United States Court of Appeals
Fifth Circuit
F I L E D
April 21, 2004
Charles R. Fulbruge III
Clerk

IN THE UNITED STATES COURT OF APPEALS
FOR THE FIFTH CIRCUIT

No. 03-20243
No. 03-20291

TMI INC,

Plaintiff-Appellee

v.

JOSEPH M. MAXWELL,

Defendant-Appellant

Appeals from the United States District Court
for the Southern District of Texas

Before DAVIS, BARKSDALE and PRADO, Circuit Judges.

EDWARD C. PRADO, Circuit Judge:

Following a bench trial, the district court determined that Appellant Joseph Maxwell's website that complained about Appellee TMI, Inc. violated the anti-dilution provision of the Lanham Act, 15 U.S.C. § 1125(c); the Anti-Cybersquatting Consumer Protection Act ("ACPA"), 15 U.S.C. § 1125(d); and the Texas Anti-Dilution Statute, TEX. BUS. & COM. CODE § 16.29. Concluding that Maxwell's site, as a non-commercial gripe site, violates none of these statutes, we reverse and render judgment in favor of Maxwell.

Appellant Joseph Maxwell intended to buy a house from Appellee TMI, Inc., a company that builds houses under the name TrendMaker Homes. Unhappy with what he viewed as the

salesperson's misrepresentations about the availability of a certain model, Maxwell decided to create a website to tell his story. To this end, Maxwell registered an internet domain name – www.trendmakerhome.com – that resembled TMI's TrendMaker Homes mark. (TMI had already been using the domain name www.trendmakerhomes.com.) Maxwell registered his domain name for a year; after the year passed, Maxwell removed the site and let the registration expire.

During its existence, the site contained Maxwell's story of his dispute with TMI, along with a disclaimer at the top of the home page indicating that it was not TMI's site. It also contained what Maxwell called the Treasure Chest. Maxwell envisioned the Treasure Chest as a place for readers to share and obtain information about contractors and tradespeople who had done good work. During the year of the site's existence, the Treasure Chest only contained one name, that of a man who had performed some work for Maxwell. The site did not contain any paid advertisements.

The parties agree that some e-mail intended for TMI was sent to Maxwell's site. They also agree that Maxwell forwarded each of these messages to TMI.

Shortly after Maxwell's registration expired, TMI sent Maxwell a letter demanding that he take down the site and relinquish the www.trendmakerhome.com domain name. In response, Maxwell attempted to re-register the domain name. His attempt

was unsuccessful, however, because TMI had acquired the domain name once Maxwell's registration expired. Instead, Maxwell registered the domain name www.trendmakerhome.info. This lawsuit followed. Because of the suit, Maxwell has never posted any content on the trendmakerhome.info site.

Almost immediately, the parties entered into settlement negotiations. Maxwell retained a lawyer, but knew he would not be able to afford to pay the legal fees that would be required to defend the entire lawsuit. TMI and Maxwell's lawyer negotiated a settlement, while Maxwell researched his case. Following this research, Maxwell backed out of the settlement agreement and proceeded pro se. He continued to represent himself through the bench trial on January 17, 2003.

After the trial, the district court issued a Memorandum and Order. In it, the district court found that Maxwell violated the ACPA as well as the federal and Texas anti-dilution statutes. The district court also issued an injunction forbidding Maxwell "from using names, marks, and domain names similar to" ten of TMI's marks, including Trend Maker, and ordering Maxwell to transfer trendmakerhome.info to TMI. The district court also required TMI to submit a proposed judgment and gave Maxwell ten days to respond to that proposal. Maxwell immediately filed a notice of appeal.

Without allowing Maxwell ten days to respond, the district court signed TMI's proposed judgment. In many ways, this

judgment expanded the Memorandum and Order's conclusions. For example, the Memorandum and Order contained no findings about either common law or statutory unfair competition. Yet the judgment stated that Maxwell's actions constituted unfair competition under both common law and the Lanham Act. The judgment provided a broader injunction than the one contained in the district court's original order by adding three marks to the injunction. The judgment also awarded statutory damages of $40,000 and, without elaboration, found the case to be an "exceptional case," justifying an award of $40,000 in attorney's fees. Additionally, the judgment addressed how Maxwell was to pay the judgment: "[w]ithin twenty (20) days after entry of this Order, defendant shall hand-deliver to plaintiff's lawyer a cashier's check in the amount of $80,000, made payable to TMI, Inc." Maxwell then filed his second notice of appeal.

TMI made several related claims in this lawsuit. In the first, TMI alleged that Maxwell violated ACPA. Additionally, TMI alleged that Maxwell's actions diluted its mark and thus violated the Texas Anti-Dilution Statute, as well as the anti-dilution provision of the Lanham Act.[1]

Commercial Use Requirement

[1]TMI also alleged unfair competition under the Lanham Act and under the common law. The district court made no findings on unfair competition, until those claims were added to the judgment, and TMI makes no arguments in support of its judgment on those claims on appeal.

We first address whether the two relevant sections of the Lanham Act – the anti-dilution provision and ACPA – require commercial use for liability.[2] The district court concluded that ACPA requires commercial use, but did not address commercial use in the context of the anti-dilution provision. TMI argues that the anti-dilution provision applies even in the absence of commercial use.

In making this argument, TMI does not address the anti-dilution provision's language, which conditions liability on commercial use:

> The owner of a famous mark shall be entitled, subject to the principles of equity and upon such terms as the court deems reasonable, to an injunction against another person's commercial use in commerce of a mark or trade name, if such use begins after the mark has become famous and causes dilution of the distinctive quality of the mark, and to obtain such other relief as is provided in this subsection.
> 15 U.S.C. § 1125(c)(1)(emphasis added).

Citing this language, courts have observed that the anti-dilution provision requires the diluter to have made commercial use of the mark.[3] See, e.g, Bird v. Parsons, 289 F.3d 865, 879

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[2]This Court has previously determined that § 43(a) of the Lanham Act, 15 U.S.C. § 1125(a)(1), which addresses false and misleading descriptions, only applies to commercial speech. See Procter & Gamble Co. v. Amway Corp., 242 F.3d 539, 547 (5th Cir. 2001).

[3]TMI refers to United We Stand America, Inc. v. United We Stand, America New York, Inc., 128 F.3d 86, 89-90 (2d Cir. 1997), for the principle that the Lanham Act does not require commercial use. United We Stand America does not involve either the anti-dilution provision or ACPA and is, thus, irrelevant to the determination of whether these two sections require commercial

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