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United States District Court
Central District of California
Western Division

NEXTENGINE VENTURES, LLC,
Plaintiff/Counter-Defendant,
v.
LASTAR, INC.,
Defendant/Counter-Claimant.

CV 13-0463 TJH (JPRx)
Findings of Fact
and
Conclusions of Law

AND RELATED COUNTERCLAIMS

The parties waived trial by jury, and stipulated to a bench trial on written documents, including depositions, exhibits and briefs. The Court, having considered the submitted briefs and evidence, and having heard closing arguments, now, issues the following Findings of Fact and Conclusions of Law:

FINDINGS OF FACT

1. The evidence does not establish the ownership, membership or domicile of Plaintiff/Counter-Defendant NextEngine Ventures, LLC (“NEV”). While there are assertions that Michael Gleissner is NEV’s sole member, there is no evidence to establish

1 those assertions. During Gleissner’s deposition, he could not recall the state where NEV
2 was registered as a limited liability company. Gleissner merely confirmed that NEV was
3 within his portfolio of companies.

4 2. NEV is in the business of, *inter alia*, acquiring internet domain names for
5 investment purposes.

6 3. Defendant/Counter-Claimant Lastar, Inc. (“Lastar”) is an Ohio corporation
7 in the business of manufacturing and selling computer, network, audio/video and other
8 electronic connectivity products.

9 4. The internet domain named Gocables.com is a defendant *in rem*.

10 5. Other than as to the *in rem* defendant, personal jurisdiction and venue are
11 not disputed by the parties.

12 6. Lastar first began using its Cables To Go mark in commerce in 1984.
13 Around 1995, Lastar began marketing on the internet using the domain name
14 Cablestogo.com.

15 7. Lastar’s primary internet domain name is Cablestogo.com.

16 8. In 2001, Lastar learned that Global Manufacturing Solutions, LLC
17 (“Global”) had applied for federal registration of the trademark Go Cables and had
18 registered the Gocables.com domain name.

19 9. The Gocables.com domain name does not incorporate the Cables To Go
20 trademark.

21 10. In May, 2002, Lastar filed an opposition to Global’s trademark application.

22 11. In March, 2004, the Trademark Trial and Appeal Board (“TTAB”) issued
23 a decision in favor of Lastar and denied Global’s trademark application.

24 12. Following the TTAB decision, Global filed case number CV 04-4499 TJH
25 in this Court against Lastar asserting Global’s right to use the Go Cables mark and
26 domain name.

27 13. On September 7, 2005, Global voluntarily dismissed its suit against Lastar
28 pursuant to a settlement agreement. Pursuant to that settlement agreement, Global was

1 permitted to use the Gocables.com domain name until May, 2010, and, then, was
2 obligated to transfer the Gocables.com domain name to Lastar no later than August 1,
3 2010.

4 14. In 2006, Lastar registered Cables To Go as a federal trademark.

5 15. On July 3, 2010, Global allowed the registration for the Gocables.com
6 domain name to lapse, and notified Lastar of the lapse so that Lastar could register the
7 Gocables.com domain name.

8 16. Lastar failed to immediately register the Gocables.com domain name,
9 resulting in the Gocables.com domain name becoming available for registration by others.
10 During his deposition, Lastar's president, William Diederich, testified that Lastar was,
11 indeed, notified by Global of the registration lapse and that, for reasons unknown to him,
12 Lastar failed to register the Gocables.com domain name, thereby allowing that domain
13 name to become available for registration by anyone else.

14 17. On July 5, 2010, Obada Alzatari registered the Gocables.com domain name.

15 18. On October 4, 2010, NEV acquired the Gocables.com domain name from
16 Alzatari as part of a bulk purchase of approximately 344 domain names for \$90,000.00,
17 or about \$260.00 per domain name.

18 19. Later in 2010, NEV registered the Gocables.com domain name with
19 GoDaddy, Inc. ("GoDaddy"), a domain name registrar.

20 20. At the time of NEV's registration of the Gocables.com domain name, Cables
21 To Go was a distinctive trademark.

22 21. Lastar's failure to immediately register the Gocables.com domain name after
23 it was notified by Global that the Gocables.com domain registration had lapsed and was
24 available for registration, led to NEV's registration and use of the Gocables.com domain
25 name to NEV's detriment.

26 22. All domain name registrants, including NEV, subscribe to the Uniform
27 Domain Name Dispute Resolution Policy ("UDRP") when they register domain names
28 with certified domain registrars of the Internet Corporation for Assigned Names and

1 Numbers (“ICANN”).

2 23. GoDaddy is an ICANN certified domain registrar.

3 24. The UDRP requires domain name registrants, such as NEV, to “represent
4 and warrant” that “to [the registrant’s] knowledge, the registration of the domain name
5 will not infringe upon or otherwise violate the rights of any third party.”

6 25. The UDRP places responsibility on the domain name registrant to determine
7 whether the domain name infringes or violates another party’s rights.

8 26. At no time did NEV make any effort to determine whether the Gocables.com
9 domain name infringed the rights of any other party.

10 27. NEV used the Gocables.com domain name to redirect internet traffic
11 intended for Gocables.com to commercial sites operated by NEV or its affiliates, such as
12 sexymandarin.com.

13 28. NEV’s use of the Gocables.com domain name to redirect internet traffic to
14 other commercial websites was intended to increase traffic to those other commercial
15 websites.

16 29. Sexymandarin.com offered commercial goods for sale.

17 30. Around January, 2012, Lastar first discovered NEV’s use of the
18 Gocables.com domain name.

19 31. In January, 2013, Lastar filed a complaint against NEV in the National
20 Arbitration Forum (“NAF”), pursuant to the UDRP, seeking transfer of the Gocables.com
21 domain name to Lastar.

22 32. At the conclusion of arbitration proceedings, the NAF found that NEV’s use
23 of the Gocables.com domain name violated the UDRP.

24 33. On March 6, 2013, GoDaddy received the NAF decision. That same day,
25 GoDaddy sent an email notice to NEV advising that GoDaddy would transfer the
26 Gocables.com domain name registration to Lastar in ten business days, unless NEV sent
27 GoDaddy proof that a court action had been filed regarding the ownership of the
28 Gocables.com domain name.

1 34. On March 20, 2013, the tenth business day from the date of GoDaddy’s
2 notice, NEV filed this action seeking return of the Gocables.com domain name.
3 However, NEV sent its proof of suit to GoDaddy after GoDaddy closed for business that
4 day.

5 35. GoDaddy transferred the Gocables.com domain name registration to Lastar.

6 36. Pursuant to the Final Pre-trial Conference Order, NEV asserted:

7 1. Three claims against Lastar:

8 A. Reverse domain hijacking, pursuant to 15 U.S.C. §
9 1114(2)(D)(iv);

10 B. Injunctive relief, pursuant to 15 U.S.C. § 1114(2)(D)(v); and

11 C. Declaratory relief, pursuant to 28 U.S.C. § 2201.

12 2. An *in rem* claim against the Gocables.com domain name for quiet
13 title, pursuant to Cal. Code Civ. Proc. §§ 760.010 – 764.080.

14 37. Also, pursuant to the Final Pre-trial Conference Order, Lastar asserted a
15 counterclaim against NEV for cybersquatting, pursuant to the Anticybersquatting
16 Consumer Protection Act (“ACPA”), 15 U.S.C. § 1125(d).

17 38. In response to the counterclaim, NEV asserted the affirmative defenses of
18 laches and estoppel.

19 39. The domain name registry for Gocables.com is Verisign, Inc., headquartered
20 in Mountain View, California.

21 40. The domain name registrar for Gocables.com is GoDaddy, headquartered
22 in Scottsdale, Arizona.

23 41. When NEV obtains domain names, it makes no effort to determine whether
24 those domain names infringe the rights of any other parties.

25 42. Some of the domain names purchased by NEV in the bulk group that
26 included Gocables.com are identical to registered trademarks held by others, such as,
27 Airmail.co, Paypilot.com, and Ribbonwood.com.

28 43. When NEV registered the Gocables.com domain name, it was not aware of

1 Lastar's Cables To Go trademark, or of the dispute between Global and Lastar.

2 44. NEV holds no trademark or other intellectual property rights in the
3 Gocables.com domain name.

4 45. The Gocables.com domain name does not consist of NEV's, or any of its
5 related entities', legal name, nor a name otherwise commonly used to identify NEV or
6 any of its related entities.

7 46. The parties agree that NEV made no use of the Gocables.com domain name
8 in connection with the bona fide offering of any goods or services.

9 47. NEV did not make a bona fide non-commercial or fair use of the Cables To
10 Go mark in a site accessible under the Gocables.com domain name.

11 48. NEV did not intend to divert customers from Lastar's Cablestogo.com
12 website to another site located at Gocables.com

13 49. NEV's use of the Gocables.com domain name did not harm the goodwill
14 earned by the Cables To Go trademark.

15 50. NEV's use of the Gocables.com domain name did not create a likelihood of
16 confusion between Gocables.com and Cablestogo.com, or as to either domain's source,
17 sponsorship, affiliation, or endorsement.

18 51. NEV made no offer to transfer, sell, or otherwise assign the Gocables.com
19 domain name to Lastar, or any third party, for financial gain without having used, or
20 having an intent to use, the Gocables.com domain name in the bona fide offering of any
21 goods or services.

22 52. No evidence was presented to suggest that NEV ever made an offer to
23 transfer, sell, or otherwise assign any domain name for financial gain without having
24 used, or having an intent to use, that domain name in the bona fide offering of any goods
25 or services.

26 53. NEV did not provide any false information when it registered the
27 Gocables.com domain name.

28 54. NEV has not registered or acquired multiple domain names that it actually

1 knew were confusingly similar to the marks of others that were distinctive at the time of
2 registration of those domain names, or that were dilutive of famous marks of others that
3 were famous at the time of registration of those domain names.

4 55. Based on the unique facts and circumstance of this case, NEV exhibited a
5 bad faith intent to profit when it registered the Gocables.com domain name without first
6 conducting a reasonable investigation, let alone any investigation, as to whether
7 Gocables.com infringed on any other party's rights; by having a practice and custom of
8 registering domain names without first conducting reasonable investigations as to the
9 whether the domain names infringed on any other party's rights; and by using the
10 Gocables.com domain name to redirect internet users to NEV's other commercial sites.

11 56. NEV is not entitled to the shelter provided by the bad faith safe harbor of the
12 ACPA because it was not reasonable for NEV to believe that its use of the Gocables.com
13 domain name was lawful without first conducting a reasonable investigation as to
14 whether the Gocables.com domain name infringed on any other party's rights.

15 57. Lastar has no evidence that individuals searching for Cablestogo.com
16 mistakenly went to Gocables.com.

17 58. Pursuant to evidence from Google Analytics, from January 1, 2012, to May
18 13, 2014, 261 web browsers searching for the phrase "go cables" ended up going to
19 Cablestogo.com. Eight of those web browsers made purchases at Cablestogo.com,
20 totaling \$4,022.09.

21 59. Cables To Go and Gocables.com contain the identical words "Go" and
22 "Cables."

23 60. The Gocables.com domain name is confusingly similar, under the ACPA,
24 to Lastar's Cables To Go trademark.

25 61. Lastar did not knowingly and materially misrepresent that Gocables.com is
26 confusingly similar to its Cables To Go trademark.

27 62. At the commencement of this trial, Lastar owned the Gocables.com domain
28 name.

1 63. In sum, NEV registered and used the Gocables.com domain name with a bad
2 faith intent to profit; the Gocables.com domain name was confusingly similar to Lastar’s
3 Cables To Go trademark; and Lastar’s Cables To Go trademark was distinctive at the time
4 NEV registered the Gocables.com domain name. Consequently, NEV violated the
5 ACPA. Moreover, NEV is not entitled to benefit from the ACPA’s bad faith safe harbor
6 because it could not have reasonably believed that its use of the Gocables.com domain
7 name did not violate another party’s rights. However, NEV is entitled to equitable
8 estoppel to bar Lastar from recovering monetary damages from NEV because Lastar’s
9 conduct led to NEV’s registration and use of the Gocables.com domain name.

10 64. Lastar is the lawful owner, and shall retain the lawful ownership, of the
11 Gocables.com domain name.

12
13 **CONCLUSIONS OF LAW**

14 1. The Court has subject matter jurisdiction over the federal law claims
15 pursuant to 28 U.S.C. § 1331.

16 2. To establish *in rem* jurisdiction over personal property, the property must
17 be located within this District. *Office Depot Inc. v. Zuccarini*, 596 F.3d 696, 700 (9th Cir.
18 2010).

19 3. Domain names are personal property located wherever the registry or
20 registrar are located. *Office Depot*, 596 F.3d at 702-3.

21 4. Because the registry and registrar of the Gocables.com domain name are not
22 resident in the Central District of California, this Court lacks *in rem* jurisdiction over the
23 Gocables.com domain name.

24 5. To prevail on a claim under 15 U.S.C. § 1114(2)(D)(v), NEV must establish
25 the following:

26 A. That the Gocables.com domain name was transferred away from NEV
27 pursuant to a domain name registrar’s policy prohibiting the registration of
28 a domain name that is confusingly similar to another’s trademark;

1 B. That it filed a civil action and gave notice of the civil action to the
2 owner of the trademark; and

3 C. That its use of the domain name was not unlawful under “this
4 chapter.”

5 6. The First and Second Circuits have defined “this chapter,” as used in 15
6 U.S.C. § 1114(2)(D)(v), to mean just the ACPA, *Sallen v. Corinthians Licenciamentos*
7 *LTDA*, 273 F.3d 14, 18 (1st Cir. 2001); *Storey v. Cello Holdings, LLC*, 347 F.3d 370, 382
8 (2nd Cir. 2003), while the Fourth Circuit has defined that phrase to mean the entire
9 Lanham Act, *Barcelona.com, Inc. v. Excelentisimo Ayuntamiento De Barcelona*, 330 F.3d
10 617, 626 (4th Cir. 2003). The Ninth Circuit has not addressed this issue yet. But the
11 distinction is not relevant if NEV is unable to establish that it did not violate the ACPA,
12 which is included within the Lanham Act.

13 7. To establish that it did not violate the ACPA, NEV must establish any one
14 of the following:

15 A. That it did not register or use the Gocables.com domain name;

16 B. That Lastar’s Cables To Go trademark was not distinctive when NEV
17 registered the Gocables.com domain name;

18 C. That the Gocables.com domain name was not confusingly similar to
19 Lastar’s Cables To Go trademark; or

20 D. That it did not have a bad faith intent to profit from the Gocables.com
21 domain name.

22 15 U.S.C. § 1125(d)(1)(A).

23 8. Federal registration of a trademark establishes the distinctiveness of that
24 trademark. *See Lahoti v. Vericheck, Inc.*, 586 F.3d 1190, 1199 (9th Cir. 2009).

25 9. To determine whether the Gocables.com domain name is confusingly similar
26 to the Cables To Go trademark, the Court must compare the Gocables.com domain name
27 to the Cables To Go trademark. *See GoPets, Ltd. v. Hise*, 657 F.3d 1024, 1032 (9th Cir.
28 2011).

1 10. A domain name may be confusingly similar to a trademark if it incorporates
2 the mark, adds generic terms to the mark, or deletes or rearranges letters in the mark. *See*
3 *GoPets*, 657 F.3d at 1032; *DPST Intern., Inc. v. Nahum*, 624 F.3d 1213, 1222 (9th Cir.
4 2010).

5 11. In considering whether NEV had a bad faith intent to profit from the use of
6 the Gocables.com domain name, the most important factors are the unique circumstances
7 of the case. *Rearden LLC v. Rearden Commerce, Inc.*, 683 F.3d 1190, 1220 (9th Cir.
8 2012).

9 12. In addition, the Court may consider the following nine non-exclusive factors
10 listed in 15 U.S.C. § 1125(d)(1)(B)(I) to determine NEV's bad faith:

11 A. The trademark or other intellectual property rights of NEV, if any, in
12 the Gocables.com domain name;

13 B. The extent to which the Gocables.com domain name consists of the
14 legal name of an entity, or a name that is otherwise commonly used to
15 identify that entity;

16 C. NEV's prior use, if any, of the Gocables.com domain name in
17 connection with the bona fide offering of any goods or services;

18 D. NEV's bona fide noncommercial or fair use of the Cables To Go
19 trademark in a site accessible under the Gocables.com domain name;

20 E. NEV's intent to divert consumers from Lastar's online location to a
21 site accessible under the Gocables.com domain name that could harm the
22 goodwill represented by the Cables To Go trademark, either for commercial
23 gain or with the intent to tarnish or disparage that trademark, by creating a
24 likelihood of confusion as to the source, sponsorship, affiliation, or
25 endorsement of the site;

26 F. NEV's offer to transfer, sell, or otherwise assign the Gocables.com
27 domain name to Lastar or any third party for financial gain without having
28 used, or having an intent to use, the Gocables.com domain name in a bona

1 fide offering of any goods or services, or NEV’s prior conduct indicating
2 a pattern of such conduct;

3 G. NEV’s provision of material and misleading false contact information
4 when applying for the registration of the Gocables.com domain name,
5 NEV’s intentional failure to maintain accurate contact information, or
6 NEV’s prior conduct indicating a pattern of such conduct;

7 H. NEV’s registration or acquisition of multiple domain names which it
8 knew were identical or confusingly similar to marks of others that are
9 distinctive at the time of registration of such domain names, or dilutive of
10 famous marks of others that are famous at the time of registration of such
11 domain names, without regard to the goods or services of the parties; and

12 I. The extent to which the Cables To Go trademark incorporated in
13 NEV’s Gocables.com domain name registration was, or was not, distinctive
14 and famous.

15 *See Rearden*, 683 F.3d at 1220.

16 13. Section 1125(d)(1)(B)(ii) of Title 15 of the United States Code provides for
17 a “bad faith safe harbor” if the Court finds that NEV believed, and had reasonable
18 grounds to believe, that its use of the Gocables.com domain name was a fair use or
19 otherwise lawful.

20 14. The bad faith safe harbor of 15 U.S.C. § 1125(d)(1)(B)(ii) must be invoked
21 sparingly and only in the most unusual cases; a party who acts even partially in bad faith
22 does not qualify for the safe harbor defense. *See GoPets*, 657 F.3d at 1033.

23 15. To succeed on its reverse domain highjacking claim, NEV must establish
24 that GoDaddy transferred the Gocables.com domain name to Lastar based on Lastar’s
25 knowing and material misrepresentation that the Gocables.com domain name was
26 confusingly similar to Lastar’s Cables To Go trademark. 15 U.S.C. § 1114(2)(D)(iv).

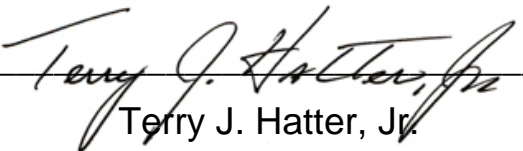
27 16. Under the Declaratory Relief Act, 28 U.S.C. § 2201, this Court may declare
28 the rights and other legal relations of any interested party seeking such declaration.

1 17. For Lastar to prevail on its cybersquatting counterclaim under 15 U.S.C. §
2 1125(d), Lastar must establish that NEV registered, trafficked in, or used the
3 Gocables.com domain name, that the Gocables.com domain name was confusingly
4 similar to Lastar's Cables To Go trademark, that Lastar's Cables To Go trademark was
5 distinctive when NEV registered the Gocables.com domain name, and that NEV had a
6 bad faith intent to profit from the Gocables.com domain name.

7 18. For NEV to prevail on its equitable estoppel defense, NEV must establish
8 that Lastar's conduct in failing to immediately register the Gocables.com domain name
9 led to NEV's registration and use of the Gocables.com domain name, and that NEV was
10 injured by relying on Lastar's conduct. *See James v. Nelson*, 90 F.2d 910, 918 (9th Cir.
11 1937).

12 19. Any Conclusion of Law erroneously categorized above as a Finding of Fact
13 is hereby incorporated into these Conclusions of Law.

14
15 Date: December 8, 2014

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18 Terry J. Hatter, Jr.
19 Senior United States District Judge
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