

# **Nike, Inc. v. Nikepal Intern., Inc.**

**84 U.S.P.Q.2d 1820 (E.D. Cal. 2007)**

GARLAND E. BURRELL, JR., United States District Judge.

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

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

## ***Findings of Fact***

### ***I. The Parties and their Businesses***

#### **A. Nike**

Nike was incorporated in 1968 under the original company name Blue Ribbon Sports. In 1971, it adopted the NIKE mark to brand its footwear products and in May 1978, the company’s name was officially changed to “Nike, Inc.” Today, Nike is the largest seller of athletic footwear and apparel in the world. Nike sells around 180 million pairs of shoes annually in the United States alone. Nike’s principal business activity is the design, development, and worldwide marketing and distribution of high quality and technologically advanced footwear, apparel, equipment, and accessories. Nike has continuously used the NIKE mark on and in connection with the various products offered by the company since the 1970s. Sometimes, the word mark NIKE is the only brand used; sometimes, Nike’s

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<sup>2</sup> For the reasons stated herein, Nike prevails on its federal and state dilution claims. Therefore, Nike’s claims for trademark infringement and unfair competition need not be reached.

Swoosh design mark (i.e. the logo which frequently appears on products along with NIKE, and in some instances alone) is also placed on the product.

## **B. Nikepal**

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

Nikepal does not have a retail office, but operates its business through its website (located at [www.nikepal.com](http://www.nikepal.com)), via email, and via telephone. Nikepal is run by Mr. Sandhu, who also works as a transportation engineer. Currently, Nikepal has one other part-time employee. Nikepal has only a few hundred customers, but it has a list of thousands of prospective customers, some of whom receive materials from Nikepal advertising its product and service offerings under the mark NIKEPAL.

## ***II. The Parties' Marks***

### **A. NIKE**

Nike first registered the NIKE mark with the PTO in February 1974. Nike owns ten federal trademark registrations for the NIKE mark alone, covering footwear, clothing, bags, timepieces, paper products such as notebooks and binders, sport balls, swim accessories, and retail store services, all of which related to pre-May 1998 uses of the mark. By May 1998, Nike was also using and applied for trademark registrations covering the use of the NIKE mark in combination with other terms or designs for footwear, clothing, bags, timepieces, posters, sport balls, swim accessories, weights, gloves, headgear, and retail store services. For example, Nike owns nineteen federal registrations for NIKE composite marks such as: NIKE and the Swoosh design which has been in use since 1971; NIKE AIR which has been in use since 1987; NIKE-FIT which has been in use since 1990; NIKE TOWN which has been in use since 1990; NIKE SHOP which has been in use since 1991; and NIKE GOLF which has been in use since 1993. From 1998 to the present, Nike has continued to use the mark NIKE alone and in combination with other terms or designs.

## **B. NIKEPAL**

Mr. Sandhu testified that he conceived of the term Nikepal when he wanted to create a vanity license plate for his car. He testified that he selected the word “Nike” by opening a dictionary to a random page and choosing the first word he saw, and then combined it with the first three letters of his first name “Pal.” “Pal” means friend or benefactor. Mr. Sandhu admits he knew of the existence of the company Nike and its use of the NIKE mark at the time he devised the term NIKEPAL. Despite Mr. Sandhu’s trial testimony concerning the manner in which he conceived of the term NIKEPAL, the court does not find it to be credible.

The “Nike” portion of the NIKEPAL mark is pronounced the same way as the NIKE mark is pronounced: with a hard “i” (like bike) in the first syllable and a hard “e” (like in “key”) in the second syllable.<sup>3</sup> The articles of incorporation signed by Mr. Sandhu for Nikepal in 1998 display the company name as “NikePal International, Inc.,” with the first word of the company name spelled “NikePal,” with a capital “N” and a capital “P.”<sup>4</sup>

In addition to using Nikepal as the company name, NIKEPAL appears directly on some of Nikepal’s products, including on its syringe products, and on its marketing materials. Nikepal also places [www.nikepal.com](http://www.nikepal.com) on its syringes to identify the source of the syringe. Nikepal also uses the NIKEPAL mark in a vanity phone number (1-877-N-I-K-E-P-A-L), on its website, and in its domain names, including [nikepal.com](http://nikepal.com), [nikepal.biz](http://nikepal.biz), [nikepal.us](http://nikepal.us), [nikepal.tv](http://nikepal.tv), [nikepal.info](http://nikepal.info), and [nikepal.net](http://nikepal.net).

## ***III. Nike’s Sales***

By the late 1980s, United States sales of NIKE branded products were over one billion dollars per year. Starting in 1991 and through the mid 1990s, sales of NIKE products in the United States were approximately two billion dollars per year, and were above five billion dollars per year by 1997. By 1997, Nike was the largest seller of athletic footwear and apparel in the world. The geographic area of

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<sup>3</sup> Nikepal’s attorney attempted to convince the court that there is a pronunciation difference between NIKE and NIKEPAL. In her questions during trial, for example, she pronounced Nikepal’s mark as “nik-a-pal.” However, in answering her questions at trial, Mr. Sandhu, the president of Nikepal, alternated between the pronunciation of 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.

<sup>4</sup> However, since both parties refer to “Nikepal” with a lowercase “p” in this action, the court adopts this spelling for the purposes of this order.

Nike's sales includes the United States and 140 countries throughout the world. Since 1997, Nike has sold over 100,000,000 pairs of NIKE shoes each year.

#### ***IV. Advertising and Promotion of the NIKE Mark***

Nike has undertaken significant expense to promote the NIKE mark. Nike advertises in various types of media, including traditional print advertising, such as magazines (of both special and general interest), newspapers (of general circulation), leaflets, and billboards. Nike also advertises in electronic media, including radio, television, cable and internet, on sides of buildings, on taxi cabs, and through direct mailings. Nike's television advertisements have run on network channels and have reached national audiences. Nike has also promoted its mark by associating with athletes through endorsement arrangements. By 1991, Nike was spending in excess of one hundred million dollars per year in the United States alone to advertise products bearing the NIKE mark. By 1997, Nike had spent at least \$1,567,900,000.00 to promote the NIKE mark in the United States.

#### ***V. Notoriety of NIKE***

The NIKE mark has been consistently ranked as a top brand in publications that survey the top brands each year. Since at least 1990, Nike has been named one of the top forty brands in the United States based on the EquiTrend and other studies published in BrandWeek and Financial World Magazine. Other brands ranked in such studies include FRITO LAY, LEVI'S, CAMPBELLS', HEWLETT-PACKARD, SONY, PEPSI, and VISA. One story printed in Forbes magazine, reported a survey conducted by Young & Rubicam that ranked the NIKE brand among the top ten in the United States in 1996 with COKE, DISNEY, and HALLMARK.

#### ***VI. Evidence of Actual Association***

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

In designing his study, Mr. Johnson used a universe of survey participants randomly selected from lists of companies that Mr. Sandhu's deposition testimony identified as the sources for Nikepal's current and prospective customers. Mr. Johnson conducted the survey by phone and asked respondents about their perception of a website called nikepal.com. In designing his survey, Mr. Johnson

chose one of the ways that the NIKEPAL mark is used in commerce which allowed him to reasonably recreate a purchasing context while obtaining a controlled and accurate measurement. Mr. Johnson testified that this survey replicated the circumstances in which people typically encountered the NIKEPAL mark.

Once survey respondents were screened to confirm that they were the persons most responsible for ordering laboratory equipment at their business, they were asked: “What if anything, came to your mind when I first said the word Nikepal?” Many survey respondents who were not actually confused about the source of the Nikepal website nonetheless identified Nike. Mr. Johnson testified that his survey revealed that the vast majority of respondents, 87%, associated Nikepal with Nike; that is, when they encounter the mark NIKEPAL, they think of Nike and/or its offerings.

Evidence of actual association of the NIKEPAL mark with the NIKE mark also exists beyond the results demonstrated in Mr. Johnson’s survey. Mr. Sandhu registered the domain names nikepal.biz, nikepal.us, nikepal.tv, nikepal.net, and nikepal.info with Network Solution, and until just prior to trial, those websites were inactive. Mr. Sandhu testified that at the time he registered those domains he chose not to link them to an active website. As a result, Network Solutions assigned those domains an “under construction” page and then associated with that page promotions and advertisement links to product and service offerings of its choice. These promotions and advertisements all referred to NIKE products or those of one of its competitors. Thus, when accessing Nikepal’s NIKEPAL domain names (other than nikepal.com), users received information about Nike or its competitors, but not Nikepal.

## ***Conclusions of Law***

### ***I. Dilution***

Under the Federal Trademark Dilution Revision Act,<sup>6</sup> . . . 15 U.S.C. § 1125(c)(1) (“TDRA”), to prevail on its dilution claim, Nike must prove 1) that its mark was famous as of a date prior to the first use of the NIKEPAL mark and 2) that Nikepal’s use of its allegedly diluting mark creates a likelihood of dilution by blurring or tarnishment.<sup>7</sup>

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<sup>6</sup> The TDRA, signed into law on October 6, 2006, amended the previous federal anti-dilution statute (the Federal Trademark Dilution Act (“FTDA”). The TDRA revises the FTDA in three ways: it establishes that likelihood of dilution, and not actual dilution, is a prerequisite to establish a dilution claim; it sets forth four relevant factors 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).

<sup>7</sup> California’s anti-dilution statute, under which Nike also brings a claim, prescribes:

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

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

{The court applied the four factors listed in Lanham Act § 43(c)(2)(A), 15 U.S.C. 1125(c)(2)(A), to find that the NIKE mark was famous before May 1998}.

### **B. Likelihood of Dilution by Blurring**

The TDRA defines dilution by blurring as an "association arising from the similarity between a mark or trade name and a famous mark that impairs the distinctiveness of the famous mark." 15 U.S.C. § 1125(c)(2)(A) *{sic}* *{recte* 15 U.S.C. § 1125(c)(2)(B)*}*.

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

- (i) The degree of similarity between the mark or trade name and the famous mark.
- (ii) The degree of inherent or acquired distinctiveness of the famous mark.
- (iii) The extent to which the owner of the famous mark is engaging in substantially exclusive use of the mark.
- (iv) The degree of recognition of the famous mark.
- (v) Whether the user of the mark or trade name intended to create an association with the famous mark.
- (vi) Any actual association between the mark or trade name and the famous mark.

*Id.*

#### **(i) The Degree of Similarity**

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Likelihood of injury to business reputation or a dilution of the distinctive quality of a mark registered under this chapter, or a mark valid at common law, or a trade name valid at common law, shall be a ground for injunctive relief notwithstanding the absence of competition between 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.*, 496 F.3d 974 (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.").

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

The parties’ marks are nearly identical. The NIKEPAL mark is a composite of the word “Nike” with the term of affinity, “pal.” The composite nature of the NIKEPAL mark is evident in the logo selected by the company which clearly features an “N” and a “P.” In each case the dominant feature of the mark is the term “Nike.” In addition, the term “Nike” in both marks is pronounced identically with an “i” like in “bike” and an “e” like in “key.” See *Porsche Cars N. Am., Inc.*, 2000 WL 641209, at \*3, (finding that the trademark PORSCHE was diluted by PORCHESOURCE.COM); see also *Jada Toys, Inc.*, 496 F.3d 974, 2007 WL 2199286, at \*4 (concluding “that a reasonable trier of fact could find that the HOT WHEELS and HOT RIGZ marks are nearly identical.”).

Further, as shown by Mr. Johnson’s survey, the vast majority of the survey respondents, representing a significant segment of Nikepal’s target customer group, associate Nike and/or its products and services when they encounter the mark NIKEPAL, thus perceiving the two marks as essentially the same. See *Thane Int’l, Inc.*, 305 F.3d at 906 (“The marks must be of sufficient similarity so that, in the mind of the consumer, the junior mark will conjure an association with the senior.”) (citing *Nabisco, Inc. v. PF Brands*, 191 F.3d 208 (2d Cir. 1999)). Accordingly, this factor favors Nike.

## **(ii) Distinctiveness**

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Nikepal does not dispute that NIKE is, at the very least, suggestive. (See Nikepal’s Proposed Findings and Recommendations at 42 (“[Nike’s] mark is suggestive when used in connection with Plaintiff’s products.”).) Accordingly, NIKE is inherently distinctive and this factor favors Nike.

## **(iii) Substantially Exclusive Use**

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<sup>8</sup> Nike argues that the TDRA does not require that the marks be identical or nearly identical. However, the enactment of the TDRA did “not eliminate the requirement that the mark used by the alleged diluter 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). {Note that the Ninth Circuit subsequently explicitly rejected this “identical or nearly identical” standard. See the casebook note following the opinion.}

The law does not require that use of the famous mark be absolutely exclusive, but merely “substantially exclusive.” See *L.D.Kichler Co. v. Davoil Inc.*, 192 F.3d 1349, 1352 (Fed. Cir. 1999) (holding that in the trademark context, “substantially exclusive” use does not mean totally exclusive use). Therefore, a limited amount of third party use is insufficient to defeat a showing of substantially exclusive use. See *Avery Dennison Corp. v. Sumpton*, 189 F.3d 868, 878 (9th Cir. 1999) (finding that use of the mark was not substantially exclusive when the words “Avery” and “Dennison” were “commonly used as trademarks, both on and off of the Internet, by parties other than Avery Dennison.” (emphasis added)).

Nike asserts that its use of the NIKE mark is substantially exclusive. Nikepal introduced evidence of use of the term “Nike” in the company name “Nike Hydraulics, Inc.,” through a bottle jack purchased from the company and a 1958 trademark registration for “Nike” owned by Nike Hydraulics. However, this evidence is insufficient to disprove Nike’s claim that its use of NIKE is substantially exclusive. Even Nikepal’s witness, Roger Smith, admitted that he had not encountered Nike Hydraulics before hearing that name in connection with this action. Accordingly, the court finds that Nike’s use of the NIKE mark is substantially exclusive and this factor therefore favors Nike.<sup>10</sup>

#### **(iv) Degree of Recognition**

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

#### **(v) Intent to Create Association**

Mr. Sandhu admitted that he was aware of the existence of the NIKE mark before he adopted the company name. Although he testified at trial that he came up with the term Nikepal by opening the dictionary to a random page and essentially finding that word by “fate,” his testimony was not credible. Therefore, this factor favors Nike.

#### **(vi) Actual Association**

Nikepal registered the domain names nikepal.biz, nikepal.net, nikepal.us, nikepal.info and nikepal.tv. The evidence shows that the domain registrar assigned the domain names an “under construction” page and then associated with that

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<sup>10</sup> Nikepal also introduced evidence that the term “Nike” appears 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 diluting a famous mark.).)



page promotions and advertisement links to a number of web pages that offered NIKE products (or products of Nike's competitors in the shoe and apparel field). Thus, in the internet context, there is actual association between NIKEPAL and NIKE.

Further, Mr. Johnson's survey also evinced that there is a strong degree of association between NIKEPAL and NIKE. Mr. Johnson's survey showed over 87% of the people in Nikepal's own customer pool associated the stimulus "Nikepal" with NIKE. The survey presents ample proof of association between the marks to support a finding that such exists in the general public. Accordingly, the court finds that there is actual association between the NIKEPAL and NIKE marks and this factor favors Nike.

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

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### ***CONCLUSION***

For the reasons stated, Nike prevails on its federal and state dilution claims, the decision of the TTAB is reversed, and the opposition to Nikepal's registration of the NIKEPAL mark is sustained. Further, Nikepal is permanently enjoined from using NIKEPAL in connection with the offering of goods or services in commerce, including its use in domain names, on web pages, in printed matter, and on products, and shall cease any such uses of NIKEPAL within sixty days of the date on which this order is filed. Nikepal may continue to use its numeric telephone number, but may not advertise or associate it with the designation "1-877-NIKEPAL."

IT IS SO ORDERED.