at the same web site as some lewd domain-name registrations constituted tarnishment.[44] However, the court rejected this theory since an internet user could not move from "avery.net" or "dennison.net" to any of

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[39] *Snap-On Tools Co. v. C/NET, Inc*., No. 97 C 5803, 1997 U.S. Dist. LEXIS 14581, at *29 (N.D. Ill. Sept. 19, 1997) (citations omitted).
[40] *See generally* Swartz, *supra* note 6, at *1516.
[41] *Id*.
[42] *Id*.; *See e.g., Coca-Cola v. Gemini Rising, Inc*., 346 F.Supp. 1183 (E.D.N.Y. 1972) (Coca-Cola's reputation was found to be harmed when the defendant sold posters reading "Enjoy Cocaine" identical to the "Coca-Cola" trademark).
[43] No. C96-130WD, 1996 WL 84853 (W.D. Wash. Feb. 9, 1996).
[44] *Avery Dennison*, 1999 WL 637085, at *11.

the lewd SLDs without first "linking" through Mailbank's home page.[45] Therefore, any association between "avery" and "dennison" would be removed since the court requires some connection between the uses of the marks.[46]

DILUTION DUE TO CYBERSQUATTING

Dilution of trademarks on the internet has been a matter of congressional concern.[47] The Ninth circuit recognized another theory of dilution in *Panavision Int'l v. Toeppen*, finding the defendant guilty of cybersquatting dilution[48] (or dilution by "elimination").[49] The court found cybersquatting dilution to occur when the defendant's actions diminished "the capacity of the [famous] marks to identify and distinguish [the famous mark holder's] goods and services on the internet."[50] The court recognized that dilution could occur when "'[p]rospective users of plaintiff's services … may fail to continue to search for plaintiff's own home page, due to anger, frustration or the belief that plaintiff's home page does not exist.'"[51] However, NSI, the company which issues the domain name registrations used to commit the dilution, is not liable under the FTDA because it does not "trade on the value of the domain names as trademarks, and therefore [does] not satisfy the "commercial use" requirement of the statute."[52]

In *Panavision*, the defendant intentionally registered the plaintiff's trademarks as his domain names and then attempted to extract payment from the trademark holder in exchange for

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[45] *Id*.
[46] *Id. citing Fruit of the Loom , Inc. v. Girouard*, 994 F.2d 1359 (9th Cir. 1993).
[47] *Panavision Int'l*, 141 F.3d at 1326 *citing* 141 Cong. Rec. § 19312-01 (daily ed. Dec. 29, 1995) (Senator Patrick Leahy stated "[I]t is my hope that this anti-dilution statute can help stem the use of deceptive internet addresses taken by those who are choosing marks that are associated with the products and reputations of others.").
[48] *Panavision*, 945 F.Supp. 1296, 1304.
[49] Ronald Abramson, *Internet domain Name Litigation*, 1999, 558 PLI/PAT 7, at *20 (1999).
[50] *Panavision*, 945 F.Supp. at 1304; *See also Intermatic Inc. v. Toeppen*, 947 F.Supp. 1227, 1240 (E.D. Ill. 1996) (registering the domain name "lessens the capacity of intermatic to identify and distinguish its goods and services by means of the internet.").

relinquishing registration of the sites.[53] The Ninth Circuit found that the defendant had violated state and federal dilution statutes, holding that "registering a famous mark as a domain name for the purpose of trading on the value of the mark by selling the domain name to the trademark owner violates the federal and state dilution statutes."[54]

Similarly, in *Teletech*, the plaintiff sought a preliminary injunction against the defendant for use of their registered mark "Tele-Tech" as a domain name on the internet.[55] Finding that the plaintiff had invested a large amount of resources promoting the mark and that defendant's registration of the domain name "teletech.com" would likely result in dilution of the mark, the district court issued the injunction.[56]

Avery Dennison also argued that Sumpton's registration of "avery.net" and "dennison.net" constituted the same type of cybersquatting dilution recognized by the *Panavsion* Court.[57] However, the court distinguished the two cases by concentrating on the fact that the defendant in *Avery Dennison* registered the TLD ".net" rather than ".com", stating that "courts applying the dilution cause of action to domain-name registrations have universally considered trademark.com registrations."[58] The Ninth Circuit held that summary judgment for Avery Dennison on the dilution claim was not warranted since a factfinder could infer that a trademark.net registration did not constitute dilution.[59]

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[51] *Panavision*, 1999 WL 637085, at *10, citing *Panavision*, 141 F.3d at 1327 *quoting Jews for Jesus v. Brodsky*, 993 F.Supp. 282, 306-07 (D.N.J. 1998).
[52] Abramson, *supra* note 49, at *21.
[53] *Panavision*, 945 F.Supp. at 1298.
[54] *Id*. at 1304.
[55] *Teletech*, 977 F.Supp. at 1410, 42 U.S.P.Q.2d at __.
[56] *Id*. at 1413.
[57] *Avery Dennison*, 1999 WL 637085, at *10.
[58] *Id*. citing Leslie F. Brown, Avery Dennison Corp. v. Sumpton, 14 BERKELEY TECH. L.J. 247, 249 (1999).
[59] *Id*.