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IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF CALIFORNIA

NIKE, INC., an Oregon corporation,)
) 2:05-cv-1468-GEB-JFM
Plaintiff,)
)
v.) AMENDED FINDINGS OF FACT
) AND CONCLUSIONS OF LAW*
NIKEPAL INTERNATIONAL, INC.,)
a California corporation,)
)
Defendant.)
_____)

The following findings of fact and conclusions of law issue as a result of a bench trial conducted in this trademark action. Plaintiff Nike, Inc. ("Nike"), a company headquartered in Beaverton, Oregon which uses the mark NIKE, contests the use of the mark NIKEPAL by Defendant Nikepal International, Inc. ("Nikepal"), a company located in Sacramento, California. Nike initially contested Nikepal's registration of the NIKEPAL mark at the Trademark Trial and Appeal Board ("TTAB") of the United States Patent and Trademark Office ("PTO"); however, the TTAB denied Nike's opposition to Nikepal's

* This order amends and supersedes the order filed September 10, 2007.

1 registration of the NIKEPAL mark. Nike subsequently appealed the
2 TTAB's ruling to this court under 15 U.S.C. § 1071 and brought
3 additional claims for federal and state trademark dilution under 15
4 U.S.C. § 1125(c) and California Business and Professions Code section
5 14330; for trademark infringement under 15 U.S.C. § 1114; and for
6 unfair competition under 15 U.S.C. § 1125(a).²

7 Nike seeks an injunction preventing Nikepal from using the
8 term "Nike" (or any term confusingly similar thereto) alone or as part
9 of any trademark, domain name or business name under which Nikepal
10 offers goods or services in commerce. Nike also seeks a reversal of
11 the TTAB's ruling allowing Nikepal to register the NIKEPAL mark.
12 Nikepal seeks an affirmation of the TTAB's April 21, 2005 order.
13 (TTAB's April 21, 2005 Order ("TTAB Decision").)

14 Findings of Fact

15 I. The Parties and their Businesses

16 A. Nike

17 Nike was incorporated in 1968 under the original company
18 name Blue Ribbon Sports. (Exs. 44, 57 at 1.) In 1971, it adopted the
19 NIKE mark to brand its footwear products and in May 1978, the
20 company's name was officially changed to "Nike, Inc." (Joint Pretrial
21 Statement Undisputed Fact #2; Ex. 44.) Today, Nike is the largest
22 seller of athletic footwear and apparel in the world. (Ex. 47 at 2.)
23 Nike sells around 180 million pairs of shoes annually in the United
24 States alone. (Trial Transcript ("Tr.") at 83:19-23.) Nike's
25 principal business activity is the design, development, and worldwide
26

27 ² For the reasons stated herein, Nike prevails on its federal
28 and state dilution claims. Therefore, Nike's claims for trademark
infringement and unfair competition need not be reached.

1 marketing and distribution of high quality and technologically
2 advanced footwear, apparel, equipment, and accessories. (Ex. 47; Tr.
3 at 21:9-22; 22:2-8.) Nike has continuously used the NIKE mark on and
4 in connection with the various products offered by the company since
5 the 1970s. (Exs. 2-4, 7, 14; Tr. at 19:3-6, 43:10-44:15.) Sometimes,
6 the word mark NIKE is the only brand used; sometimes, Nike's Swoosh
7 design mark (i.e. the logo which frequently appears on products along
8 with NIKE, and in some instances alone) is also placed on the product.
9 (Tr. at 121:4-9.)

10 B. Nikepal

11 Nikepal was incorporated on May 18, 1998 by the company's
12 founder and president, Palminder Sandhu ("Mr. Sandhu"), who then began
13 using the NIKEPAL mark in commerce. Nikepal provides services and
14 products to analytical, environmental, and scientific laboratories.
15 (Tr. at 180:14-20.) Nikepal's trademark application to the PTO
16 requested registration for: "import and export agencies and wholesale
17 distributorships featuring scientific, chemical, pharmaceutical,
18 biotechnology testing instruments and glassware for laboratory use,
19 electrical instruments, paper products and household products and
20 cooking appliances." (Application Serial No. 76123346, filed
21 September 6, 2000; see TTAB Decision at 1.) Nikepal distributes glass
22 syringes in varying volumes and other laboratory products to testing
23 and power companies and also distributes paper boxes (syringe carrying
24 cases) and nylon valves and caps for use with the syringes. Nikepal
25 only distributes its products to laboratories, not to individuals.

26 Nikepal does not have a retail office, but operates its
27 business through its website (located at www.nikepal.com), via email,
28 and via telephone. (Tr. at 189:17-190:2, 378:11-12; Ex. 98; Tr. at

1 142:16-143:10.) Nikepal is run by Mr. Sandhu, who also works as a
2 transportation engineer. (Tr. at 125:9-17.) Currently, Nikepal has
3 one other part-time employee. (Tr. at 202:15-22.) Nikepal has only a
4 few hundred customers, but it has a list of thousands of prospective
5 customers, some of whom receive materials from Nikepal advertising its
6 product and service offerings under the mark NIKEPAL. (Tr. at
7 417:8-12; Ex. 147.)

8 II. The Parties' Marks

9 A. NIKE

10 Nike first registered the NIKE mark with the PTO in February
11 1974. (Ex. 2.) Nike owns ten (10) federal trademark registrations
12 for the NIKE mark alone, covering footwear, clothing, bags,
13 timepieces, paper products such as notebooks and binders, sport balls,
14 swim accessories, and retail store services, all of which related to
15 pre-May 1998 uses of the mark. (Exs. 2, 3, 4, 7, 14, 24, 26, 28, 31,
16 35.) By May 1998, Nike was also using and applied for trademark
17 registrations covering the use of the NIKE mark in combination with
18 other terms or designs for footwear, clothing, bags, timepieces,
19 posters, sport balls, swim accessories, weights, gloves, headgear, and
20 retail store services. (Exs. 5, 6, 15-23, 25, 27, 29, 30, 32-34, 36.)
21 For example, Nike owns nineteen (19) federal registrations for NIKE
22 composite marks such as: NIKE and the Swoosh design which has been in
23 use since 1971; NIKE AIR which has been in use since 1987; NIKE-FIT
24 which has been in use since 1990; NIKE TOWN which has been in use
25 since 1990; NIKE SHOP which has been in use since 1991; and NIKE GOLF
26 which has been in use since 1993. (Id.) From 1998 to the present,
27 Nike has continued to use the mark NIKE alone and in combination with
28 other terms or designs. (Exs. 37, 39, 40.)

1 B. NIKEPAL

2 Mr. Sandhu testified that he conceived of the term Nikepal
3 when he wanted to create a vanity license plate for his car. (Tr. at
4 373:17-25.) He testified that he selected the word "Nike" by opening
5 a dictionary to a random page and choosing the first word he saw, and
6 then combined it with the first three letters of his first name "Pal."
7 (Tr. at 372:8-13, 373:1-6, 374:4-12.) "Pal" means friend or
8 benefactor. (Record from the TTAB Proceeding ("TTAB Rec."), Dep. of
9 Palminder Sandhu ("Sandhu Dep.") at 9:12-16; Tr. at 127:24-128:6.)
10 Mr. Sandhu admits he knew of the existence of the company Nike and its
11 use of the NIKE mark at the time he devised the term NIKEPAL. (Tr. at
12 127:20-23.) Despite Mr. Sandhu's trial testimony concerning the
13 manner in which he conceived of the term NIKEPAL, the court does not
14 find it to be credible.

15 The "Nike" portion of the NIKEPAL mark is pronounced the
16 same way as the NIKE mark is pronounced: with a hard "i" (like bike)
17 in the first syllable and a hard "e" (like in "key") in the second
18 syllable.³ (Tr. at 296:1-17; Ex. 414.) The articles of incorporation
19 signed by Mr. Sandhu for Nikepal in 1998 display the company name as
20 "NikePal International, Inc.," with the first word of the company name
21
22

23 ³ Nikepal's attorney attempted to convince the court that there
24 is a pronunciation difference between NIKE and NIKEPAL. In her
25 questions during trial, for example, she pronounced Nikepal's mark as
26 "nik-a-pal." However, in answering her questions at trial, Mr. Sandhu,
27 the president of Nikepal, alternated between the pronunciation of
28 NIKEPAL as "nik-a-pal" and as "Ny-key-pal." Further, Nike's witness,
Joseph Sheehan, a former FBI agent and now a private investigator,
provided a tape recording of the outgoing message heard on Nikepal's
answering machine which clearly pronounced the term "Nike" with long, or
hard, vowels, that is an "i" like in "bike" and "e" like in "key"
identical to the pronunciation of the Nike's trademark.

1 spelled "NikePal," with a capital "N" and a capital "P."⁴ (Tr. at
2 126:7-127:3; Ex. 154.)

3 In addition to using Nikepal as the company name, NIKEPAL
4 appears directly on some of Nikepal's products, including on its
5 syringe products, and on its marketing materials. (Tr. at 128:7-11;
6 Ex. 127; Tr. at 135:25-136:20, at 136:21-137:7, 137:20-138:4.)

7 Nikepal also places www.nikepal.com on its syringes to identify the
8 source of the syringe. (Tr. at 138:5-9.) Nikepal also uses the
9 NIKEPAL mark in a vanity phone number (1-877-N-I-K-E-P-A-L), on its
10 website, and in its domain names, including nikepal.com, nikepal.biz,
11 nikepal.us, nikepal.tv, nikepal.info, and nikepal.net. (Tr. at
12 128:12-129:9, 144:11-16.)

13 III. Nike's Sales

14 By the late 1980s, United States sales of NIKE branded
15 products were over one billion dollars per year. (TTAB Rec., Dep. of
16 John F. Coburn ("Coburn Dep."), Ex. 28.) Starting in 1991 and through
17 the mid 1990s, sales of NIKE products in the United States were
18 approximately two billion dollars per year, and were above five
19 billion dollars per year by 1997.⁵ (Id.; Tr. at 76:3-23; Ex. 61 at p.

21 ⁴ However, since both parties refer to "Nikepal" with a
22 lowercase "p" in this action, the court adopts this spelling for the
purposes of this order.

23 ⁵ Nikepal has disputed whether Nike's total sales previously
24 testified to by Mr. Coburn in the TTAB proceeding were all attributable
25 to NIKE, arguing that some of those sales included products that did not
26 bear the NIKE mark. However, Mr. Farris, a high-level Nike employee who
27 has been with the company since 1973, testified that the only portion of
28 Nike sales that could potentially be for products bearing a mark other
than NIKE would have been for the Cole Haan brand which was less than
one percent of total United States sales in the 1990s. (Tr. 76:20-23.)
This is also shown by Nike's 10K SEC filings. Therefore, the trial
evidence clearly established that Nike's annual sales of NIKE products
(continued...)

1 10; Ex. 59 at p. 2.) By 1997, Nike was the largest seller of athletic
2 footwear and apparel in the world. (Ex. 57; Tr. at 84:11-25.) The
3 geographic area of Nike's sales includes the United States and 140
4 countries throughout the world. (TTAB Rec., Coburn Dep. at 18:9-14;
5 Ex. 61 at 2.) Since 1997, Nike has sold over 100,000,000 pairs of
6 NIKE shoes each year. (Tr. at 84:6-8.)

7 IV. Advertising and Promotion of the NIKE Mark

8 Nike has undertaken significant expense to promote the NIKE
9 mark. (See Ex. 70 at 33.) Nike advertises in various types of media,
10 including traditional print advertising, such as magazines (of both
11 special and general interest), newspapers (of general circulation),
12 leaflets, and billboards. (TTAB Rec., Coburn Dep. at 19:19-25,
13 20:4-13, 34:1-25.) Nike also advertises in electronic media,
14 including radio, television, cable and internet, on sides of
15 buildings, on taxi cabs, and through direct mailings. (Id.) Nike's
16 television advertisements have run on network channels and have
17 reached national audiences. (Tr. at 56:8-25, 60:10-61:19,
18 62:10-63:25, 64:16-65:9, 69:21-70:25.) Nike has also promoted its
19 mark by associating with athletes through endorsement arrangements.
20 (Tr. at 66:18-20; TTAB Rec., Coburn Dep. at 20:19-21:8.) By 1991,
21 Nike was spending in excess of one hundred million dollars per year in
22 the United States alone to advertise products bearing the NIKE mark.
23 (TTAB Rec., Coburn Dep. Ex. 30.) By 1997, Nike had spent at least
24 \$1,567,900,000.00 to promote the NIKE mark in the United States.
25 (Id.)

26
27
28 ⁵(...continued)
in the United States exceeded billions of dollars prior to May 1998.

1 V. Notoriety of NIKE

2 The NIKE mark has been consistently ranked as a top brand in
3 publications that survey the top brands each year. (Ex. 112 (at
4 NIKE04099); Ex. 113 (at NIKE04104); Ex. 121 (at NIKE04159); Ex. 122
5 (at NIKE04174).) Since at least 1990, Nike has been named one of the
6 top forty (40) brands in the United States based on the EquiTrend and
7 other studies published in BrandWeek and Financial World Magazine.
8 (Id.) Other brands ranked in such studies include FRITO LAY, LEVI'S,
9 CAMPBELLS', HEWLETT-PACKARD, SONY, PEPSI, and VISA. One story printed
10 in Forbes magazine, reported a survey conducted by Young & Rubicam
11 that ranked the NIKE brand among the top ten (10) in the United States
12 in 1996 with COKE, DISNEY, and HALLMARK. (Tr. at 80:7-16.)

13 VI. Evidence of Actual Association

14 A survey conducted by Phillip Johnson of Leo J. Shapiro and
15 Associates ("Mr. Johnson's survey"), a Chicago-based market research
16 firm, determined that a significant number of Nikepal's potential
17 laboratory customers actually associated NIKE with NIKEPAL. Mr.
18 Johnson is an expert at designing surveys that measure consumer
19 behavior. (Tr. at 302:24-303:7.) The primary business of Shapiro and
20 Associates is to explore consumer behavior through the use of surveys
21 for businesses such as Toys-R-Us, Target, and Petsmart in order to
22 help them better understand their marketplace when developing new
23 retail concepts. (Tr. at 298:16-21.) Nike retained Mr. Johnson to
24 design a survey to measure, *inter alia*, the likelihood of dilution of
25 the NIKE brand as a result of Nikepal's use of the NIKEPAL mark. (Tr.
26 at 304:18-25.)

27 In designing his study, Mr. Johnson used a universe of
28 survey participants randomly selected from lists of companies that Mr.

1 Sandhu's deposition testimony identified as the sources for Nikepal's
2 current and prospective customers. (Tr. at 309:3-18.) Mr. Johnson
3 conducted the survey by phone and asked respondents about their
4 perception of a website called nikepal.com. In designing his survey,
5 Mr. Johnson chose one of the ways that the NIKEPAL mark is used in
6 commerce which allowed him to reasonably recreate a purchasing context
7 while obtaining a controlled and accurate measurement. (Tr. at
8 312:25-314:22.) Mr. Johnson testified that this survey replicated the
9 circumstances in which people typically encountered the NIKEPAL mark.
10 (Tr. at 311:19-312:16, 367:8-17.)

11 Once survey respondents were screened to confirm that they
12 were the persons most responsible for ordering laboratory equipment at
13 their business, they were asked: "What if anything, came to your mind
14 when I first said the word Nikepal?" Many survey respondents who were
15 not actually confused about the source of the Nikepal website
16 nonetheless identified Nike. Mr. Johnson testified that his survey
17 revealed that the vast majority of respondents, 87%, associated
18 Nikepal with Nike; that is, when they encounter the mark NIKEPAL, they
19 think of Nike and/or its offerings. (Tr. at 324:3-325:23, 326:19-24.)

20 Evidence of actual association of the NIKEPAL mark with the
21 NIKE mark also exists beyond the results demonstrated in Mr. Johnson's
22 survey. Mr. Sandhu registered the domain names nikepal.biz,
23 nikepal.us, nikepal.tv, nikepal.net, and nikepal.info with Network
24 Solution, and until just prior to trial, those websites were inactive.
25 Mr. Sandhu testified that at the time he registered those domains he
26 chose not to link them to an active website. (Tr. at 130:8-131:2,
27 131:17-19.) As a result, Network Solutions assigned those domains an
28 "under construction" page and then associated with that page

1 promotions and advertisement links to product and service offerings of
2 its choice. (Ex. 443; Tr. at 232:21-233:9.) These promotions and
3 advertisements all referred to NIKE products or those of one of its
4 competitors. (Ex. 434; Tr. at 210:25, 213:6-8, 214:7-12, 214:19-21,
5 216:22-25; Ex. 438; Tr. at 218:11-13; Ex.440; Tr. at 219:1-3, 219:4-5,
6 219:17-19; Ex. 442; Tr. at 219:14-16, 235:12-15.) Thus, when
7 accessing Nikepal's NIKEPAL domain names (other than nikepal.com),
8 users received information about Nike or its competitors, but not
9 Nikepal. (Id.)

10 Conclusions of Law

11 I. Dilution

12 Under the Federal Trademark Dilution Revision Act⁶:

13 [T]he owner of a famous mark that is distinctive,
14 inherently or through acquired distinctiveness,
15 shall be entitled to an injunction against another
16 person who, at any time after the owner's mark has
17 become famous, commences use of a mark or trade
18 name in commerce that is likely to cause dilution
19 by blurring or dilution by tarnishment of the
20 famous mark, regardless of the presence or absence
21 of actual or likely confusion, of competition, or
22 of actual economic injury.

19 15 U.S.C. § 1125(c)(1) ("TDRA"). To prevail on its dilution claim,
20 Nike must prove 1) that its mark was famous as of a date prior to the
21 first use of the NIKEPAL mark and 2) that Nikepal's use of its

23 ⁶ The TDRA, signed into law on October 6, 2006, amended the
24 previous federal anti-dilution statute (the Federal Trademark Dilution
25 Act ("FTDA")). The TDRA revises the FTDA in three ways: it establishes
26 that likelihood of dilution, and not actual dilution, is a prerequisite
27 to establish a dilution claim; it sets forth four relevant factors
28 courts may consider in determining famousness; and it also lists six
relevant factors that courts may consider in determining whether a
likelihood of dilution exists. Century 21 Real Estate LLC v. Century
Surety Co., 2007 WL 433579, at *1 (D. Ariz. Feb. 6, 2007).

1 allegedly diluting mark creates a likelihood of dilution by blurring
2 or tarnishment.⁷

3 A. Whether NIKE Was Famous Prior to the First Use of NIKEPAL

4 A "famous" mark is one that "is widely recognized by the
5 general consuming public of the United States as a designation of
6 source of the goods or services of the mark's owner." 15 U.S.C.
7 § 1125(c)(2)(A).

8 In determining whether a mark possesses the
9 requisite degree of recognition, the court may
10 consider all relevant factors, including the
11 following:

12 (i) The duration, extent, and geographic reach of
13 advertising and publicity of the mark, whether
14 advertised or publicized by the owner or third
15 parties.

16 (ii) The amount, volume, and geographic extent of
17 sales of goods or services offered under the mark.

18 (iii) The extent of actual recognition of the
19 mark.

20 ⁷ California's anti-dilution statute, under which Nike also
21 brings a claim, prescribes:

22 Likelihood of injury to business reputation or a
23 dilution of the distinctive quality of a mark
24 registered under this chapter, or a mark valid at
25 common law, or a trade name valid at common law,
26 shall be a ground for injunctive relief
27 notwithstanding the absence of competition between
28 parties or the absence of confusion as to the
source of goods or services.

Cal. Bus. & Prof. Code § 14330.

If Nike prevails on its federal dilution claim, it will also
prevail on its dilution claim under California law. See Jada Toys, Inc.
v. Mattel, Inc., 2007 WL 2199286, at *4 (9th Cir. Aug. 2, 2007); see
also Panavision Int'l v. Toeppen, 141 F.3d 1316, 1324 (9th Cir. 1998)
("[Plaintiff's] state law dilution claim [under California Business and
Professions Code section 14330] is subject to the same analysis as its
federal [dilution] claim.").

1 (iv) Whether the mark was registered under the Act
2 of March 3, 1881, or the Act of February 20, 1905,
or on the principal register.

3 Id. Since Nikepal's first use of NIKEPAL commenced in May 1998, Nike
4 must show that NIKE was famous before that date.

5 With regard to the first factor, the evidence clearly
6 establishes that through various combinations of athlete endorsements,
7 television, radio, print media, and billboard placements, NIKE was
8 promoted nationally for more than two decades before 1998. By the
9 1990s, Nike was had spent in excess of a billion dollars for promotion
10 of NIKE products in the United States.

11 With regard to the second factor, Nike's sales of NIKE
12 products reached the billion dollar per year level in the United
13 States well before May 1998. By 1997, Nike had spent in excess of one
14 billion dollars to promote the NIKE mark in the United States.

15 Nike also satisfies the third factor, since recognition of
16 the success of NIKE has been recorded by various publications in
17 surveys and articles written prior to May 1998. Since the early
18 1990s, NIKE has been consistently ranked as a top brand in brand
19 surveys in the United States and the world. Mr. Johnson, who in his
20 professional capacity is familiar with the reputation and methodology
21 used in various brand surveys and literature, opined that these
22 sources evinced that NIKE was famous during the mid 1990s, before
23 Nikepal adopted its mark in 1998. Nikepal counters that only Nike's
24 Swoosh design mark, and not the NIKE mark itself, is famous. However,
25 Mr. Johnson's survey revealed that when participants were exposed
26 solely to the word "Nike" without the Swoosh, the response
27 overwhelmingly indicated recognition of the NIKE mark.

28

1 Finally, with regard to the fourth factor, the NIKE mark is
2 registered on the PTO's principal register. Nike owns ten (10)
3 federal registrations for NIKE covering uses prior to 1998 which
4 include retail services, bags, footwear, apparel, heart monitors,
5 electrical items and paper products. Accordingly, the court concludes
6 that NIKE was famous under 15 U.S.C. § 1125(c)(2)(A), prior to
7 Nikepal's first use of the NIKEPAL mark.

8 B. Likelihood of Dilution by Blurring

9 The TDRA defines dilution by blurring as an "association
10 arising from the similarity between a mark or trade name and a famous
11 mark that impairs the distinctiveness of the famous mark." 15 U.S.C.
12 § 1125(c)(2)(A).

13 In determining whether a mark or trade name is
14 likely to cause dilution by blurring, the court
15 may consider all relevant factors, including the
16 following:

17 (i) The degree of similarity between the mark or
18 trade name and the famous mark.

19 (ii) The degree of inherent or acquired
20 distinctiveness of the famous mark.

21 (iii) The extent to which the owner of the famous
22 mark is engaging in substantially exclusive use of
23 the mark.

24 (iv) The degree of recognition of the famous mark.

25 (v) Whether the user of the mark or trade name
26 intended to create an association with the famous
27 mark.

28 (vi) Any actual association between the mark or
trade name and the famous mark.

Id.

1 (i) The Degree of Similarity

2 Marks in a dilution analysis must be "identical" or "nearly
3 identical."⁸ Thane Int'l, Inc. v. Trek Bicycle Corp., 305 F.3d 894,
4 906 (9th Cir. 2002). "For marks to be nearly identical to one
5 another, they 'must be similar enough that a significant segment of
6 the target group of customers sees the two marks as essentially the
7 same.'" Playboy Enters., Inc. v. Welles, 279 F.3d 796, 806 n. 41 (9th
8 Cir. 2002)(internal citation omitted).

9 The parties' marks are nearly identical. The NIKEPAL mark
10 is a composite of the word "Nike" with the term of affinity, "pal."
11 The composite nature of the NIKEPAL mark is evident in the logo
12 selected by the company which clearly features an "N" and a "P." In
13 each case the dominant feature of the mark is the term "Nike." In
14 addition, the term "Nike" in both marks is pronounced identically with
15 an "i" like in "bike" and an "e" like in "key." See Porsche Cars N.
16 Am., Inc., 2000 WL 641209, at *3, (finding that the trademark PORSCHE
17 was diluted by PORCHESOURCE.COM); see also Jada Toys, Inc., 2007 WL
18 2199286, at *4 (concluding "that a reasonable trier of fact could find
19 that the HOT WHEELS and HOT RIGZ marks are nearly identical.").

20 Further, as shown by Mr. Johnson's survey, the vast majority
21 of the survey respondents, representing a significant segment of
22 Nikepal's target customer group, associate Nike and/or its products
23 and services when they encounter the mark NIKEPAL, thus perceiving the
24

25 ⁸ Nike argues that the TDRA does not require that the marks be
26 identical or nearly identical. However, the enactment of the TDRA did
27 "not eliminate the requirement that the mark used by the alleged diluter
28 be 'identical,' or 'nearly identical,' or 'substantially similar,' to
the protected mark." Century 21 Real Estate LLC, 2007 WL 433579, at *2
(citing House Report on Trademark Dilution Act of 2005 at 8, 25).

1 two marks as essentially the same. See Thane Int'l, Inc., 305 F.3d at
2 906 ("The marks must be of sufficient similarity so that, in the mind
3 of the consumer, the junior mark will conjure an association with the
4 senior.") (citing Nabisco, Inc. v. PF Brands, 191 F.3d 208 (2d Cir.
5 1999)). Accordingly, this factor favors Nike.

6 (ii) Distinctiveness

7 "There are five categories of trademarks: (1) generic; (2)
8 descriptive; (3) suggestive; (4) arbitrary; and (5) fanciful.'" Quicksilver, Inc. v. Kymsta Corp., 466 F.3d 749, 760 (9th Cir. 2006)
9 (internal citations omitted). "[S]uggestive, arbitrary, and fanciful
10 marks are 'deemed inherently distinctive and are automatically
11 entitled to [trademark] protection because they naturally serve to
12 identify a particular source of a product.'" Id. Suggestive marks
13 require the use of imagination to make a connection between the mark
14 and an attribute of the goods or services to which it is applied.
15 Official Airlines Guides, Inc. v. Goss, 6 F.3d 1385, 1391 (9th Cir.
16 1993).

17
18 Nikepal does not dispute that NIKE is, at the very least,
19 suggestive. (See Nikepal's Proposed Findings and Recommendations at
20 42 ("[Nike's] mark is suggestive when used in connection with
21 Plaintiff's products.")) Accordingly, NIKE is inherently distinctive
22 and this factor favors Nike.

23 (iii) Substantially Exclusive Use

24 The law does not require that use of the famous mark be
25 absolutely exclusive, but merely "substantially exclusive." See
26 L.D.Kichler Co. v. Davoil Inc., 192 F.3d 1349, 1352 (Fed. Cir. 1999)
27 (holding that in the trademark context, "substantially exclusive" use
28 does not mean totally exclusive use). Therefore, a limited amount of

1 third party use is insufficient to defeat a showing of substantially
2 exclusive use. See Avery Dennison Corp. v. Sumpton, 189 F.3d 868, 878
3 (9th Cir. 1999) (finding that use of the mark was not substantially
4 exclusive when the words "Avery" and "Dennison" were "*commonly* used as
5 trademarks, both on and off of the Internet, by parties other than
6 Avery Dennison." (emphasis added)).

7 Nike asserts that its use of the NIKE mark is substantially
8 exclusive. Nikepal introduced evidence of use of the term "Nike" in
9 the company name "Nike Hydraulics, Inc.," through a bottle jack
10 purchased from the company and a 1958 trademark registration for
11 "Nike" owned by Nike Hydraulics.⁹ However, this evidence is
12 insufficient to disprove Nike's claim that its use of NIKE is
13 substantially exclusive. Even Nikepal's witness, Roger Smith,
14 admitted that he had not encountered Nike Hydraulics before hearing
15 that name in connection with this action. Accordingly, the court
16 finds that Nike's use of the NIKE mark is substantially exclusive and
17 this factor therefore favors Nike.¹⁰

18
19 ⁹ While a trademark registration owned by one of the *parties* in
20 a trademark lawsuit may be prima facie evidence of the facts contained
21 therein, the introduction of a trademark registration of a non-party to
22 a lawsuit does not provide evidence of any of the recorded information,
23 including date of first use. See 15 U.S.C. § 1057(b); see also AMF Inc.
v. Am. Leisure Prod., Inc., 474 F.2d 1403, 1406 (C.C.P.A. 1973) (finding
24 that third-party registrations are "not evidence of what happens in the
25 market place" nor are they evidence of consumer familiarity with the
26 mark).

27 ¹⁰ Nikepal also introduced evidence that the term "Nike" appears
28 in dictionaries referring to the Greek goddess of victory, that the
image of Nike the goddess appeared on some Olympic medals, and that the
United States Government named one of its missile programs "Nike."
However, Nikepal did not show that these uses were made in commerce in
association with the sale or marketing of goods or services as required
under the TDRA. (See 15 U.S.C. § 1125(c)(1) (providing that under the
TDRA, only "use of a mark or trade name in commerce" is actionable as

(continued...)

1 (iv) Degree of Recognition

2 The degree of recognition of NIKE is quite strong. Millions
3 of NIKE products are sold in the United States annually and the
4 evidence demonstrates that NIKE is readily recognized. This factor
5 therefore favors Nike.

6 (v) Intent to Create Association

7 Mr. Sandhu admitted that he was aware of the existence of
8 the NIKE mark before he adopted the company name. Although he
9 testified at trial that he came up with the term Nikepal by opening
10 the dictionary to a random page and essentially finding that word by
11 "fate," his testimony was not credible. (See Tr. at 372:8-13, 373:1-
12 6.) Therefore, this factor favors Nike.

13 (vi) Actual Association

14 Nikepal registered the domain names nikepal.biz,
15 nikepal.net, nikepal.us, nikepal.info and nikepal.tv. The evidence
16 shows that the domain registrar assigned the domain names an "under
17 construction" page and then associated with that page promotions and
18 advertisement links to a number of web pages that offered NIKE
19 products (or products of Nike's competitors in the shoe and apparel
20 field). Thus, in the internet context, there is actual association
21 between NIKEPAL and NIKE.

22 Further, Mr. Johnson's survey also evinced that there is a
23 strong degree of association between NIKEPAL and NIKE. Mr. Johnson's
24 survey showed over 87% of the people in Nikepal's own customer pool
25 associated the stimulus "Nikepal" with NIKE. The survey presents
26 ample proof of association between the marks to support a finding that

27 _____
28 ¹⁰(...continued)
 diluting a famous mark.)

1 such exists in the general public. Accordingly, the court finds that
2 there is actual association between the NIKEPAL and NIKE marks and
3 this factor favors Nike.

4 In conclusion, since the six factors considered in the
5 likelihood of dilution analysis favor Nike, there is a likelihood that
6 NIKE will suffer dilution if Nikepal is allowed to continue its use of
7 NIKEPAL. Accordingly, Nike prevails on its federal and state dilution
8 claims.

9 II. Permanent Injunction

10 Nike seeks an injunction for violation of the TDRA pursuant
11 to 15 U.S.C. § 1116(a). To establish entitlement to an injunction,
12 Nike must show that: it has suffered an irreparable injury; that
13 remedies available at law, such as monetary damages, are inadequate to
14 compensate for that injury; that considering the balance of hardships
15 between Plaintiff and Defendant, a remedy in equity is warranted; and
16 that the public interest would not be disserved by a permanent
17 injunction. eBay Inc. V. MercExchange, L.L.C., 126 S. Ct. 1837, 1839
18 (2006).

19 With regard to irreparable harm, if relief is not granted to
20 Nike under its dilution claim, it will face an escalating erosion of
21 its famous mark and NIKE will lose its ability to serve as a source-
22 identifying mark. Further, there is no adequate remedy at law because
23 monetary damages will not compensate for this harm.

24 The balance of hardships also points in Nike's favor.
25 Although Nikepal will have to choose another name, Nikepal chose to
26 use the NIKEPAL mark with full awareness of the existence and
27 widespread use of the NIKE mark. Further, given that Nikepal's
28

1 business is still relatively small, it should not be unduly burdensome
2 for it to notify its customers of its name change.

3 Finally, the public interest will not be disserved by the
4 issuance of a permanent injunction against Nikepal. By preventing
5 dilution of NIKE, the public can continue to rely on the NIKE mark
6 serving its source designating function. Accordingly, Nike's request
7 for an injunction against Nikepal for the use of the NIKEPAL mark is
8 granted.

9 III. Reversal of TTAB Decision

10 Finally, Nike seeks reversal of the TTAB's decision denying
11 its opposition to the registration of the NIKEPAL mark. (TTAB
12 Decision at 16.) Specifically, the TTAB held there was no likelihood
13 of dilution based on its finding that the parties' marks were not
14 sufficiently similar. (Id. at 15-16.)

15 [T]he Lanham Act provides two avenues for review
16 of TTAB decisions: review by the Federal Circuit
17 on the closed record of the TTAB proceedings . . .
18 or review by the district court with the option of
19 presenting additional evidence and raising
20 additional claims In the latter scenario,
21 the district court sits in a dual capacity. It is
22 an appellate reviewer of facts found by the TTAB
23 and is also a fact-finder based on new evidence
24 introduced to the court. Although the district
25 court's review of the TTAB's decision is
26 considered de novo when the parties present new
27 evidence and assert additional claims, the
28 district court also must afford deference to the
fact findings of the TTAB.

23 CAE, Inc. v. Clean Air Eng'g, Inc., 267 F.3d 660, 674 (7th Cir. 2001).

24 Here, Nike presented new evidence in the form of, *inter*
25 *alia*, Mr. Johnson's survey showing that the vast majority of the
26 survey respondents, representing a significant segment of Nikepal's
27 target customer group, associate Nike and/or its products and services
28 when they encounter NIKEPAL, thus perceiving the two marks as

1 essentially the same. See Thane Int'l, Inc., 305 F.3d at 906 ("The
2 marks must be of sufficient similarity so that, in the mind of the
3 consumer, the junior mark will conjure an association with the
4 senior.") (citing Nabisco, Inc., 191 F.3d at 208); see also Playboy
5 Enters., Inc., 279 F.3d at 806 n.41 (holding that "[f]or marks to be
6 nearly identical to one another, they 'must be similar enough that a
7 significant segment of the target group of customers sees the two
8 marks as essentially the same.'"). The new evidence submitted by Nike
9 therefore compels a contrary finding on the similarity of the parties'
10 marks.¹¹

11 Accordingly, although the court gives deference to TTAB's
12 fact-finding, the evidence presented by Nike in this action compels
13 reversal of the TTAB's decision dismissing Nike's opposition to the
14 registration of Nikepal's mark.

15 Therefore, the TTAB ruling is reversed and Nike's request
16 for an order sustaining the opposition to Nikepal's registration for
17 the NIKEPAL mark is granted.

18
19
20 ¹¹ Further, Mr. Johnson's survey is also relevant on the issue of
21 whether consumers presented with the NIKEPAL mark actually associate it
22 with NIKE, a factor that the TTAB acknowledged was relevant to the
23 dilution analysis but on which it did not make any finding. See TTAB
24 Decision at 15 ("In determining whether the mark will be diluted, the
25 [TTAB] looks to the similarity of the marks, the renown of the party
26 claiming fame and *whether purchasers are likely to associate two*
27 *different products and/or services with the mark* even if they are not
28 confused as to the different origins of the products and/or services.")
(emphasis added)).

26 As to the other dilution factors that the TTAB did not make
27 findings on (e.g., whether Nike is engaging in substantially exclusive
28 use of its mark, whether NIKE is distinctive, the degree of recognition
of the NIKE mark, and whether Nikepal intended to create an association
with NIKE), the court's findings of fact and conclusions of law made
above apply with equal force here.

