

PANAVISION INTERNATIONAL, L.P. v. TOEPPEN

By Ughetta Manzone

"It['s] ... like a gold rush: Two thousand requests a month are coming in to stake claim to a name on the Internet, nearly 10 times as many as a year ago."¹ The Internet is a network of approximately 15,000 computers consisting of distinct web sites, each of which has its own numerical and corresponding alphanumeric address, commonly known as a domain name.² As a result of this rush to claim domain names on the Internet, the assignment of Internet domain names has resurrected debates over the allocation of property rights. Businesses have a particular interest in having easily identifiable domain names. "[A] domain name mirroring a corporate name may be a valuable corporate asset, as it facilitates communication with a customer base."³ The use of domain names to facilitate advertising and sales is already well-documented.⁴ As a result of the structure of the Internet, and the potential for profit from its use, both the assignment of domain names and, more specifically, the use of trademarks as domain names are increasingly important issues.

The assignment of domain names has been structured on a first-come, first-served basis. *Panavision International, L.P. v. Toeppen*⁵ illustrates some of the difficulties that arise as a result of applying this first-come, first-served approach in the context of the Internet. *Panavision* raises three issues that will be addressed in this comment. First, how should property rights regarding Internet domain names be assigned? Second, can the established trademark dilution analysis be applied to domain name disputes involving famous trademarks on the Internet? And third, did the

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1. James W. Marcovitz, *Ronald@McDonalds.com—“Owning a Bitchin’” Corporate Trademark as an Internet Address—Infringement?*, 17 CARDOZO L. REV. 85, 85 (1995) (quoting Joshua Quittner, *Making a Name on the Internet*, NEWSDAY, Oct. 7, 1994, at A4).

2. See generally *ACLU v. Reno*, 929 F. Supp. 824, 830-48 (E.D. Pa. 1996), *aff'd*, 117 S. Ct. 2329 (1997).

3. See *MTV Networks v. Curry*, 867 F. Supp. 202, 203-04 n.2 (S.D.N.Y. 1994).

4. See, e.g., *Inset Systems, Inc. v. Instruction Set, Inc.*, 937 F. Supp. 161, 162-63 (D. Conn. 1996) (advertising computer technology and support services); *Zippo Mfg. Co. v. Zippo Dot Com, Inc.*, 952 F. Supp. 1119, 1121 (W.D. Pa. 1997) (selling a news service); *Amazon.com* (visited Jan. 15, 1998) <<http://www.amazon.com/>> (selling more book titles than other book stores).

5. 945 F. Supp. 1296 (C.D. Cal. 1996).

court correctly apply the dilution law in this case? Before discussing these issues, this comment will provide a description of the case as well as a discussion of dilution law.

I. CASE SUMMARY

In order to understand the conflict at issue in *Panavision*, it is first necessary to identify the parties and their respective roles. Panavision International (Panavision) is a limited partnership that produces film and television equipment.⁶ Panavision owns the federally registered trademarks "panavision" and "panaflex."⁷ In December of 1995, Dennis Toeppen registered the domain names "panavision.com" and subsequently "panaflex.com" with Network Solutions, Inc. (NSI).⁸ He had not been authorized by Panavision to use either of the trademarks.⁹ Toeppen has, in fact, registered over 200 domain names incorporating others' trademarks.¹⁰

NSI was a co-defendant in this case due to its role as the assignor of Internet domain names.¹¹ NSI's registration procedure entails asking applicants to confirm: (1) that the applicant has the authority to use the proposed name; (2) that use of such name will not interfere with any third party rights, including trademark rights; and (3) that he or she does not seek to use the domain name for any unlawful purpose.¹² NSI does not, however, verify an applicant's claims.¹³

6. See *id.* at 1298-99.

7. See *id.* at 1298.

8. See *id.* at 1300.

9. See *id.*

10. Some of the many Internet domain names that Toeppen registered with NSI include: aircanada.com, anaheimstadium.com, arriflex.com, australiaopen.com, camdenyards.com, deltaairlines.com, eddiebauer.com, flydelta.com, frenchopen.com, lufthansa.com, neiman-marcus.com, northwestairlines.com, and yankeestadium.com. See *id.*

11. NSI administers its domain name registration services under an exclusive agreement with the National Science Foundation. See *NSF Cooperative Agreement Table of Contents* (last modified July 28, 1997) <<http://rs.internic.net/nsf/agreement/>>. This cooperative agreement took effect in January 1993. See *id.*

12. See *Panavision*, 945 F. Supp. at 1299-1300.

13. See *id.* In *Panavision*, NSI was not involved in the summary judgment motions. See *id.* In a subsequent motion, the court granted summary judgment to NSI on Panavision's claim for negligent interference with prospective economic advantage. See *Panavision Int'l, L.P. v. Toeppen*, 41 U.S.P.Q.2d (BNA) 1310, 1314 (C.D. Cal. 1996). No published *Panavision* opinion discusses possible federal and state trademark claims against NSI. However, another court had held that NSI is not liable for direct nor con-

After registering the domain names, Toeppen established two web sites.¹⁴ Under the domain name "panavision.com," Toeppen's site consisted of an aerial picture of Pana, Illinois.¹⁵ Under the domain name "panaflex.com," Toeppen's web site simply contained the word "hello."¹⁶ Panavision subsequently decided to establish its own web site for advertising and selling its products, and it wanted to use the domain name "panavision.com."¹⁷ Upon finding that Toeppen had already registered that exact domain name, Panavision contacted Toeppen, asking him to relinquish his ownership of the domain name.¹⁸ Toeppen demanded \$13,000 in exchange for cessation of the use of the domain name.¹⁹ Panavision then filed this suit claiming that Toeppen was diluting its trademarks by using them for his domain names.²⁰

II. THE DISTRICT COURT'S APPROACH AND HOLDINGS

The district court framed the dilution issue as whether "the defendant violated federal ... law by intentionally registering the plaintiff's trademarks as his Internet domain names for the purpose of exacting payment from the plaintiff in exchange for the termination of the registrations of the domain names."²¹ The court then broke this issue into three components according to the Federal Trademark Dilution Act of 1995 (Dilution Act) that added section 43(c) to the Lanham Act.²² In order to extend protection from dilution to Panavision's marks, the court had to answer the following three questions affirmatively: (1) Is the "panavision" trademark famous?; (2) Is Toeppen's use of the "panavision" trademark a commer-

tributory infringement based upon its registration procedures. See Lockheed Martin Corp. v. Network Solutions, Inc., 44 U.S.P.Q.2d (BNA) 1865 (C. D. Cal. 1997).

14. See *Panavision*, 945 F. Supp. at 1300.

15. See *id.*

16. See *id.*

17. See *id.*

18. See *id.*

19. See *id.*

20. See *id.*

21. See *id.* at 1298. Panavision also invoked California trademark law, however, the court held that California trademark law is substantially similar to federal law and proceeded to consider only federal law. See *id.* at 1301 n.1.

22. Section 43(c) of the Lanham Act provides that "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 qualities of the mark" 15 U.S.C.A. § 1125(c)(1) (1996).

cial use?; and (3) Did Toeppen's use of "panavision" as a domain name actually dilute the trademark?

On the basis of several of the eight non-exclusive factors set forth in the Dilution Act, the district court held that the "panavision" trademark was famous.²³ The court noted that Panavision had continuously used the mark since 1954.²⁴ Panavision's extensive advertising included a display of the "panavision" trademark at the end of every movie that used its filming products.²⁵ The court also relied on the fact that "panavision" is not a word found in the dictionary, indicating that it was an inventive word meriting stronger protection.²⁶ Even if "panavision" were a descriptive mark, defined as a word, picture, or symbol that directly describes an aspect of the good, the mark would be protectable because it had a strongly established secondary meaning as affiliated with photographic equipment.²⁷

The district court next held that Toeppen's use of the marks was a commercial use.²⁸ The court considered, but rejected, the possibility that Toeppen's use of Panavision's trademarks fell under one of the fair use exceptions contained in the Dilution Act.²⁹ The fair use defenses to dilution include uses for non-commercial purposes, comparative commercial advertising, or a newsworthy commentary.³⁰ Toeppen was neither trying to sell a comparable product in the film making industry nor was he at-

23. The Dilution Act lists eight non-exclusive factors for courts to consider in determining whether the mark is famous:

- (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 the use of the same or similar marks by third parties;
- (H) whether the mark was registered under [federal law].

15 U.S.C.A. § 1125(c)(1) (1996).

24. See *Panavision*, 945 F. Supp. at 1303.

25. See *id.*

26. See *id.*; THOMAS McCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 11.24[1] (4th ed. 1997) (stating that the more unique and distinctive the mark, the greater its impression on the public's consciousness thus meriting more extensive protection).

27. See *Panavision*, 945 F. Supp. at 1303.

28. See *id.*

29. See *id.*

30. See 15 U.S.C.A. § 1125(c)(4) (1996).

tempting to distribute news about Panavision to the public. The court asserted that if Toeppen had simply registered the domain names but not demanded any money for their use, his actions would not have been considered commercial.³¹ Instead, according to the court, Toeppen's "business" was the registration of this and other domain names with the intent of selling them to the trademark owners who wanted to use them as their own domain names.³²

Finally, the district court held that Toeppen's use of "panavision.com" actually diluted Panavision's federally registered "panavision" trademark. However, the court did not reach this conclusion through traditional trademark dilution analysis. The two established categories of trademark dilution are blurring and tarnishment.³³ Blurring occurs when a mark's selling power and value is "whittled" away by some unauthorized use of the mark.³⁴ Tarnishment occurs when there is no connection between the two products but the second user of the trademark has attached it to a product of lesser quality or of dubious background thus detracting from the good name and reputation of the first user's product.³⁵

Courts have begun to recognize that trademarks may be protected from other types of dilution besides blurring or tarnishment. In *Deere & Co. v. MTD Products*,³⁶ the court pointed out that tarnishment and blurring do not represent the full range of uses that dilute a mark. In order to determine whether dilution has occurred, the court must consider the nature of the alteration. In this case, the court determined that dilution occurred because Panavision lost the only possible channel for it to use its well-known trademark to reach its customer base on the Internet when Toeppen usurped the domain name. At the same time, consumers who might seek out information about Panavision were harmed by the fact that they would instead find either an aerial picture of Pana, Illinois or the greeting "hello."

31. See *Panavision*, 945 F. Supp. at 1303.

32. See *id.* at 1300.

33. See *id.* at 1304.

34. See *Mead Data Central, Inc. v. Toyota Motor Sales, USA, Inc.*, 875 F.2d 1026 (2d Cir. 1989). The court defined blurring as the "whittling away of an established trademark's selling power through its unauthorized use by others upon dissimilar products" and provided as examples of this practice, "DuPont shoes," "Buick aspirin," and "Kodak pianos." See *id.* at 1031.

35. See generally *Hasbro, Inc. v. Internet Entertainment Group, Ltd.*, 40 U.S.P.Q.2d (BNA) 1479, 1480 (W.D. Wash. 1996) (holding that the defendant had tarnished the trademark "Candyland" by naming his pornographic web site "candyland.com").

36. 41 F.3d 39 (2d Cir. 1994).

III. DILUTION LAW

Before addressing the assignment of property rights regarding domain names and the appropriateness of applying trademark dilution law to domain names, it is worthwhile to review dilution law. In 1995, Congress enacted the Federal Trademark Dilution Act of 1995 (Dilution Act) that added section 43(c) to the Lanham Act.³⁷ This amendment to the Lanham Act stated that, “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”³⁸

Prior to 1995, while protection from dilution existed in some states,³⁹ federal trademark protection consisted only of protection from trademark infringement when one could prove that subsequent uses of the same or a similar mark caused a “likelihood of confusion” among consumers.⁴⁰ Trademark dilution law is distinct from trademark infringement law in two significant ways. First, the plaintiff does not need to establish potential consumer confusion. In other words, Panavision would not have to prove that its consumers would confuse Toeppen’s web site with their product in order to prove that Toeppen harmed or diluted its trademark. Second, unlike traditional trademark infringement, the plaintiff does not have to prove that the defendant was using the trademark for a competing product.

In order to acquire this enhanced protection, the trademark owner must prove that the trademark is so well-known that it attained a distinctiveness attributable to the mark itself.⁴¹ In order to qualify for this unique status, a trademark must have “reach[ed] the level of fame and distinctiveness (either nationally or within its market) such that the myth surrounding the mark’s ‘quality image’ extends beyond its related goods or services.”⁴² “Coca-Cola” is an example of such a famous trademark. The trademark has been attached to products unrelated to the soft drink market, such as sportswear products, thus evoking “Coca-Cola’s” images of free-spirited

37. Prior to 1995, several states provided trademark dilution protection. See, e.g., *Mead Data Central, Inc. v. Toyota Motor Sales, USA, Inc.*, 875 F.2d 1026 (2d Cir. 1989) (applying New York law); *Wedgwood Homes, Inc. v. Lund*, 659 P.2d 377 (Or. 1983).

38. See 15 U.S.C.A. § 1125(c)(1) (1996).

39. See H.R. REP. NO. 104-374, § 5 (1995).

40. See MCCARTHY, *supra* note 26, § 2.33.

41. This uniqueness found in well-known trademarks has been defined as “persona” and described as a trademark property that goes beyond “source identification by achieving a separate quality image.” Simone A. Rose, *Will Atlas Shrug? Dilution Protection for “Famous” Trademarks: Anti-Competitive “Monopoly” or Earned “Property” Right?*, 47 FLA. L. REV. 653, 715 (1995).

42. *Id.*

and youthfulness in association with the sportswear products.⁴³ Dilution protection provides owners of famous trademarks a recourse against unauthorized users of the trademark whose use diminishes the distinctiveness and reputation of the trademark.⁴⁴

Hence, by providing protection in the absence of consumer confusion, trademark dilution law expands the bundle of rights granted to owners of famous trademarks.⁴⁵ Some mistakenly argue that this expansion of rights to trademark owners exceeds the intent of Congress in enacting the Lanham Act to the extent that it provides a monopoly right to trademark owners.⁴⁶

There are compelling justifications for the expansion of trademark protection under the Dilution Act. To begin with, because of the patchwork of state laws on dilution, Congress was concerned about the “unpredictable and inadequate results for the trademark owner”⁴⁷ as well as the

43. See *id.* at 711.

44. See 15 U.S.C.A. §1125(c)(1) (1996).

45. For example, compare *Interstellar Starship Services, Ltd v. Epix, Inc.*, No. 97-107-FR, 1997 WL 736486 (D. Or. Nov. 20, 1997), in which the court concluded that a domain name was confusingly similar to a trademark but found no trademark infringement because the Internet site was advertising different products from the plaintiff's products with *Comp Examiner Agency, Inc. v. Juris, Inc.*, No 96-0213-WMB (CTX), 1996 WL 376600 (C.D. Cal. May 22, 1996) in which the court held that the defendant's use of the plaintiff's trademark as a domain name for a site that sold, distributed, and advertised goods to the same types of consumers as the plaintiff created a likelihood of consumer confusion and constituted trademark infringement. Dilution law obviates the need to prove consumer confusion or the presence of competing products.

46. See generally Kenneth Port, *The 'Unnatural' Expansion of Trademark Rights: Is a Federal Dilution Statute Necessary?*, 18 SETON HALL LEGIS. J. 433 (1994). Port criticizes dilution protection by arguing that trademark protection was never intended to be an “in gross” property right. In his view, trademark owners are not entitled to monopolies over the use of their trademark because such a monopoly right might be an oppressive restriction on language. Port argues that providing trademark owners with protection from dilution grants just such a monopoly. See *id.* at 466. It is also interesting to note that there exists a long history of accusations of monopoly aimed at trademarks in general that are unfounded. McCarthy notes, “[i]f there were a general consensus that ‘monopoly’ merely meant any area of legally enforced exclusive property rights, then the word might be of some use. However, when most judges use the term ‘monopoly,’ they are using it in its unfavorable, competitively destructive sense.” See MCCARTHY, *supra* note 26, at § 2:10.

47. See H.R. REP. NO. 104-374, § 5 (1995). In fact, the House Report on the bill stated that it intended to, “bring uniformity and consistency to the protection of famous marks ... because famous marks ordinarily are used on a nationwide basis and anti-dilution protection is currently only available on a patch-quilt system of protection.” *Id.* § 5.

possibilities for forum shopping in dilution litigation.⁴⁸ Next, providing dilution protection is consistent with our nation's involvement in international agreements concerning intellectual property rights. The Dilution Act brought the United States within the requirements of the Trade-Related Aspects of Intellectual Property Rights (TRIPS) section of the General Agreement on Tariffs and Trade (GATT).⁴⁹ Finally, Congress provided safeguards against a rampant expansion of trademark rights. For example, a trademark must be famous in order to qualify for protection from dilution. The statute sets forth eight non-exclusive factors for courts to consider in order to curtail the application of trademark dilution protection to unworthy marks.⁵⁰

Furthermore, the Dilution Act achieves this expansion of protection while still adhering to the policies underlying trademark protection: the prevention of deception of the public, the protection of the interests of trademark owners in not having the value of their marks misappropriated, and the promotion of competition and economic efficiency for the good of the general public.⁵¹ In a marketplace where trademarks frequently appear independent of the product or service that they represent, there is increased potential for confusion about what exactly the trademark represents.⁵² By granting owners of famous trademarks control over the use of the image associated with their marks, the public can rely on the "quality image" associated with that mark because it does not get "blurred," "tarnished," or destroyed as in *Panavision*.⁵³ At the same time, these owners have greater incentives to build up the value and recognition of their marks because they are better insulated from misappropriation of their trademark or its goodwill once they have attained the level of a "famous" mark.⁵⁴ Contrary to the argument that protection from dilution grants anti-competitive

48. "Protection for famous marks should not depend on whether the forum where suit is filed has a dilution statute. This simply encourages forum-shopping and increases the amount of litigation." *Id.* § 5.

49. See Susan L. Serad, *One Year After Dilution's Entry into Federal Trademark Law*, 32 WAKE FOREST L. REV. 215, 222 (1997). The General Agreement on Tariffs and Trade (GATT) is the main international trade agreement. See MERGES ET AL., INTELLECTUAL PROPERTY IN THE NEW TECHNOLOGICAL AGE 647 (1997).

50. See Dilution Act *supra* note 23.

51. See McCARTHY, *supra* note 26, § 2.01. Trademarks promote competition by enabling the buyer to distinguish between competing goods. See Courtenay Brian Allen, Holiday Inns, Inc. v. 800 Reservation, Inc.: *Defining Use of a Mark and the Source of Confusion in Trademark Infringement*, 49 BAYLOR L. REV. 847, 856 (1997).

52. See generally Rose, *supra* note 41 at 709-17.

53. See *id.* at 723; *Panavision Int'l, L.P. v. Toeppen*, 945 F.Supp. 1296, 1304 (C.D. Cal. 1996).

54. See 15 U.S.C.A. § 1125(c)(1) (1996).

rights,⁵⁵ such protection from "subliminal confusion" actually increases competition and efficiency and benefits consumers.⁵⁶ "Easily identified trademarks reduce the costs consumers incur in searching for what they desire, and the lower the cost of search the more competitive the market."⁵⁷

IV. DISCUSSION

The underlying property issue at stake in *Panavision* concerns the assignment of property rights over this new type of property, domain names. The current first-come, first-served system falls short of promoting either efficient use of the Internet or viable trademark protection. Applying trademark analysis is a more appropriate mechanism for regulating ownership of Internet domain names. Although *Panavision* correctly applies dilution law to domain names, it leaves some issues unresolved.

A. First-Come, First-Served Approach to Domain Names Undermines Trademark Policy Goals

Panavision is a good illustration of how the first-come, first-served assignment of domain names endangers the trademark policies of: (1) protecting the public from deception; (2) protecting the interests of owners of famous trademarks from misappropriation; and (3) promoting competition and market efficiency. Under the current domain name system, there exists a very limited number of top level domain names.⁵⁸ The value of a trademark to its owner on the Internet is largely usurped if another person takes it as his or her domain name. In *Panavision*, when Toeppen registered "panavision.com," Panavision was unable to rely on its famous

55. See generally Rose, *supra* note 41, at 683-720. This argument is premised on the traditional view that trademarks do not have any rights "in gross" separable from the particular business or service they represent. There is, however, mounting evidence that separate value exists in the persona of a trademark and that owners of famous trademarks should have some control over the use of that persona.

56. See *id.* at 720.

57. See Daniel M. McClure, *Trademarks and Competition: The Recent History*, 59 SPG LAW & CONTEMP. PROBS. 13, 29 (1996).

58. The currently available top level domain names are: .com, .net, .org, .edu, .gov, .mil, and .int. See Stuart D. Levi & Jose Esteves, *The Domain Name System and Trademarks*, 482 PLJ/PAT 123, 125 (1997). Currently, businesses like Panavision have no choice but to register under the .com top level domain name. This problem may change as the International Ad Hoc Committee has proposed to introduce new top level domain names. See generally Heather Mewes, *Memorandum of Understanding on the Generic Top-Level Domain Name Space of the Internet Domain Name System*, 13 BERKELEY TECH. L.J. 235 (1998).

trademark to reach the public; conversely, the public could not rely on the well-known trademark to retrieve information about Panavision. Of course, Panavision could decide to use some variation of its trademark such as “panavisionfilm.com.” However, Toeppen would still control the web site that most Internet users would access when seeking information about Panavision. This situation raises three distinct problems. First, the public is harmed by the fact that the information it is receiving is not controlled at all by Panavision as they expect, thus increasing the potential for deception. Second, despite its history of use and investment in its trademark, Panavision cannot protect its trademark from dilution on the Internet simply because an unauthorized user registered the domain name first. Third, market competition and efficiency are compromised by Panavision’s inability to easily reach its customer base on the Internet. It would take the Internet user more time and energy, through trial and error, to find the information she or he is seeking under “panavisionfilm.com.” Thus, the first-come, first-served system of allocating domain names can, as it did in this case, cause detriment to the public, the owners of famous trademarks, and the market. The public is denied efficient and reliable information based on well-known trademarks. The owners of famous marks are limited in their ability to reach their customer bases as well as the protection of the mark’s independent image that they have worked to establish. Finally, the market is less efficient because of the higher cost of information. This is increasingly significant given the rapid growth of the Internet as a means for executing commercial transactions.⁵⁹

B. Dilution Law Should Apply to Domain Names

By examining NSI’s litigation difficulties,⁶⁰ it is evident that assigning domain names without effective assessment of an applicant’s prior use of a trademark, or lack thereof, is not a sustainable policy. Rather than rewarding the first person who attempts to register a domain name, the allocation of property rights over Internet domain names should favor those that have exerted greater efforts in establishing the distinctive qualities and fame of a trademark by applying trademark analysis.

59. See generally *supra* note 4.

60. Another case where NSI was implicated in a trademark dilution cause of action is *Lockheed Martin Corp. v. Network Solutions, Inc.*, 44 U.S.P.Q.2d (BNA) 1865 (C. D. Cal. 1997). In this case, Lockheed claimed that NSI had induced dilution by the party that registered “skunkworks.net” without being authorized to use Lockheed’s federally registered trademark, “skunkworks.” The court concluded that this claim against NSI was tenuous at best. *Id.* at 18.

In order to understand how incentives surrounding domain names should be structured, one must view the property value inherent in domain names in the context of the Internet as a whole. The Internet is an unusual market because "the optimal number of 'Internets' in the free market is one."⁶¹ If there were two or more Internet systems, an Internet user would have to go to multiple sources to find information or conduct commercial transactions. Because there is only one Internet, the network becomes more valuable with each additional user and the information that user brings with himself or herself.⁶² Facilitating easy and reliable Internet use through a logical and user friendly domain name system encourages more people to use the Internet. Increased participation on the Internet will also foster increased commercial use of the Internet because the potential customer base is larger.

Applying trademark analysis to the allocation of domain names provides better incentives to those seeking to register domain names. Domain names can be compared to trademarks in the sense that they do not require great efforts to "invent." Unlike a patent which requires a novel and non-obvious technical advance,⁶³ almost anyone can create a trademark or a domain name. To register a domain name, one must represent that he or she is authorized to use the name he or she intends to register, pay approximately \$100, and establish and maintain a web site under that domain name.⁶⁴ Toeppen demonstrated the ease with which an individual can register a domain name by the fact that he was able to register over 200 names in a short period of time.⁶⁵ The lack of effort that Toeppen exerted is also reflected in the fact that he did the bare minimum in terms of maintaining a web site.⁶⁶

Toeppen's lack of efforts in registering "panavision.com" and "panaflex.com" is contrasted by Panavision's substantial investment over many years in building up the value of its marks. The facts that the court considered in determining that the "panavision" marks were "famous" also illustrate the amount of labor that Panavision exerted in regard to the marks. Both marks were created by Panavision. They are not found in the

61. See Mark Lemley, *Antitrust and the Internet Standardization Problem*, 28 CONN. L. REV. 1041, 1045 (1996).

62. See *id.* at 1045.

63. See Federal Patent Act, 35 U.S.C. § 102 (1994) (novelty requirement); 35 U.S.C. § 103 (1994) (non-obviousness requirement).

64. *InterNIC Registration and Renewal (Re-registration) Fees: Fact Sheet* (visited Feb. 12, 1998) <<http://internic.net/fees/facts.html>>.

65. See Panavision Int'l, L.P. v. Toeppen, 945 F. Supp. 1296, 1300 (C.D. Cal. 1996).

66. See *id.* at 1299.

dictionary.⁶⁷ Panavision registered its trademarks.⁶⁸ Furthermore, Panavision advertised its marks extensively to the "general public, individuals such as producers and directors, and to companies such as studios, television networks, and production companies."⁶⁹ A principal method of advertisement is the display of the Panavision mark at the end of every film that uses Panavision products.⁷⁰

Favoring those who have built up a trademark benefits not only the owners of famous trademarks, but also the public using the Internet. The more famous the domain name, the more people will think to access the site. This will enlarge the potential audience or customer base. At the same time, the public benefits from easier access to information on the Internet based on their common knowledge. Thus, the assignment of property rights over domain names needs to focus less on providing rewards for people who register first and focus more on providing rewards for those who accomplish the more challenging task of building up the fame of the trademark used as the domain name.

Giving priority to well-known trademarks in the registration of domain names encourages competition and market efficiency. Under the first-come, first-served system, customers' inability to find information about a product or service based upon the known trademark frustrates business opportunities available on the Internet. If consumers cannot easily find information about the product or service they seek, they are likely to revert to more traditional methods of finding such information or not even try at all. If enough consumers are similarly frustrated, the use of the Internet for advertising and business involving famous marks could decrease overall. Even the owner of a famous trademark, who should have the least problem in reaching its customer base on the Internet, would be unable to effectively communicate with consumers because someone expended little energy to register the domain name first.

Finally, applying trademark analysis to the allocation of domain names would eliminate existing incentives which reward inefficiency and free riding. Currently, owners of famous trademarks have incentives to take defensive and inefficient measures to protect their presence on the Internet. In order to protect themselves against people like Toeppen, companies like Panavision would have to register every variation of their trademarks as a separate domain name. There is already evidence that under

67. *See id.* at 1303.

68. *See id.* at 1302-03.

69. *See id.* at 1303.

70. *See id.*

the first-come, first-served system, many Fortune 500 companies have started to adopt this defensive and inefficient strategy.⁷¹ For example, Kraft has registered 150 domain names and Proctor & Gamble Co. has registered 200.⁷² Under the current system, free riders have the potential of unfairly benefiting from the hard work of a famous trademark owner who built up the mark. A policy shift in allocating domain names would also end rewards to people like Toeppen who exploit the current first-come, first-served system.⁷³

C. The Court's Application of Dilution Law

Although the *Panavision* court reached the proper outcome in this case, its discussion of the famousness of the “panaflex” mark and Toeppen’s “commercial” use of Panavision’s mark was incomplete.

The court glossed over several important issues surrounding the famousness of the trademarks in question. It was correct in determining that “panavision” was a famous trademark worthy of protection from dilution. The court went through several of the eight non-exclusive factors for determining if a mark is “famous.” However there was little mention of the “panaflex” mark. For instance, at the end of films which use Panavision products, it is typical that only the “panavision” mark appears. Thus, it is arguable that Toeppen was only diluting the “panavision” mark and not both marks. Furthermore, it is important to maintain the standards for “famous” trademarks that warrant protection from dilution. If the standards are too relaxed, then criticisms of dilution law—that it extends a monopoly over use of the trademark—become more valid. On the other hand, there has been no discussion regarding protection for less famous marks which can be easily taken as another’s domain name. Do owners of less famous marks have any legitimate way to protect themselves against others registering their marks as domain names? In other words, the court should have paid more attention to the famousness of the trademarks. A more lucid decision regarding whether “panaflex” qualified for dilution

71. See Ian Ballon, *Intellectual Property Protection and Related Third Party Liability*, 482 PLI/PAT 559, 612 (1997).

72. See *id.*

73. It is relevant to note that Toeppen was not the only one to take advantage of the lack of protection for famous trademarks in the domain name registration process. For example, “mcdonalds.com” was registered by a Wired magazine editor, “mci.com” was initially registered by competitor Sprint although it was later rescinded, and “kaplan.com” was similarly registered by its competitor, Princeton Review, who gave up the domain name only after arbitration proceedings and did not have to pay any damages. *See id.* at 611.

protection would have set a clearer precedent for granting trademark priority in the domain naming process.

The court was also correct in concluding that Toeppen's use of "panavision" diluted the mark. The court accurately distinguished Toeppen's use from traditional blurring or tarnishment and described the dilution as uniquely applicable to the Internet. It is true that Panavision's best opportunity for reaching its customers through the established channels of the Internet was usurped by Toeppen. As a result, the court noted, Toeppen "eliminate[d] the capacity of the Panavision marks to identify and distinguish Panavision's goods and services on the Internet."⁷⁴ A foreseeable problem with the application of this holding to future cases is that if the top level domain name structure is expanded,⁷⁵ this rationale for applying dilution law will no longer be relevant. If there were more top level domain names beyond ".com" available to commercial enterprises, then Panavision would not have lost its only opportunity to advertise on the Internet using its trademarks.

Even though Toeppen's actions were not commercial in the sense that he was not trying to sell a product under the Panavision mark, the court was correct in concluding that his actions nonetheless satisfied the requirements of the Dilution Act. The Dilution Act stipulates that the owner of a famous trademark has injunctive rights only when dilution of that mark occurs through another's "commercial use in commerce."⁷⁶ This language creates two distinct requirements that must be satisfied. First, a "commercial" use needs to be established because certain non-commercial uses, usually constitutionally protected speech, are protected from dilution claims.⁷⁷ In this case, Toeppen's "business" consisted of registering others' trademarks as domain names and then charging those trademark owners for the use of those domain names.⁷⁸ Toeppen has, in fact, registered approximately 240 Internet domain names, many of which were well-known trademarks, "without seeking permission from any entity that has previously used the names."⁷⁹ At the same time, the court stated that the mere registration of the domain name itself would not have constituted a

74. See *Panavision Int'l, L.P. v. Toeppen*, 945 F. Supp. 1296, 1304 (C.D. Cal. 1996).

75. See generally Mewes, *supra* note 58.

76. See 15 U.S.C.A. § 1125(c)(1) (1996).

77. See *id.* § 1125(c)(4).

78. See Kimberly Alacantara, *Trademarks in Cyberspace*, 486 PLI/PAT 429, 436 (1997). The product that Toeppen was attempting to sell was the trademark itself. See generally, Robert C. Denicola, *Institutional Publicity Rights: An Analysis of the Merchandising of Famous Trade Symbols*, 62 N.C. L. REV. 603 (1983).

79. See *Intermatic, Inc. v. Toeppen*, 947 F. Supp. 1227, 1230 (N.D. Ill. 1996).

commercial use. The court did not fully address this issue because it was not at stake in the case at hand. It is unclear whether simply registering another's famous trademark would fulfill the "commercial" use requirement of the Dilution Act.

The second part of the commercial requirement of the Dilution Act is that the mark must have been used "in commerce."⁸⁰ This stems from the fact that federal trademark protection has been rooted in the Commerce Clause of the United States Constitution.⁸¹ This requirement is usually easier to satisfy. It is already well established that the Internet is now used for commerce.⁸² Thus the Internet may be considered a "channel" of commerce. Indeed, in *Intermatic Inc. v. Toeppen*,⁸³ the court found that Toeppen's use of the Internet satisfied the 'in commerce' requirement of Section 43(c) of the Lanham Act "[b]ecause Internet communications transmit instantaneously on a worldwide basis there is little question that the 'in commerce' requirement would be met in a typical Internet message, be it trademark infringement or false advertising."⁸⁴ Other courts, have also noted that the definition of "in commerce" under the Lanham Act is known to be broad and have sweeping reach.⁸⁵

Finding Toeppen's actions to satisfy both the "commercial" and "in commerce" use requirements sets an important precedent. Unauthorized users are not able to register famous trademarks as domain names by claiming a non-commercial use and then attempt to sell them back to the rightful owners.

V. CONCLUSION

This case revolves around the growing importance of the Internet and the assignment of domain names. In this context, controversies over dilution law as well as the assignment of property rights in general are brought to light. The discussion of dilution law highlights the necessity of dilution protection for the overall protection of trademarks while the discussion of the incentive structure in the allocation of domain names highlights the

80. See 15 U.S.C.A. § 1125(c)(1) (1996).

81. See MERGES, *supra* note 49, at 524.

82. See *supra* note 4; Craig W. Harding, *Selected Issues in Electronic Commerce: New Technologies and Legal Paradigms*, 491 PLI/PAT 7, 9 (1997).

83. 947 F. Supp. 1227 (N.D. Ill. 1996).

84. See *id.* at 1238-39 (quoting 1 GILSON, TRADEMARK PROTECTION & PRACTICE, § 5.11[2] (1996)).

85. See *Steele v. Bulova Watch Co.*, 344 U.S. 280, 283 (1952); *Planned Parenthood v. Bucci*, 42 U.S.P.Q.2d (BNA) 1430, 1441 (S.D.N.Y. 1997).

need for the court to reward those who have exerted labor over those who are the first to possess.

This case is also monumental as part of the evolving law regarding the Internet. While this is a fairly straightforward case involving a person clearly attempting to profit at the trademark owner's expense, one can easily foresee complications that will arise in more ambiguous cases. For example, what would have happened if Toeppen had not attempted to charge Panavision \$13,000? At the same time that Panavision's best access to its consumers over the Internet would be taken, there would arguably be no commercial use, thereby avoiding the application of dilution law. Another interesting and related issue arises out of the proposed introduction of other top level domain names such as ".shop", ".firm" and ".web."⁸⁶ Will the new category of dilution created by this court be altered by the introduction of other top level domain names?

86. See generally Mewes, *supra* note 58.