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UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

NISSAN MOTOR CO., LTD.;)	Case No. CV 99-12980 DDP (Mcx)
NISSAN NORTH AMERICA, INC.,)	
)	ORDER DENYING DEFENDANT'S MOTION
Plaintiffs,)	FOR LEAVE TO INCLUDE SIX STATE-
)	LAW COUNTERCLAIMS IN ITS SECOND
v.)	AMENDED ANSWER
)	
NISSAN COMPUTER CORPORATION,)	[Motion filed on May 29, 2001;
)	Supplemental Briefing filed on
Defendant.)	August 29, 2001]
)	
_____)	

This motion comes before the Court on the defendant's motion to file a second amended answer and counterclaims. After reviewing and considering the materials submitted by the parties and hearing oral argument on July 23, 2001, the Court adopts the following order.

I. BACKGROUND

A. FACTUAL BACKGROUND

Plaintiff Nissan Motor Co., Ltd., is a large Japanese automaker. Its subsidiary, plaintiff Nissan North America, Inc., markets and distributes Nissan vehicles in the United States.

1 Nissan Motor Co. owns, and Nissan North America is the exclusive
2 licensee of, various registered trademarks using the word "Nissan"
3 in connection with automobiles and other vehicles. The first such
4 trademark was registered in 1959. Nissan North America also
5 operates an Internet website at "www.nissan-usa.com."

6 The defendant, Nissan Computer Corporation, is a North
7 Carolina company in the business of computer sales and services.
8 The company was incorporated in 1991 by Uzi Nissan, its current
9 president. Mr. Nissan has used his surname in connection with
10 various businesses since 1980. Nissan is also a term in the Hebrew
11 and Arabic languages. In 1995, the defendant registered a
12 trademark for its Nissan Computer logo with the State of North
13 Carolina.

14 The defendant registered the Internet domain names
15 "www.nissan.com" and "www.nissan.net" in May 1994 and March 1996,
16 respectively. For the next several years, the defendant operated
17 websites at these addresses providing computer-related information
18 and services. In July 1995, the plaintiffs sent the defendant a
19 letter expressing "great concern" about use of the word Nissan in
20 the defendant's domain name.

21 In August 1999, the defendant altered the content of its
22 "www.nissan.com" website. The website was captioned
23 "www.nissan.com," and displayed a "Nissan Computer" logo that is
24 allegedly confusingly similar to the plaintiffs' "Nissan" logo. In
25 addition, the website displayed banner advertisements and web links
26 to various Internet search engines and merchandising companies.

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1 These advertisements included links to automobile merchandisers,
2 such as "www.cartrackers.com" and "www.1StopAuto.com;" links to
3 auto-related portions of search engines; and links to topics such
4 as "Car Quotes," "Auto Racing," and "Off Road."

5 In October 1999, the parties met to discuss the possible
6 transfer of the www.nissan.com domain name. Negotiations were
7 unsuccessful.

8

9 **B. PROCEDURAL BACKGROUND**

10 On December 10, 1999, the plaintiffs filed a complaint in this
11 Court alleging: (1) trademark dilution in violation of federal and
12 state law; (2) trademark infringement; (3) domain name piracy; (4)
13 false designation of origin; and (5) state law unfair competition.
14 Also on December 10, the Court denied the plaintiffs' request for a
15 temporary restraining order, scheduled the matter for a preliminary
16 injunction hearing, and approved limited expedited reciprocal
17 discovery.

18 On February 4, 2000, the defendant filed a motion to dismiss
19 for lack of personal jurisdiction, or, in the alternative, for
20 improper venue. The plaintiffs' preliminary injunction hearing
21 came before the Court for oral argument on February 7, 2000. The
22 Court deferred ruling on the preliminary injunction pending
23 briefing on the defendant's motion to dismiss.¹

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26 ¹ In the interim, on March 8, 2000, the defendant filed a
27 declaratory relief action in the Eastern District of North
28 Carolina, which, following transfer, on July 25, 2001 this Court
dismissed for the purpose of consolidating the two cases.

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1 On March 23, 2000, the Court issued an order granting the
2 plaintiffs' motion for a preliminary injunction and denying the
3 defendant's motion to dismiss. Nissan Motor Co., Ltd. v. Nissan
4 Computer Corp., 89 F. Supp. 2d 1154, 1162-64 (C.D. Cal. 2000).²
5 The Court found that the plaintiffs had demonstrated a valid,
6 protectable trademark interest in the "Nissan" mark and a
7 likelihood of confusion. Accordingly, the Court held that the
8 plaintiffs had shown a likelihood of success on the merits of their
9 trademark infringement claim. The Court ordered the defendant to
10 post prominent, identifying captions and disclaimers on its
11 "www.nissan.com" and "www.nissan.net" websites, and to cease
12 displaying automobile-related content on these websites.

13 On May 10, 2000, the defendant filed counterclaims against the
14 plaintiffs alleging (1) "reverse domain name hijacking;" (2)
15 interference with prospective economic advantage; (3) unfair
16 competition/unfair trade practices; (4) unjust
17 enrichment/constructive trust; (5) accounting; (6) "trademark
18 misuse/cancellation of registrations;" and (7) "fraud on the U.S.
19 Patent and Trademark Office."

20 On July 31, 2000, the Court dismissed with prejudice: the
21 defendant's first and sixth counterclaims because they had no basis
22 in law; and the defendant's second through fifth counterclaims,
23 inasmuch as they were brought based on the plaintiffs' commencement
24 of litigation, because they were barred by the Noerr-Pennington

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26 ² The Court's March 23, 2000 order was affirmed by the Ninth
27 Circuit on December 26, 2000. Nissan Motor Co., Ltd. v. Nissan
Computer Corp., 246 F.3d 675 (Table), 2000 WL 1875821 (9th Cir.).

1 doctrine and California's litigation privilege. The Court did not
2 dismiss the defendant's second through fifth counterclaims,
3 inasmuch as they were brought based on the plaintiffs'
4 nonlitigation conduct.

5 On May 29, 2001, the defendant filed the instant motion for
6 leave to file a second amended answer and counterclaims ("SAA").
7 The proposed SAA reasserted the defendant's second through fifth
8 and seventh original counterclaims and asserted new counterclaims
9 for (1) "cancellation of trademark registrations and abandonment of
10 pending trademark applications;" (2) "fraud in the United States
11 Patent and Trademark Office;" (3) "violation of right to publicity
12 in name;" and (4) false advertising. The plaintiffs opposed the
13 defendant's motion, claiming that the defendant's amendments should
14 be rejected for futility. On July 23, 2001, the Court heard oral
15 argument on the motion.

16 On August 1, 2001, the Court issued an order granting the
17 defendant leave to file three of the nine total counterclaims, for
18 (1) "cancellation of trademark registrations and abandonment of
19 pending trademark applications;" (2) "fraud in the United States
20 Patent and Trademark Office;" and (3) "fraud on the United States
21 Patent and Trademark Office."³ The Court deferred ruling on the
22

23 ³ In its reply in support of the instant motion, the
24 defendant pointed out that its second proposed cause of action, for
25 "fraud in the United States Patent and Trademark Office," and its
26 seventh proposed cause of action, for "fraud on the U.S. Patent and
27 Trademark Office," differ. (Reply in Support of Mot. to File SAA
28 at 2 n.2.) According to the defendant,

The Seventh cause of action arises out of Nissan Motor's
(continued...)

1 defendant's six proposed state-law counterclaims – for (1)
2 interference with prospective economic advantage; (2) unfair
3 competition/unfair trade practices; (3) unjust
4 enrichment/constructive trust; (4) accounting; (5) "violation of
5 the right to publicity in name; and (6) false advertising – pending
6 further briefing on two threshold issues.⁴

7 Having received and considered the parties' initial and
8 supplemental briefing, the Court, for the following reasons, denies
9 the defendant's motion for leave to file its six proposed state-law
10 counterclaims.

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16 ³ (...continued)
17 willful misrepresentation, in registering the "Nissan"
18 mark for software, that no other person had the right to
19 use the mark (¶ 173). The fraud stated in the Second
20 cause of action . . . arises out of Nissan Motor's
21 willful misrepresentation that it was the sole owner of
22 the "Nissan" mark when it was, at best, a joint owner
23 with other Japanese companies (¶ 149).

24 (Id.)

25 ⁴ On August 1, 2001, the Court ordered the parties to file
26 two sets of cross-briefs. One set addressing (1) what property
27 rights, if any, the defendant's ownership of the Internet domain
28 names "nissan.com" and "nissan.net" gives the defendant in the
Internet search terms "nissan" and "nissan.com", and (2) if the
Court were to find that the defendant has no proprietary interest
in the Internet search terms, whether such a finding would prevent
the defendant from stating a claim under the proposed state-law
counterclaims. The other set addressing (1) whether California or
North Carolina law should apply to each of the six proposed state-
law counterclaims, and (2) if North Carolina law applies to any of
the six claims, whether the defendant has stated claims under North
Carolina law.

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1 **II. DISCUSSION**

2 **A. LEGAL STANDARD FOR LEAVE TO AMEND**

3 Federal Rule of Civil Procedure 15(a), which governs requests
4 for leave to amend, provides that "leave shall be freely given when
5 justice so requires." Fed. R. Civ. P. 15(a). The Ninth Circuit
6 has held that amendments should be granted with "extreme
7 liberality" in order to "facilitate decision on the merits, rather
8 than on the pleadings or technicalities." United States v. Webb,
9 655 F.2d 977, 979 (9th Cir. 1981). Accordingly, the burden of
10 persuading the court that leave should not be granted rests with
11 the nonmoving party. See DCD Programs, Ltd. v. Leighton, 833 F.2d
12 183, 186 (9th Cir. 1987).

13 Granting leave to amend, however, should not constitute "an
14 exercise in futility." Id. A proposed amendment is futile "if no
15 set of facts can be proved under the amendment to the pleadings
16 that would constitute a valid and sufficient claim or defense."
17 Miller v. Rykoff-Sexton, Inc., 845 F.2d 209, 214 (9th Cir. 1988).⁵

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19 ⁵ The proper test to be applied when determining the legal
20 sufficiency of a proposed amendment is identical to the one used
21 when considering the sufficiency of a pleading challenged under
22 Federal Rule of Civil Procedure 12(b)(6). See Rose v. Hartford
23 Underwriters Ins. Co., 203 F.3d 417, 420 (6th Cir. 2000) ("A
24 proposed amendment is futile if the amendment could not withstand a
25 Rule 12(b)(6) motion to dismiss."). Rule 12(b)(6) provides for
dismissal when a complaint fails to state a claim upon which relief
can be granted. See Fed. R. Civ. P. 12(b)(6). A complaint fails
to state a claim if it does not allege facts necessary to support a
cognizable legal claim. See Balistreri v. Pacifica Police Dept.,
901 F.2d 696, 699 (9th Cir. 1990); Robertson v. Dean Witter
Reynolds, Inc., 749 F.2d 530, 533-34 (9th Cir. 1984).

26 In applying Rule 12(b)(6), the court must presume the truth of
27 the factual allegations in the complaint and draw all reasonable
(continued...)

1 Leave to amend should not be granted where "the allegation of other
2 facts consistent with the challenged pleading could not possibly
3 cure the deficiency." New v. Armour Pharm. Co., 67 F.3d 716, 722
4 (9th Cir. 1995). "Futility of amendment can, by itself, justify
5 the denial of a motion for leave to amend." Bonin v. Calderon, 59
6 F.3d 815, 845 (9th Cir. 1995), cert. denied, 516 U.S. 1051 (1996).

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8 **B. APPLICATION**

9 All of the defendant's six proposed state-law counterclaims
10 are grounded on a common set of allegations that the plaintiffs
11 "intentionally, willfully, maliciously, and unlawfully" purchased
12 various Internet search terms, such as "nissan" and "nissan.com",
13 from various Internet search engine operators, which, when typed
14 into the search engines, result in the searcher being directed to a
15 website of the plaintiffs' choosing, rather than the defendant's
16 website. (Proposed SAA ¶¶ 135-38.) According to the proposed SAA,

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18 ⁵ (...continued)
19 inferences in favor of the nonmoving party. See Parks Sch. of
20 Bus., Inc. v. Symington, 51 F.3d 1480, 1484 (9th Cir. 1995); see
21 also Usher v. City of Los Angeles, 828 F.2d 556, 561 (9th Cir.
22 1987). Dismissal under 12(b)(6) is appropriate "only if it is
23 clear that no relief could be granted under any set of facts that
24 could be proved consistent with the allegations." Hishon v. King &
25 Spalding, 467 U.S. 69, 73 (1984) (citing Conley v. Gibson, 355 U.S.
26 41, 45-46 (1957) (dismissal appropriate only where "plaintiff can
27 prove no set of facts in support of his claim which would entitle
him to relief" (footnote omitted))); see also Ascon Props., Inc. v.
28 Mobil Oil Co., 866 F.2d 1149, 1152 (9th Cir. 1989). Under Rule
12(b)(6), "the court is not required to accept legal conclusions
cast in the form of factual allegations if those conclusions cannot
reasonably be drawn from the facts alleged." Clegg v. Cult
Awareness Network, 18 F.3d 752, 754-55 (9th Cir. 1994). The issue
is not whether the plaintiff will ultimately prevail, but whether
the plaintiff is entitled to offer evidence to support the
plaintiff's claim. See Usher, 828 F.2d at 561.

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1 [als a result of the purchase of these search terms . . .
2 customers, potential customers, and others using a search
3 engine, or a recent browser, looking for Nissan Computer
4 will be wrongfully re-directed to Nissan Motor, . . .
5 will not find Nissan Computer. . . , will believe that
6 Nissan Computer is no longer in business and, as a
7 result, Nissan Computer will lose customers and suffer
8 irreparable damage to its goodwill.

9 (Proposed SAA ¶¶ 136-37.) In other words, "Nissan Motor has, with
10 knowledge that Nissan Computer already has a web site at
11 www.nissan.com, appropriated the search terms 'nissan' and
12 'nissan.com' to itself, knowing and intending that such
13 appropriation will have the effect of misdirecting customers
14 looking for Nissan Computer on the Internet to Nissan Motor's
15 website." (Def.'s Opp'n to Mot. to Dismiss at 10:20-11:1 (emphasis
16 in original).)

17 For example, the defendant asserts that when a user enters
18 "nissan.com" on the search line at GoTo.com, a popular Internet
19 search engine, the user is given a list of sites that "allegedly
20 correspond to that search term." (Def.'s Supplemental Br. Re:
21 Search Terms at 2:25-27.) At the very top of this results page a
22 line appears, stating: "Quick Hit Result: The Official Site for
23 nissan.com." (Id. at 2:27-3:1.) "The 'nissan.com' in this line is
24 a hyperlink that leads to the Nissan North America [the
25 plaintiffs'] web site." (Id. at 3:1-3 (emphasis in original).)
26 According to the defendant, "a consumer told that the Nissan North
27 America web site is the *official* site for nissan.com would believe
28 that Nissan Computer did not own or operate a web site at that
29 domain name address." (Id. at 3:6-8 (emphasis in original).)

1 Before addressing the merits of this theory of liability, the
2 proposed counterclaims that depend upon it, and the parties'
3 respective arguments in support and in opposition thereto, a brief
4 discussion of the basics of the Internet and Internet search
5 engines is necessary.

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7 **1. THE INTERNET AND THE ROLE OF INTERNET SEARCH
8 ENGINES⁶**

8 "Using a Web browser . . . a cyber 'surfer' may navigate the
9 [Internet] - searching for, communicating with, and retrieving
10 information from various web sites." Brookfield Communications,
11 Inc. v. West Coast Entm't Corp., 174 F.3d 1036, 1044 (9th Cir.
12 1999) (citing Panavision Int'l, L.P. v. Toeppen, 141 F.3d 1316,
13 1318-19 (9th Cir. 1998) and United States v. Microsoft, 147 F.3d
14 935, 939-40, 950 (D.C. Cir. 1998)). "A specific web site is most
15 easily located by using its domain name." Id. (citing Panavision,
16 141 F.3d at 1327).

17 Upon entering a domain name into the web browser, the
18 corresponding web site will quickly appear on the
19 computer screen. Sometimes, however, a Web surfer will
20 not know the domain name of the site he is looking for,
21 whereupon he has two principal options: trying to guess

21 ⁶ Courts are not strangers to the Internet and e-commerce.
22 Indeed, the wealth of decisional law that has emerged from cases
23 presenting e-commerce and Internet issues has inspired at least one
24 commentator to write a monographic three-volume treatise on the law
25 of the Internet and e-commerce. See generally Ian C. Ballon, E-
26 Commerce & Internet Law (2001). Courts are not strangers to
27 litigation over the use of Internet search engines either. See
28 generally F. Gregory Lastowka, Note, Search Engines, HTML, and
Trademarks: What's the Meta For?, 86 Va. L. Rev. 835 (2000)
(collecting and discussing search engine cases). Nevertheless, as
far as the Court and the parties to this lawsuit have been able to
discern, the instant motion presents an issue of first impression,
heretofore never reached by any court.

1 the domain name or seeking the assistance of an Internet
2 "search engine."

3 Id.; see also Sporty's Farm v. Sportsman's Market, Inc., 202 F.3d
4 489, 493 (2d Cir. 2000) ("The most common method of locating an
5 unknown domain name is simply to type in the company name or logo
6 with the suffix .com. If this proves unsuccessful, then Internet
7 users turn to a device called a search engine." (footnotes
8 omitted)).

9 When a keyword is entered [into a search engine], the
10 search engine processes it through a self-created index
11 of web sites to generate a (sometimes long) list relating
12 to the entered keyword. Each search engine uses its own
13 algorithm to arrange indexed materials in sequence, so
14 the list of web sites that any particular set of keywords
15 will bring up may differ depending on the search engine
16 used.

17 Id. at 1045 (citing Niton Corp. v. Radiation Monitoring Devices,
18 Inc., 27 F. Supp. 2d 102, 104 (D. Mass. 1998); Intermatic Inc. v.
19 Toeppen, 947 F. Supp. 1227, 1231-32 (N.D. Ill. 1996); Shea v. Reno,
20 930 F. Supp. 916, 929 (S.D.N.Y. 1996), aff'd, 521 U.S. 1113
21 (1997)); see also Playboy Enters., Inc. v. Netscape Communications
22 Corp. ("Netscape"), 55 F. Supp. 2d 1070, 1072 (C.D. Cal. 1999)
23 ("When a person searches for a particular topic in [a] search
24 engine, the search engine compiles a list of sites matching or
25 related to the user's search terms, and then posts the list of
26 sites, known as 'search results.'").

27 "Most search engines attempt to rank sites by relevance, but
28 the formula for determining relevance varies by search engine.
29 Relevance is primarily determined by the number of times a given
30 search term appears on a Web page." Lastowka, supra, at 849.

1 Other factors also figure into the relevance formulas,
2 including the title of the Web page, the number of
3 visitors who come to the Web page, the number of other
4 Web pages that link to the Web page, and whether the
5 search term appears in the address (or URL) of the Web
6 page. Some search engines also include additional
7 factors, such as whether a particular site or group of
8 sites has caught the attention of some member of the
9 search engine company and deserves a higher ranking, or
10 whether the Web site designer paid the search engine
11 company to appear higher in the rankings.

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13 Id. (footnotes omitted).⁷ For example, "GoTo operates a web site
14 that contains a pay-for-placement search engine . . ." GoTo.com,
15 Inc. v. Walt Disney Co., 202 F.3d 1199, 1203 (9th Cir. 2000); see
16 also Lastowka, supra, at 849 n.73 ("Goto.com promotes the fact that
17 it charges Web sites for higher relevance listings.").

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**2. WHETHER THE DEFENDANT HAS STATED CLAIMS UPON WHICH
RELIEF CAN BE GRANTED**

The plaintiffs argue that their purchase of the search terms
at issue in this motion was lawful because the defendant cannot
exclude the plaintiffs "from using the terms 'nissan' and
'nissan.com' on the Internet, solely because [the defendant] holds
registrations for the Internet domain names 'nissan.com' and
'nissan.net'" since "federal trademark law precludes [the
defendant's] assertion of exclusive rights to these terms." (Pls.'
Supplemental Br. Re: Search Terms at 2:13-16.) The Court agrees.

Intellectual property rights are the exception to the
principle of free competition. See Bonito Boats, Inc. v. Thunder

⁷ "URL" stands for "Uniform Resource Locator", an Internet
address which identifies each web page's physical location in the
Internet's infrastructure. See In re Doubleclick Inc. Privacy
Litig., 154 F. Supp. 2d 497, 501 (S.D.N.Y. 2001).

1 Craft Boats, Inc., 489 U.S. 141, 151 (1989) (noting that one of the
2 purposes of intellectual property law is to determine "not only
3 what is protected, but also what is free for all to use"); see also
4 Mark A. Lemley, Beyond Preemption: The Law & Policy of Intellectual
5 Property Licensing, 87 Cal. L. Rev. 111, 170 (1999) (stating that
6 "[i]ntellectual property is a deliberate, government-sponsored
7 departure from the principles of free competition, designed to
8 subsidize creators and therefore to induce more creation" (footnote
9 omitted)). As Professor J. Thomas McCarthy explains:

10 Generally, the party seeking to establish the existence
11 and validity of a right to exclude another from using a
12 creation or marketing tool has the initial burden to
13 prove its entitlement to one of the forms of intellectual
14 property, such as a trademark. Thus, the burden of proof
15 of validity and infringement is on the party wishing to
16 exclude another from use.

17 1 J. Thomas McCarthy, McCarthy on Trademarks & Unfair Competition,
18 § 1:2 at p. 1-5 (2001). Here, the defendant, as the party seeking
19 to exclude the plaintiffs from using the search terms "nissan" and
20 "nissan.com," has not met its burden.

21 It is well-settled that "registration of a domain name for a
22 Web site does not trump long-established principles of trademark
23 law." Brookfield, 174 F.3d at 1066; see also Cardservice Int'l,
24 Inc. v. McGee, 950 F. Supp. 737, 740 (E.D. Va. 1997) (rejecting
25 claim that junior user acquired special rights by first registering
26 and using Internet domain name). Because this Court has already
27 found that "the plaintiffs have a valid, protectable trademark
28 interest in the 'Nissan' mark," Nissan, 89 F. Supp. 2d at 1162, the
29 defendant's registration of the Internet domain names "nissan.com"

1 and "nissan.net" cannot trump the plaintiffs' use of the "Nissan"
2 mark on the Internet or anywhere else.

3 This is not to suggest that Internet search terms are entirely
4 "up-for-grabs." There are protections against the registration of
5 a domain name for the improper purpose of extorting large sums from
6 senior users for its transfer, also known as "cybersquatting" or
7 "cyberpiracy". See, e.g., Sporty's Farm, 202 F.3d at 493 (defining
8 "cybersquatting" as "the registration as domain names of well-known
9 trademarks by non-trademark holders who then try to sell the names
10 back to the trademark owners . . . , who not infrequently have been
11 willing to pay 'ransom' in order to get 'their names' back."
12 (citing H.R. Rep. No. 106-412, at 5-7; S. Rep. No. 106-140, at 4-7
13 (1999))); Chatam Int'l, Inc. v. Bodum, Inc., 157 F. Supp. 2d 549,
14 553 n.7 (E.D. Pa. 2001) (defining "cyberpiracy" as "as the
15 registration of a domain name of another's mark for the primary
16 purpose of selling the domain to the mark owner for an extortionate
17 sum of money."). There are also protections against the
18 registration of a domain name that infringes another's trademark,
19 see, e.g., Brookfield, 174 F.3d at 1053-61 (affirming injunction
20 prohibiting the defendant from using the plaintiff's trademark as
21 an Internet domain name), and against the registration of a domain
22 name for the improper purpose of diluting another's mark, see,
23 e.g., Panavision, 141 F.3d at 1326-27 (affirming district court's
24 grant of the plaintiff's motion for summary judgment where the

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1 defendant diluted the plaintiff's marks by using the marks in the
2 defendant's domain names).⁸

3 Under both infringement and dilution theories, many courts
4 have also applied protections against and limitations on the use of
5 a trademark in a web page's metatags – embedded codes that help
6 search engines identify the content of a website⁹ – for the
7 improper purpose of manipulating a search engine's results list.
8 See, e.g., Brookfield, 174 F.3d at 1066-67 (affirming injunction
9 prohibiting the defendant's use of the plaintiff's mark in the
10 defendant's web pages' metatags); Nettis Envtl. v. IWI Inc., 46 F.
11 Supp. 2d 722, 724 (N.D. Ohio 1999) (noting that the defendant was
12 ordered to "purge its webpage of all materials which could cause a
13 web search engine looking for [the plaintiff], or similar phrases
14 to pull up [the defendant's] webpage."); Niton Corp. v. Radiation
15 Monitoring Devices, Inc., 27 F. Supp. 2d 102, 105 (D. Mass. 1998)
16 (enjoining the defendant from using metatags to attract users to
17 its website in a way that confused the parties and their products);
18 see also Lastowka, supra, at 875 n. 196 (collecting cases in which

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21 ⁸ Dilution generally occurs through the blurring of a famous
22 mark – using a plaintiff's famous mark "to identify the defendant's
23 goods or services, creating the possibility that the mark will lose
24 its ability to serve as a unique identifier of the plaintiff's
25 product" – or tarnishment of the mark – "improperly associat[ing]"
26 a plaintiff's famous mark "with an inferior or offensive product or
27 service" – but is not limited to just these two categories.
28 Panavision, 141 F.3d at 1326, n.7; see also Netscape, 55 F. Supp.
2d at 1075.

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26 ⁹ For a thorough discussion of the technology and function of
27 metatags, see Playboy Enterprises, Inc. v. Terri Welles, Inc., 78
28 F. Supp. 2d 1066, 1091-92 (S.D. Cal. 1999) and Lastowka, supra, at
844-46.

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1 courts have found liability for improper business competitor use of
2 metatags). There appears to be no good cause for not extending
3 these protections and limitations to cases where one infringes or
4 dilutes another's mark by purchasing a search term – as opposed to
5 using another's mark in one's metatags – for the purpose of
6 manipulating a search engine's results list. This is not such a
7 case, however, because the plaintiffs cannot infringe upon or
8 dilute their own mark – much less, one in which they have a valid,
9 protectable interest.

10 This analysis applies equally to both the search term "nissan"
11 and "nissan.com" because any permutations one may derive from
12 adding a top-level domain ("TLD"), which merely describes the
13 nature of the enterprise registering the domain name – i.e., ".com"
14 (commercial), ".org" (non-profit and miscellaneous organizations),
15 or ".net" (networking provider)¹⁰ – to the second-level domain
16 "nissan" are indistinguishable as a matter of law. See Brookfield,
17 174 F.3d at 1055 (noting that the addition of ".com" is
18 "inconsequential in light of the fact that . . . the '.com' top-
19 level domain signifies the site's commercial nature"); see also
20 Image Online, 120 F. Supp. 2d at 878 ("In fact, rather than look at
21 a [TLD to determine trademark rights, the Ninth Circuit and others
22 ignore the TLD as though it were invisible next to the second level
23 domain name in an infringement action. The Ninth Circuit and other
24 courts' analyses of trademark infringement in the context of domain

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26 ¹⁰ For a thorough discussion of TLDs, and their origins and
27 purposes, see generally Image Online Design, Inc. v. Core Ass'n,
120 F. Supp. 2d 870 (C.D. Cal. 2000).

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1 names further reinforce this Court's finding that a TLD is not
2 subject to trademark protection." (emphasis in original)).¹¹

3 After the Court indicated at oral argument its intention to
4 adopt the foregoing analysis, the defendant conceded that it cannot
5 preclude the plaintiffs from acquiring the "nissan" search term *per*
6 *se*, but contended that it has a right to protect its interest in
7 "nissan.com" as an address.¹² Similarly, the defendant argues in
8 its supplemental brief that its proposed state-law counterclaims

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11 ¹¹ In an attempt to salvage its unfair competition claim
12 under a passing off theory, the defendant argues that "[e]ven if
13 the '.com' portion of the Nissan Computer web site is deemed to be
14 a generic term, such that Nissan Computer can assert no separate
15 trademark rights in 'nissan.com,' courts have repeatedly recognized
16 that a competitor *may not* use a generic term to pass itself off as
17 a competing organization or its product." (Def.'s Supplemental Br.
18 Re: Search Terms at 5:22-25.) The defendant is misguided. As
19 then-D.C. Circuit Judge Ruth Bader Ginsburg stated in Blinded
20 Veterans Association v. Blinded American Veterans Foundation, 872
21 F.2d 1035 (D.C. Cir. 1989), "if an organization's own name is
22 generic, a competitor's subsequent use of that name may give rise
23 to an unfair competition [passing off] claim if the competitor's
24 failure adequately to identify itself as distinct from the first
25 organization causes confusion or a likelihood of confusion." Id.
26 at 1043. Here, neither the plaintiffs' nor the defendant's
27 business name is generic. Moreover, the addition of the ".com" TLD
28 to the term "Nissan" does not render the resulting "nissan.com" a
generic composite term.

21 ¹² The defendant's counsel argued,
22
23 As far as Nissan Motor's right to be able to purchase
24 Nissan *per se* on the Internet as a search term, I don't
25 have a problem with respect to the fact that everybody
26 would have the right to go out and buy Nissan *per se*, but
27 when you are talking about nissan.com, we are not talking
28 in the trademark context here. We are talking about
something that is very literal with zeros and ones, and
when you are talking about going out and purchasing that,
that is something which really starts to mislead people,
because we are the ones that have the nissan.com address.
(Reporters Tr., July 23, 2001, at 20:20-21:4.)

1 are not based on a property interest it has in the search terms,
2 but rather its property interest in the domain names
3 "www.nissan.com" and "www.nissan.net." (Def.'s Supplemental Br.
4 Re: Search Terms at 3:20-23.) According to the defendant, "[l]ike
5 any other business, [the defendant] has a right to prevent others
6 from attempting to divert or confuse its customers." (Id. at 3:23-
7 4:1.) In other words, the defendant appears to argue that it is
8 not the plaintiffs' purchase of the search terms that creates
9 liability, but the effect of their purchase and use of the search
10 terms that create liability. In some instances, this argument
11 would be compelling, but not here.

12 By way of analogy, the purchase of advertising in a periodical
13 is not *per se* unlawful. When that advertising is false or
14 misleading, however, the effect of the purchase or use of the
15 advertising becomes unlawful. Similarly, if the plaintiffs had
16 purchased the search term "Microsoft.com," resulting in the display
17 of a results page which stated: "Quick Hit Result: The Official
18 Site for Microsoft.com," and users who clicked on the hyperlink
19 were diverted to the plaintiffs' web site, the plaintiffs' conduct
20 would be unlawful. Again, this is not the case here. The
21 plaintiffs have merely purchased search terms, in one of which
22 ("nissan") they indisputably have a valid, protectable trademark
23 interest and in the other ("nissan.com"), by operation of the law
24 that treats a ".com" domain name as indistinguishable from its
25 second-level domain root, an equally valid, protectable trademark
26 interest.

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1 In an attempt to overcome this analysis, the defendant has
2 provided an analogy of its own. According to the defendant,
3 [the plaintiffs'] conduct is the equivalent, in the
4 Internet context, of paying the occupant of the
5 information booth at the airport to direct people to the
6 United Airlines counter whenever anyone should inquire
7 where the Starbuck's coffee counter is located. Although
8 there is, presumably, no likelihood that persons who
9 arrive at the United Airlines desk will be confused about
10 whether it is actually Starbuck's, the misinformation
11 will either convince frustrated customers to stop
12 searching for Starbuck's, or lead them to believe that
13 the Starbuck's no longer operates at the airport and that
14 United has taken over the former Starbuck's counter.

15 (Id. at 5:1-7.) The analogy, however, is inapposite. In the
16 defendant's analogy, the consumer does not know the location of the
17 business (Starbuck's) it seeks. Here, however, the consumer who is
18 allegedly misdirected by the plaintiffs' purchase of the search
19 term "nissan.com" has the location of the business (nissan.com) it
20 seeks in hand.

21 "Although the use of computers may once have been the
22 exclusive domain of an elite intelligentsia, even modern-day
23 Luddites are now capable of navigating cyberspace." GoTo.com, 202
24 F.3d at 1209. Typing "nissan.com" into a search engine to obtain
25 the domain name for "nissan.com" is as pointless, as the plaintiffs
26 correctly point out, "as telephoning a business and asking for its
27 telephone number." (Pls.' Supplemental Br. Re: Search Terms at
28 7:28-8:1.) Accordingly, because the theory underlying the
defendant's proposed counterclaims "defies common understanding of
the Internet," Image Online, 120 F. Supp. 2d at 877, the defendant
has not stated claims upon which relief can be granted. Stated
differently, the defendant owns the registration of a domain name.

1 That ownership bestows upon the defendant only the right to have
2 Internet users go to the defendant's web site when a user types the
3 domain name into a web browser. Absent a basis for claiming
4 broader intellectual property rights in a domain name, a domain
5 name is an address, nothing more.

6

7 **III. CONCLUSION**

8 Because the defendant has failed to allege any wrongful or
9 deceptive conduct on the part of the plaintiffs – much less, a
10 tenable theory for any form of liability – the Court need not apply
11 the facts alleged in the proposed SAA to each of the six proposed
12 state-law counterclaims. Consequently, the Court need not reach
13 the choice of law issue briefed by the parties either. No later
14 than 14 days from the issuance of this Order, the defendant shall
15 serve on all parties and file its second amended answer and
16 counterclaims consistent with this Order and the Court's August 1,
17 2001 Order.¹³

18

19 IT IS SO ORDERED.

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24 ¹³ The defendant has also requested that the Court allow it
25 to file additional or supplemental expert reports concerning
26 factual issues raised by the three federal law counterclaims
27 approved of in the Court's August 1, 2001 Order. (Def.'s Mot. at
4:16-20; Def.'s Supplemental Br. Re: Choice of Law at 2 n.1.) That
request is granted. If it has not already done so, the defendant
shall serve its expert reports, no later than 14 days from the
issuance of this Order.

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1 Dated: _____

DEAN D. PREGERSON
United States District Judge

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