



## The Ninth Circuit Finds that Re-registering a Domain Name Originally Registered Before a Trademark Owner Acquires Rights Does Not Constitute a Violation of the Anticybersquatting Protection Act

October 4, 2011

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In *GoPets Ltd. v. Hise*, \_\_\_ F.3d \_\_\_, Nos. 08-56110, 08-56114 (9<sup>th</sup> Cir. Sep. 22, 2011),<sup>1</sup> the Ninth Circuit had an opportunity to review the applicability of the Anticybersquatting Protection Act (ACPA) to re-registration of a domain name in connection with the business activities of domainers.<sup>2</sup> The case serves as a lesson to start-ups, brand owners, domainers, and their attorneys about how to handle disputes over domain names that acquire value because of a use arising after the original registration of the domain name.

Edward Hise registered the domain name <gopets.com> in 1999 with the alleged intent of providing a web portal regarding pets in connection with his cousin's veterinary business. Since then he and his brother Joseph decided to become domainers through their corporation Digital Overtures, which registered over 1300 domains during the aughts.

In 2004, GoPets Ltd., a Korean company, created a game called "GoPets" featuring virtual pets and obtained a trademark registration for GOPETS in the U.S. in 2006. From 2004 – 2005 GoPets attempted to acquire the <gopets.com> domain name from Edward Hise, but he wouldn't sell for the amounts proposed by GoPets – no more than \$1,000. Digital Overtures re-registered <gopets.com> in 2006.

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<sup>1</sup> Available at [http://scholar.google.com/scholar\\_case?case=2055944350107832353](http://scholar.google.com/scholar_case?case=2055944350107832353).

<sup>2</sup> Domainers usually buy and sell generic domain names for profit, but the practice has been associated with cybersquatters as well, in part, because of the sort of practices described in this blog post. See *generally* [http://en.wikipedia.org/wiki/Domain\\_name\\_speculation](http://en.wikipedia.org/wiki/Domain_name_speculation).



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GoPets then filed a complaint with the World Intellectual Property Organization (WIPO) under the Uniform Dispute Resolution Policy (UDRP). It lost because the WIPO arbitrator found that the UDRP required the transfer of a domain name only “if the name was initially registered in bad faith.” This decision resulted in GoPets ultimately offering \$40,000 for the domain name. Not only did the Hises reject this offer, they sent a letter to GoPets threatening, among other things, to use search engine optimization to drive traffic to <gopets.com> and away from GoPets’ official website located at <gopetslive.com>.

During the dispute, the Hises placed some minimal content on <gopets.com>, ranging from a lost dog flyer, information about guide dogs, a link to the WIPO decision, and a GoPets.com logo with the text “Welcome to goPets.com the official online website. goAhead [sic] pet lovers tell your friends that Gopets.com will be arriving soon.”<sup>3</sup> After the WIPO decision, in 2007 the Hises registered 18 other domain names similar to <gopets.com>. They then offered to sell <gopets.com> to GoPets for \$5 million. GoPets sued shortly thereafter, claiming cybersquatting, service mark infringement, unfair competition, and dilution under the Lanham Act, and related state law claims. GoPets obtained a preliminary injunction, summary judgment on the ACPA and Lanham Act claims, and statutory damages under the ACPA totaling about \$118,000 (\$100,000 for <gopets.com> and \$1,000 per additional domain name). It then abandoned its other claims and sought and obtained an award of its attorneys’ fees.<sup>4</sup> The Hises appealed.

The Ninth Circuit overturned the decision in favor of GoPets on cybersquatting of <gopets.com> based upon its re-registration by Digital Overtures in 2006. Specifically, the Ninth Circuit found that “registration” is not defined in the ACPA. “Looking at ACPA in light of traditional property law, however, we conclude that Congress meant ‘registration’ to refer only to the initial registration.” It reasoned that a claim under the ACPA should not arise simply because one registrant (Hise) transfers a domain name to another registrant (Digital Overtures). Underlying the Ninth Circuit’s ruling was the concern that to hold as the district court did would effectively make many domain names inalienable.

The Hises, however, had registered numerous other domain names similar to the GOPETS mark<sup>5</sup> and did not dispute that it was distinctive as of the time that they had registered those domain names. The Ninth Circuit therefore affirmed the lower court’s finding of an ACPA violation as to those domain names, although on grounds different from the lower court. In particular, the Ninth Circuit found that the Hises intended to divert traffic from GoPets’ website to the Hises’ websites

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<sup>3</sup> Of note, the Ninth Circuit relied on the Internet Archive to confirm this content. Presumably, the Hises did not object to the use of this evidence.

<sup>4</sup> The fees opinion of the lower court is worth a read, although only the Westlaw version was available at the time of writing. GoPets’ fee application requested about \$215,000 in fees for work primarily related to the preliminary injunction. The court ultimately awarded \$76,260. It reduced the amount for various reasons. Of greatest significance for future fee requests in ACPA and Lanham Act cases are: the court complained of vague entries where it was unclear whether the partner and associate on a matter were duplicating work or doing different work in connection with the preliminary injunction motion, plaintiff’s counsel used quarter-hour billing, instead of one-tenth of an hour, and block billed for some entries – making it difficult for the court to assess the reasonableness of the fees request, and the Defendants’ lack of sophistication and the already entered \$118,000 statutory damages award, according to the court, already accounted for some of the bad faith of the Defendants.

<sup>5</sup> For example, <gopetssite.com>, <gopets.name>, <igopets.com>, and many others.

by creating a likelihood of confusion for commercial gain, i.e., to increase the sale price of <gopets.com>.

Next, the Ninth Circuit vacated the \$100,000 damages award based upon <gopets.com>, but affirmed the \$1,000 per domain name award for the other domain names at issue. Interestingly, it upheld the lower court's award despite the defendants' attempt to have the award determined by a jury. It concluded that because \$1,000 was the minimum statutory award, the defendant could gain nothing by going to a jury.

Finally, in overturning the district court decision regarding <gopets.com>, the Ninth Circuit also overturned the order transferring <gopets.com> to GoPets under the ACPA. It stated, however, that "some relief with respect to gopets.com may be appropriate based on the Lanham Act violation" because at one point the Hises did place potentially infringing content on the site.<sup>6</sup> The Ninth Circuit remanded this inquiry to the district court. It also overturned the district court's finding that the Hises' registration of the 18 other domain names similar to <gopets.com> violated the Lanham Act, stating "registration of a domain name without more does not constitute...infringement." (citation omitted). The Ninth Circuit also remanded the attorneys' fees award because it was partially based upon the holding that re-registration of <gopets.com> violated the ACPA.

Depending on what happens on remand, the Ninth Circuit's decision left GoPets without the <gopets.com> domain name (but with numerous less desirable domain names containing the GOPETS mark or similar terms), \$18,000 in damages, and an indeterminate amount of attorneys' fees.

A number of important branding and litigation strategy points can be identified from both sides of this dispute:

- Trademark selection should include review of available domain names and a proactive strategy for addressing potentially disruptive domain name registrations. Start-ups and brand selection teams should factor domain name strategy into their overall business/product strategy from the beginning;
- For acquisition, consider using agents who will not disclose the principal behind an acquisition. Often, this approach results in a lower purchase price, especially if the principal is an established company; and
- If you own a desirable domain name that you want to sell, be aware of the laws governing conduct in the sale of a domain name, including the trademark and cybersquatting laws.

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<sup>6</sup> The text appearing on the site was, "GoPets.com the official online website."

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