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Avery Dennison Corp. v. Sumpton

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When a 12-year-old boy created a personal web site using his lifelong nickname "Pokey," the owners of Gumby and Pokey warned him not to use the name. Similarly, when college student John Abercrombie registered (abercrombie.net), he was asked by the legal department of clothing company Abercrombie & Fitch to transfer the name to them. Domain name disputes of this kind have become increasingly commonplace as a result of the Internet’s rapid expansion and the law’s attempt to keep pace. Often, the mere threat of a lawsuit is sufficient to persuade an individual to release a disputed domain name to the corporation.

However, the Ninth Circuit’s decision in Avery Dennison Corp. v. Sumpton represents one of the first defeats for a large company seeking to extend its trademark rights to include Internet domain names. The court found that the longtime holder of the “Avery” and “Dennison” trademarks was not entitled to prevent others from registering domain names containing these words. Specifically, the Ninth Circuit raised the bar for finding famousness in trademark dilution cases. This Note examines the courts’ past determinations of famousness, comparing the previous relaxed standards with the new, stricter view of the threshold famousness requirement. In addition, this Note addresses the Ninth Circuit’s distinction between (.net) and (.com) top-level domains (“TLDs”) and the possible detrimental effect this distinction will have on future domain name dilution cases.

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2. See id.
5. 189 F.3d 868 (9th Cir. 1999).
7. See Avery Dennison, 189 F.3d at 879.
I. TRADEMARK DILUTION

In contrast to trademark infringement, which focuses on protecting consumers from being confused over the source or sponsorship of goods and services, a dilution cause of action focuses on protecting the trademark holder’s property interests. In 1927, Professor Frank I. Schechter proposed this new theory of trademark protection designed to protect the trademark’s “uniqueness and singularity” in the marketplace. Under Schechter’s theory, the trademark holder was harmed when an identical or similar mark was used on a dissimilar product and the original mark’s “selling power” was lessened or “diluted” as a result of the consumer’s new association with the original mark.

A. State Statutes

Massachusetts enacted the first state dilution statute in 1947, and many states have since followed. The dilution statutes are essentially the same, requiring: (1) a distinctive mark and (2) a likelihood of dilution. For example, under the California anti-dilution statute, the plaintiff need only show the “[l]ikelihood of injury to business reputation or of dilution of the distinctive quality of a mark.” As under the Federal Trademark Dilution Act (“FTDA”), the Ninth Circuit interprets dilution actions under the California statute to protect only famous marks.

Passage of dilution statutes in many states led to two major problems. The first problem concerned enforcement of the injunctions. It was

9. See id.
12. See Duffey, supra note 8, at 140 (“[As of 1997], thirty-two states have enacted trademark dilution statutes.”).
13. See id. at 140 (citing DONALD S. CHISUM & MICHAEL A. JACOBS, UNDERSTANDING INTELLECTUAL PROPERTY LAW 5-228 to 5-230, 5-229 n.209 (1992)).
15. See Avery Dennison Corp. v. Sumpton, 189 F.3d 868, 874 (citing Fruit of the Loom, Inc. v. Girouard, 994 F.2d 1359, 1362-63 (9th Cir. 1993)); see also Metro Pub., Ltd. v. San Jose Mercury News, Inc., 861 F. Supp. 870, 881 (N.D. Cal. 1994) (“The Ninth Circuit has made it clear that the protection afforded by California’s anti-dilution statute extends only to highly distinctive, well-known marks.”).
16. See Duffey, supra note 8, at 141.
unclear whether a court should (or could) enjoin a diluting activity in a state that did not recognize a dilution cause of action. The second problem was that there was no uniformity in the application of the state dilution statutes. This resulted in “a ‘patchwork quilt of dissimilar laws’ that offered independent, inadequate protection for owners of valuable trademarks.” It was clear to Congress that a federal law was needed to create uniform treatment for these dilution causes of action.

B. Federal Statute

1. Dilution cause of action

Congress enacted the FTDA "to protect famous trademarks from subsequent uses that blur the distinctiveness of the mark or tarnish or disparage it, even in the absence of a likelihood of confusion." The trademark holder is entitled to injunctive relief if it can establish that “(1) the mark is famous; (2) the defendant is making a commercial use of the mark in commerce; (3) the defendant’s use began after the mark became famous; and (4) the defendant’s use of the mark dilutes the quality of the mark by diminishing the capacity of the mark to identify goods and services.”

The likelihood of dilution criterion has traditionally been satisfied through a showing of blurring or tarnishment, although these theories do

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17. See id.
18. See id.
20. See H.R. REP. NO. 104-374, at 4 (1995) ("[The FTDA] is necessary because famous marks ordinarily are used on a nationwide basis and dilution protection is currently only available on a patch-quilt system of protection, in that only approximately 25 states have laws that prohibit trademark dilution.").
21. 15 U.S.C. § 1125(c)(1) provides in relevant part that “[t]he 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." 15 U.S.C. § 1125(c)(1) (Supp. IV 1998).
24. See Bible, supra note 10, at 307 ("[The definition of dilution] clearly encompasses the blurring type of harm recognized universally by the states. Additionally, although not expressly stated in the [FTDA], legislators intended the Act to encompass the tarnishment theory of dilution.").
not cover the full range of dilution actions. 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.” Most blurring actions allege that a defendant’s use of a similar mark on products differing from those of the trademark holder results in the diminishment or “blurring” of the consumer’s mental association between the original trademark and the goods. Dilution can also occur when famous trademarks become associated with inferior quality or unsavory products in the minds of the consumer, thereby injuring or “tarnishing” the reputation of the trademark holder.

2. Dilution due to cybersquatting

a) Caselaw

Although dilution has traditionally been found under theories of blurring or tarnishment, the Ninth Circuit recognized another theory of dilution in *Panavision International v. Toeppen,* finding the defendant guilty of cybersquatting dilution (or dilution by “elimination”). 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.” 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.”

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25. *See* Avery Dennison Corp. v. Sumpton, 189 F.3d 868, 880 (9th Cir. 1999) (recognizing that cybersquatting dilution “can occur if potential customers cannot find a web page at (trademark.com).”).


31. *Panavision,* 945 F. Supp. at 1304; *see also* Internamic, Inc. v. Toeppen, 947 F. Supp. 1227, 1240 (N.D. Ill. 1996) (stating that registering the domain name “lessens the capacity of Internatic to identify and distinguish its goods and services by means of the Internet.”).

In *Panavision*, the defendant intentionally registered the plaintiff’s trademarks as domain names and then attempted to extract payment from the plaintiff in exchange for relinquishing registration of the sites.\(^3\) The district court 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.”\(^4\)

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.\(^5\) Finding that the plaintiff had invested a large amount of resources in 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.\(^6\)

b) Legislation

Congress has recently entered the cybersquatting arena.\(^7\) The Anticybersquatting Consumer Protection Act, signed by President Clinton on November 29, 1999,\(^8\) takes an expansive view of cybersquatting.\(^9\) Under the Act, a person who profits from the goodwill of a trademark with “bad-faith intent” shall be liable if he uses a domain name that is “identical to, confusingly similar to, or dilutive of a trademark” that is distinctive at the time the domain name was registered.\(^10\) However, this new legislation still leaves many issues unresolved. It is unclear how accidental trademark interferences will be handled.\(^11\) There are also First Amendment issues: Would parody web pages be under attack under this legislation?\(^12\) Another open question is the effect of TLD variations and whether or not second-

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34. *Id.* at 1304.
36. *See id.* at 1413.
39. *See Martinelli, supra note 37.*
42. *See id.*
level domain names ("SLDs") which use other TLDs like (.net) or (.org) can dilute trademarks using (.com) web sites.43

C. Threshold Requirement of Famousness

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."44 Without the requirement that the trademark be famous, the property right created by dilution legislation would have no practical boundaries and the balance would be upset in favor of over-protecting trademarks.45 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."46

The FTDA lists eight non-exclusive factors to be used in the famousness determination. These are:

(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; (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.47

In theory, the famousness requirement is a difficult standard to meet. However, in practice, many courts have not required "the mark to have such great strength" in adjudicating dilution claims.48 Examination of dilution cases in recent years reveals that the famousness determination has not been a major source of dispute in litigation. Some courts assumed the

43. See Martinelli, supra note 37.
44. Avery Dennison Corp. v. Sumpton, 189 F.3d 868, 875 (9th Cir. 1999).
45. See id.
mark was famous and did not make an explicit finding of famousness.\textsuperscript{49} Other courts made the determination of famousness by confusing fame with distinctiveness.\textsuperscript{50} In other cases, the court noted that the defendant did not contest the fame of the mark, and did not proceed further into the famousness inquiry.\textsuperscript{51} This practice of bypassing the initial inquiry and proceeding directly to the dilution inquiry adds to existing inconsistent precedent by applying the FTDA to marks that fail to meet the threshold famousness requirement.\textsuperscript{52} Specifically, where the courts analyzed the famousness inquiry according to the statutory factors, many courts interpreted the factors very broadly and found that the plaintiff's marks satisfied the requirements.\textsuperscript{53}

II. CASE HISTORY

Against this background of inconsistent precedent, the Ninth Circuit confronted trademark dilution in \textit{Avery Dennison}. The Ninth Circuit clearly set the famousness bar at a high level, consistent with the legislative intent.

A. The Parties

The appellants in \textit{Avery Dennison}, collectively known as "Sumpton,"\textsuperscript{54} license vanity e-mail addresses to individual users in the format

\begin{itemize}
  \item \textsuperscript{50} See id. (citing Elvis Presley Enters., Inc. v. Capece, 950 F. Supp. 783, 797-98 (S.D. Tex. 1996); Clinique Labs, Inc. v. Dep Corp., 945 F. Supp. 547, 561 (S.D.N.Y. 1996)).
  \item \textsuperscript{51} See Dr. Seuss Enterprises, L.P. v. Penguin Books USA, Inc., 924 F. Supp. 1559, 1573 (S.D. Cal. 1996); see also Sony Computer Ent., Inc. v. Connectix Corp., 48 F. Supp. 2d 1212, 1222 (N.D. Cal. 1999) ("Connectix concedes that Sony's 'PlayStation' and 'Sony Computer Entertainment' trademarks are famous and distinctive. . . ."); Intermatic Inc. v. Toeppen, 947 F. Supp. 1227, 1239 (N.D. Ill. 1996) ("Toeppen does not dispute that the Intermatic mark is famous and no evidence has been presented to contradict Intermatic's long history and use of its mark.").
  \item \textsuperscript{52} See Krafte-Jacobs, supra note 49, at 690.
  \item \textsuperscript{54} Avery Dennison Corp. v. Sumpton, 189 F.3d 868, 871 (9th Cir. 1999) (referring to Jerry Sumpton and Freeview Listings Ltd. doing business as "Mailbank").
\end{itemize}
While appellants have registered some SLDs in categories that represent hobbies, careers, and other interests, the majority of Sumpton’s registered SLDs are common surnames using (.net) or (.org) TLDs. However, two SLD categories, entitled “Rude” and “Business,” utilize the TLD (.com). The Rude SLD category contains several lewd SLDs.

The respondent, Avery Dennison, has been conducting business under the registered trademarks “Avery” and “Dennison” for many years. It registered “Avery” in 1963, and has continually used the mark since the 1930s. It registered “Dennison” in 1908 and has used it since the late 1800s. Avery Dennison sells office products and industrial fasteners on the Internet through the web site addresses (avery.com) and (averydennison.com). Avery Dennison also maintains registrations for numerous other domain name combinations using the TLD (.com).

Essentially, the domain name system is structured as a hierarchy of names. First, there is a set of generic [top-level domain names] TLDs, which include: (1) “.com” for a commercial entity; (2) “.net” for network; (3) “.gov” for government organizations; (4) “.int” for international organizations; (5) “.org” for miscellaneous organizations; (6) “.edu” for educational institutions; (7) “.mil” for the U.S. military; and (8) various country codes, such as “.us” for the United States. Under each TLD, there are “second-level domains,” which are additional sets of domain names registered directly to individual organizations. The administrator of each individual organization may establish additional levels of domain names, which may include third-, fourth-, and fifth-level domain names. For example, in the domain name, “clue.hasbro.com,” “.com” is the TLD, “.hasbro” is the second-level domain, and “.clue” is the third-level domain.

Id. (citations omitted).

55. See id. at 872; see generally Carl Oppedahl, Half a Century of Federal Trademark Protection: The Lanham Act Turns Fifty: Analysis and Suggestions Regarding NSI Domain Name Trademark Dispute Policy, 7 FORDHAM I.P., MEDIA & ENT. L.J. 73, 75 n.10 (1996) (explaining the structure of the Internet domain name system).
B. The District Court Decision

The controversy arose from Sumpton’s registration of the (avery.net) and (dennison.net) domain names for its surname category. Avery Dennison sued Sumpton, alleging federal and state claims of trademark dilution under the FTDA and California Business and Professional Code § 14330, respectively.

After characterizing the defendants as “cybersquatters,” the district court found that Avery Dennison’s marks were famous based on the many years that it has used the marks and the community’s recognition of these marks. The court also found that Sumpton had engaged in a commercial use of the mark by registering domain names that he was not associated with and then licensing them to others. After making these findings, the court analogized the case to two prior cybersquatting decisions which held that when a trademark is registered as a domain name by someone other than the mark’s owner, it does “lessen the capacity of a famous mark to identify and distinguish goods or services.”

In sum, the district court found for Avery Dennison on all elements of its FTDA claim. Accordingly, the district court granted Avery Dennison’s motion for summary judgment on both the state and federal dilution claims and denied Sumpton’s cross-motion for summary judgment.

C. The Ninth Circuit Decision

The Ninth Circuit, however, reversed the district court’s judgment, finding that Avery Dennison failed to create a genuine issue of fact on the famousness element of the FTDA. Specifically, the Ninth Circuit found that Avery Dennison failed to meet the threshold requirement of famousness, an element of both the state and federal dilution statutes. The court agreed with Avery Dennison that four of the eight statutory factors of the

64. See Avery Dennison Corp. v. Sumpton, 999 F. Supp. 1337, 1338 (C.D. Cal. 1998).
65. See id.
66. See id. at 1339.
67. See id. at 1339-40.
69. See id. at 1342.
70. See id.
71. See Avery Dennison Corp. v. Sumpton, 189 F.3d 868, 879 (9th Cir. 1999).
72. See id. at 874 (“[The Ninth Circuit has] interpreted § 14330, like the Federal Trademark Dilution Act, to protect only famous marks.”).
famousness inquiry. However, the Ninth Circuit found that Avery Dennison did not meet its burden of proving famousness in light of their analysis of the remaining factors.

The court’s examination of the statutory factor regarding distinctiveness of the marks did not support Avery Dennison’s assertion of famousness. Because the parties did not dispute that “Avery” and “Dennison” were common surnames, the court held that these words were not protectable as trademarks unless they acquired secondary meaning.

Courts have found secondary meaning when “the consuming public has come to associate the mark with the products or services of its user.” The court noted that, in order to qualify for protection under the FTDA, “a mark must have a degree of distinctiveness and ‘strength’ beyond that needed to serve as a trademark.” Even though Avery Dennison’s registration of the marks on the primary register is prima facie evidence that the marks have achieved secondary meaning, the Ninth Circuit found this to be insufficient support since a showing beyond mere distinctiveness is required for famousness.

The court analyzed the channels of trade for Avery Dennison’s goods (statutory factor E) and the degree of recognition of the mark (statutory factor F) in the trading areas and channels of trade used by both parties. The Ninth Circuit noted that even if the mark is not “famous throughout a substantial part of the United States,” the trademark holder can still qualify for protection under the FTDA if the mark has a “specialized fame” and the “diluting uses are directed narrowly at the same market

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74. See Avery Dennison, 189 F.3d at 878-79.
75. See id. at 877-79.
77. See Avery Dennison Corp. v. Sumpton, 189 F.3d 868, 877 (9th Cir. 1999).
80. Avery Dennison, 189 F.3d at 876 (citing 3 J. THOMAS MCCARTHY, TRADEMARKS & UNFAIR COMPETITION § 24:109).
81. See id. at 877.
82. See 15 U.S.C. § 1125(c)(1)(E), (F) (Supp. IV 1998); see also Avery Dennison, 189 F.3d at 877-78.
83. Avery Dennison, 189 F.3d at 877 (citing Trademark Review Commission, supra note 46, at 461).
However, in the court's opinion, the record did not support a finding of famousness on either of these factors because the parties' customer bases did not overlap. In addition, there was no evidence that Avery Dennison was recognized among Sumpton's e-mail users with vanity e-mail addresses or that Sumpton targeted their e-mail services at Avery Dennison's customer base.

The Ninth Circuit again disagreed with the lower court's finding regarding factor G, "the nature and extent of use of the same . . . marks by third parties." The court found that the evidence in the record demonstrated the widespread use of both "Avery" and "Dennison" as common trademarks by other businesses. Thus, the Ninth Circuit found it unlikely that either mark qualified as a famous mark under the FTDA.

Although the Ninth Circuit found that Avery Dennison failed to satisfy the threshold requirement of "famousness," the court went on to review the evidence regarding the remaining elements of the dilution cause of action: the defendant's commercial use of the mark and the likelihood of dilution. The Ninth Circuit held that Sumpton's registration of (avery.net) and (dennison.net) did not constitute a commercial use. Specifically, under the FTDA, the defendant must be using the trademark as a trademark in order for it to be considered a commercial use. Sumpton's registration of "Avery" and "Dennison" used the names for their nontrademark value, in other words, as surnames, and therefore, did not satisfy this essential element of the dilution cause of action.

Finally, the court addressed Avery Dennison's two theories of dilution. The court rejected the argument that Sumpton's activities were analogous to the cybersquatting dilution that was present in Panavision. Sumpton had registered the SLDs (avery) and (dennison) under the TLD (.net). However, the Ninth Circuit noted that trademarks are usually registered

85. See id.
86. See id.
87. See 15 U.S.C. § 1125(c)(1)(G); see also Avery Dennison, 189 F.3d at 878.
88. See Avery Dennison, 189 F.3d at 878.
89. See id.
90. See id. at 878-81.
91. See id. at 879.
92. See id. at 880.
93. See id.
94. See id.
under the TLD (.com). Therefore, summary judgment was inappropriate on this question of cybersquatting dilution, since a “factfinder could infer that dilution does not occur with a (trademark.net) registration.”

Avery Dennison argued that the presence of lewd SLDs in the same database as (avery.net) and (dennison.net) caused tarnishment of their marks. However, a user wishing to move from a surname category like (avery.net) to a lewd SLD would have to return first to the Mailbank home page before purposefully linking to another category. Therefore, the court concluded that tarnishment of the marks was unlikely to occur as the necessary linking step could remove any association between the marks and the lewd SLDs.

III. ANALYSIS

When Congress created the FTDA, it only intended to protect “famous” trademarks. However, almost all trademark owners, not only those with famous marks, are seeking (and often receiving) dilution protection. Without restrictions on the application of this doctrine by the courts, there is danger of “moving toward a world in which ‘famous’ marks protected even in the absence of confusion are the rule rather than the exception.” The Avery Dennison decision can be seen as a departure from past cases where famousness was rarely an issue. The Ninth Circuit has made the threshold famousness determination a significant barrier to dilution protection, consistent with legislative intent. Analysis of the court’s review of the statutory factor gives contours to this new barrier.

95. See id.
96. Id. at 881.
97. See id.
98. See id.
99. See id.
101. Compare id. (“The [FTDA] is intended to protect famous marks where the subsequent, unauthorized commercial use of such marks by others dilutes the distinctiveness of the mark. . . . Thus, for example, the use of DUPONT shoes, BUICK aspirin, and KODAK pianos would be actionable under this legislation.”), with Wawa Inc. v. Haaf, 40 U.S.P.Q.2d 1629, 1633 (E.D. Penn. 1996) (finding that “Defendant’s use of the name HAHA and HAHA 24 HR. Market dilutes through blurring and parody the strong and famous mark of Wawa.”).
A. Statutory Famousness Factors

1. Distinctiveness

The "degree of inherent or acquired distinctiveness"\(^{103}\) has been identified by one court as deserving slightly more consideration than the others.\(^ {104}\) In the famousness inquiry, the mark must have some significance beyond its normal use in order to be distinctive.\(^ {105}\) In the past, some courts found that the marks were famous where the mark's owners had merely demonstrated distinctiveness.\(^ {106}\) For example, in *Clinique Laboratories, Inc. v. Dep Corp.*,\(^ {107}\) the district court proceeded directly to the question of the likelihood of dilution after simply concluding that Clinique's mark was distinctive for the purpose of a claim of dilution under the FTDA without an express determination of famousness.\(^ {108}\)

In the recent dilution cases in which the famousness determination has posed a more significant barrier, however, acquired distinctiveness alone has not been enough to prove famousness. In *Washington Speakers Bureau, Inc. v. Leading Authorities, Inc.*,\(^ {109}\) ("WSB"), the court stated that "[t]he FTDA's language and its underlying policy dictate that courts must 'be discriminating and selective in categorizing a mark as famous'."\(^ {110}\) Likewise, in *Avery Dennison*, the Ninth Circuit clearly stated that "famousness requires a showing greater than mere distinctiveness."\(^ {111}\)

This higher standard was also seen recently in a district court case in Massachusetts, *Hasbro, Inc. v. Clue Computing, Inc.*\(^ {112}\) There, the court held that the "clue" trademark did not qualify as famous.\(^ {113}\) Although Hasbro's mark is widely recognized, "clue" is a common word with many

\(^{106}\) See Krafte-Jacobs, supra note 49, at 690.
\(^{108}\) See id. at 561; see also Elvis Presley Enterprises, Inc. v. Capece, 950 F. Supp. 783, 797-98 (S.D. Tex. 1996) ("Undeniably, Plaintiff owns extremely strong marks. Thus, a finding of dilution . . . depends on whether there is the likelihood of dilution."), rev'd on other grounds, 141 F.3d 188 (5th Cir. 1998).
\(^{109}\) 33 F. Supp. 2d 488 (E.D. Vir. 1999).
\(^{110}\) Id. at 502.
\(^{111}\) Avery Dennison Corp. v. Sumpton, 189 F.3d 868, 877 (9th Cir. 1999).
\(^{113}\) See id. at 132.
meanings.\textsuperscript{114} Clue Computing’s use of “clue” is entirely consistent with the common usage of the word and therefore, weakens Hasbro’s dilution claim in the court’s view.\textsuperscript{115}

2. Third-party use\textsuperscript{116}

Because dilution is designed to protect marks that consumers perceive as “unique, singular, or particular,” evidence of other third-party use decreases the likelihood that the mark’s distinctiveness will be blurred as a result of the defendant’s use of the mark.\textsuperscript{117} Some courts have found the marks in question to be famous despite evidence of third-party use. In Johnson Publishing Co. v. Willits Designs International, Inc.,\textsuperscript{118} the court found the relatively common word “ebony” to qualify as a famous trademark.\textsuperscript{119} Johnson Publishing’s use of the “ebony” trademark for over fifty years and the large number of Ebony magazine readers each month was sufficient to overcome evidence of substantial third-party use.\textsuperscript{120}

Other courts have found significant third-party use to diminish the mark’s famousness.\textsuperscript{121} The Avery Dennison court noted that the record contained evidence of extensive use of “Avery” and “Dennison” by other businesses.\textsuperscript{122} This evidence of widespread third-party use weighed

\textsuperscript{114} See WEBSTER’S NEW WORLD DICTIONARY 266 (3d ed. 1988) (“n. a fact, object, etc. that helps to solve a mystery or problem; v. 1. To indicate by or as by a clue; 2. To provide with the necessary information: often with in.”).

\textsuperscript{115} See Hasbro, 66 F. Supp. 2d at 131 (“[A] mark may not be entitled to dilution by use consistent with the mark’s usage as a common word.”).

\textsuperscript{116} See 15 U.S.C. § 1125(c)(1)(G) (Supp. IV 1998) (“[T]he nature and extent of use of the same or similar marks by third parties.”).

\textsuperscript{117} H.R. REP. No. 104-374, at 3 (1995).


\textsuperscript{119} See id. at *7.

\textsuperscript{120} See id. at *7.

\textsuperscript{121} See Sports Authority, Inc. v. Abercrombie & Fitch, Inc., 965 F. Supp. 925, 941 (E.D. Mich. 1997) (finding that the Sports Authority’s trademark for “authority” has been diminished by third party use and as not so famous as to deserve protection under the federal dilution standard); see also Trustees of Columbia Univ. in New York v. Columbia/HCA Healthcare Corp., 964 F. Supp. 733, 750 (S.D.N.Y. 1997) (finding that “any acquired distinctiveness” of Columbia University’s mark for the name Columbia “in connection with medical or healthcare services has been seriously undermined by third party use of the same or similar marks”).

\textsuperscript{122} See Avery Dennison Corp. v. Sumpton, 189 F.3d 1868, 878 (9th Cir. 1999) (citing evidence in the record of many businesses with “Avery” or “Dennison” in their names).

The record includes copies of five trademark registrations for “Avery” or “Averys,” a computer printout of a list of several businesses with “Avery” in their names who market products on the Internet, and a list
against a finding of famousness. Similarly, the Hasbro court identified the analysis of third-party use to be a factor deserving slightly more weight than other factors. The district court found that the defendant’s evidence of a significant number of trademarks which use the word “clue” that are not owned by Hasbro suggests that “any acquired distinctiveness of the plaintiff’s mark . . . has been seriously undermined by third party use of the same or similar marks.”

3. Geographical extent/Channels of trade

The Avery Dennison court combined its analysis of the channels of trade in which the mark is used and the geographical extent of the trading area. The House Report stated that the FTDA was only intended to protect marks with nationwide fame. However, the Ninth Circuit 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. Therefore, the Ninth Circuit found that “fame in a localized trading area may meet the threshold element [of famousness] under the [FTDA] if plaintiff’s trading area includes the trading area of the defendant.”

The channels of trade inquiry is an indication of the breadth of the mark’s use. A debate currently exists over whether fame in a specialized market, rather than general fame, should qualify as “famous” under the

of business names including “Avery,” which . . . is a representative sample of over 800 such businesses. The record also contains . . . a list of several businesses with “Dennison” in their names which market products on the Internet and a list of business names including “Dennison,” a representative sample of over 200 such businesses.

Id.

123. See id.
125. See id. (quoting Columbia University, 964 F. Supp. at 750).
126. See 15 U.S.C. § 1125(c)(1)(E) (“the channels of trade for the goods or services with which the mark is used”).
128. See Avery Dennison Corp. v. Sumpton, 189 F.3d 868, 877-78 (9th Cir. 1999).
130. Avery Dennison, 189 F.3d at 877 (citing Trademark Review Commission, supra note 46).
131. Id. at 877-78 (citing S. REP. NO. 100-515, at 43 (1988)).
132. See Mahaffey-Dowd, supra note 105, at 445.
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. The plain language of the FTDA supports this idea, since one of the famousness factors considers "the degree of recognition of the mark in the trading areas and channels of trade used by the marks' owner and the person against whom the injunction is sought."

On the other side of the debate, some cases indicate that marks which are only famous in specialized markets should not be considered famous under the FTDA. In Breuer Electric Manufacturing Co. v. The Hoover Co., although the marks were registered and sold nationwide, the plaintiffs did not show that the marks acquired enough recognition to be considered famous outside of their narrow commercial vacuum and floor cleaning market. In light of the modest sum of money spent on advertising the plaintiff's mark and defendant's evidence of third-party use, the court believed that it was unlikely that the plaintiff's mark was famous. Similarly, in King of the Mountain Sports, Inc. v. Chrysler, Corp., the mark was found not to be famous because the plaintiff provided no evidence that people outside the plaintiff's small market associated the phrase "King of the Mountain" with the plaintiff.

In contrast to the Trademark Review Commission's recommendation requiring famousness throughout a substantial portion of the country, the Avery Dennison court found that "fame in a localized trading area may meet the threshold element [of famousness] under the [FTDA] if plaintiff's trading area includes the trading area of the defendant." However, Avery Dennison was unable to meet this lower standard of fame in the

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136. See id. at 503.
138. See id. at *16.
139. See id.
140. 968 F. Supp. 568 (D.Colo.1997), aff'd, 185 F.3d 1084 (10th Cir. 1999).
141. See id. at 578.
142. See Avery Dennison Corp. v. Sumpton, 189 F.3d 868, 877 (9th Cir. 1999).
143. Id. at 877-78 (9th Cir. 1999) (citing S. REP. NO. 100-515, at 43 (other citations omitted)).
same narrow market since the court found that the parties did not share the same customer base. 144

B. (.net) vs. (.com)

Although Avery Dennison did not prevail on its dilution cause of action because it failed to meet the threshold requirement of famousness, some attorneys in the field have expressed concern over the Ninth Circuit’s discussion of the (.net) versus (.com) distinction. 145 Avery Dennison argued that Sumpton’s registration of (avery.net) and (dennison.net) constituted the same type of cybersquatting dilution recognized by the Panavision Court. 146 The Ninth Circuit rejected this argument, noting that the defendant in Avery Dennison registered in the TLD (.net) rather than (.com). The Ninth Circuit stated that “courts applying the dilution cause of action to domain-name registrations have universally considered (trademark.com) registrations.” 147 Although this discussion concerning the (.net) vs. (.com) distinction is merely dicta, it has generated discussion over how this distinction among TLDs will affect future domain name disputes. 148 Some fear a very broad interpretation of the Avery Dennison holding, worrying that all (.net) websites would not be subject to trademark actions. 149 Others view the distinction as suggesting that (.com) and (.net) “have different functions and, consequently, the holders of names registered under those domains have different rights that may not extend to other top-level domains.” 150

Any sort of distinction between TLDs could have a huge effect in domain name litigation and business strategies. The Avery Dennison decision could imply that trademark rights extend only to (.com) domain names, and trademark rights are not diluted by domain names in other TLDs. With the current proposals for additional TLDs to help ease the congestion

144. See Avery Dennison, 189 F.3d at 878 (noting that Sumpton’s “sought after customer base is Internet users who desire vanity e-mail addresses, and Avery Dennison’s customer base includes purchasers of office products and industrial fasteners”).


146. See Avery Dennison, 189 F.3d at 880.

147. Id. at 880-81 (citing Leslie F. Brown, Note, Avery Dennison Corp. v. Sumpton, 14 BERKELEY TECH. L.J. 247, 251-54, 262-63 (1999)).


149. See Sandburg, supra note 145.

150. See Akin, supra note 148.
IV. CONCLUSION

As a consequence of the vague nature of the statutory famousness factors, dilution precedent has been inconsistent and the expansion of trademark rights under this cause of action has grown unchecked. In the past, the "mere threat of a lawsuit" was often used successfully to obtain domain names from their registrants. The courts are now recognizing that legitimate users of domain names are entitled to the use of their domain names if they were the first to register the web site. "Trademark holders can no longer say 'I have the trademark, you have the domain name; it's the same, give it to me.'"

Although the Avery Dennison court correctly applied a thorough analysis of the threshold famousness inquiry, Avery Dennison's trade-

151. See ICANN, FAQ on New Generic Top Level Domains (Sept. 13, 1999) (http://www.icann.org/general/faq1.htm#gtdls) (explaining proposal for new gTLDs).

ICANN and its constituent organizations have recently begun the process of considering whether, how, and when to add new generic top-level domains (gTLDs) to the domain name system. In recent years, a number of plans have been proposed to create new gTLDs, such as .firm, .store, .law, and .arts, and some companies have even taken orders for them.... There are many arguments both for and against new gTLDs: for example, those in favor argue that new gTLDs are technically easy to create, will help relieve perceived scarcities in existing name spaces, and are consistent with a general push towards consumer choice and diversity of options. ...

152. See Duffey, supra note 8, at 143("[T]his [famousness requirement] of the FTDA will be the subject of litigation for years to come, especially in domain name disputes.").

153. See McWilliams, supra note 4 ("Carl Oppedahl ... said the mere threat of a lawsuit has often enabled trademark holders to pry domains away from registrants. But he said the outcome of the clue.com case should cause both trademark attorneys to rethink their strategy.").

154. See Maharaj and Kaplan, supra note 6 (quoting Eugene Volokh, a UCLA professor) ("Until now a lot of people thought that if you own a trademark you could go to court and automatically stop someone else from registering a domain name that matches your trademark. ... Now, people who register domain names in good faith—not to extort or confuse anyone—may win even if the domain name happens to match somebody else's trademark.").

marks could be viewed as a casualty in the battle being waged between the large corporations and other domain name registrants. In light of the previous, less rigorous analysis applied by many courts in the past, Avery Dennison may not have submitted all of the supporting material at their disposal in the district court case in making their original case.\footnote{156}{Personal Communication with David Dillard, Partner at Christie, Parker & Hale. L.L.P., in Pasadena, Cal. (Oct. 20, 1999).} After this Ninth Circuit opinion, Avery Dennison is arguably legally worse off because it will have to contend with this finding of nonfamousness in their future trademark dealings.\footnote{157}{See also McWilliams, \textit{supra} note 4.}

The \textit{Avery Dennison} decision should serve as a warning to aggressive trademark owners that they are not automatically entitled to rights in the domain names containing their trademarks. A finding of famousness is clearly required under the FTDA before the court can rule on the dilution claim.\footnote{158}{See 15 U.S.C. § 1125(c)(1) (Supp. IV 1998) ("The owner of a \textit{famous} mark shall be entitled subject to the 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. . . .") (emphasis added). Section 1125(c)(1) then lists factors courts may consider in finding whether or not a mark is famous. \textit{See id.}} As noted by the House Report, one of the reasons behind the passage of the FTDA was that many of the state courts were unwilling to issue nationwide injunctions since many states had not passed anti-dilution laws.\footnote{159}{See H.R. REP. NO. 104-374, at 3-4 (1995).} Since a finding of dilution under the FTDA can lead to a nationwide injunction, granting this remedy to a mark which is not famous would result in granting that mark undeserved protection. \textit{Avery Dennison} correctly supports the contention that courts should perform a thorough analysis of the facts supporting famousness before ever considering whether the mark has been diluted. Otherwise, dilution legislation creates a property right with little or no practical boundary to protect against overprotection of nonfamous marks.