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Avery Dennison Corp. v. Sumpton 189 F.3d 868 (9th Cir. 1999)

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AVERY DENNISON CORP. V. SUMPTON

189 F.3d 868 (9th Cir. 1999)

INTRODUCTION

Appellant-Defendants, Jerry Sumpton and Freeview Listings Ltd., appealed an injunction granted by the United States District Court for the Central District of California in favor of plaintiff-appellee, Avery Dennison Corp. ("Avery"), after summary judgment for Avery on its claims of trademark dilution under the Federal Trademark Dilution Act[1] and the California dilution statute[2].[3] The case marked the third major decision issued by the Ninth Circuit Court of Appeals applying trademark law to the Internet since late 1998.[4] The court held that Avery failed to create a genuine issue of fact on its dilution actions and reversed and remanded the case to the District Court with instructions to enter summary judgment for appellants.[5]

FACTS

Jerry Sumpton is the president of Freeview, an Internet e-mail provider doing business as "Mailbank," which offers "vanity" e-mail addresses to users for a fee.[6] Sumpton registered thousands of domain-name combinations and made available catalogs of e-mail addresses, including an archive of common surnames followed by

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1 15 U.S.C. § 1125(c)

2 Cal. Bus. & Prof. Code § 14330 (West 1987)

3 Avery Dennison Corp. v. Sumpton, 999 F. Supp. 1337 (C.D. Cal. 1998)

4 Avery Dennison Corp. v. Sumpton, 189 F.3d 868, 871 (9th Cir. 1999). The Ninth Circuit Court of Appeals previously had decided Brookfield Communications, Inc. v. West Coast Entertainment Corp., 174 F.3d 1036 (9th Cir. 1999), and Panavision Int'l, L.P., v. Toeppen, 141 F.3d 1316 (9th Cir. 1998).

5 *Avery*, 189 F.3d at 874.

6 *Id.*

the top-level domain.net.[7] Mailbank's surname archive included the domain-name combinations avery.net and dennison.net.[8]

Avery sells office products under the trademark "Avery," which has been in continuous use since the 1930s and registered since 1963, and industrial fasteners under the trademark "Dennison," which has been in continuous use since the late 1800s and registered since 1908.[9] Avery spends more than $5 million advertising all of its trademarks, including the "Avery" and "Dennison" marks, and realizes approximately $3 billion in product sales each year.[10] Avery maintains registrations for several domain-name combinations, all using the top-level domain .com, including avery.com and averydennison.com.[11]

Avery sued Sumpton and Freeview, alleging trademark dilution, and Network Solutions, Inc. ("NSI"), alleging contributory dilution and contributory infringement.[12] The district judge granted summary judgment to NSI and against Avery.[13] As to Sumpton, the district judge found that the disputed trademarks were famous as a matter of law and granted summary judgment to Avery on its dilution claim and entered an injunction requiring Sumpton to transfer the registrations avery.net and dennison.net to Avery.[14] Sumpton filed a timely appeal.

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7 *Avery*, 189 F.3d at 872. Avery also offered addresses which represented hobbies, careers, pets, sports interests, as well as categories such as "rude" and "business" which included some common trademark addresses with the top-level domain .com. *Id.*

8 *Id.*

9 *Id.*

10 *Id.* The evidence did not indicate what percentage of advertising costs and sales revenues were attributable to the "Avery" and "Dennison" marks individually.

11 *Id.*

12 *Avery*, 189 F.3d at 873.

13 *Id.*

14 *Id.*

LEGAL ANALYSIS

A. Burden Of Proof And Standard Of Review

The standard of review of a district court's grant of a permanent injunction is de novo.[15] To determine the legality of the injunction, the court considered de novo the underlying grant of summary judgment to Avery and denial of summary judgment to Sumpton.[16] "Viewing the evidence in the light most favorable to the non-moving party, summary judgment is appropriate if no genuine issues of material fact exist and the moving party is entitled to judgment as a matter of law."[17]

Enacted in 1995, the Federal Trademark Dilution Act is a fairly recent development at the federal level reflecting many long-recognized state causes of action for trademark dilution. Traditionally, federal law provided protection only against infringement of a registered trademark and unfair competition.[18] Unlike infringement and unfair competition laws, competition between the parties and a likelihood of confusion are irrelevant in the dilution context.[19] Pursuant to the Federal Trademark Dilution Act, the court analyzed the case under the statute's enumerated factors.[20] First, the court considered whether Avery's marks were famous. Second, the court considered whether Sumpton made commercial use of Avery's marks. Third, the court considered whether defendant's use presented a likelihood of dilution of the distinctive value of Avery's marks. Similarly, under California law, the court considered whether Avery could demonstrate a likelihood of dilution of the distinctive quality of its marks, notwithstanding the absence of competition between the parties and lack of confusion as to the source of the goods.[21]

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15 *Id.*
16 *Id.*
17 *Avery*, 189 F.3d at 874.
18 *Avery*, 189 F.3d at 873.
19 *Id.*
20 *Id. See* 15 U.S.C. § 1125(c)(1).
21 *Id. See* Cal. Bus. & Prof. Code § 14330.

B. Famousness

The first consideration for the court was determining whether the "Avery" and "Dennison" marks were famous. Dilution is a cause of action meant to protect a small, exclusive class of trademarks that possess, "such powerful consumer associations that even non-competing uses can impinge on their value."[22] Quite unlike infringement and unfair competition, plaintiff in a dilution action must demonstrate more than the mere inherent or acquired distinctiveness of its trademark. The trademark must be "truly prominent and renowned."[23] From a policy standpoint, such careful selection by courts of which trademarks are eligible for dilution protection minimizes undue impact on other uses.[24] This notion was confirmed by the Trademark Review Commission of the United States Trademark Association which stated, "we believe that a limited category of trademarks, those which are truly famous and registered, are deserving of national protection from dilution."[25]

The Federal Trademark Dilution Act lists eight non-exclusive considerations to determine whether a trademark is famous:

> (1) the degree of inherent or acquired distinctiveness of the mark;
> (2) the duration and extent of use of the mark in connection with the goods or services with which the mark is used;
> (3) the duration and extent of advertising and publicity of the mark;
> (4) the geographical extent of the trading in which the mark is used;
> (5) the channels of trade for the goods or services with which the mark is used;

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22 *Id.*
23 *Avery*, 189 F.3d at 875.
24 *Id.*
25 *Id.*

> (6) 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;
> (7) the nature and extent of use of the same or similar marks by third parties; and
> (8) whether the mark was registered . . . on the principal register.[26]

The court acknowledged "an overlap" between the above statutory factors and those considerations used establish a trademark's acquired distinctiveness.[27] The court, however, employed a higher standard to determine the famousness of the "Avery" and "Dennison" marks. In order for the "Avery" and "Dennison" trademarks to be diluted, the court asked whether the marks had "a degree of distinctiveness and strength beyond that needed to serve as a trademark."[28] To answer this inquiry, the court analyzed three statutory factors: distinctiveness, overlapping channels of trade and use of the marks by third parties.

1. Distinctiveness

The court first considered the inherent or acquired distinctiveness of Avery's marks. Both "Avery" and "Dennison" are surnames. Under the Lanham Act, marks that are surnames may not be protected unless they acquire secondary meanings thereby making them distinctive.[29] The drafters of the Federal Trademark Dilution Act added similar protections for surnames.[30]

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26 *Id. See* 15 U.S.C. § 1125(c)(1).

27 *Avery*, 189 F.3d at 876. Those factors include (1) whether actual purchasers associate the mark with plaintiff; (2) the degree and manner of plaintiff's advertising; (3) the length and manner of plaintiff's use of the mark; and (4) whether plaintiff's use of the mark has been exclusive.

28 *Avery*, 189 F.3d at 876.

29 *Id. See* 15 U.S.C. § 1052(e)(4), (f) (1994).

30 Avery, 189 F.3d at 877. The Senate Judiciary Committee stated "The committee intended to give special protection to an individual's ability to use his or her own name in good faith." *Id.*

Thus, the court concluded the Federal Trademark Dilution Act required that Avery satisfy, at a minimum, the secondary-meaning requirement for registration of surnames.[31]

The court found that Avery's registration of both "Avery" and "Dennison" provided prima facie evidence that the marks have achieved a secondary meaning.[32] Consequently, the court rejected appellant's argument that the Federal Trademark Dilution Act required inherent, rather than merely acquired distinctiveness.[33] However, under the increased standard applied by the court, mere distinctiveness was not sufficient. More than distinctiveness, the court required Avery to demonstrate its marks also were famous.[34] Since Avery could not demonstrate more than mere distinctiveness, the court held Avery failed to meet this consideration of the famousness analysis.[35]

2. Overlapping Channels Of Trade

The court next examined the fifth and sixth factors of the famousness inquiry: Avery's channels of trade and the marks' degree of recognition in those channels shared by Avery and Sumpton. The court did not require Avery's marks to be nationally famous, but only that they achieved fame in a localized trading area and market segment shared by Sumpton.[36] Here, appellants' customer base was Internet users seeking vanity e-mail addresses while Avery marketed its products to purchasers of office products and industrial fasteners.[37] The court found no indication in the record that "Avery" or "Dennison" were recognized amongst Internet users nor that appellants marketed their e-mail services to

31 *Id.*
32 *Id.*
33 *Id.*
34 *Id.*
35 *Id.*
36 *Avery*, 189 F.3d at 877.
37 *Id.*

Avery's customer base.[38] Therefore, the court held these considerations supported appellants.[39]

3. Use Of "Avery" and "Dennison" By Third Parties

The court next considered the nature and extent of use of Avery's trademarks by third parties.[40] The court found that third parties commonly used "Avery" and "Dennison", both on and off the Internet.[41] According to the court, "when a mark is in widespread use, it may not be famous for the goods or services of one business."[42] Consequently, the court found it unlikely either mark could be considered a famous mark eligible for dilution protection.[43]

4. Other Relevant Factors

Finally, the court evaluated the remaining statutory factors. The court found Avery had used the trademarks for many years, spent substantial money advertising the marks and marketed "Avery" and "Dennison" products internationally.[44] While those factors supported Avery, the court held they did not establish the trademarks as famous.[45]

In support of its argument, Avery submitted three market research studies that evaluated public perceptions of the "Avery" and "Avery Dennison" brands. The court however, characterized the studies as "flawed" since the survey groups included consumers already familiar with Avery products or users or

38 *Id.*

39 *Id.*

40 *Avery*, 189 F.3d at 878.

41 *Id.* The record included both a list of businesses with "Avery" in their names which market products on the internet and a list of business names including "Avery," which represented a sample of over 800 such businesses. Similarly, identical types of lists were provided for "Dennison," which represented a sample of 200 such businesses. *Id.*

42 *Id.*.

43 *Id.*

44 *Avery*, 189 F.3d at 878-79.

45 *Avery*, 189 F.3d at 879.

purchasers of office products.[46] The court found the reports shed no light upon the key inquiry, whether consumers in general have any brand association with Avery's trademarks.[47]

C. Commercial Use

The court next analyzed whether Sumpton's registration of avery.net and dennison.net constituted commercial use. Under the Federal Trademark Dilution Act, the defendant must use the trademark as a trademark, "capitalizing on its trademark status."[48] The court found Sumpton neither intended to usurp the value of the marks as marks nor sold the trademarks themselves.[49] Rather, Sumpton used avery.net and dennison.net for their non-trademark value, as popular surnames for vanity e-mail accounts.[50] Thus, the court held Sumpton did not use avery and dennison as trademarks as required by the caselaw addressing commercial use and mandated summary judgment in favor of Sumpton.[51]

D. Dilution or Likelihood Of Dilution

Finally, the court considered whether Sumpton's use of avery.net and dennison.net caused dilution or a likelihood of dilution under the Federal Trademark Dilution Act and California Business and Professional Code § 14330. Avery asserted two theories of dilution. First, Avery argued Sumpton's conduct constituted cybersquatting dilution.[52] Second, Avery argued Sumpton tarnished the "Avery" and "Dennison" marks by offering them alongside

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46 *Id.*
47 *Id.*
48 *Avery*, 189 F.3d at 880.
49 *Id.*
50 *Id.*
51 *Id.*
52 *Avery*, 189 F.3d at 880. Cybersquatting dilution previously was recognized by the Ninth Circuit Court of Appeals in Panavision, 141 F.2d at 1326-27.

lewd second-level domain names.[53] The court examined each in turn.

1. Cybersquatting

The court first considered whether Sumpton's use of avery.net and dennison.net constituted cybersquatting dilution. Cybersquatting dilution is "the diminishment of the capacity of plaintiff's marks to identify and distinguish plaintiff's goods and services on the internet."[54] Dilution occurs because plaintiff's prospective customers may refuse to search for plaintiff's website after a failed attempt under the mistaken belief that plaintiff's website does not exist.[55] In this case, however, the court distinguished between the .net registrations of avery and dennison and the more common commercial first-level domain designation .com. As .net applies to networks and .com applies to commercial entities, the court concluded a factfinder could infer that dilution did not occur because Sumpton registered the marks under avery.net and dennison.net rather than avery.com and dennison.com.[56] Therefore, the court held that those genuine issues of fact precluded summary judgment in favor of Avery.[57]

2. Tarnishment

The court next considered whether Sumpton's use of the "Avery" and "Dennison" marks constituted tarnishment. Tarnishment occurs, "when a defendant's use of a mark similar to a plaintiff's presents a danger that consumers will form unfavorable associations with the mark.[58] Avery argued that housing avery.net and dennison.net with lewd domain-name registrations created a

53 *Id.*

54 *Avery*, 189 F.3d at 880. For example, a potential customer may assume that trademark.com corresponds to the company website which owns trademark and sometimes may be misled. *Id.*

55 *Id.*

56 *Avery*, 189 F.3d at 881.

57 *Id.*

58 *Avery*, 189 F.3d at 881.

danger of tarnishing Avery's marks.[59] However, the court also noted that moving between avery.net or dennison.net and lewd domain-name registrations required a user to link through Sumpton's homepage, thereby reducing the association between the Sumpton's lewd registrations and Avery's marks.[60] Regardless, the argument was moot as the court held the danger of tarnishment could not be decided on summary judgment and did not support the district court's ruling.[61]

CONCLUSION

The Court of Appeals reversed the district courts ruling that Avery's trademarks were famous, constituted commercial use and caused dilution under the Federal Trademark Dilution Act and parallel California Business and Professional Code § 14330.[62] As Avery failed to meet its burden under the either statute, the court remanded the case to the district court with instructions for entry of summary judgment for the appellants.[63]

Erik Kantz

59 *Id.*
60 *Id.*
61 *Id.*
62 *Avery*, 189 F.3d at 881-82.
63 *Id.*