

US trademark law used against 'cyberpirate'

A recent decision from the US Court of Appeals for the Ninth Circuit in *Panavision International, L.P. v. Toeppen* made two significant contributions to the developing body of Internet related law.

First, the court held that personal jurisdiction over the defendant was proper, based on defendant's almost exclusively electronic contacts with the forum.

Further, the court held that defendant's scheme to register plaintiff's trademarks as domain names for the purpose of selling them constituted "commercial use" under the Federal Trademark Dilution Act of 1995 ("FTDA") and that such a scheme diluted plaintiff's marks.

Defendant Toeppen is well-known in the U.S as a "cyberpirate" for his domain name registration of others' trademarks. Here, he registered Panavision's federally registered PANAVISION mark, used to identify television and motion picture camera equipment, as the domain name "panavision.com." Toeppen's panavision.com Web site exhibited aerial photographs of Pana, Illinois.

When Panavision protested this use of its mark, Toeppen offered to sell the domain name for \$13,000. Panavision rejected his offer. Shortly thereafter, he registered another Panavision mark, PANAFLEX, as the domain name "panaflex.com". Panavision sued Toeppen for federal and state trademark infringement and dilution and unfair competition.

The district court first found that personal jurisdiction over Toeppen, an Illinois resident, was proper. It later granted Panavision's summary judgment motion on its federal and state trademark dilution claims. Toeppen appealed.

The court of appeals applied the "effects test", which is limited to tort actions, in affirming the district court's finding of personal jurisdiction.

Because Toeppen registered the domain names so he could sell them to Panavision, he intended this act to have a harmful effect in California, Panavision's principal place of business. By engaging in such a scheme, Toeppen took action directed at California. Furthermore, the court concluded that Panavision's claim arose out of Toeppen's activities because his domain name registrations led to Panavision's claim of trademark dilution. Finally, Toeppen provided no evidence that the court's exercise of jurisdiction would be unreasonable.

The FTDA is a recent amendment to the Lanham Act, the federal statute that previously prohibited only trademark infringement and false advertising. It protects "famous marks" from uses that, although not likely to cause consumer confusion, weaken or dilute that mark's distinctive quality. Traditionally dilution took one of two forms - "blurring" or "tarnishment." A blurring use weakens the famous mark's ability to identify specific goods and services (e.g. TIFFANY for delicatessens); tarnishment occurs when a mark's otherwise

positive reputation is tarnished through use in a disparaging, embarrassing, negative or unsavory manner (e.g. "Enjoy Cocaine", using Coca-Cola's registered design.)

The FTDA does not apply to fair use of a famous mark in comparative advertising or promotion, noncommercial uses of a mark, and all forms of news reporting and commentary.

On appeal, Toeppen challenged only the district court's finding that his domain name registrations were commercial uses of Panavision's marks and that they diluted these marks. Significantly, the court of appeals acknowledged that the marks' use in domain names, standing alone, was not a commercial use within the scope of the FTDA. Nonetheless, Toeppen's scheme to profit by registering domain names identical to Panavision's trademarks constituted a commercial use of the marks.

Turning to the dilution analysis, the court of appeals endorsed the district court's observation that dilution can occur independently of the traditional theories of blurring and tarnishment. The district court premised its dilution finding on the statutory definition of dilution as "the lessening of the capacity of a famous mark to identify and distinguish goods or services...."

Toeppen's domain name registrations prevented Panavision from using its marks as domain names, which lessened their capacity to identify goods or services on the Internet. Although Toeppen argued that Panavision could have selected other domain names linked to a Web page bearing its marks, the court pointed to the common corporate practice of registering domain names identical to corporate trademarks and growing consumer reliance on this practice in locating Web sites. Consumers unable to locate Panavision's web site using its marks will become "discouraged" if they must rely on Internet searches, which dilutes the value of Panavision's marks. Finally, the court also noted that Toeppen's use and ownership of the "panavision.com" domain name could potentially tarnish Panavision's PANAVISION mark.

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