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46 U.S.P.Q.2D (BNA) 1511; 98 Cal. Daily Op. Service 2846

[edited version]

PANAVISION INTERNATIONAL, L.P., a Delaware Limited Partnership, Plaintiff-Appellee, v. DENNIS TOEPPEN; NETWORK SOLUTIONS, INC., a District of Columbia Corporation, Defendants-Appellants.

No. 97-55467

UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT

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March 3, 1998, Argued, Submitted, Pasadena, California

April 17, 1998, Filed

Before: Melvin Brunetti, David R. Thompson and Thomas G. Nelson, Circuit Judges. Opinion by Judge Thompson.

name consisting of the company name, Pepsi, and .com, the "top level" domain designation: Pepsi.com. [**4] n1

OPINION

THOMPSON, Circuit Judge:

. . .Panavision accuses Dennis Toeppen of being a "cyber pirate" who steals valuable trademarks and establishes domain names on the Internet using these trademarks to sell the domain names to the rightful trademark owners.

. . .We [] conclude Panavision was entitled to summary judgment under the federal and state dilution statutes. Toeppen made commercial use of Panavision's trademarks and his conduct diluted those marks.

I

BACKGROUND

The Internet is a worldwide network of computers that enables various individuals and organizations to share information. The Internet allows computer users to access millions of web sites and web pages. A web page is a computer data file that can include names, words, messages, pictures, sounds, and links to other information.

Every web page has its own web site, which is its address, similar to a telephone number or street address. Every web site on the Internet has an identifier called a "domain name." The domain name often consists of a person's name or a company's name or trademark. For example, Pepsi has a web page with a web site domain

n1 We use the arrow keys () to set out a domain name or a web site. These arrows are not part of the name or the site.

The Internet is divided into several "top level" domains: .edu for education; .org for organizations; .gov for government entities; .net for networks; and .com for "commercial" which functions as the catchall domain for Internet users.

Domain names with the .com designation must be registered on the Internet with Network Solutions, Inc. ("NSI"). NSI registers names on a first-come, first-served basis for a \$ 100 registration fee. NSI does not make [*1319] a determination about a registrant's right to use a domain name. However, NSI does require an applicant to represent and warrant as an express condition of registering a domain name that (1) the applicant's statements are true and the applicant has the right to use the requested domain name; (2) the "use or registration of the domain name ... does not interfere with or infringe the rights of any third party in any jurisdiction with respect to [**5] trademark, service mark, trade name, company name or any other intellectual property right"; and (3) the applicant is not seeking to use the domain name for any unlawful purpose, including unfair competition.

A domain name is the simplest way of locating a web site. If a computer user does not know a domain name, she can use an Internet "search engine." To do this, the user types in a key word search, and the search

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will locate all of the web sites containing the key word. Such key word searches can yield hundreds of web sites. To make it easier to find their web sites, individuals and companies prefer to have a recognizable domain name.

Panavision holds registered trademarks to the names "Panavision" and "Panaflex" in connection with motion picture camera equipment. Panavision promotes its trademarks through motion picture and television credits and other media advertising.

In December 1995, Panavision attempted to register a web site on the Internet with the domain name Panavision.com . It could not do that, however, because Toeppen had already established a web site using Panavision's trademark as his domain name. Toeppen's web page for this site displayed photographs of the [**6] City of Pana, Illinois.

On December 20, 1995, Panavision's counsel sent a letter from California to Toeppen in Illinois informing him that Panavision held a trademark in the name Panavision and telling him to stop using that trademark and the domain name Panavision.com . Toeppen responded by mail to Panavision in California, stating he had the right to use the name Panavision.com on the Internet as his domain name. Toeppen stated:

If your attorney has advised you otherwise, he is trying to screw you. He wants to blaze new trails in the legal frontier at your expense. Why do you want to fund your attorney's purchase of a new boat (or whatever) when you can facilitate the acquisition of 'PanaVision.com' cheaply and simply instead?

Toeppen then offered to "settle the matter" if Panavision would pay him \$ 13,000 in exchange for the domain name. Additionally, Toeppen stated that if Panavision agreed to his offer, he would not "acquire any other Internet addresses which are alleged by Panavision Corporation to be its property."

After Panavision refused Toeppen's demand, he registered Panavision's other trademark with NSI as the domain name Panaflex.com . Toeppen's web page [**7] for Panaflex.com simply displays the word "Hello."

Toeppen has registered domain names for various other companies including Delta Airlines, Neiman Marcus, Eddie Bauer, Lufthansa, and over 100 other marks. Toeppen has attempted to "sell" domain names for other trademarks such as intermatic.com to Intermatic, Inc. for \$ 10,000 and americanstandard.com to American Standard, Inc. for \$ 15,000.

Panavision filed this action against Toeppen in the District Court for the Central District of California. Panavision alleged claims for dilution of its trademark

under the Federal Trademark Dilution Act of 1995, 15 U.S.C. β 1125(c), and under the California Anti-dilution statute, California Business and Professions Code β 14330. Panavision alleged that Toeppen was in the business of stealing trademarks, registering them as domain names on the Internet and then selling the domain names to the rightful trademark owners. The district court determined it had personal jurisdiction over Toeppen, and granted summary judgment in favor of Panavision on both its federal and state dilution claims. This appeal followed.

II DISCUSSION

* * *

B. Trademark Dilution Claims

The Federal Trademark Dilution Act provides:

The owner of a famous mark shall be entitled ... to an injunction against another person's commercial use in commerce of a mark or trade name, [**23] if such use begins after the mark has become famous and causes dilution of the distinctive quality of the mark

15 U.S.C. β 1125(c).

The California Anti-dilution statute is similar. *See* Cal. Bus. & Prof. Code β 14330. It prohibits dilution of "the distinctive quality" of a mark regardless of competition or the likelihood of confusion. The protection extends only to strong and well recognized marks. Panavision's state law dilution claim is subject to the same analysis as its federal claim.

In order to prove a violation of the Federal Trademark Dilution Act, a plaintiff must show 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 and distinguish goods and services. *15 U.S.C. β 1125(c).*

Toeppen does not challenge the district court's determination that Panavision's trademark is famous, that his alleged use began after the mark became famous, or that the use was in commerce. Toeppen challenges the district court's determination that [**24] he made "commercial use" of the mark and that this use caused "dilution" in the quality of the mark.

1. Commercial Use

Toeppen argues that his use of Panavision's trademarks simply as his domain names cannot constitute

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a commercial use under the Act. Case law supports this argument. *See Panavision International, L.P. v. Toeppen*, 945 F. Supp. 1296, 1303 (C.D. Cal. 1996) ("Registration of a trademark as a domain name, without more, is not a commercial use of the trademark and therefore is not within the prohibitions of the Act."); *Academy of Motion Picture Arts & Sciences v. Network Solutions, Inc.*, 989 F. Supp. 1276, 1997 U.S. Dist. LEXIS 20806, 1997 WL 810472 (C.D. Cal. 1997) (the mere registration of a domain name does not constitute a commercial use); *Lockheed Martin Corp. v. Network Solutions, Inc.*, 985 F. Supp. 949 (C.D. Cal. 1997) (NSI's acceptance of a domain name for registration is not a commercial use within the meaning of the Trademark Dilution Act).

Developing this argument, Toeppen contends that a domain name is simply an address used to locate a web page. He asserts [*1325] that entering a domain name on a computer allows a user to access a web page, but a domain name is not associated [**25] with information on a web page. If a user were to type Panavision.com as a domain name, the computer screen would display Toeppen's web page with aerial views of Pana, Illinois. The screen would not provide any information about "Panavision," other than a "location window" which displays the domain name. Toeppen argues that a user who types in Panavision.com, but who sees no reference to the plaintiff Panavision on Toeppen's web page, is not likely to conclude the web page is related in any way to the plaintiff, Panavision.

Toeppen's argument misstates his use of the Panavision mark. His use is not as benign as he suggests. Toeppen's "business" is to register trademarks as domain names and then sell them to the rightful trademark owners. He "acts as a 'spoiler,' preventing Panavision and others from doing business on the Internet under their trademarked names unless they pay his fee." *Panavision*, 938 F. Supp. at 621. This is a commercial use. *See Intermatic Inc. v. Toeppen*, 947 F. Supp. 1227, 1230 (N.D. Ill. 1996) (stating that "one of Toeppen's business objectives is to profit by the resale or licensing of these domain names, presumably to the entities who conduct business [**26] under these names.").

As the district court found, Toeppen traded on the value of Panavision's marks. So long as he held the Internet registrations, he curtailed Panavision's exploitation of the value of its trademarks on the Internet, a value which Toeppen then used when he attempted to sell the Panavision.com domain name to Panavision.

In a nearly identical case involving Toeppen and Intermatic Inc., a federal district court in Illinois held that Toeppen's conduct violated the Federal Trademark Dilution Act. *Intermatic*, 947 F. Supp. 1227 at 1241.

There, Intermatic sued Toeppen for registering its trademark on the Internet as Toeppen's domain name, intermatic.com . It was "conceded that one of Toeppen's intended uses for registering the Intermatic mark was to eventually sell it back to Intermatic or to some other party." *Id.* at 1239. The court found that "Toeppen's intention to arbitrage the 'intermatic.com' domain name constituted a commercial use." *Id.* *See also Teletech Customer Care Management, Inc. v. Tele-Tech Co.*, 977 F. Supp. 1407 (C.D. Cal. 1997) (granting a preliminary injunction under the Trademark Dilution Act for use of a trademark as a domain name).

Toeppen's [**27] reliance on *Holiday Inns, Inc. v. 800 Reservation, Inc.*, 86 F.3d 619 (6th Cir. 1996), cert. denied, 136 L. Ed. 2d 715, 117 S. Ct. 770 (1997) is misplaced. In *Holiday Inns*, the Sixth Circuit held that a company's use of the most commonly misdialed number for Holiday Inns' 1-800 reservation number was not trademark infringement.

Holiday Inns is distinguishable. There, the defendant did not use Holiday Inns' trademark. Rather, the defendant selected the most commonly misdialed telephone number for Holiday Inns and attempted to capitalize on consumer confusion.

A telephone number, moreover, is distinguishable from a domain name because a domain name is associated with a word or phrase. A domain name is similar to a "vanity number" that identifies its source. Using Holiday Inns as an example, when a customer dials the vanity number "1-800-Holiday," she expects to contact Holiday Inns because the number is associated with that company's trademark. A user would have the same expectation typing the domain name HolidayInns.com . The user would expect to retrieve Holiday Inns' web page. n4

n4 *See* Carl Oppedahl, *Analysis and Suggestions Regarding NSI Domain Name Trademark Dispute Policy*, 7 Fordham Intell. Prop. Media & Ent. L.J. 73 (1996). Once the domain name system was established, "nobody would have expected xerox.com to map to anything but the Xerox corporation." *Id.* at 95.

[**28]

Toeppen made a commercial use of Panavision's trademarks. It does not matter that he did not attach the marks to a product. Toeppen's commercial use was his attempt to sell the trademarks themselves. n5 Under the [*1326] Federal Trademark Dilution Act and the California Anti-dilution statute, this was sufficient commercial use.

n5 See *Boston Pro. Hockey Assoc., Inc. v. Dallas Cap & Emblem Mfg., Inc.*, 510 F.2d 1004 (1975), which involved the sale of National Hockey League logos. The defendant was selling the logos themselves, unattached to a product (such as a hat or sweatshirt). The court stated: "The difficulty with this case stems from the fact that a reproduction of the trademark itself is being sold, unattached to any other goods or services." *Id.* at 1010. The court concluded that trademark law should protect the trademark itself. "Although our decision here may slightly tilt the trademark laws from the purpose of protecting the public to the protection of the business interests of plaintiffs, we think that the two become ... intermeshed" *Id.* at 1011. "Whereas traditional trademark law sought primarily to protect consumers, dilution laws place more emphasis on protecting the investment of the trademark owners." *Panavision*, 945 F. Supp. at 1301.

[**29]

2. Dilution

"Dilution" is defined as "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." 15 U.S.C. § 1127. n6

n6 The Lanham Act, 15 U.S.C. § 1127, provides definitions for the Trademark Dilution Act, 15 U.S.C. § 1125(c).

Trademark dilution on the Internet was a matter of Congressional concern. Senator Patrick Leahy (D-Vt.) stated:

It 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.

141 Cong. Rec. § 19312-01 (daily ed. Dec. 29, 1995) (statement of Sen. Leahy). See also *Teletech Customer Care Management, Inc. v. Tele-Tech Co., Inc.*, 977 F. Supp. 1407, 1413 (C.D. Cal. 1997).

To find dilution, a court need not rely on the traditional [**30] definitions such as "blurring" and "tarnishment." n7 Indeed, in concluding that Toeppen's use of Panavision's trademarks diluted the marks, the district court noted that Toeppen's conduct varied from the two standard dilution theories of blurring and tarnishment. *Panavision*, 945 F. Supp. at 1304. The court found that Toeppen's conduct diminished "the capacity of the Panavision marks to identify and distinguish Panavision's goods and services on the Internet." *Id.* See also *Intermatic*, 947 F. Supp. at 1240 (Toeppen's registration of the domain name, "lessens the capacity of Intermatic to identify and distinguish its goods and services by means of the Internet.").

n7 Blurring occurs when a defendant uses a plaintiff's trademark to identify the defendant's goods or services, creating the possibility that the mark will lose its ability to serve as a unique identifier of the plaintiff's product. *Ringling Bros.-Barnum & Bailey, Combined Shows, Inc. v. B.E. Windows, Corp.*, 937 F. Supp. 204, 209 (S.D.N.Y. 1996) (citing *Deere & Co. v. MTD Prods., Inc.*, 41 F.3d 39, 43 (2d. Cir. 1994)); Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition*, § 24:68 at 24-111 (4th ed. 1997); see also *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Div. of Travel Development*, 955 F. Supp. 605, 614-15 (E.D. Va. 1997) (discussing the inadequacies of current definitions of blurring and determining that blurring requires consumers to mistakenly associate a defendant's mark with a plaintiff's famous trademark).

Tarnishment occurs when a famous mark is improperly associated with an inferior or offensive product or service. *McCarthy*, § 24:104 at 24-172 to 173; *Ringling Bros.*, 937 F. Supp. at 209 (citing *Hormel Foods Corp. v. Jim Henson Prods., Inc.*, 73 F.3d 497, 506 (2d. Cir. 1996)).

[**31]

This view is also supported by *Teletech*. There, TeleTech Customer Care Management Inc., ("TCCM"), sought a preliminary injunction against Tele-Tech Company for use of TCCM's registered service mark, "TeleTech," as an Internet domain name. *Teletech*, 977 F. Supp. at 1410. The district court issued an injunction, finding that TCCM had demonstrated a likelihood of success on the merits on its trademark dilution claim. *Id.* at 1412. The court found that TCCM had invested great resources in promoting its servicemark and Teletech's registration of the domain name teletech.com on the

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Internet would most likely dilute TCCM's mark. *Id.* at 1413.

Toeppen argues he is not diluting the capacity of the Panavision marks to identify goods or services. He contends that even though Panavision cannot use Panavision.com and Panaflex.com as its domain name addresses, [*1327] it can still promote its goods and services on the Internet simply by using some other "address" and then creating its own web page using its trademarks.

We reject Toeppen's premise that a domain name is nothing more than an address. A significant purpose of a domain name is to identify the entity that owns the web site. n8 [**32] "A customer who is unsure about a company's domain name will often guess that the domain name is also the company's name." *Cardservice Int'l v. McGee*, 950 F. Supp. 737, 741 (E.D. Va. 1997). "[A] domain name mirroring a corporate name may be a valuable corporate asset, as it facilitates communication with a customer base." *MTV Networks, Inc. v. Curry*, 867 F. Supp. 202, 203-204 n.2 (S.D.N.Y. 1994).

n8 This point was made in a recent legal periodical:

The domain name serves a dual purpose. It marks the location of the site within cyberspace, much like a postal address in the real world, but it may also indicate to users some information as to the content of the site, and, in instances of well-known trade names or trademarks, may provide information as to the origin of the contents of the site.

Peter Brown, *New Issues in Internet Litigation*, 17th Annual Institute on Computer Law: The Evolving Law of the Internet-Commerce, Free Speech, Security, Obscenity and Entertainment, 471 Prac. L. Inst. 151 (1997).

[**33]

Using a company's name or trademark as a domain name is also the easiest way to locate that company's web site. Use of a "search engine" can turn up hundreds of web sites, and there is nothing equivalent to a phone

book or directory assistance for the Internet. *See Cardservice*, 950 F. Supp. at 741.

Moreover, potential customers of Panavision will be discouraged if they cannot find its web page by typing in "Panavision.com," but instead are forced to wade through hundreds of web sites. This dilutes the value of Panavision's trademark. We echo the words of Judge Lechner, quoting Judge Wood: "Prospective users of plaintiff's services who mistakenly access defendant's web site 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." *Jews for Jesus v. Brodsky*, 993 F. Supp. 282, 1998 U.S. Dist. LEXIS 2962, 1998 WL 111676 (D.N.J. 1998) at *22 (Lechner, J., quoting Wood, J. in *Planned Parenthood*, 1997 U.S. Dist. LEXIS 3338, 1997 WL 133313 at *4); *see also Teletech*, 977 F. Supp. at 1410 (finding that use of a search engine can generate as many as 800 to 1000 matches and it is "likely to deter web browsers [**34] from searching for Plaintiff's particular web site").

Toeppen's use of Panavision.com also puts Panavision's name and reputation at his mercy. *See Intermatic*, 947 F. Supp. at 1240 ("If Toeppen were allowed to use 'intermatic.com,' Intermatic's name and reputation would be at Toeppen's mercy and could be associated with an unimaginable amount of messages on Toeppen's web page.").

We conclude that Toeppen's registration of Panavision's trademarks as his domain names on the Internet diluted those marks within the meaning of the Federal Trademark Dilution Act, 15 U.S.C. § 1125(c), and the California Anti-dilution statute, Cal.Bus. & Prof. Code § 14330.

III

CONCLUSION

Toeppen engaged in a scheme to register Panavision's trademarks as his domain names on the Internet and then to extort money from Panavision by trading on the value of those names. . . .

We [] affirm the district court's summary judgment in favor of Panavision under the Federal Trademark Dilution Act, 15 U.S.C. § 1125(c), and the California [**35] Anti-dilution statute, Cal.Bus. & Prof. Code § 14330. Toeppen made commercial use of Panavision's trademarks and his conduct diluted those marks.

AFFIRMED.