



## Use of a Domain Name, Originally Registered with a Trademark Owner's Permission, to Extract Payment from the Trademark Owner Violates the Anticybersquatting Consumer Protection Act

November 5, 2010

by [Phillip Barengolts, Trademark Attorney](#)

Domain names have become increasingly important to business. Consumers expect to find a brand at the eponymous domain name. When that expectation is thwarted, a consumer may shop somewhere else – much to the harm of the business.

Fortunately for brand owners, Congress passed the Anticybersquatting Consumer Protection Act (ACPA), which establishes liability where: 1) a defendant “has a bad faith intent to profit” from the use of a protected trademark; and 2) the defendant registers, traffics in, or uses a domain name that is identical or confusingly similar to the protected mark.<sup>1</sup> The Ninth Circuit found in *DSPT Int'l, Inc. v. Nahum*, No. 08-55062 (9<sup>th</sup> Cir. Oct. 27, 2010),<sup>2</sup> that a bad faith intent to profit from a domain name may arise at any time a defendant owns the registration for a domain name – not only at the time of registration.

The story behind *Nahum* follows a pattern familiar to trademark lawyers. The owner of DSPT and the defendant were in business together, even were friends. They set up a website at a domain name relevant to DSPT's primary clothing brand “EQ” at <eq-italy.com>. The defendant registered the domain name to himself personally in the early days of the Internet, DSPT's owner didn't even know. Neither party thought about it. They had a falling out. The defendant deleted DSPT's website, which by then served as DSPT's primary catalog for its clothing line. He then posted the following message on the website, “All fashion related questions to be referred to Lucky Nahum at:

---

<sup>1</sup> Contrast this standard with the standard for an action under the UDRP, which requires bad faith registration and use in bad faith.

<sup>2</sup> Available at [http://scholar.google.com/scholar\\_case?case=14693090208965047136&q](http://scholar.google.com/scholar_case?case=14693090208965047136&q).



PATTISHALL  
McAULIFFE  
NEWBURY  
HILLIARD &  
GERALDSON LLP • 311 South Wacker Drive, Suite 5000 • Chicago IL 60606 • T (312) 554-8000 • F (312) 554-8015 • [www.pattishall.com](http://www.pattishall.com)

These materials have been prepared by Pattishall, McAuliffe, Newbury, Hilliard & Geraldson LLP for general informational purposes only. They are not legal advice. They are not intended to create, and their receipt by you does not create, an attorney-client relationship.

Inahum@yahoo.com.” and told DSPT that he wouldn’t give it back until DSPT paid him commissions that DSPT allegedly owed him.

DSPT sued under the ACPA. The jury found through a special verdict that, among other things: Nahum registered, trafficked in, or used the www.eq-Italy.com domain name with a bad faith intent to profit from DSPT’s EQ mark and awarded DSPT \$152,000 in damages. Both the district court and the Ninth Circuit affirmed the jury verdict.

Nahum appealed on the grounds that 1) he did not register the domain name in bad faith and 2) he did not use it with an intent to profit. The Ninth Circuit found that Nahum did not, in fact, register the domain name in bad faith. However, it went on to find that he did subsequently use the domain name in bad faith because he made no bona fide offer of goods or services in connection with the domain name and held the domain name in an effort to collect money allegedly owed him by DSPT for commissions. Likewise, holding the domain name until the commission was paid supported a finding of Nahum’s intent to profit from the domain name. Thus, “even if a domain name was put up innocently and used properly for years, a person is liable [for cybersquatting] if he subsequently uses the domain name with a bad faith intent to profit...by holding the domain name for ransom.”

Of some interest here as well is the affirmation of the jury’s damages award. Plaintiff’s damages expert was not permitted to testify and the defendant did not profit from the domain name in any way. Thus, to assess plaintiff’s claim of consequential damages, the jury only had plaintiff’s detailed financial statements and the testimony of plaintiff’s president to determine the damages amount. The Ninth Circuit deemed this evidence sufficient to support the \$152,000 award, in part, because the defendant’s acts were intentional. “Requiring more precision than can be attained, especially where the impossibility of more precise ascertainment was the fault of the wrongdoer, would be inequitable and is not required.” The Ninth Circuit also approved the inclusion of the plaintiff’s costs in recreating its website as part of the damages calculation because that was “a natural and foreseeable consequence of his holding the original site for ransom.”

While DSPT won the suit, it suffered significant harm because it never audited the use of its intellectual property, including ownership of its primary domain name. The Ninth Circuit’s commentary on what happened after Nahum hijacked <eq-italy.com> is instructive:

Without its website, DSPT could not sell anything in a manner approaching its previous efficiency. It was forced to go back to the old way of sending out samples, but retailers did not want to deal with DSPT using the old method. Sales plummeted and inventory was left over in the spring from the very bad fall. 2004 had been good, and the first quarter of 2005 was the best ever, but the last quarter of 2005, and all of 2006, were disastrous. A lot of inventory had to be sold below cost. DSPT spent \$31,572.72, plus a great deal of time, writing to customers to explain the situation and replacing its website and the stationery that referred customers to eq-Italy.com.

\* \* \*

Phillip Barengolts is a partner with [Pattishall, McAuliffe, Newbury, Hilliard & Geraldson LLP](#), a [leading intellectual property law firm](#) based in Chicago, Illinois. Pattishall McAuliffe represents both plaintiffs and defendants in [trademark](#), [copyright](#), and [unfair competition trials and appeals](#), and

advises its clients on a broad range of domestic and international intellectual property matters, including [brand protection](#), [Internet](#), and [e-commerce](#) issues. Mr. Barengolts' practice focuses on litigation, transactions, and counseling in domestic and international [trademark](#), [trade dress](#), [Internet](#), and [copyright law](#). He also teaches trademark litigation at John Marshall Law School.