

Intellectual Property

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TRADEMARKDILUTION.COM: NISSAN MOTOR CO. V. NISSAN COMPUTER CORP., AND THE EVOLVING LAW OF TRADEMARK DILUTION ON THE INTERNET

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Abstract

The Ninth Circuit recently held that an individual, Mr. Uzi Nissan, infringed the trademark of Nissan Motors when he registered and posted commercial content on www.nissan.com. An injunction was granted, barring Mr. Uzi from using the site commercially. Although the trademark dilution claim was remanded, the Ninth Circuit's opinion favors a finding of dilution on remand. Additional arguments involving the property-right-in-gross theory of dilution, reverse domain name hijacking, and actual consumer behavior on the Internet should be used by the parties to bolster their cases and encourage a decision from the district court that will advance trademark law on the Internet in a reasoned and predictable fashion.

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INTRODUCTION

<1> Point your browser to www.nissan.com² or www.nissan.net³ and you'll find the site of Nissan Motor Co.,

the well known car company, right? Not so. Five years ago, you would have found the site of Nissan Computer Corporation, a small business in North Carolina owned by Mr. Uzi Nissan which sold computers and related services. Today both Internet sites have been barred from containing any commercial content whatsoever, whether related to cars or not. The Ninth Circuit held that Mr. Nissan's use of the sites infringed on the Nissan Motors name, but remanded the matter of trademark dilution to the district court.⁴ This decision demands scrutiny by both individuals and companies using trademarks on the Internet since it applies traditional rules of trademark law to the Internet, continues a line of cases that expands the reach of dilution, and yet leaves courts with little guidance on how to apply the law. Offering additional arguments of trademark law on remand, as discussed below, might help to resolve these issues and provide future litigants with greater guidance.

BACKGROUND: PARTIAL RESOLUTION OF THE INITIAL DISPUTE

<2> Mr. Uzi Nissan registered "nissan.com" in 1994 and "nissan.net" in 1996 to support his two businesses, Nissan Computer Corporation ("NCC") and The Internet Center, Inc. Although the primary purpose of these sites was to promote sales of computers and computer services, in August 1999 Mr. Nissan began selling space on nissan.com for third party advertising. Some of this content contained automobile-related ads. Two months later, Nissan Motor Co. Ltd. and Nissan North America (collectively "Nissan Motor") offered to purchase nissan.com, but no agreement was reached.⁵

<3> Nissan Motor filed suit in district court in December 1999.⁶ The original complaint asserted claims of trademark dilution in violation of federal and state law; trademark infringement; domain name piracy; false designation of origin; and state law unfair competition. In response, NCC began posting commentary concerning the dispute in March 2000, including a link to www.ncchelp.org,⁷ links to media reports, and e-mail messages from people supporting Mr. Nissan and decrying the lawsuit. In 2002, the district court granted the plaintiff's motion for summary judgment on dilution, infringement and cybersquatting, and issued its published opinion on the injunction. The district court allowed NCC to retain ownership of nissan.com and nissan.net, but permanently enjoined the posting of any commercial or advertising content, the posting of any commentary regarding Nissan Motor, and the posting of any links to other sites containing either types of content.

<4> Both sides appealed the district court's decision. In June 2004, the Ninth Circuit affirmed the infringement judgment. The court applied the well-known "*Sleekcraft* factors" of likelihood of confusion, and found that auto-related advertising was infringing but non-auto-related content was not.⁸ It reversed the injunction however, and struck down Nissan Motor's attempt to silence negative commentary about the lawsuit since such an injunction would constitute a content-based restriction on speech in violation of the First Amendment. The dilution claim was remanded because the record lacked sufficient facts regarding the strength of the Nissan mark.⁹

FINDING DILUTION: NOT A "DILUTE" THEORY AT ALL

<5> Although the court was unable to issue a ruling on the dilution claim, it took a clear position on the applicable law. It relied heavily on two cases to construct its rule. First, from its earlier decision in *Avery Dennison v. Sumpton*, it reiterated that "injunctive relief is available under the Federal Trademark Dilution Act [FTDA] if a plaintiff 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."¹⁰ Second, the Court followed *Moseley v. V Secret Catalogue, Inc.* by requiring the plaintiff to show actual harm rather than likelihood of confusion to succeed on a dilution claim.¹¹

<6> In applying the first part of the rule, the Court noted that "to be capable of being diluted, a mark must have a *degree* of distinctiveness and 'strength' beyond that needed to serve as a trademark."¹² In *Avery Dennison*, the Court emphasized that dilution can be found for only those marks which have achieved a threshold level of famousness or prominence.¹³ Factors a judge should use to determine whether a mark is famous enough are provided in the FTDA and include the degree of inherent or acquired distinctiveness, the channels of trade in which it is used, and the degree of recognition in its trading areas and channels.¹⁴ In *Nissan*, however, the factual record was clouded: Nissan Motor cited consumer surveys showing high degrees of brand awareness, yet those surveys may have been skewed; though Nissan Motors had registered the Nissan mark in 1959 and used that name to market vehicles in the United States since 1983, the same name has been used in other commercial and even historic contexts.¹⁵ Thus, the Court emphasized the strong degree of protection dilution theory affords, and the importance of applying it carefully.¹⁶ On the second part of the rule, the Court completely skipped any

discussion of the Moseley requirement of showing actual harm, and stated simply that it remands “to give the district court an opportunity to consider [this matter] in the first instance.”¹⁷

THE NINTH CIRCUIT’S DECISION FAVORS NISSAN MOTOR ON REMAND

<7> Although the Ninth Circuit did not rule on the dilution claim, several aspects of the Court’s opinion favor Nissan Motor on remand.

<8> First, the Ninth Circuit’s opinion relies on the “property-right-in-gross” theory of dilution.¹⁸ This theory, proposed by Professor Frank I. Schechter, posits that a famous mark “should receive the same protection from the courts . . . [as does an] investment in plant or materials.”¹⁹ In effect, any commercial mark that is “strong enough” to be protected from dilution would be protected absolutely. This theory was adopted recently in *Moseley*, the first trademark dilution case decided by the Supreme Court, and is therefore the general rule.²⁰ Although the Ninth Circuit held up this strong form of trademark protection, thus favoring Nissan Motor, it moderated its decision somewhat by quoting from *Avery Dennison* that “[f]amousness requires more than mere distinctiveness.”²¹ Since the name “Nissan” had been used in other commercial and even historical contexts, the strength of Nissan Motor’s mark was sent back to the district court for further assessment.

<9> Questioning the strength of the Nissan mark does not necessarily favor Mr. Nissan, however. The second factor favoring Nissan Motor is the significantly less rigorous level of analysis in *Nissan* than in *Avery Dennison*. The *Avery Dennison* court considered four of the eight factors listed in 15 U.S.C. § 1125(c)(1), plus several additional factors in finding that *Avery Dennison* failed to show the degree of secondary meaning required for dilution.²² In particular, considering the “degree of inherent or acquired distinctiveness,” *Avery Dennison* asserted that a “long-standing principle of trademark law is the right of a person to use his or her own name in connection with a business.”²³ The opinion also considered use of the marks by third parties, and that both “Avery” and “Dennison” had been used in numerous other commercial contexts. In contrast, the Ninth Circuit in *Nissan* omitted these points and failed to demand this same burden. Instead, it simply concluded “without going into detail” that the record was “clouded” and a remand was therefore needed.²⁴ This omission seems to favor Nissan Motors on remand since it fails to demand a high level of scrutiny regarding famousness or distinctiveness, in effect,

giving Nissan Motors the benefit of the doubt.

<10> A third factor favoring Nissan Motor comes from *Moseley*, from which the Ninth Circuit borrows “direct evidence of dilution such as consumer surveys will not be necessary if actual dilution can reliably be proved through circumstantial evidence—the obvious case is one where the junior and senior marks are identical.”²⁵ Since *Nissan* involves a dispute over an identical mark, this statement allows the lower court to presume dilution without a strong factual showing otherwise.

<11> In summary, although the Ninth Circuit remanded the dilution claim, selected arguments from *Avery Dennison* and *Moseley* seem to favor a finding on remand that NCC’s use of “nissan.com” diluted the famous mark of Nissan Motor.

RESOLVING THE QUESTION: ADDITIONAL ARGUMENTS TO CONSIDER ON REMAND

<12> Although the Ninth Circuit seems to favor Nissan Motor, the question of dilution is far from over. The following sections outline further influences on dilution law, and offer additional arguments each party might use to bolster its case on remand.

<13> Criticism of Schechter’s Dilution Theory: Serious concerns have been raised over the now-adopted Schechter model of trademark dilution.²⁶ One commentator, Robert N. Klieger, argues that the property-right-in-gross model upsets the balance of two purposes of trademarks: first, to distinguish products and facilitate informed consumer decisions, and second to create consumer loyalty and barriers against competitors.²⁷ Furthermore, as Klieger continues, Schechter’s theory encourages overinvestment in a trademark to the point of creating “intangible associations that add no real value” and stifles new entrants in even unrelated markets.²⁸ Klieger also explains that courts since the 1930s have been quick to adopt Schechter’s overly protective dilution theory, often with little analysis of their own: “courts continue to analyze dilution only in conclusory terms and have plainly accepted the invitation of trademark rights in gross for at least some categories of marks.”²⁹ This trend will continue if the district court finds dilution with no analysis beyond that offered by the Ninth Circuit.

<14> On remand, NCC might apply these economic arguments and argue that since Nissan Motor is not in the computer business it will not benefit from silencing Nissan Computer Corporation any more than it would from silencing other arguably diluting uses such as Nissan Thermos or Nissan Cup of

Noodles. In favor of Nissan Motor, however, is the weight of recent court rulings—most notably *Moseley*, which followed the Schechter doctrine and failed to adopt Klieger’s arguments.³⁰ Trademark owners, whether future litigants or not, may benefit from a more thorough discussion of these arguments by the district court.

<15> Reverse Domain Name Hijacking: Trademark attorneys may recognize *Nissan* as a classic case of reverse domain name hijacking. Mr. Nissan certainly does.³¹ A domain name registrant is authorized by 15 U.S.C. § 1114(2)(D)(v) to sue an overreaching trademark owner if the original registrant’s domain name has been suspended, disabled, or transferred. Few cases have been heard on this theory at the time of this writing, however, and none are directly on point. For example, the first registrant of “Barcelona.com” was able to defend from having the site transferred to the City Counsel of Barcelona, Spain.³² The plaintiff won the case, however, because geographic names such as “Barcelona” can obtain trademark protection only if they acquire secondary meaning. Additional cases apply § 1114(2)(D)(v) as a way to remand a dispute to the lower court, but fail to provide substantive rulings.³³ It is important to note that the use of a personal name will not defend NCC. A trademark utilizing the name of another living person may only be used for non-commercial purposes, and no court has yet held that use on the Internet is any different.³⁴

<16> As applied to the *Nissan* dispute, reverse domain name hijacking clearly favors NCC. It upholds the current first-come, first-served system of domain name registration and encourages a company wishing to use its trademark as a web address to register that name early. One may reasonably question what policies are served by reserving dilution protection for a company like Nissan Motor, which failed to register “nissan.com” and “nissan.net” before Mr. Nissan did. On the other hand, reverse domain name hijacking is mentioned nowhere in the Ninth Circuit opinion and perhaps need not be—previous cases indicate that 15 U.S.C. § 1114(2)(D)(v) is only appropriate as a remedy against an administrative decision of the Uniform Domain Name Dispute Resolution Policy (UDRP), and not judicial decisions.³⁵ Therefore, although reverse domain name hijacking may currently be a remedy for improper “reverse hijacking” decisions made by the UDRP, Mr. Nissan’s argument may be misplaced before the courts. As with the property-in-gross theory, *Nissan* has the potential to clarify in what instances reverse domain name hijacking can be successfully invoked.

<17> Actual Consumer Behavior on the Internet: The key

question *Nissan* raises—and what the Ninth Circuit either avoided or missed—is how consumers actually use the Internet in commerce. Does “nissan.com” designate use in commerce, or is it simply the online analog of a physical address? The Ninth Circuit has answered this question in another case, holding that “[r]egistration of a trademark as a domain name, without more, is not a commercial use of the trademark.”³⁶ Moreover, the power of an Internet address to frustrate consumers in finding the desired mark—and thus diluting the trademark—has been questioned: “trademark law has always required reasonableness on the part of consumers. . . . [W]hile the need to search for a mark holder’s site [may be inconvenient,] this inconvenience [is] not cognizable.”³⁷ Reasoning by analogy to *Nissan*, with the widespread use of search engines, it is arguable how much a slightly different internet address actually dilutes a trademark in the mind of the consumer. Thus, the proper question may be whether Nissan Motor has a right to use “nissan.com” rather than “nissanusa.com” on the Internet any more than it has the right to be located on Main Street rather than on Second Avenue in the real world. This argument would almost certainly favor NCC on remand, and would further compel a more reasoned decision by the district court.

CONCLUSION

<18> The Nissan decision is generating criticism among those who think it goes too far in protecting large companies at the expense of small companies and individuals who are first to use a famous name on the Internet. Perhaps the only lesson from Nissan we can be certain of is the old adage “come to equity with clean hands.” It may be of little surprise that in this case, both parties arrived at court a bit soiled. Nissan Motor shared a name used in historic contexts, and failed to pursue other commercial users of the name. Worse yet, it allowed Mr. Nissan to register “nissan.com” first! On the other hand, Mr. Nissan allowed arguably confusing auto-related content to appear on his site. Then, in reaction to the initial lawsuit, he posted disparaging commentary. Either party could have improved its position by engaging in behavior that trademark law seeks to promote. Absent that, it should be remembered that instances in which David succeeds in slaying Goliath remain exceptional, not routine.

<19> The Nissan dispute stands as one of the early and very influential cases on trademark dilution and related behavior on the Internet. Both the commercial and Internet communities will be looking to the district court for a well reasoned opinion in the hopes that these policies continue to take shape in a predictable

manner.

PRACTICE POINTERS

- Trademark law tends to favor established companies over smaller entities, even if the strength of the mark is questionable. Therefore,
 - new entrants in a market should adopt a very cautious approach to using marks already established in other commercial contexts, and
 - established companies should actively enforce their mark against all potential infringers.
- Companies both large and small should realize that the scope of trademark protection will be narrow if multiple parties are using the same mark.
- Reverse domain name hijacking, though codified, is a new theory with little case precedent. Litigants raising it outside of its exact stated application should use it only as a supplemental claim in their case.
- As with other cases involving new technologies, litigants should impress upon courts the way in which these technologies are actually used in practice. In the *Nissan* dispute, Internet search engines figure heavily in online consumer behavior. The use of search engines and other aspects of actual online consumer behavior should be raised in determining whether consumers are confused or merely inconvenienced by similar website addresses.
- The *Nissan* outcome is unlikely to satisfy either party since neither could use nissan.com for its intended commercial purpose. This case sets an example of when parties should settle out of court to achieve better outcomes for both.

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Footnotes

1. Lawrence F. Rozsnyai, Ph.D., University of Washington School of Law, Class of 2006. I thank

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2. www.nissan.com (last visited June 9, 2005).
3. www.nissan.net (last visited June 9, 2005).
4. Nissan Motor Co. v. Nissan Computer Corp., 378 F.3d 1002, 1020 (9th Cir. 2004).
5. *Id.* at 1006-08.
6. Nissan Motor Co. Ltd. v. Nissan Computer Corp., 231 F. Supp.2d 977 (C.D.Cal. 2002).
7. www.ncchelp.org (last visited June 6, 2005).
8. *Nissan*, 378 F.3d at 1018-19 (citing *AMF Inc. v. Sleekcraft Boats*, 599 F.2d 341, 346 (9th Cir. 1979)).
9. *Id.* at 1020.
10. *Id.* at 1010 (quoting *Avery Dennison Corp. v. Sumpton*, 189 F.3d 868, 873-74 (9th Cir. 1999)).
11. *Id.* at 1010 (citing *Moseley v. V Secret Catalogue, Inc.*, 537 U.S. 418, 433-34 (2003)). Note that Congress is currently considering changing the standard in 15 U.S.C. § 1125 from actual harm to likelihood of confusion. See Trademark Dilution Revision Act of 2005, H.R. 683, 109th Cong. (2005).
12. *Id.* at 1013 (quoting *Avery Dennison*, 189 F.3d at 876).
13. See *Avery Dennison*, 189 F.3d at 874-76.
14. 15 U.S.C. § 1125(c). *But see* comment regarding proposed legislation *supra* note 8.
15. *Nissan*, 378 F.3d at 1014.
16. See J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 24:70 (4th ed. 2004) (additional discussion on the dilution doctrine).
17. *Nissan*, 378 F.3d at 1015.
18. *Id.* at 1011 (quoting *Avery Dennison*, 189 F.3d at 875). See also McCarthy, *supra* note 14, at § 24:108.
19. Robert N. Klieger, *Trademark Dilution: The Whittling Away of the Rational Basis for Trademark Protection*,

- 58 U. Pitt. L. Rev. 789, 803-03, (1997) (citing Frank I. Schechter, *The Rational Basis of Trademark Protection*, 40 Harv. L. Rev. 813 (1927) and Frank I. Schechter, *The Historical Foundations of the Law Relating to TradeMarks* (1925)).
20. *Mosley*, 537 U.S. at 433 (*rev'g.* Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Div. of Travel Dev., 170 F.3d 449 (4th Cir. 1999)).
 21. *Nissan*, 378 F.3d at 1014 (quoting *Avery Dennison*, 189 F.3d at 879).
 22. *Avery Dennison*, 189 F.3d at 877-78.
 23. *Id.* at 877.
 24. *Nissan*, 378 F.3d at 1013-14.
 25. *Id.* at 1015 (quoting *Moseley*, 537 U.S at 434).
 26. *See, e.g.* Klieger, *supra* note 16.
 27. *Id.* at 851-60.
 28. *Id.* at 862-63.
 29. *Id.* at 823 (footnotes omitted).
 30. *Moseley*, 537 U.S at 432.
 31. General Notes and FAQ (Frequently Asked Questions) at <http://www.ncchelp.org/FAQ/faq.htm> ("This is a classic case of Reverse Domain Name Hijacking") (last visited January 8, 2005).
 32. *Barcelona.com, Inc. v. Excelentísimo Ayuntamiento de Barcelona*, 330 F.3d 617 (4th Cir. 2003).
 33. *See, e.g.,* *Dluhos v. Strasberg*, 321 F.3d 365, 368 (3d Cir. 2003) (reversing dismissal for failure to state a claim); *Sallen v. Corinthians Licenciamentos LTDA*, 273 F.3d 14, 22 (1st Cir. 2001) (reversing dismissal for lack of jurisdiction).
 34. 15 U.S.C. § 1129. *See also* Tamarah Belczyk, *Domain Names: The Special Case of Personal Names*, 82 B.U.L. Rev. 485, 505-12 (general discussion, including mention of the *Nissan* dispute).
 35. *See Dluhos*, 321 F.3d at 373 (a domain name registrant has an affirmative cause of action in a Uniform Domain Name Dispute Resolution Policy proceeding in cases of reverse domain name

hijacking); *Sallen*, 273 F.3d at 18 (domain name registrants have an affirmative action in federal court for a declaration of nonviolation of the Anticybersquatting Consumer Protection Act and for the return of the wrongfully transferred domain names).

36. *Panavision Int'l L.P. v. Toeppen*, 141 F.3d 1316, 1324 (9th Cir. 1998) (quoting *Panavision Int'l L.P. v. Toeppen*, 945 F. Supp. 1296, 1303 (C.D.Cal. 1996)).
37. *HQM, Ltd. v. Hatfield*, 71 F. Supp.2d 500, 508-09 (D. Md., 1999) (citing *Hasbro v. Clue Computing, Inc.* 66 F. Supp. 2d 117, 124-25 (D. Mass. 1999)).

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