

Nissan Motor Co. v. Nissan Computer Corp.: **Ninth Circuit Construes the Federal Trademark Dilution Act**

By Marc Jonas Block

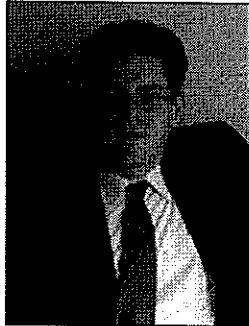
I. Introduction

Trademark holders are granted a variety of means to protect their marks under section 43(a) of the Lanham Act, 15 U.S.C. § 1125, especially as amended by the Federal Trademark Dilution Act ("FTDA") and the Anti-Cybersquatting Protection Act ("ACPA"). The statute provides for civil liability for trademark and trade dress infringement and false advertising.¹ If a mark is famous, the FTDA grants trademark holders a uniform federal standard of protection from dilution.² Meanwhile, the ACPA grants trademark holders civil remedies against the bad-faith use of an infringing domain name.³ The ultimate relief sought will, of course, depend upon the section of the statute under which a claim is filed.

A recent case that demarcates the parameters of various Lanham Act remedies in cyberspace is *Nissan Motor Co. v. Nissan Computer Corp.*,⁴ a trademark-dilution dispute wherein the Ninth Circuit held that (1) a party's trademark must have been famous before a defendant's alleged infringement in order to be entitled to protection against dilution;⁵ (2) First Amendment concerns are implicated by injunctive relief that limits critical commentary on an Internet site;⁶ and (3) the three most important factors to determining initial interest confusion on the Internet are the similarity of the marks, the relatedness of the goods or services, and the parties' simultaneous use of the Internet in marketing.⁷

II. Factual Background

Since 1960, plaintiffs Nissan Motor Co. and its subsidiary, Nissan North America, Inc. (collectively "Nissan Motor"), marketed, sold, and distributed automobiles in the United States. Nissan Motor registered the NISSAN mark for ships and vehicles in the United States in 1959. Until 1983, automobiles were sold in the United States under the trademark "DAT-SUN." In 1983, Nissan Motor began marketing its vehicles under the trademark "NISSAN." For a while the two names were used together, but since 1985 only the "NISSAN" mark has been used.⁸



Uzi Nissan, a resident of the state of North Carolina, incorporated his last name into the name of several business enterprises beginning in 1980. In 1991, he began using the term "nissan" as part of the name of a North Carolina computer store he owned, defendant Nissan Computer Corp. ("Nissan Computer"). In 1995, he registered a trademark for the Nissan Computer logo with the state of North Carolina. Nissan Computer registered the domain names nissan.com and nissan.net, (collectively the "domain names") in May 1994 and March 1996, respectively. In July 1995, Nissan Motor sent defendant a correspondence expressing "great concern" about the use of the term "Nissan" in defendant's domain name but received no response.⁹ For the next several years, the defendant operated websites at these addresses providing computer-related information and services.¹⁰

In August 1999, defendant updated the nissan.com website by adding a "nissan.com" logo. It began selling space for advertising, receiving a payment for each time a user clicked through to an advertiser's website. In late September, Nissan Computer began adding automobile-related website advertisements. By December 1999, Nissan Computer had signed up several automobile-related advertisers.¹¹

Little occurred regarding the matter until October 1999, when the parties met to discuss the possibility of Nissan Computer transferring the nissan.com domain name to Nissan Motor. In the course of said negotiations, Mr. Nissan stated that he "would not sell the domain name except for several million dollars, and made a proposal involving monthly payments in perpetuity."¹² Negotiations were unsuccessful.¹³

Nissan Motor filed the current action in the Central District of California on December 10, 1999, seeking to force the sale of the domain names. Nissan Motor asserted claims for (1) domain name piracy; (2) trademark dilution in violation of federal and state law; (3) trademark infringement; (4) false designation of origin; (5) and unfair competition.¹⁴ Nissan Motor obtained a preliminary injunction (affirmed by the Ninth Circuit) that required Nissan Computer to

(Continued on page 19)

(Continued from page 14)

identify the domain names as affiliates of Nissan Computer, to disclaim any connection with Nissan Motor, and to refrain from displaying automobile-related information, advertisements, and links.¹⁵

In March 2000, during the course of the action, Nissan Computer started posting commentaries about the litigation on its websites. For example, it posted a link on its websites stating "Nissan Motor's Lawsuit Against Nissan Computer." From there the user was redirected to ncchelp.org. A banner at ncchelp.org stated, "We Are Being Sued!!!" and included links regarding (1) the "story," i.e., Mr. Nissan's description of this litigation;¹⁶ (2) "How you can help," which included links for e-mailing the parties and the media, and a link to a site operated by The Internet Center (TIC), which had auto-related advertising; (3) "people's opinions," which contained e-mail messages by third parties commenting on the action; and (4) "news," which linked to media reports.¹⁷ TIC was owned and operated by Uzi Nissan and was added as a defendant to Nissan Motor's First Amended Complaint.¹⁸

III. The District Court Ruling

On October 15, 2001, Nissan Computer filed a motion for partial summary judgment regarding Nissan Motor's cause of action for domain-name piracy, i.e., cybersquatting. As the District Court stated:

Cybersquatting is the practice of registering "well-known brand names as Internet domain names" in order to force the rightful owners of the marks "to pay for the right to engage in electronic commerce under their own brand name."¹⁹

To be liable under the ACPA, the defendant must (1) possess bad-faith intent to profit from another's mark and (2) register, traffic, or use a domain name that is confusingly similar to a "famous" or "distinctive" mark.²⁰

The District Court held that Nissan Motor's ACPA claim failed because Nissan Computer lacked the requisite bad faith. The websites at issue consisted of the actual name of the corporate defendants and part of the name of the owner of the sites. Nissan Computer used the sites as part of its actual legitimate business and did not have a history of registering famous marks and extorting them to their owners.²¹ Because Nissan Computer did not adopt the nissan.com and nissan.net sites in bad faith, it did not violate the ACPA.

Thereafter, in 2002, Nissan Motor moved for a permanent injunction to force Nissan Computer to transfer the domain names nissan.com and nissan.net.²² The District Court held that the disparaging commentary at the domain sites was sufficiently commercial to bring defendant's use within the FTDA because central commentary at those sites, which use the "NISSAN" mark in the domain name, exploit the mark's goodwill.²³ Applying the test for famousness provided in 15 U.S.C. § 1125(c),²⁴ the court concluded that the "NISSAN" trademark was famous at the time that Nissan Computer registered the "nissan.com" domain name in 1994.²⁵ Furthermore, Nissan Computer's use of the term "nissan" in its domain names diluted Nissan Motor's mark by

blurring its ability to distinguish Nissan Motor's goods from other companies' products and by tarnishing it because the look and design of the nissan.com website fall short of the high standards that Nissan Motor sets for itself, and because the site posts disparaging remarks about Nissan Motor and this lawsuit.²⁶

The court further held that Nissan Computer's use of the domain names to sell non-automobile-related goods did not infringe the plaintiff's trademark. However, it held that use of the domain names to sell automobile-related goods was infringing.

The court expressly denied the application to force the transfer of the domain names but granted a permanent injunction prohibiting:

- 1) Posting commercial content at nissan.com and nissan.net;
- 2) Posting advertising (and permitting advertising to be posted by third parties) at nissan.com and nissan.net;
- 3) Posting disparaging remarks or negative commentary regarding Nissan Motor Co., Ltd. or Nissan North America, Inc. at nissan.com and nissan.net;
- 4) Placing, on nissan.com or nissan.net, links to other websites containing commercial content, including advertising; and
- 5) Placing, on nissan.com or nissan.net, links to other websites containing disparaging remarks or negative commentary regarding Nissan Motor Co., Ltd. or Nissan North America, Inc."²⁷

In denying Nissan Computer's request for a stay, the court explained that the limitations placed on the

domain names did not implicate the First Amendment because the use of the marks was commercial and the domain names were used as source identifiers, not as part of the communicative message.²⁸

IV. The Appeal

The principal issues raised on appeal by Nissan Computer concerned the findings of dilution and infringement as to automobile-related use of the domain names, as well as the scope of the permanent injunction. Nissan Motor cross-appealed, seeking to broaden the injunction to include the forced transfer of the domain names to itself in exchange for the fair value of Nissan Computer's investment.²⁹ Nissan Motor also cross-appealed the finding of no infringement for non-automobile-related use of the domain names.

A. Dilution and the Importance of Being Famous

After discussing and analyzing four preliminary issues,³⁰ the Ninth Circuit focused on Nissan Motor's dilution FTDA claim. As the court explained:

Dilution is "the lessening of the capacity of a famous mark to identify and distinguish goods or services, regardless of the presence or absence of—(1) competition between the owner of the famous mark and other parties, or (2) likelihood of confusion, mistake, or deception." . . . [T]he purpose of the FTDA "is 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." . . . "Dilution refers to the whittling away of the value of a trademark when it's used to identify different products."³¹

Famousness is the *sine qua non* of the FTDA. As provided in 15 U.S.C. § 1125(c)(1):

The owner of a 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.

The central issue in *Nissan* was the relevant point in time for determining whether Nissan Motor's trademark was famous. Nissan Motor claimed that the proper date was 1994, when defendants registered the Internet domain name "nissan.com."³² Nissan Motor argued that the famousness of its mark had to be measured as of the first time Nissan Computer used the term by itself instead of as part of a composite trade or company name. Nissan Motor argued that the text of 15 U.S.C. § 1125(c)(1) refers to "such use," which they claimed means not just any use, but the "commercial use in commerce of a mark." Based on the anti-dissection rule from trademark infringement law, Nissan Motor also argued that defendants' use of the "NISSAN" trademark by itself is a different "commercial use in commerce" than its use of the mark in the company name "Nissan Computer Corp."³³

Nissan Computer argued the date for determining the fame of the "NISSAN" trademark should be that of its first actual use of the mark, i.e., 1991, when Nissan Computers was incorporated.³⁴ By focusing on the first actual use, Nissan Computer sought to rely on Uzi Nissan's various other uses of his name and also to emphasize third-party uses of the term "nissan."

The Ninth Circuit, after analyzing the purpose of the FTDA, determined that the proper focus of the inquiry is the use of the mark in question by a defendant which, "assuming it occurs after another's mark has become famous, would arguably dilute the mark."³⁵ Therefore, the first actual use of the "Nissan" term by Nissan Computer was the point for determining fame, since the use of "Nissan" in the name of Nissan Computer is arguably diluting, notwithstanding that it is used in combination with another identifier.³⁶ The court therefore held that

any commercial use of a famous mark in commerce is arguably a diluting use that fixes the time by which famousness is to be measured. In this respect as in others, a dilution claim differs from a claim for infringement, because not all uses of a mark are actionable.³⁷

After reviewing the record, the court held that there were serious issues as to the fame and distinctiveness of Nissan Motor's "NISSAN" mark in 1991. The court focused on the plethora of third-party uses of the term "nissan." Prior to becoming a trademark of Nissan Motor, the term "nissan" was (1) a common Jewish/Israeli family name; (2) a Biblical term originally identifying the first month in the calendar; (3) the contemporary name of the seventh month in

the Hebrew calendar; and (4) the Arabic word for April.³⁸ Further, the court noted the plethora of third-party trademark uses of the term "Nissan": (1) it is part of the trademark or trade name of more than 190 unaffiliated businesses in the United States; (2) it is an acronym in Japanese for "Japanese Industries KK"; (3) Nissan Motor itself is a party to a Trademark Basic Agreement with several other corporations in which each agrees to cooperate to ensure the proper use and protection of the "NISSAN" trademark; and (4) there are thousands of domain names that incorporate the word "nissan."³⁹ The court thus remanded the issue of the mark's fame in 1991 for further review.⁴⁰ And in view of the Supreme Court's decision in *Moseley v. V Secret Catalogue*,⁴¹ the court remanded for a determination of whether the defendant had caused actual dilution of the "NISSAN" mark.

B. The Scope of Injunction

The Ninth Circuit next reviewed the validity of the permanent injunction. Nissan Computer sought relief from that part of the permanent injunction which restrained it from making disparaging remarks about Nissan Motors on *nissan.com* and *nissan.net* as well as from placing links to other sites with negative remarks or comments about Nissan Motors. The Ninth Circuit held that the District Court's injunction was a content-based speech restriction because it sought to control the message. As such it was not "justified without reference to the content of the regulated speech."⁴²

As a content-based speech restriction, the injunction was presumptively invalid. Content-based restrictions "pass constitutional muster only if they are the least restrictive means to further a compelling interest."⁴³ The Ninth Circuit found support for its holding in the FTDA itself:

The FTDA anticipates the constitutional problem where the speech is not commercial but is potentially dilutive by including an exception for noncommercial use of a mark. . . . So, the relevant question is whether linking to sites that contain disparaging comments about Nissan Motor on the *nissan.com* website is commercial.⁴⁴

The determination as to whether the disparaging comments on Nissan Computer's websites were commercial speech was significant because full First Amendment protection is accorded to speech that is not purely commercial, i.e., that does more than pro-

pose a commercial transaction.⁴⁵ Nissan Motor argued that disparaging remarks on the Internet are commercial speech because the comments have an effect on commerce.⁴⁶ However, the Ninth Circuit rejected this argument, stating that it had "never adopted an 'effect on commerce' test to determine whether speech is commercial. . . ." ⁴⁷ The court held that negative commentary about Nissan Motor was informational, not commercial speech. The commentary reflected a point of view and therefore was protected. The court held that the permanent injunction violated the First Amendment to the extent it enjoined the placing of links on *nissan.com* to sites with disparaging comments about Nissan Motor.⁴⁸

C. Trademark Infringement

Finally, the Ninth Circuit affirmed the District Court's ruling that Nissan Computer's use of the domain names to sell automobile-related goods was infringing based on initial-interest confusion.⁴⁹ "Initial interest confusion," as explained by the Ninth Circuit,

occurs when the defendant uses the plaintiff's trademark "in a manner calculated to capture initial consumer attention, even though no actual sale is finally completed as a result of the confusion."⁵⁰

The court noted that with respect to claims concerning the Internet that

the three most important [likelihood of confusion] factors are the similarity of the marks, the relatedness of the goods or services, and the parties' simultaneous use of the Internet in marketing.⁵¹

The court held that Nissan Computers did not infringe Nissan Motor's trademark when "nissan.com" and "nissan.net" were used to sell non-automobile related products because of widespread use of the term "nissan" and the fact that the products offered by the parties differ significantly.⁵² However, with respect to use of the domain names to sell automobile-related products, the court found that all three of the most significant factors weighed in favor of a finding of likely confusion:

The marks are legally identical; the goods or services are related as to auto-related advertising, but not related as to anything else; and the parties simultaneously use the internet in marketing.⁵³

After applying the remaining facts, the court found that Nissan Computers infringed Nissan Motor's trademark when "nissan.com" and "nissan.net" were used to sell automobile-related products.⁵⁴ The court explained why there was initial-interest confusion only when the products being sold were automobile-related:

An internet user interested in purchasing, or gaining information about Nissan automobiles would be likely to enter nissan.com. When the item on that website was computers, the auto-seeking consumer would realize in one hot second that she was in the wrong place and either guess again or resort to a search engine to locate Nissan Motor's site. A consumer might initially be incorrect about the website, but Nissan Computer would not capitalize on the misdirected consumer. However, once nissan.com offered links to auto-related websites, then the auto-seeking consumer might logically be expected to follow those links to obtain information about automobiles. Nissan Computer financially benefited because it received money for every click. Although nissan.com itself did not provide the information about automobiles, it provided direct links to such information. Due to the ease of clicking on a link, the required extra click does not rebut the conclusion that Nissan Computer traded on the goodwill of Nissan Motor's mark.⁵⁵

V. Conclusion

The Ninth Circuit's decision in *Nissan* offers valuable guidance for practitioners of both trademark and communications law. The court provides a clear bright-line rule for determining whether a trademark is famous and therefore entitled to protection under the FTDA. A plaintiff must demonstrate that its mark was famous at the time of a defendant's first infringing use. A party is therefore precluded from retroactively applying its now-famous mark to alleged infringements that occurred before the trademark in question became famous.

The court's decision with respect to the scope of the injunction, specifically whether disparaging commentary about a commercial plaintiff constitutes commercial speech, protects website owners who link to other sites that post commentary about a third

party. To hold otherwise, as the District Court did, obviously would limit the flow of valuable information and opinion on the Internet. Business websites would be unable to link to any studies or commentaries concerning an industry or competitor that contained negative information. However, although non-defamatory critical speech enjoys First Amendment protection, owners of websites are not, of course, free to infringe trademark rights. The Ninth Circuit's reliance on initial-interest confusion as a basis for finding infringement through the use of confusingly similar domain names reaffirms an important tool for trademark owners to prevent utilization of their marks in a manner that diverts consumer attention.

Endnotes

1. See 15 U.S.C. § 1125(a).
2. See 15 U.S.C. § 1125(c).
3. See 15 U.S.C. § 1125(d).
4. *Nissan Motor Co. v. Nissan Computer Corp.*, 378 F.3d 1002 (9th Cir. 2004).
5. *Id.* at 1007.
6. *Id.* at 1016-17.
7. *Id.* at 1018-19.
8. 378 F.3d at 1007.
9. *Id.*
10. *Id.* at 1006; 231 F. Supp. 2d 977, 978; 2002 U.S. Dist. LEXIS 6488 at 3, 61 U.S.P.Q.2d (BNA) 1839.
11. 378 F.3d at 1007-8.
12. 2002 U.S. Dist. LEXIS 6488 at 4, 61 U.S.P.Q.2d (BNA) 1839.
13. 378 F.3d at 1008.
14. *Id.*
15. *Id.*
16. The "story" is related at http://ncchelp.org/The_Story/the_story.htm.
17. 378 F.3d at 1008; see also <http://www.ncchelp.org>.
18. 378 F.3d at 1008.
19. See 2002 U.S. Dist. LEXIS 6488, at 8, 61 U.S.P.Q.2d (BNA) 1839, citing *Virtual Works, Inc. v. Volkswagen of America, Inc.*, 238 F.3d 264, 266 (4th Cir. 2001).
20. 15 U.S.C. § 1125(d)(1)(A)(i).
21. 2002 U.S. Dist. LEXIS 6488 at 12, 61 U.S.P.Q.2d (BNA) 1839.
22. 231 F. Supp. 2d 977, 978.
23. *Id.* at 980.
24. 15 U.S.C. § 1125(c)(1) states:
... In determining whether a mark is distinctive and famous, a court may consider factors such as, but not limited to:
(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 marks' owner and the person against whom the injunction is sought;
- (G) the nature and extent of use of the same or similar marks by third parties; and
- (H) whether the mark was registered under the Act of March 3, 1881, or the Act of February 20, 1905, or on the principal register.
25. 378 F.3d at 1008.
 26. *Id.* at 1008–9.
 27. 231 F. Supp. 2d at 982.
 28. *Id.* at 981.
 29. 378 F.3d at 1008.
 30. The Ninth Circuit summarily determined four preliminary issues. First, the District Court acted well within its discretion in finding that Nissan Computer was not prejudiced by issues of statute of limitations and laches. Second, Nissan Computer argued that application of the FTDA in the dispute would be retroactive in nature since the alleged dilution occurred prior to the statute's creation. However, application of the FTDA is not retroactive because it only authorizes prospective relief. Third, the District Court did not violate due process by changing the date for determining fame of the NISSAN mark from 1991, the date used when the District Court denied partial summary judgment, to 1994, used in the District Court's final order granting summary judgment. The court had discretion to see things differently without affronting due process. Finally, defendant contends that TIC is not an alter ego of Nissan Computer. The Ninth Circuit affirmed the District Court's findings that the separate identity of each was not respected, and that sufficient injustice could occur to Nissan Motor from misuse of the corporate form to permit Nissan Computer to capitalize on the NISSAN mark while rendering itself judgment proof. 378 F.3d 1009–10.
 31. 378 F.3d at 1011 (citations omitted).
 32. *Id.*
 33. *Id.*
 34. *Id.*
 35. *Id.*
 36. *Id.* at 1012.
 37. *Id.* at 1013.
 38. *Id.* at 1014.
 39. *Id.*
 40. *Id.* at 1013–4.
 41. 537 U.S. 418, 123 S. Ct. 1115.
 42. 378 F.3d at 1016, citing *Ward v. Rock Against Racism*, 491 U.S. 781, 791, 109 S. Ct. 2746 (1989).
 43. *Id.* at 1016, citing *S.O.C., Inc. v. County of Clark*, 152 F.3d 1136, 1145 (9th Cir. 1998).
 44. *Id.* at 1016–17.
 45. *Id.* at 1017.
 46. *Id.*, citing *Jews for Jesus v. Brodsky*, 993 F. Supp. 282, 308 (D. N.J. 1998).
 47. *Id.*
 48. *Id.*
 49. *Id.* at 1018.
 50. *Id.* (citation omitted).
 51. *Id.* (citation omitted).
 52. *Id.* at 1019.
 53. *Id.*
 54. *Id.* (“The NISSAN mark is an incontestable mark, but it is also used in many channels of commerce, is a last name, and is a month. The degree of care exercised by a purchaser is disputable. Whereas a consumer purchasing an automobile will exercise great care, a consumer searching for information about automobiles on the internet may exercise little care and will click on all information about automobiles. The intent of Nissan Computer in selecting the mark weighs to some extent in favor of Nissan Computer because Uzi Nissan chose a domain name to correspond with his own name, but its intent in posting automobile-related links cuts the other way. There is evidence of actual confusion in that consumers have clicked on nissan.com to find out information about Nissan Motor. The likelihood of expansion in product lines can again cut both ways. Nissan Computer is unlikely to enter the automobile sales business, however, it is likely to advertise more auto-related products.”).
 55. *Id.* (citation omitted).

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