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NISSAN MOTOR CO. V. NISSAN COMPUTER CORP.: THE POINT AT WHICH FAME IS DETERMINED UNDER THE FEDERAL TRADEMARK DILUTION ACT

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In August 2004, the Ninth Circuit held that under the Federal Trademark Dilution Act[1] ("FTDA") the first commercial use of a mark in commerce by a defendant fixes the time for measuring the fame of a plaintiff's mark.[2]

In 1996, Congress passed the FTDA.[3] It affords a markholder protection against the "whittling away of the value of a trademark when it's used to identify different products."[4] In the context of a scheme intended to protect the public from being deceived,[5] the FTDA protects the owner's investment in his mark.[6] Essentially

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1. 15 U.S.C. § 1125(c) (2004).
2. Nissan Motor Co. v. Nissan Computer Corp., 378 F.3d 1002 (9th Cir. 2004).
3. *Id.* at 1009.
4. *Id.* at 1011.
5. Zippo Mfg. Co. v. Rogers Imports, Inc., 216 F. Supp. 670, 694 (S.D.N.Y. 1963) (stating that the basic policy behind the law of unfair competition is to protect the public from being deceived).
6. *Nissan Motor Co.*, 378 F.3d at 1012.

creating a "right in gross,"[7] it is not surprising that the FTDA has been the subject of controversy.[8]

In *Nissan Motor Co. v. Nissan Computer Corp.*, Nissan Motor Company ("Nissan Motor") brought suit against Nissan Computer Corporation ("Nissan Computer") alleging, among other things, dilution under the FTDA.[9]

Nissan Motor manufactures and sells automotive products. Initially registering its mark in 1959, Nissan Motor had been marketing its vehicles under "Nissan" since 1983.[10] In fact, between the years 1985 to 1991, Nissan Motor expended $898 million in advertising and promotion.[11]

Nissan Computer is owned by Uzi Nissan.[12] Since 1980, Mr. Nissan has used his name in connection with goods and services.[13] In 1991, Mr. Nissan established Nissan Computer Corporation.[14] In 1994, he registered the Internet domain www.nissan.com to advertise computer related goods and services.[15]

In 1995, Nissan Motor expressed to Nissan Computer "great concern" about its use of the *Nissan* domain name.[16] In October 1999, Nissan Motor offered to purchase the domain.[17] After negotiations failed, Nissan Motor brought suit.[18]

The District Court resolved the matter on summary judgment.[19] It concluded, among other things, that Nissan Motor was entitled to injunctive relief under the FTDA.[20] Specifically, it found that in 1994, when Nissan Motor was already a famous mark, Nissan Computer's use diluted the *Nissan* mark.[21] Both parties appealed.[22]

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7. *Id.* at 1011.

8. *See, e.g.*, Moseley v. V Secret Catalogue, Inc., 537 U.S. 418 (2003) (requiring actual dilution for an FTDA claim to succeed).

9. *Nissan Motor Co.*, 378 F.3d at 1006.

10. *Id.* at 1007.

11. *Id.* at 1014.

12. *Id.* at 1007.

13. Mr. Nissan offered automobile repair services under "Nissan Foreign Car Mobile Repair Service" and later operated an import/export business under "Nissan International, Ltd." *Id.*

14. *Id.*

15. *Nissan Motor Co.*, 378 F.3d at 1007.

16. *Id.*

17. *Id.* at 1008.

18. *Id.*

19. *Id.* at 1008.

20. *Id.*

21. *Nissan Motor Co.*, 378 F.3d at 1008–09.

Upon review, the Ninth Circuit explained that under the FTDA, injunctive relief is available upon a showing that:

- The mark is famous;
- The defendant is making commercial use of the mark in commerce; *and*
- The defendant's use began after the plaintiff's mark became famous.[23]

The Ninth Circuit went on to join the 2nd, 5th, and 8th circuits in holding that the FTDA is not retroactive because it only authorizes prospective relief.[24]

The main focus of the Ninth Circuit's review was the FTDA "grandfathering clause," which requires the fame of the plaintiff's mark to pre-date the defendant's use.[25] Such provision sets forth:

> 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, if ***such use*** begins after the mark has become famous and causes dilution of the distinctive quality of the mark . . . .[26]

The Ninth Circuit found error in the Lower Court's interpretation of the phrase "***such use***" as referring to Nissan Computer's 1994 registration of the "Nissan" domain.[27] Specifically, it explained that the phrase "***such use***" refers to a use that, assuming it occurs after another's mark has become famous, would arguably dilute the mark.[28] It further stated that, given the broad scope of protection afforded by the FTDA,[29] this refers to ***any*** commercial use of a famous mark.[30] As such, ". . .any commercial use of a famous mark in commerce is arguably a diluting use that fixes the time by which famousness is to

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22. *Id.* at 1009.

23. *Id.* at 1010. It is worth noting that "famous" is an exceedingly high standard reserved to "those marks with such powerful consumer associations that even non-competing uses can impinge on their value." *Id.* at 1011 (quoting Avery Dennison Corp. v. Sumpton, 189 F.3d 868, 875 (9th Cir. 1999)).

24. *Id.* at 1009–10. This, however, appears to be inconsistent with 15 U.S.C. § 1125(c)(2) which provides, in the presence of intentional conduct, for disgorgement of a defendant's profits, compensation of a plaintiff's damages, and costs of the suit.

25. *Id.* at 1010.

26. *Nissan Motor Co.*, 378 F.3d at 1010 (quoting 15 U.S.C. § 1125(c)(1) (emphasis added)).

27. *Id.* at 1010–11, 1013.

28. *Id.*

29. The FTDA affords protection in the absence of competition between the markholder and the other parties or a likelihood of confusion, mistake, or deception. *Id.* at 1011.

30. *Id.* at 1013.

be measured."[31]

Applying this standard, the Ninth Circuit found that Nissan Computer's incorporation and use of *Nissan* to sell computers in 1991[32] was its first use of the mark in commerce, thereby setting this date as the point at which to measure Nissan Motor's degree of fame.[33] Because triable issues of material fact existed as to the fame of Nissan Motor's mark as of 1991, the Ninth Circuit remanded the case.[34]

In reaching its holding, the Ninth Circuit expressly rejected the proposition that the fame of the *Nissan* mark should be measured as of 1994, when Nissan Computer registered the *Nissan* domain.[35] Specifically, it explained that fame is measured by the first arguably diluting use, and not by the first use that a plaintiff finds objectionable.[36] It further stated that, although it was not until 1994 that Nissan Computer used the mark by itself, dilution may occur even in the presence of other identifiers.[37]

By setting the measuring date at the first use, rather than the first objectionable use, the Ninth Circuit's holding will likely cause companies with famous marks to more aggressively pursue dilution claims. Specifically, the failure to prosecute can result in mark abandonment.[38] With the first commercial use of a mark in commerce being construed as "arguably dilutive," a markholder risks abandonment for failure to promptly prosecute a dilution claim.

Further, failure to prosecute may also subject a markholder to the defense of laches. Specifically, a defendant who is prejudiced by a plaintiff's delay in bringing suit may assert the defense of laches.[39] In cases of continuing acts, such as the unauthorized use of a mark, this delay is measured from when the defendant first begins the challenged conduct.[40] With a defendant's first commercial use of a mark in commerce being the measuring point for fame, the use may

31. *Id.*

32. The Ninth Circuit stated, however, that upon remand, the Lower Court could find that one of Uzi Nissan's earlier uses of the mark is the point at which to measure fame. *Id.* at 1011.

33. *Nissan Motor Co.*, 378 F.3d at 1020.

34. *Id.* at 1014–15.

35. *Id.* at 1010, 1012–13.

36. *Id.* at 1012.

37. *Id.* at 1007, 1012.

38. 15 U.S.C. § 1127 (2004) ("A mark shall be deemed to be 'abandoned' . . . [w]hen any course of conduct of the owner, including acts of ***omission*** as well as commission, causes the mark to . . . lose its significance . . . ." (emphasis added)).

39. *See* Clamp Mfg. Co. v. Enco Mfg. Co., 870 F.2d 512 (9th Cir. 1989).

40. Jarrow Formulas, Inc. v. Nutrition Now, Inc., 304 F.3d 829 (9th Cir. 2002).

also be deemed when the defendant's conduct began, thereby commencing the period for laches. Accordingly, a markholder who fails to promptly bring suit risks having such a defense asserted against him.

The added pressures to promptly bring suit, however, place upon a markholder the difficult task of bringing its case after "actual dilution"[41] has occurred, but before delay in prosecution has compromised its rights. Further, marginally famous marks may, at the time of the measuring date, be left without protection. Thus, the Ninth Circuit's holding makes an already difficult case even more difficult.

41. Moseley v. V Secret Catalogue, Inc., 537 U.S. 418 (2003) (requiring actual dilution for an FTDA claim).

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