

UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT

NISSAN MOTOR CO., <i>et al.</i> ,)	
)	
Plaintiffs-Appellees/Cross-Appellants,)	
)	
v.)	
)	
NISSAN COMPUTER CORPORATION,)	Nos. 02-57148 and
)	03-55017
Defendant-Appellant/Cross-Appellee,)	
)	
and)	
)	
THE INTERNET CENTER,)	
)	
Defendant.)	

**MEMORANDUM OF PUBLIC CITIZEN
AS AMICUS CURIAE IN SUPPORT OF
THE MOTION FOR A LIMITED STAY PENDING APPEAL**

The district court in this case attempted to balance the equities between the owners of a famous trademark, Nissan Motor Co. and Nissan North America (jointly called “NissanMotor” in this memorandum), and an individual named Uzi Nissan who uses his name in his business and owns the Internet domain name nissan.com. It did so by a detailed protocol that allowed Uzi Nissan to keep the domain name so long as he did not use it (i) for any commercial content, (ii) for any advertising by third parties, (iii) for links to other websites containing commercial content, or (iv) for any content or links to content that criticizes NissanMotor. The flaws in the plan adopted

by the court below both relate to part (iv), because (a) the First Amendment bars the use of state power to suppress truthful non-commercial criticism, and (b) the use of a trademark in a domain name to disseminate commentary about the trademark holder does not violate the Lanham Act, particularly where the domain name's owner himself has concurrent rights in the trademarked name. The Court should, therefore, stay the portion of the injunction barring the use of the domain name for websites containing non-commercial criticism, pending the outcome of this appeal.

STATEMENT¹

The plaintiffs in this case are automobile manufacturing companies. The leading brand name for their automobiles is "Nissan." Before the name Nissan came into common use in this country, plaintiffs (or their predecessor companies) sold cars in the United States under the brand name "Datsun." The transition from the Datsun to the Nissan brand names occurred during the mid-1980's.

Defendant Nissan Computer Corporation ("NissanComputer") has been in the computer business in North Carolina since 1991. NissanComputer is named after its principal, Uzi Nissan, who emigrated to the United States from Israel in the 1970's. The record reflects that, over the years, Uzi Nissan used his name in a variety of

¹This statement is based on the portions of the record that counsel have been able to review to date. Counsel have not read the entire record, and indeed we are advised that some parts of the record are under seal.

businesses, including a car repair business in 1980, and later an export-import business. The record also reflects that Nissan is a common Israeli name and that it identifies a month in both Hebrew and Arabic.

In 1994, NissanComputer registered the domain name nissan.com, and began using that domain name for a website for the company itself and for a personal homepage for Uzi Nissan. About a year later, in 1995, NissanMotor sent Uzi Nissan a letter expressing concern about the use of that domain name, but Uzi Nissan never responded, and NissanMotor did not pursue the matter for another four years. In 1996, NissanComputer registered the domain name nissan.net, and in 1997 began offering internet services using the Nissan name.

During the summer of 1999, defendant began including on his nissan.com website a variety of banner advertisements and links to merchandising companies and Internet search engines. At some point, these ads and links included companies that sold automobiles, which put nissan.com in direct competition with plaintiffs in the automobile business. It was at this point, in October 1999, that plaintiffs contacted defendant to negotiate for the acquisition of nissan.com. Defendant was at least initially unwilling to part with the name, but he offered a variety of schemes by which both he and plaintiffs could use the name jointly, with plaintiffs making payments for its joint access to the name. Asked to name a price at which he would be willing to

relinquish the name, defendant apparently responded with a flippant request for \$15,000,000 – a response that has since been at the heart of plaintiffs’ attempt to portray him as a cybersquatter.

Plaintiffs then filed this action in the United States District Court for the Central District of California. The court below denied a motion for a temporary restraining order but granted a preliminary injunction in March 2000. Considering the eight factors set forth in *AMF v. Sleekcraft Boats*, 599 F2d 341 (CA9 1979), the court below found that plaintiffs were likely to succeed in proving a likelihood of confusion. The court also rejected defendant’s claim that plaintiffs had slept on their rights by not following up on their initial demand letter in 1995, on the grounds that the Internet wasn’t important for marketing at that time and that plaintiffs **had** acted quickly as soon as defendant had “altered [his site] in August 1999 to maximize and exploit consumer confusion” by advertising products of companies that compete directly with plaintiffs in the automobile business. However, the court rejected plaintiffs’ request that defendant be denied all use of the nissan.com and nissan.net domain names, and also refused to ban all advertising on the websites or to require a link to plaintiffs’ own websites. Instead, the court required defendant to post a prominent banner identifying the sites as being affiliated with NissanComputer, disclaiming affiliation with plaintiffs, and providing the URL for plaintiffs’ website; it also forbade the

display of any automobile-related advertising or links to auto advertising websites, while allowing other advertising on defendant's sites. At the same time that defendant complied with the preliminary injunction, he placed a reference to the lawsuit on his website, and linked to a second website with extensive description of and commentary on this action. That content was not flattering to plaintiffs. This Court affirmed the preliminary injunction on December 26, 2000.

On January 7, 2002, the district court ruled on cross-motions for partial summary judgment on the issues of trademark infringement and cybersquatting. The court found that the use of the Nissan domain names infringed plaintiffs' marks insofar as the sites were used for automobile-related advertising, but not insofar as they were used for defendant's computer business. At bottom, the court concluded that the two businesses had concurrent rights in the Nissan name for the purpose of promoting two separate businesses that were not in substantial competition with each other. It further ruled that the doctrine of initial interest confusion, which has been applied by this Court as a basis for finding infringement in some domain name cases, does not apply to the extent that the parties' businesses do not compete. The court below also granted summary judgment dismissing plaintiffs' cybersquatting claim, finding that defendant had used the nissan.com name in good faith in connection with his computer business for many years, that such an abbreviation of the name Nissan

Computer Corporation was perfectly appropriate given the tendency of companies to pick domain names that are as short as possible, that virtually all of the nine “factors” set forth in the statute favored defendant, and hence that there was no bad faith intent to profit from the goodwill associated with plaintiffs’ mark. Following these rulings, the court below made no change in the terms of the preliminary injunction.

Finally, in a pair of opinions issued on August 28, 2002, the court granted plaintiffs’ motion for summary judgment on the issue of trademark dilution against both NissanComputer and The Internet Center, a second defendant that the court decided was NissanComputer’s alter ego. The court decided that each defendant had made commercial use of the famous Nissan mark by using it to advertise NissanUzi’s computer business, and later to include automobile advertising on their website. The court further found dilution of the Nissan mark both through blurring, by decreasing the power of the Nissan name as a unique identifier to identify plaintiffs’ goods, and by tarnishment, both because defendant’s website was not sophisticated enough to meet plaintiffs’ high standards for a website and because it associated the mark either with the products of automobile merchandisers or with negative commentary about NissanMotor.²

²Because the court below ruled that the two defendants were alter egos of each other, and because only NissanComputer has appealed, we refer to defendant in the singular in this memorandum.

Based on this finding, the court invited the parties to address the terms of the permanent injunction that should be entered. In an order dated November 13, 2002, the court again rejected plaintiffs' request that defendant transfer its domain names to NissanMotor. However, the court decided that, in light of its dilution findings, the terms of the preliminary injunction were insufficient to protect plaintiffs' rights. Moreover, the court decided that, although mere criticism of a trademark owner and possible harm to its commercial interests do not render the speech commercial, where the criticism uses the trademark to criticize the trademark holder, the exploitation of plaintiffs' mark renders the criticism commercial and hence warrants coverage by the anti-dilution provisions of the Lanham Act. Accordingly, the court allowed defendant to retain its domain names so long as no critical speech about NissanMotor, and no links to other websites containing such critical speech, remained there.

The district court elaborated its analysis of the supposedly commercial nature of defendant's critical website in its order denying the motion for a stay pending appeal. The court acknowledged that this Court has held that the federal dilution law does not apply to non-commercial uses, but it accepted the reasoning of a few other district courts which have held that the adverse impact of a website on the business of a commercial entity can render the website sufficiently commercial to be within the scope of the statute. And because the adverse impact of the website is sufficient to

render the use commercial speech, the court reasoned, use of the mark to promote criticism would not fall within the exemption for noncommercial speech.

ARGUMENT

NissanMotor was rightly incensed when defendant took advantage of his right to use his last name as a domain name for his website to enter into direct competition with NissanMotor by providing access to messages from sellers of rival makes of automobiles. Accordingly, the district court rightly entered an injunction preventing that and related uses. The question on the motion for a stay, however, is whether defendant's misconduct forfeited his right to use the Nissan name to call attention to his criticisms of NissanMotors.

Although the injunction entered below represents the district court's effort to balance strong equities on both sides of the case, one aspect of that injunction – the prohibition of the use of nissan.com as a forum to criticize NissanMotor's conduct in this litigation – is insupportable, and that part of the injunction should be stayed, for two reasons. First, the lower court's reasoning, under which otherwise noncommercial speech using a corporation's name to identify a website criticizing a corporation can become “commercial” because of its tendency to interfere with the corporation's commercial activities, has no basis in First Amendment law, in trademark law, or in logic. Second, use of a trademark in a domain name that a

defendant is otherwise entitled to use is not rendered improper as a matter of trademark law because the defendant criticizes a person with rights to the trademark, both because domain names may properly be used to identify the subject and not just the source of the website, and because the “tarnishing” impact of criticism is not the sort of tarnishment that the trademark laws are designed to prevent.

The Fact That Speech Has the Tendency to Injure a Commercial Enterprise Does Not Render That Speech Commercial Either Under the Lanham Act or the First Amendment.

The first reason why the injunction should be stayed is that, once the district court enjoined the inclusion of any advertising or links to advertising sites on the nissan.com website, the site became completely non-commercial, and hence the criticism that remained there was noncommercial speech that was both beyond the scope of the Lanham Act, and protected by the First Amendment. The district court’s theory – that by criticizing plaintiffs and threatening to interfere with their commercial activities, defendant engaged in commercial speech and lost the protection of the First Amendment – does not withstand analysis.

Under controlling Supreme Court law, speech is commercial in nature if it “does no more than propose a commercial transaction.” However, speech that seeks to **criticize** commercial activities, and that threatens the commercial interests of those who are engaged in such activities, nevertheless remains non-commercial speech with

the full protection of such First Amendment doctrines as the rule against prior restraints. For example, in *Organization for a Better Austin v. Keefe*, 402 US 415 (1971), a civil rights group circulated flyers accusing a realtor of engaging in racial discrimination, and the realtor obtained an injunction against dissemination of the flyers because they were hurting his business. The Supreme Court had no difficulty in holding that the flyers were fully protected by the First Amendment and hence that the injunction against it was an impermissible prior restraint: “No prior decisions support the claim that the interest of an individual in being free from public criticism of his business practices in pamphlets or leaflets warrants the use of the injunctive power of a court.” 402 US at 419. Because *Keefe* was decided several years before *Virginia St. Bd. of Pharmacy v. Virginia Consumers Council*, 425 US 748 (1976), when the Supreme Court first extended limited First Amendment protection to commercial speech, it is apparent that the Court was not treating the leaflets as commercial. Similarly, in *NAACP v. Claiborne Hardware*, 458 US 886 (1982), a civil rights group organized a boycott of local businesses, and the businesses sued for harms caused by violence that had accompanied some of the boycott activities. The Supreme Court held that the speech was fully protected by the First Amendment and not subject to the sort of regulation typically permitted for economic activity, *id.* at 913. Indeed, the Court applied the highly protective requirements of showing actual

ratification, and the *Brandenburg* standard protecting advocacy unless it incites imminent lawless action, that are reserved for fully protected noncommercial speech, despite the fact that the speeches urged activities that were intended to impose economic harm on local businesses. *Id.* at 927-932.

Indeed, speech similar to defendant's was found non-commercial in a recent case. *CPC Int'l v. Skippy*, 214 F3d 456 (CA4 2000). The plaintiff was the maker of Skippy peanut butter, which had already won an injunction preventing the creator of a cartoon character named Skippy from using the "Skippy" mark to promote food products. The daughter of the cartoonist created a website, www.skippy.com, to complain about the high-handed treatment that her father had experienced and to tell her side of the trademark litigation that had resulted in the first injunction. Chief Judge Harvie Wilkinson, writing for the Fourth Circuit, acknowledged that her account was one-sided and potentially harmful to the peanut butter company, but held that such considerations did not justify an order requiring that the critical commentary be removed from the [skippy.com](http://www.skippy.com) website: "[J]ust because speech is critical of a corporation and its business practices is not a sufficient reason to enjoin the speech. . . . It is important that trademarks not be transformed from rights against unfair competition to rights to control language. [citation omitted]. Such a transformation would diminish our ability to discuss the products or criticize the conduct of

companies that may be of widespread public concern and importance.” 214 F3d at 462. Judge Wilkinson squarely rejected the contention that such criticism constituted commercial speech with reduced protection under the First Amendment. *Id.* at 462, 463.

Indeed, the effect of a holding that criticism of a commercial enterprise can lose its status as non-commercial speech, merely by interfering with commercial activities, would be to read the statutory exception barring the application of section 43 of the Lanham Act to “non-commercial speech” out of the Act. When Congress amended the Lanham Act to add a cause of action for dilution, it was concerned about the danger that the new cause of action would conflict with First Amendment protection for non-commercial speech. Accordingly, it adopted section 43(c)(4), which contains a proviso limiting the scope of all of section 43 of the Act: “The following shall not be actionable **under this section**: . . . (B) Noncommercial use of the mark. (C) All forms of news reporting and news commentary.” (emphasis added). The legislative history made clear that the purpose of this proviso was to protect consumer and similar commentary, including “parody, satire, editorial and other forms of expression that are not part of a commercial transaction.” *Mattel v. MCA Records*, 296 F3d 894, 905 (CA9 2002), quoting Congressional Record statement of Senator Hatch. Similarly, the section-by-section analysis of the noncommercial use exception,

as quoted in *Mattel*, allayed First Amendment concerns by characterizing the provision as one that “proscribes dilution actions that seek to enjoin the use of famous marks in ‘non-commercial’ uses (such as consumer product reviews).” *Id.* at 906. Indeed, every time Congress has amended section 43 over the past fifteen years, it has been at pains to emphasize that the section does not apply to noncommercial commentary. For example, in creating a remedy for false advertising in 1989, chief sponsor Rep. Robert Kastenmeier stated,

[T]he proposed change in Section 43(a) should not be read in any way to limit political speech, **consumer** or editorial **comment**, parodies, satires, or other constitutionally protected material. . . . The section is narrowly drafted to encompass only clearly false and misleading commercial speech.

135 Cong. Rec. H1207, H1217 (daily ed., April 13, 1989) (emphasis added).

However, the function of consumer commentary is to warn against possible dangers or disadvantages of using particular products. If the very success of such commentary were enough to deprive the speaker of the protection of the noncommercial use proviso, there would be nothing left of the proviso. Such a construction of the statute would be impermissible.

In a recent case, the Sixth Circuit considered an appeal from a preliminary injunction that was issued against the maintenance of a commentary website that had once included commercial material, although that material had been removed before

the injunction was sought. *Taubman v. WebFeats*, — F3d —, 2003 WL 255720 (CA6 2003). The court decided that, once the commercial advertisements and links were removed from the website, it became wholly noncommercial, protected by the First Amendment, and outside the scope of the trademark laws. In the *Taubman* case, which concerned two separate websites – one praising a local shopping mall, and a second criticizing the litigation over the first website – the Sixth Circuit granted a stay pending appeal of the injunction against the critical website (stay order attached), and then went on to reverse the injunctions against both websites. Similarly, in this case, because the permanent injunction bans the inclusion of any advertising material or advertising links on the nissan.com website, that site must be wholly noncommercial, and there is no basis for applying federal antidilution law to prohibit reference to defendant’s complaints about this litigation.

A Trademark May Be Used as the Domain Name of a Website Even If the Site Criticizes the Trademark Holder, Especially Where the Site’s Owner Has Concurrent Rights in the Trademark.

Apart from the district court’s error in treating defendant’s use of the nissan.com name as commercial simply because the site criticized commercial activities, the district court erred in concluding that a domain name is necessarily source-identifying and that use of the Nissan name for a website that contains criticism of NissanMotors is an improper use of the trademark. In fact, recent

authority shows both that trademarks may be used in domain names to identify the topic as well as the source of the website, and that when the website owner has concurrent rights in the mark, it is entirely proper to use the mark for a website that criticizes the litigation tactics of the trademark plaintiff.

First, recent cases have authorized the use of a company's name in a noncommercial website that was created to provide consumer commentary about that company. Like the title of a book, a domain name can reflect the contents of a website, rather than identifying its author. The leading case is *Taubman v. WebFeats*, — F3d —, 2003 WL 255720 (CA6 2003). In that case, the neighbor of the new shopping mall called The Shops at Willow Bend created a website using the domain name shopsatwillowbend.com. The website extolled the virtues of the mall, but the developer of the mall sued under the Lanham Act and obtained a preliminary injunction barring the website. The Court of Appeals found an abuse of discretion and reversed, holding that the domain name, when coupled with a plainly nonconfusing website that featured a prominent disclaimer of affiliation with the mall owner, as well as a hyperlink to the official mall website, did not violate the Lanham Act.

Similarly, in *Northland Ins. Cos. v. Blaylock*, 115 FSupp2d 1108 (DMinn. 2000), a dissatisfied customer who believed that a company had not paid him what he was owed on a casualty claim was permitted to use the domain name

northlandinsurance.com for a website voicing his criticisms of the company. The district court refused to enjoin the use of this domain name under either an infringement or a dilution theory, finding that the defendant's purpose in selecting the domain name was to call public attention to his criticisms of the company, and that this use was permissible under the trademark laws in the absence of any effort to sell competing goods and services. As the court stated, "while defendant may arguably be trying to 'bait' Internet users, there is no discernible 'switch.'" 115 FSupp2d at 1120. Indeed, there is substantial reason to question both whether the tarnishing impact that criticism may have on a trademark holder is the sort of "tarnishment" to which dilution law is addressed, 5 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 31:148 (4th ed. 1999), and indeed whether the federal antidilution provisions reach tarnishment at all. *Moseley v. V Secret Catalogue*, 537 US —, No. 01-1015 (2003), slip op. at 13-14.

The analysis of the recent cases reflects the advances in Internet technology since the early "cybersquatting" cases, which were decided at a time when the only realistic way to find the unknown website of a company was to "guess" its domain name by typing the name into a web browser, followed by a common top-level domain such as ".com." An Internet user who failed to reach the site for the desired company might well give up, or be distracted and remain at the website of a

competitor. More recently, name-guessing has become so ineffective, and search engine technology has advanced sufficiently, that Internet users “are inured to the false starts and excursions awaiting them in this evolving medium.” *Chatam Int’l v. Bodum*, 157 FSupp2d 549, 559 (EDPa 2001). If they do not find what they are looking for with their first guess, they will try another approach. *Id.* In fact, a recent report by Syracuse University Professor Milton Mueller, a leading authority on the domain name system, suggests that so-called “name guessing” is no longer the first choice of Internet users trying to locate a particular company’s website, and that Internet users are much more likely to start their search with a search engine. <http://dcc.syr.edu/miscarticles/mishkoff.pdf>.³

Moreover, the Court can decide this motion for a stay without determining, in accordance with such cases as *Taubman* and *Northland Insurance*, that a critic who has no other right to use the trademark may adopt a domain name based on the

³NissanMotor introduced below an expert report that supposedly showed that, as of January 2000, 92% of all Internet users would expect to find “one of more of the following if they entered the Internet address at nissan.com or nissan.net: Nissan cars, a company that makes or sells cars, cars, or car-related products.” Jay Study at 3. The district court’s characterization of this study as showing that 92% expect to find “Nissan Motor or a car company,” Document 550 at 6, is not accurate. Apart from the fact that the adequacy of the evidence in the expert’s survey to support her conclusion was hotly disputed below, making this an inapt basis for a factual finding on summary judgment, the report did not address whether the respondents would use name-guessing to try to find plaintiffs’ official website.

trademark for a critical website, because the court below has already decided that Uzi Nissan is entitled to use his own last name as the domain name for his home page. And in cases where a trademark owner has concurrent rights in the domain name, courts have repeatedly allowed the use of the domain name for a website that includes critical commentary. The most important case of this sort is the *Skippy* case discussed above, where the creator of the “Skippy” cartoon character created a website at skippy.com to protest the successes that the distributor of Skippy peanut butter had in divesting the cartoonist of primary rights in the trademark and obtaining an injunction in an earlier case barring the cartoonist from attempting to license the “skippy” trademark in violation of the peanut butter maker’s rights. The Fourth Circuit held that the cartoonist’s successor had made a proper use of the mark.

Similarly, in *Strick Corp. v. Strickland*, 162 FSupp2d 372 (EDPa 2001), a manufacturer of transportation equipment that owned several trademarks involving “Strick” sued a computer consultant who had registered “strick.com” for his business, using his longstanding nickname, “Strick.” On defendant’s motion for summary judgment, the court found no likelihood of confusion because, once an Internet user reached the defendant’s web site, it would be crystal clear that the Strick Corporation was not the sponsor of the strick.com site. The court rejected the truck manufacturer’s claim, even though, after he was sued, Strickland placed documentation of Strick’s

litigation on his website, where it is visible to this very day.

In sum, the district court went one step too far in forbidding defendant from using his website as a forum for criticizing NissanMotor. Under the reasoning of the *Taubman* decision, the Court should restore to the permanent injunction that language in the preliminary injunction that required a strong disclaimer of affiliation with NissanMotor web site. Ordering this modification of the injunction, pending appeal, would be consistent with the rule that, especially in cases involving free speech, an order “must be couched in the narrowest possible terms that will accomplish the pinpointed objective permitted by the constitutional mandate.” *Carroll v. Commissioners of Princess Anne*, 393 US 175, 184 (1968). This principle is fully applicable in trademark cases. *Anheuser-Busch v. Balducci Publications*, 28 F3d 769, 778 (CA 1994); *Consumers’ Union v. General Signal Corp.*, 724 F2d 1044, 1053 (CA2d 1983); *Better Business Bureau v. Medical Directors*, 681 F2d 397, 404-405 (CA5 1982).

CONCLUSION

Appellant’s motion for a stay pending appeal should be granted to the extent discussed above, provided that the site includes a prominent disclaimer and link to NissanMotor’s website.

Respectfully submitted,

Paul Alan Levy
Alan B. Morrison
Allison M Zieve

Public Citizen Litigation Group
1600 - 20th Street, N.W.
Washington, D.C. 20009
(202) 588-1000

Attorneys for Public Citizen

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