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TABLE OF CONTENTS

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"How glorious it is, but how painful it is also, to be exceptional in this world!"[1]

INTRODUCTION

From time to time, the federal legislature has shown itself to be decisively responsive to problems both large and small. One of those problems is cybersquatting—the registration of domain names that are similar or identical to distinctive or famous trademarks for the purpose of confusing consumers or extorting the trademarks' holders. In the remarkably short period between June and November of 1999, Congress enacted the Anticybersquatting Consumer Protection Act (ACPA or Act),[2] an amendment to the

1. ALFRED DE MUSSET, HISTOIRE D'UN MERLE BLANC [The Story of a White Blackbird] (1842), *translated in* BARTLETT'S FAMILIAR QUOTATIONS 488 (17th ed. 2002).

2. Anticybersquatting Consumer Protection Act, S. 1255, 106th Cong. (codified as amended at 15 U.S.C. § 1125(d) (1999)). Notwithstanding the title of the enacting legislation, section 1125(d) is titled "Cyberpiracy prevention." 15 U.S.C. § 1125(d). Although there is a fine distinction between "cyberpiracy" and "cybersquatting," the two are used interchangeably in both the case law and scholarly literature. *See* BLACK'S LAW DICTIONARY 444 (9th ed. 2009) (defining "cyberpiracy" as "[t]he act of registering a well-known name or mark (or one that is confusingly similar) as a website's domain name, usu[ally] for the purpose of deriving revenue," recognizing "cybersquatting" as "[o]ne form of cyberpiracy," and then defining "cybersquatting" as "[t]he act of reserving a domain name on the Internet, esp[ecially] a name that would be associated with

Trademark Act of 1946 (Lanham Act), to provide particularized relief from cybersquatting. Recognizing the need to expand existing traditional trademark law to keep pace with this particular type of Internet fraud,[3] Congress passed legislation that created a civil cause of action for the registration, trafficking, or use of a domain name that is identical or confusingly similar to a distinctive or famous mark.

The bad faith of any alleged cybersquatter is a central component of liability under the ACPA. To protect innocent registrants, the cause of action only attaches to those with "a bad faith intent to profit from that mark." Intending to narrowly limit the scope of the Act, Congress carefully "keyed" liability to cybersquatters's bad faith by making it an element of the cybersquatting violation.[4] Additionally, Congress explicitly prescribed the evidence courts should consider in determining whether such bad faith exists.[5]

This bad faith requirement, as well as other provisions of the ACPA, has created significant confusion about its

a company's trademark, and then seeking to profit by selling or licensing the name to the company that has an interest in being identified with it"); *see, e.g.*, Int'l Profit Assocs., Inc. v. Paisola, 461 F. Supp. 2d 672, 677 n.5 (N.D. Ill. 2006) ("Although [plaintiff] refers to this claim as a 'cyberpiracy' claim, courts addressing 15 U.S.C. § 1125(d) have referred to this section as a 'cybersquatting' provision."); Microsoft Corp. v. Shah, No. C10-0653 RSM, 2011 WL 108954, at *1 (W.D. Wash. Jan. 12, 2011) ("The Anti–Cybersquatting Consumer Protection Act ('ACPA') creates liability for certain forms of cyberpiracy."); Harrods Ltd. v. Sixty Internet Domain Names, 110 F. Supp. 2d 420, 426 (E.D. Va. 2000) ("as its title reflects, the AntiCybersquatting Consumer Protection Act was designed to combat 'cybersquatting' or 'cyberpiracy' "). Given the prevalence of the term "cybersquatting" to describe both that particular kind of cyberpiracy and "cyberpiracy" more generally within the meaning of section 1125(d), the former term is used here for consistency and easy reading.

3. *See Cybersquatting and Consumer Protection: Ensuring Domain Name Integrity: Hearing on S. 1255 Before the S. Comm. on the Judiciary*, 106th Cong. 1–2 (1999) (statement of Sen. Spencer Abraham); *see also* Interstellar Starship Servs., Ltd. v. Epix, Inc., 304 F.3d 936, 946 (9th Cir. 2002) (observing that "Cybersquatting is the Internet version of a land grab. Cybersquatters register well-known brand names as Internet domain names in order to force the rightful owners of the marks to pay for the right to engage in electronic commerce under their own name") (citing Virtual Works, Inc. v. Volkswagen of America Inc., 238 F.3d 264, 267 (4th Cir. 2001) ("The ACPA was enacted in 1999 in response to concerns over the proliferation of cybersquatting-the Internet version of a land grab.")).

4. 15 U.S.C. § 1125(d); *see also* discussion *infra* Part I.

5. 15 U.S.C. § 1125(d)(1)(B)(i) (listing evidence to be considered in determining bad faith).

relationship with traditional trademark law embodied in the rest of the Lanham Act. The ACPA provides remedies from cybersquatting, including actual damages, profits, costs, attorney's fees "in exceptional cases," as well as statutory damages that were already available under the Lanham Act for other violations of trademark rights.[6] Courts have struggled to provide an articulation of when a cybersquatting case is "exceptional."[7]

Under other provisions of the Lanham Act focused on other trademark disputes, attorney's fees could be awarded in cases when a defendant acts in particularly bad faith.[8] But under the ACPA, bad faith is already an element of liability.[9] This leads to an important question: if bad faith does no more than define an unexceptional cybersquatter, what defines the exceptional cybersquatter?

A recent circuit split about Lanham Act remedies implicates whether attorney's fees are available in cybersquatting cases where the plaintiff elects to receive statutory damages in place of actual damages.[10] The analysis and discussion of this question are presented in Part II of this paper, and suggest that attorney's fees are in fact available to cybersquatting plaintiffs when they elect to receive statutory damages. Part III of this paper proceeds to consider the more vexing and consequential confusion created by the novelty and centrality of "bad faith intent to profit" in cybersquatting cases, given that bad faith is a judicially-recognized hallmark of an "exceptional case" in many jurisdictions and a finding that a case is exceptional is a threshold determination necessary to any discretionary award of attorney's fees under the Lanham Act. Building on the discussion in Part II, this Part focuses on cases where statutory damages are available for substantive violations of the ACPA but attorney's fees may not be awarded—not because the text or legislative history of the statute does not permit such an award *per se*

6. *See* discussion *infra* Part I.A–B (comparing the ACPA with the rest of the Lanham Act).

7. *See* discussion *infra* Part II (describing the circuit split vis-à-vis attorney's fees awards under the ACPA and the Lanham Act).

8. 15 U.S.C. § 1117(a) (2008); *see also* discussion *infra* Part II.

9. 15 U.S.C. § 1125(d).

10. *See* discussion *infra* Part II (articulating the split in authority represented by Louis Vuitton Malletier S.A. v. Ly USA, Inc., 676 F.3d 83 (2d Cir. 2012) and K & N Eng'g v. Bulat, 510 F.3d 1079 (9th Cir. 2007)).

but because the cases are not "exceptional" as the term is properly understood in context.

This paper argues that in order for the two standards—"bad faith intent to profit" and "exceptional cases"—to remain distinct, they must be distinguishable. Attorney's fees in trademark cases can only be awarded in "exceptional cases," and courts have interpreted "exceptional" to include cases where the defendant acted in bad faith. And although all cybersquatting cases require a showing of "bad faith intent to profit," not all cybersquatting cases merit an award of attorney's fees. Therefore, the definition of what makes a cybersquatter "exceptional" for the purpose of awarding attorney's fees must be something different from simply "bad faith intent to profit." This paper attempts to refine the distinction between the two standards by defining "the exceptional cybersquatter" and the types of conduct that go beyond "bad faith intent to profit" and therefore justify an exercise of the extraordinary discretion to award attorney's fees. In short, this paper argues that the exceptional cybersquatter is one who (1) engages in certain willful conduct distinguishable from the "bad faith intent to profit" during the course of litigation or (2) engages in conduct indistinguishable from the "bad faith intent to profit" but nevertheless considered willful under the Lanham Act.[11]

Notwithstanding the relief provided by the ACPA, cybersquatting continues to be a problem demonstrated by the increasing number of cybersquatting claims brought before courts in the United States[12] and international arbitration organizations accredited by the Internet

11. *See* discussion *infra* Part III.

12. A search of Bloomberg Law's database of all U.S. District Court dockets for the term "cybersquatting" between November 1999 (when the ACPA was enacted) and December 31, 2012 returned 27 hits for years 1999 and 2000; 20 for 2001; 28 for 2002; 39 for 2003; 40 for 2004; 56 for 2005; 68 for 2006; 111 for 2007; 168 for 2008; 223 for 2009; 210 for 2010; 268 for 2011; and 318 for 2012. The Administrative Office of the U.S. Courts provides very useful case statistics on its website but does not provide the number of cybersquatting cases commenced during any particular period. *See, e.g.*, U.S. DISTRICT COURTS—CIVIL CASES COMMENCED, BY BASIS OF JURISDICTION AND NATURE OF SUIT, DURING THE 12-MONTH PERIODS ENDING JUNE 30, 2011 AND 2012 30–33 tbl. C-2,, *available at* http://www.uscourts.gov/uscourts/Statistics/StatisticalTablesForTheFederalJudiciary/2012/june/C02Jun12.pdf (providing numbers of copyright, patent, and trademark cases, but not specific types of cases within those broader, "Nature of Suit" categories).

Corporation for Assigned Names and Numbers (ICANN), including the World Intellectual Property Organization (WIPO).[13] Given current trends, and ICANN's introduction of new top-level domain names in June 2013,[14] cybersquatting will likely continue to be an important and lively area of the law for years to come. In fact, some have called on Congress to amend the ACPA to deal with the threatened explosion of cybersquatting claims that the new top-level domain names will ignite.[15] Although legislation may indeed be necessary to provide relief from that problem, the problems addressed in this paper—the availability of attorney's fees when statutory damages are elected under the ACPA and the distinction between cases involving exceptional cybersquatters where attorney's fees are appropriate and those where they are not—are wholly remediable through better-informed application of existing statutory text.

13. In March 2013, WIPO reported a record-setting 2,884 cybersquatting filings for the previous year, a 4.5% increase in the number of filings from the year before. *See* BloombergBNA World Communications. Regulation Report, Domain Names: WIPO Cites Continued Rise in Cybersquatting Complaints (April 5, 2013). *See also* Tenesa S. Scaturro, *The Anticybersquatting Consumer Protection Act and the Uniform Domain Name Dispute Resolution Policy the First Decade: Looking Back and Adapting Forward*, 11 Nev. L.J. 877 (2011) (reporting that 3,866 domain name dispute cases were filed with WIPO and the National Arbitration Forum in 2009).

14. A top-level domain name refers to a domain at the highest level of the hierarchical Domain Name System. Examples of top-level domains are .com, .edu, .mil, etc. Before 2013, companies could register sites on only 22 generic top-level domains (gTLDs). Ian Paul, *The Top 10 Proposed New Top-Level Domains So Far*, PC WORLD (Jun. 12, 2012, 10:31 AM), http://www.pcworld.com/article/257430/the_top_10_proposed_new_top_level_domains_so_far.html. ICANN has since received over 1,900 applications for new gTLDs. *See New GTLD Current Application Status*, ICANN, https://gtldresult.icann.org/application-result/applicationstatus (last visited Mar. 22, 2014). It is unclear exactly what effect the new generic top-level domain names that ICANN plans to implement in June of 2013 will have on the number of cybersquatting claims in the future. *See* MELBOURNE IT DIGITAL BRAND SERVS., GET OFF MY LAWN: 2012 CYBERSQUATTING REVIEW, *available at* www.melbourneit.info/news-centre/Releases/2012_Cybersquatting_Report.pdf (predicting that the new top-level domain names will not likely cause a rise in the number of cybersquatting claims).

15. *See* Amy E. Bivens, *Group Pushes for ACPA Reform, Citing Added Cybersquatting Risks From New TLDs*, BLOOMBERG BNA ELECTRONIC COM. & LAW REP. (April 26, 2013).

I. THE ANTICYBERSQUATTING CONSUMER PROTECTION ACT AND THE LANHAM ACT

Properly considering and resolving the two issues addressed in this paper first requires a brief overview of the ACPA and the Lanham Act. The ambiguity in the text and legislative history of both statutes creates some confusion as to what remedies are available in certain kinds of trademark cases, including cybersquatting cases. This Part first considers the ACPA, its text, and its history before summarizing its relationship to the background law of the Lanham Act and the remedies for trademark infringement, including cybersquatting, included in 15 U.S.C. § 1117(a).

A. The Anticybersquatting Consumer Protection Act

The ACPA creates a substantive, civil cause of action for trademark owners against those who register, traffic in, or use domain names that are protected trademarks, words, or names or are identical or confusingly similar to distinctive or famous marks with "a bad faith intent to profit" from those marks.[16] Senator Spencer Abraham first introduced the ACPA in June 1999.[17] This initial proposed legislation included, among other provisions, the option to elect actual damages and profits, or statutory damages under the statutory provision.[18] If a plaintiff sought statutory damages, the statute provided for an award of "full costs and reasonable attorney's fees."[19] Additionally, the proposed legislation imposed criminal penalties.[20]

Although the initial proposal for the ACPA contained many of the key provisions that were later enacted, some substitutes were required before the bill became law. For example, Senator Abraham acknowledged that suggestions on the proposed bill "convinced [him] of the need for substitute legislation which addresses the issue of in rem jurisdiction

16. 15 U.S.C. § 1125(d)(1) (2012).

17. Anticybersquatting Consumer Protection Act, S. 1255, 106th Cong. (1999)).

18. *Id.* § 3 (trademark remedies). *See also* 158 CONG. REC. S7336 (daily ed. Jun. 22, 1999) ("a plaintiff may – instead of seeking actual damages or profits – elect to recover statutory damages . . . Furthermore, the plaintiff may recover full costs and reasonable attorney's fees.").

19. S. 1255 § 3 (trademark remedies).

20. *Id.* § 4 (criminal use of counterfeit trademark).

and which eliminate[s] provisions dealing with criminal penalties."[21] Nowhere did Senator Abraham mention the original bill's provision for attorney's fees awards. However, he did generally describe the substantive provisions of the substitute legislation,[22] noting that it would "key[] liability on the bad faith of a party" and "specify the evidence which may be used to establish the bad faith of an individual," part of Congress's effort to provide complete protection for so-called "innocent infringers."[23] Senator Abraham also noted that the substitute legislation "provides for statutory civil damages" that the plaintiff may elect "in lieu of actual damages or profits."[24]

Defining "bad faith intent to profit" by "specif[ying] the evidence which may be used to establish" it is critical to both achieving the underlying purpose of the act—the protection of trademark rights in the Internet age—and the protection of "innocent infringers."[25] To that end, the ACPA provides a non-exclusive list of nine factors that may be considered in determining whether a person accused of cybersquatting has the requisite "bad faith intent to profit" from a protected mark:

> (I) the trademark or other intellectual property rights of the person, if any, in the domain name;
>
> (II) the extent to which the domain name consists of the

21. *Cybersquatting and Consumer Protection: Ensuring Domain Name Integrity: Hearing on S. 1255 Before the S. Comm. on the Judiciary*, 106th Cong. 2 (1999) (statement of Sen. Spencer Abraham).

22. S. 1255.

23. *Cybersquatting and Consumer Protection: Ensuring Domain Name Integrity: Hearing on S. 1255 Before the S. Comm. on the Judiciary*, 106th Cong. 2–3 (1999) (statement of Sen. Spencer Abraham).

24. *Id.* at 3.

25. *Id.* at 2–3. *See also* Harrods Ltd. v. Sixty Internet Domain Names, 110 F. Supp. 2d 420, 426 (E.D. Va. 2000) ("Every provision of the ACPA reflects Congress's intent to address the cybersquatting problem, not the innocent or good-faith registration of domain names that may infringe existing trade marks.") (citing H.R. REP. NO. 106-464, at 109 (1999) (Conf. Rep.) ("The bill is carefully and narrowly tailored, however, to extend only to cases where the plaintiff can demonstrate that the defendant registered, trafficked in, or used the offending domain name with bad-faith intent to profit from the goodwill of a mark belonging to someone else. Thus, the bill does not extend to innocent domain name registrations"); S. REP. NO. 106-140, at 8 (1999) ("[u]nder the bill . . . the abusive conduct that is made actionable is appropriately limited just to bad-faith registrations and uses of others' marks by persons who seek to profit unfairly from the goodwill associated therewith").

> legal name of the person or a name that is otherwise commonly used to identify that person;
>
> (III) the person's prior use, if any, of the domain name in connection with the bona fide offering of any goods or services;
>
> (IV) the person's bona fide noncommercial or fair use of the mark in a site accessible under the domain name;
>
> (V) the person's intent to divert consumers from the mark owner's online location to a site accessible under the domain name that could harm the goodwill represented by the mark, either for commercial gain or with the intent to tarnish or disparage the mark, by creating a likelihood of confusion as to the source, sponsorship, affiliation, or endorsement of the site;
>
> (VI) the person's offer to transfer, sell, or otherwise assign the domain name to the mark owner or any third party for financial gain without having used, or having an intent to use, the domain name in the bona fide offering of any goods or services, or the person's prior conduct indicating a pattern of such conduct;
>
> (VII) the person's provision of material and misleading false contact information when applying for the registration of the domain name, the person's intentional failure to maintain accurate contact information, or the person's prior conduct indicating a pattern of such conduct;
>
> (VIII) the person's registration or acquisition of multiple domain names which the person knows are identical or confusingly similar to marks of others that are distinctive at the time of registration of such domain names, or dilutive of famous marks of others that are famous at the time of registration of such domain names, without regard to the goods or services of the parties; and
>
> (IX) the extent to which the mark incorporated in the person's domain name registration is or is not distinctive and famous within the meaning of subsection (c) of this section.[26]

26. 15 U.S.C. § 1125(d)(1)(B)(i)(I)–(IX) (2012) (these factors will be referred to throughout the remainder of this paper as "ACPA factor one," "ACPA factor two," etc.). Subsection (c) of 15 U.S.C. § 1125 defines and prescribes remedies for trademark dilution by blurring and tarnishment. *See also Cybersquatting and Consumer Protection: Ensuring Domain Name Integrity: Hearing on S. 1255 Before the S. Comm. on the Judiciary*, 106th Cong. 2 (1999) (statement of

In addition to these factors, the ACPA also provides that "[b]ad faith intent . . . shall not be found in any case in which the court determines that the person believed and had reasonable grounds to believe that the use of the domain name was a fair use or otherwise lawful."[27] Further, cybersquatting liability for using a domain name will only attach if a "person is the domain name registrant or that registrant's authorized licensee."[28]

The importance of the bad faith intent factors should not be undermined by their permissive, non-exclusive character. Defining "bad faith intent to profit" is critical in defining liability under the ACPA, as Senator Abraham stressed at the first hearing on the proposed legislation that would later become the ACPA:

> The substitute will incorporate substantial protections for innocent parties, keying liability on the bad faith of a party. Civil liability would attach only if a person had no intellectual property rights in the domain name identifier; the domain name identifier was not the person's legal first name or surname; and the person registered, acquired, or used the domain name identified with the bad-faith intent to benefit from the goodwill of another's trademark or service mark.
>
> And just to be clear of our intent here, this substitute legislation specifies the evidence which may be used to establish the bad faith of an individual.[29]

This is significant for purposes of distinguishing between the "specific" intent to profit from the goodwill of a mark ("bad faith intent to profit") under the ACPA and the "general" intent ("bad faith") sufficient to render a case "exceptional" under the Lanham Act for purposes of awarding attorney's fees in some jurisdictions.[30] The list of factors is

Sen. Spencer Abraham) ("Civil liability would attach only if a person had no intellectual property rights in the domain name identifier; the domain name identifier was not the person's legal first name or surname; and the person registered, acquired, or used the domain name identified with the bad-faith intent to benefit from the goodwill of another's trademark or service mark.").

27. 15 U.S.C. § 1125(d)(1)(B)(ii) (the so-called "safe harbor" provision).

28. *Id.* § 1125(d)(1)(D).

29. *Cybersquatting and Consumer Protection: Ensuring Domain Name Integrity: Hearing on S. 1255 Before the S. Comm. on the Judiciary*, 106th Cong. 2–3 (1999) (statement of Sen. Spencer Abraham).

30. *See* Solid Host, NL v. Namecheap, Inc., 652 F. Supp. 2d 1092, 1109 (C.D. Cal. 2009) ("The bad faith required to support a cybersquatting claim is not

nonexclusive and nonexhaustive because a defendant may, for instance, provide erroneous contact information in registering a domain name or register multiple domain names that are identical or confusingly similar to a mark without any "bad faith intent to profit" from the goodwill of the mark.[31] Thus, as "the presence or absence of any of these factors may not be determinative" of bad faith intent to profit,[32] the presence or absence of any of the factors must also not be determinative of "bad faith" generally.

Early amendments to the ACPA bill also sought to remedy a pernicious and persistent problem in domain name litigation—the inability of some plaintiffs to establish the existence of personal jurisdiction over alleged cybersquatters, particularly those located outside the United States who provided deliberately misleading or false contact information to domain name registrars.[33] Accordingly, the final version of the ACPA provides for in rem jurisdiction in cases where the owner of a mark is unable "to obtain in personam jurisdiction" over a prospective cybersquatting defendant, or when the owner is unable to find the defendant "through due

general bad faith, but 'a bad faith intent to profit *from the mark*,' 15 U.S.C. § 1125(d)(1)(A)(i) (emphasis added). Thus, the defendant must intend to profit specifically from the goodwill associated with another's trademark."). *See infra* notes 182–89 and accompanying text.

31. S. REP. NO. 106-140, at 9 (1999) ("[T]he fact that a defendant provided erroneous information in applying for a domain name registration or registered multiple domain names that were identical to, confusingly similar to, or dilutive of distinctive marks does not necessarily show bad-faith. The Committee recognizes that such false information may be provided without a bad-faith intent to trade on the goodwill of another's mark, and that there are likely to be instances in which multiple domain name registrations are consistent with honest business practices. Similar caveats can be made for each of the eight balancing factors, which is why the list of factors is nonexclusive and nonexhaustive.")

32. *Id.*

33. *See Cybersquatting and Consumer Protection: Ensuring Domain Name Integrity: Hearing on S. 1255 Before the S. Comm. on the Judiciary*, 106th Cong. 14–15 (1999) (statement of Gregory D. Philips, Esq., Porsche Cars North America, Inc.) ("One necessary component of any effective legislation is an *in rem* jurisdictional provision where a trademark holder can file a lawsuit against the domain name itself, rather than the registrant. Not surprisingly, cyberpirates and cybersquatters often provide false and fictitious information as to their identity when they register a new domain name diluting or infringing a famous trademark. Cyberpirates do so in order to insulate themselves from liability and to make it impossible for trademark holders to effect service of process.").

diligence."[34] Remedies in in rem cases are specifically "limited to a court order for the forfeiture or cancellation of the domain name or the transfer of the domain name to the owner of the mark."[35] In in personam cases, "a court may order the forfeiture or cancellation of the domain name or the transfer of the domain name to the owner of the mark,"[36] in addition to the remedies provided for violations of the ACPA under 15 U.S.C. § 1117.

The final version of the ACPA enumerates several different remedies against cybersquatters. Under section 15 U.S.C. § 1117(a), a plaintiff may recover actual damages and profits for violations of the ACPA "subject to the principles of

34. 15 U.S.C. § 1125(d)(2)(A)(ii) (2012). In *in rem* cases, the mark owner must provide notice "to the registrant of the domain name at the postal and e-mail address provided by the registrant to the registrar" *and* publish "notice of the action as the court may direct promptly after filing the action" in order to effect service of process. *Id.* § 1125(d)(2)(A)(ii)(II), (d)(2)(B).

35. *Id.* § 1125(d)(2)(D)(i). *See Cybersquatting and Consumer Protection: Ensuring Domain Name Integrity: Hearing on S. 1255 Before the S. Comm. on the Judiciary*, 106th Cong. 3 (1999) (statement of Sen. Spencer Abraham) ("Under this legislation, the owner of a mark could bring an in rem action against the domain name identifier itself. This will allow a court to order the forfeiture or cancellation of the domain name identifier or the transfer of the domain name identifier to the owner of the mark."). *But see* Agri-Supply Co., Inc. v. Agrisupply.com, 457 F. Supp. 2d 660, 665 (E.D. Va. 2006). In *Agri-Supply*, the court reasoned that:

> [W]hile § 1125(d)(2)(D)(i) of the ACPA states that "[t]he remedies in an *in rem* action under this paragraph shall be limited to a court order for the forfeiture or cancellation of the domain name or the transfer of the domain name to the owner of the mark," the statute continues that "the *in rem* action established under paragraph (2), and any remedy available under [that] section, shall be *in addition to any other civil action or remedy otherwise applicable*." 15 U.S.C. § 1125(d)(2)(D)(i) and (3) (emphasis added). By including § 1125(d) within its provisions for remedies available for trademark violations within the ambit of the Lanham Act, § 1117(a) provides the additional civil remedies provided for in ACPA § 1125(d)(3).

Id. at 665. *Cf.* United Air Lines, Inc. v. Unitedair.com, No. 1:12CV0143 (GBL/JFA), 2012 WL 2838629, at *6–7 (E.D. Va. Jun. 11, 2012) (distinguishing *Agri-Supply*), *adopted by*, No. 1:12CV143 GBL/JFA, 2012 WL 2838569 (E.D. Va. Jul. 9, 2012). Even accepting the court's conclusion in *Agri-Supply* that attorney's fees awards are available in in rem actions despite the express limitation of in rem remedies "to a court order for the forfeiture or cancellation of the domain name or the transfer of the domain name to the owner of the mark," 15 U.S.C. § 1125(d)(2)(D)(i), the interesting question of whether a *res*—a "thing"—is capable of "malicious, fraudulent, deliberate, or willful" behavior such that an in rem case is "exceptional" and an attorney's fees award is warranted is outside the scope of this paper.

36. 15 U.S.C. § 1125(d)(1)(C).

equity."[37] Congress also amended section 1117 to add subsection (d), which provides for statutory damages in cybersquatting cases as an alternative remedy.[38] In language remarkably similar to section 1117(c) (which provides statutory damages for trademark counterfeiting rather than cybersquatting),[39] section 1117(d) provides that cybersquatting plaintiffs "may elect . . . to recover, instead of actual damages and profits, an award of statutory damages in the amount of not less than $1,000 and not more than $100,000 per domain name, as the court considers just."[40]

As discussed below and in light of the similar statutory damages provision set out in 15 U.S.C. § 1117(c), the statutory damages provision provided for in section 1117(d) seems relatively uncontroversial.[41] However, what consideration Congress gave to the availability of attorney's fees in addition to statutory damages under section 1117(d) (if any) is worth reviewing here for purposes of later analysis of that question in Part II.[42] In trademark counterfeiting cases, attorney's fees are awarded in addition to statutory damages under section 1117(c) only in "exceptional cases." The similar language in section 1117(d) for cybersquatting cases would lead one to believe that attorney's fees would be awarded in addition to statutory damages in similar circumstances under the ACPA.

It is remarkable (if not persuasive) to note that the ACPA bill, as originally introduced, provided for attorney's fees awards. Later, section 4 of the amended ACPA (damages and remedies) omitted mention of awards of attorney's fees in cases where statutory damages were elected in place of actual damages and profits.[43] However, the Senate Judiciary

37. 15 U.S.C. § 1117(a) (2008) (prescribing recovery for violations "under section 1125 . . . (d) of this title," the ACPA).

38. *See infra* Part II.

39. *See infra* Part II.D.

40. 15 U.S.C. § 1117(d).

41. *See infra* parts II.C–D.

42. *See* TERENCE P. ROSS, INTELLECTUAL PROPERTY LAW: DAMAGES AND REMEDIES § 4.03[6] (2013) ("There is no reason . . . to believe that this provision [1117(d)] will be interpreted any differently from Section 35(c) [1117(c)] of the Lanham Act providing statutory damages for use of counterfeit marks.").

43. S. REP. NO. 106-140, at 3 (1999). In late October 1999, the House Judiciary Committee promulgated its own report on the Trademark Cyberpiracy Prevention Act, first introduced earlier that month. H.R. REP. NO. 106-412 (1999).

Committee Report noted that "under the amended bill, a *trademark owner* who knowingly and materially misrepresents to the domain name registrar or registry that a domain name is infringing *is liable . . . for damages, including costs and attorney's fees*, resulting from the suspension, cancellation, or transfer of the domain name."[44] Thus, even though the final version of the ACPA did not contain a specific provision for attorney's fees in addition to statutory damages, the language in the Committee Report strongly suggests that attorney's fees should be included in the awarded damages, whether those damages are actual or statutory.

The Senate Judiciary Committee's Report explained the need for legislation "to clarify the rights of trademark owners with respect to bad faith, abusive domain name registration practices, to provide clear deterrence to prevent bad faith and abusive conduct, and to provide adequate remedies for trademark owners in those cases where it does occur."[45] Referring to a provision later codified at 15 U.S.C. § 1125(d)(3),[46] the report stated that the addition of a cybersquatting provision to the Trademark Act "does not in any way limit the application of current provisions of trademark, unfair competition and false advertising, or dilution law, or other remedies under counterfeiting or other statutes, to cybersquatting cases."[47] In its discussion of the

44. S. REP. NO. 106-140, at 11 (1999) (emphasis added).

45. *Id.* at 7–8. *See also Cybersquatting and Consumer Protection: Ensuring Domain Name Integrity: Hearing on S. 1255 Before the S. Comm. on the Judiciary*, 106th Cong. 3 (1999) (statement of Senator Abraham) ("In my opinion, online extortion [in the form of cybersquatting] is unacceptable, it is outrageous, and it is dangerous to both business and consumers. I believe that these provisions will discourage anyone from squatting on addresses in cyberspace to which they are not entitled.").

46. "The civil action established under [15 U.S.C. § 1125(d)(1)] and the in rem action established under [15 U.S.C. § 1125(d)(2)], and any remedy available under either such action, shall be in addition to any other civil action or remedy otherwise applicable." 15 U.S.C. § 1125(d)(3) (2012).

47. S. REP. NO. 106-140, at 16 (1999). *See also* H.R. REP. NO. 106-412, at 14 (1999) (noting that the addition of a cyberpiracy provision to the Trademark Act did "not in any way limit the application of current provisions of trademark, unfair competition and false advertising, or dilution law, or other remedies under counterfeiting or other statutes, to cyberpiracy cases."). Nevertheless, the Committee was careful to note the narrowness of the ACPA, stating that "Congress must not cast its net too broadly or impede the growth of technology, and it must be careful to balance the legitimate interests of Internet users with the other interests sought to be protected." S. REP. NO. 106-140, at 8 (1999).

damages and remedies provision, the Committee also noted that this section of the amended bill "applies traditional trademark remedies, including injunctive relief, recovery of *defendant's* profits, actual damages, and costs, to cybersquatting cases."[48]

Given this history, the lack of an explicit reference to attorney's fees for plaintiff trademark owners is best understood in comparison to the explicit considerations of Congress generally in enacting the ACPA—deterrence of trademark infringement on the Internet, the provision of adequate remedies to plaintiffs, the continuing salience of current Lanham Act provisions, and the traditional remedies to be afforded successful plaintiffs. These considerations weigh heavily in favor of the conclusion that Congress did not intend to provide for attorney's fees to defendants only, as doing so would undoubtedly undermine extension of the deterrent and remedial functions of attorney's fees in the Lanham Act before the enactment of the ACPA.

B. The Lanham Act

The Lanham Act provides for a wide variety of remedies in cases involving trademark rights violations. What follows is a brief overview of the various remedies provided under the Lanham Act and, where relevant, the legislative history of each. Specific attention is given to section 1117(a), which provides for actual damages, profits, costs, and attorney's fees in "exceptional cases" for trademark infringement (including cybersquatting), as well as trademark counterfeiting and false advertising.[49] Section 1117(b) provides for an award of treble damages and "virtually mandatory"[50] attorney's fees in

48. S. REP. NO. 106-140, at 16–17 (1999). Section 43(d) of the Trademark Act is codified at 15 U.S.C. § 1125(d). *See also* H.R. REP. NO. 106-412, at 15 (1999) (noting that that the legislation "applies traditional trademark remedies, including injunctive relief, recovery of defendant's profits, actual damages, and costs, to cyberpiracy cases under the new section 43(d) of the Trademark Act"). The Committee also noted the proposed "amendment to section 35 of the Trademark Act to provide for statutory damages in cybersquatting cases." S. REP. NO. 106-140, at 16–17 (1999). Section 35 of the Trademark Act is codified at 15 U.S.C. § 1117. *See also* H.R. REP. NO. 106-412, at 15 (1999) (noting that the bill also "amended section 35 of the Trademark Act to provide for statutory damages in cyberpiracy cases.").

49. 15 U.S.C. § 1117(a) (2008).

50. *See* 130 CONG. REC. H12,076 (daily ed. Oct. 10, 1984) (Joint Statement on Trademark Counterfeiting Legislation); Richard J. Leighton, *Awarding*

cases of intentional trademark counterfeiting where no "extenuating circumstances" are found. Finally, section 1117(c) provides for statutory damages in cases of trademark counterfeiting in language that is remarkably (and significantly) similar to section 1117(d), which provides for statutory damages awards in cybersquatting cases.[51]

1. *Actual Damages, Treble Damages, and Statutory Damages*

The actual damages provision of the Lanham Act, section 1117(a), provides for the recovery of monetary damages for certain types of trademark rights violations. These violations include (1) ordinary trademark infringement (2) counterfeiting under 15 U.S.C. § 1114; (3) unfair competition, including "palming off," false advertising, and trade dress infringement under 15 U.S.C. § 1125(a); (4) willful trademark dilution under 15 U.S.C. § 1125(c); and (5) cybersquatting under 15 U.S.C. § 1125(d).[52] Any relief from these acts of trademark infringement is "subject to the principles of equity."[53] One scholar notes that monetary damages awards for trademark infringement are "a rarity," given the equitable discretion this provision affords district courts, the low threshold for proving trademark rights violations, and the fundamental differences between trademark, patent, and copyright law.[54]

Attorneys' Fees in "Exceptional" Lanham Act Cases: A "Jumble" of "Murky" Law, 102 TRADEMARK REP. 849, 864–66 (2012).

51. 15 U.S.C. § 1117(c), (d).

52. 15 U.S.C. § 1117(a) (prescribing recovery for violations "under section 1125(a) or (d) of this title, or a willful violation under section 1125(c) of this title").

53. *Id.*

54. ROSS, *supra* note 42, § 4.02. Ross notes that:

> [T]he underlying purpose of trademark protection is different from copyright protection or patent protection. As one commentator has noted, "The primary purpose of patent and copyright law is to encourage innovation and creativity, while trademark law seeks to avoid deception and confusion of consumers, decrease the cost of information in the marketplace, ensure fair competition, and protect producers' investment in their reputation and goodwill."

Id. § 4.02 n.4 (quoting 1 DRATLER & MCJOHN, INTELLECTUAL PROPERTY LAW: COMMERCIAL, CREATIVE AND INDUSTRIAL PROPERTY § 1.02[5] n. 48 (1991)). Ross goes on to note that injunctive relief is preferred in trademark infringement cases, and monetary damages as a general rule are only awarded in cases of actual confusion or willful infringement. *Id.* § 4.02[2]. *But see* David M. Kelly & Scott T. Harlan, *Statutory Damages Under the Anticybersquatting*

Monetary damages under section 1117(a) are calculated with respect to (1) the defendant's profits, (2) the plaintiff's actual damages, and (3) the plaintiff's costs in bringing the action.[55] Remarkably, the statute goes on to reiterate the court's broad equitable discretion[56] in making its damages calculation:

> In assessing damages the court may enter judgment, according to the circumstances of the case, for any sum above the amount found as actual damages, not exceeding three times such amount. If the court shall find that the amount of the recovery based on profits is either inadequate or excessive the court may in its discretion enter judgment for such sum as the court shall find to be just, according to the circumstances of the case. Such sum in either of the above circumstances shall constitute compensation and not a penalty.[57]

In 1984, Congress amended the Lanham Act to include provisions for mandatory treble damages in specific circumstances.[58] Subsection (b) of 15 U.S.C. § 1117 provides for mandatory awards of treble damages or profits ("whichever amount is greater") and attorney's fees in cases where a defendant intentionally used a counterfeit mark in the absence of "extenuating circumstances."[59] Before

Consumer Protection Act, BNA PAT., TRADEMARK & COPYRIGHT J., Jun. 13, 2008 (collecting and discussing numerous cases where court have awarded statutory damages in cybersquatting cases).

55. 15 U.S.C. § 1117(a) ("the plaintiff shall be entitled . . . to recover (1) defendant's profits, (2) any damages sustained by the plaintiff, and (3) the costs of the action"); *see also* ROSS, *supra* note 42, § 4.03 (stating that that "[t]here are four distinct approaches to calculating damages for trademark infringement. First, damages can be calculated based on the trademark owner's actual loss, which can include lost profits, price erosion damages, damage to the mark (i.e., loss of goodwill) and the expense of corrective advertising. Second, damages can be calculated based on a reasonable royalty measure. [And t]hird, damages can be calculated based on the disgorgement of the infringer's profits.").

56. ROSS, *supra* note 42, § 4.03 ("This is an extraordinarily broad discretionary grant to the district courts.") (citing Maier Brewing Co. v. Fleischmann Distilling Corp., 390 F.2d 117, 121 (9th Cir. 1968)).

57. 15 U.S.C. § 1117(a).

58. Trademark Counterfeiting Act of 1984, Pub. L. No. 98-473, 98 Stat. 2178; 15 U.S.C. § 1117(b).

59. 15 U.S.C. § 1117(b) ("In assessing damages under subsection (a) for any violation of section 1114(1)(a) of this title or section 220506 of Title 36, in a case involving use of a counterfeit mark or designation (as defined in section 1116(d) of this title), the court *shall*, unless the court finds extenuating circumstances, enter judgment for three times such profits or damages, whichever amount is greater, *together with a reasonable attorney's fee*" for intentional use of a known

enactment, Congress explained that section 1117(b) authorized "mandatory or virtually mandatory awards of treble damages and attorney's fees" in cases of intentional and "egregious conduct prohibited by existing law."[60] "Narrower" than the Lanham Act provisions already in existence, section 1117(b) only displaced remedies available at the time of the enactment under the newly designated section 1117(a) to the extent they were "inconsistent with subsection (b)."[61] Considering the "exceptional" character of and discretionary power to award attorney's fees under section 1117(a) and the intentional conduct requiring such an award under 1117(b), Richard Leighton notes that:

> All else being equal, [] a case involving a trademark's intentional use by a defendant that knows the mark to be counterfeit certainly would qualify as an "exceptional" case under Lanham Act Section [1117](a). But Congress made clear that, under new [1117](b), it would be even more exceptional for such a defendant to avoid the award of enhanced damages and attorneys' fees by asserting the affirmative defense of extenuating circumstances.[62]

More than a decade after the addition of 15 U.S.C. § 1117(b), Congress further amended the Lanham Act to provide for statutory damages in trademark counterfeiting cases as an alternative to actual damages and profits.[63] Before enactment of the amendment, Congress "recognize[d]" that:

> [A] civil litigant may not be able to prove actual damages if a sophisticated, large-scale counterfeiter has hidden or destroyed information about his counterfeiting . . . . Moreover, counterfeiters' records are frequently nonexistent, inadequate or deceptively kept in order to willfully deflate the level of counterfeiting activity actually engaged in, making proving actual damages in these cases extremely difficult if not impossible.[64]

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counterfeit mark) (emphasis added).

60. 130 CONG. REC. H12,076 (daily ed. Oct. 10, 1984) (Joint Statement on Trademark Counterfeiting Legislation).

61. *Id.*

62. Leighton, *supra* note 50, at 865.

63. Anticounterfeiting Consumer Protection Act of 1996, Pub. L. No. 104-153, § 7, 110 Stat. 1386 (1996); 15 U.S.C. § 1117(c).

64. S. REP. NO. 104-177, at 10 (1995).

The amendment was enacted with the express purpose of "[e]nabling trademark owners to *elect* statutory damages . . . instead of actual damages"[65] and the text of the statute itself provides that "the plaintiff may elect . . . to recover, instead of actual damages and profits under subsection (a) of this section, an award of statutory damages."[66] For ordinary counterfeiting cases, statutory damages may range from $1,000 to $200,000 "per counterfeit mark per type of goods or services sold, offered for sale, or distributed, as the court considers just."[67] In cases of "willful" trademark counterfeiting, the court may award damages of up to $2,000,000 "per counterfeit mark per type of goods or services sold, offered for sale, or distributed," again as it "considers just."[68]

2. *Attorney's Fees (and Presumptions of Willfulness)*

In addition to actual damages, profits, and costs, the Lanham Act also provides for the award of reasonable attorney's fees under section 1117(a). Congress included language allowing that "[t]he court in exceptional cases may award reasonable attorney fees to the prevailing party."[69] Congress enacted this provision in 1975 after the Supreme Court's ruling in *Fleischmann Distilling Corp. v. Maier Brewing Co.*[70] in 1967.[71] In *Fleischmann*, the Court held that attorney's fees could not be awarded under the Lanham Act because Congress had not permitted such an award amongst the detailed remedial provisions in section 1117.

Before the *Fleischmann* decision, federal courts exercised what was thought to be an inherent power to award attorney's fees in trademark infringement and unfair competition cases. Courts exercised this power in the absence of a statutory grant of authority and contrary to the American

65. *Id.* (emphasis added) ("This section amends section 35 of the Lanham Act, allowing civil litigants the option of obtaining discretionary, judicially imposed damages in trademark counterfeiting cases, instead of actual damages. . . . Enabling trademark owners to elect statutory damages is both necessary and appropriate in light of the deception routinely practiced by counterfeiters.").
66. 15 U.S.C. § 1117(c).
67. *Id.* § 1117(c)(1).
68. *Id.* § 1117(c)(2).
69. *Id.* § 1117(a).
70. Fleischmann Distilling Corp. v. Maier Brewing Co., 386 U.S. 714 (1967).
71. Act of Jan. 2, 1975, Pub. L. No. 93-600, 88 Stat. 1955.

Rule, which makes such awards the exception and not the general rule, as is customary in English courts.[72] For example, in *Aladdin Mfg. Co. v. Mantle Lamp Co. of America*, the Seventh Circuit Court of Appeals found that an award of attorney's fees as compensatory damages was appropriate in certain trademark infringement and unfair competition cases where "willful and fraudulent conduct is sustained by the evidence."[73] Although the Lanham Act was enacted without an attorney's fees provision, five years after *Aladdin*, federal courts relying on that decision continued to make such awards in "a virtually unbroken string of cases" involving willful trademark infringement and unfair competition brought under the Act.[74]

In *Fleischmann*, the Court granted certiorari to consider the Ninth Circuit Court of Appeals's decision to reverse an attorney's fees award. The Ninth Circuit found that the Lanham Act did not grant federal courts the power to award attorney's fees.[75] Reviewing the historical and precedential evolution of the American Rule, its justifications, and its exceptions, the Supreme Court found that the exceptions "were not . . . developed in the context of statutory causes of action [like the Lanham Act] for which the legislature had prescribed intricate remedies."[76] "[I]n the Lanham Act," the Court continued, "Congress meticulously detailed the remedies available to a plaintiff who proves that his valid trademark has been infringed," including injunctive relief and monetary relief in the form of plaintiff's damages, defendant's profits, and costs.[77] The Court concluded by stating that "[w]hen a cause of action has been created by a statute which expressly provides the remedies for vindication of the cause,

72. *See* Arcambel v. Wiseman, 3 U.S. (3 Dall.) 306 (1796) (per curiam) ("We do not think that this charge [$1600 in attorney's fees] ought to be allowed. The general practice of the United States is in opposition to it; and even if that practice were not strictly correct in principle, it is entitled to the respect of the court, till it is changed, or modified, by statute."); Alyeska Pipeline Serv. Co. v. Wilderness Soc'y, 421 U.S. 240, 247 (1975) ("In the United States, the prevailing litigant is ordinarily not entitled to collect a reasonable attorneys' fee from the loser.").

73. Aladdin Mfg. Co. v. Mantle Lamp Co. of America, 116 F.2d 708, 716–17 (7th Cir. 1941).

74. Leighton, *supra* note 50, at 857–58.

75. *Fleishmann*, 386 U.S. at 716.

76. *Id.* at 717–19.

77. *Id.* at 719.

other remedies should not readily be implied"[78] and then all-but invited Congress to explicitly provide for attorney's fees under the Lanham Act by citing examples where it had done so in the Patent and Copyright acts, among others.[79]

Shortly after the *Fleischmann* decision, Congress set about restoring federal courts' ability to award attorney's fees in trademark cases. In June 1973, Representative Robert W. Kastenmeier introduced a bill to amend the Lanham Act and provide for the same kind of attorney's fees awards the Supreme Court denied in *Fleischmann* by adding a sentence to 15 U.S.C. § 1117 that reads (in its entirety): "The court in exceptional cases may award reasonable attorney fees to the prevailing party."[80] The following month, the House Judiciary Committee's Subcommittee on Courts, Civil Liberties, and the Administration of Justice (chaired by Representative Kastenmeier) held a hearing where Rene Tegtmeyer, Acting Commissioner of Patents, was the lone witness.[81] Commissioner Tegtmeyer testified that "equitable considerations" justified an exception to the American Rule presumptively denying attorney's fees awards to prevailing parties in trademark suits and argued that successful parties "should be entitled to full compensation for injuries sustained and expenses incurred, since these were necessitated by the acts of the opposing party."[82] Contrary to fears that attorney's fees might become "exorbitant" or difficult to calculate, Commission Tegtmeyer testified that they "may well be consequential and foreseeable, and judges and

78. *Id.* at 720 (citing Philp v. Nock, 84 U.S. (17 Wall.) 460 (1873); Teese v. Huntingdon, 64 U.S. (23 How.) 2 (1860); Day v. Woodworth, 54 U.S. (13 How.) 363 (1852)).

79. *Fleishmann*, 386 U.S. at 720–21. Associate Justice Potter Stewart, the lone dissenter, argued that it was "reasonable to assume that when Congress in the Lanham Act empowered courts to grant relief 'subject to the principles of equity' [15 U.S.C. § 1117(a)] it was aware of the *Aladdin* decision and intended to preserve the rule of that case." *Id.* at 722. Absent an overruling of *Aladdin* by Congress, Justice Stewart would have allowed federal courts to continue to exercise their equitable powers to award attorney's fees in Lanham Act cases upon a finding of willful trademark infringement or unfair competition. *Id.* at 723.

80. Patents-Filing Oppositions Act of 1975, Pub. L. No. 93-600, 88 Stat. 1955; 15 U.S.C. § 1117(a) (2008).

81. *Hearing on H.R. 7599, H.R. 8981, H.R. 9199, and S. 71 Before the Subcomm. on Courts, Civil Liberties, & the Admin. of Justice of the H. Comm. on the Judiciary*, 93rd Cong. (1973).

82. *Id.*

masters are capable of determining reasonable fees."[83] Echoing the *Fleischmann* Court's opinion, Commissioner Tegtmeyer also cited the various federal statutes, including the Patent and Copyright acts, which expressly provided for attorney's fees awards.[84]

At the hearing, Commission Tegtmeyer noted that the proposed amendment expressly limited attorney's fee awards to "exceptional cases," and that such awards were also discretionary.[85] Speaking on behalf of the Commerce Department,[86] Commissioner Tegtmeyer testified that "[w]e understand the phrase 'exceptional cases' to permit recovery of attorney's fees from infringers only where the acts of infringement might be characterized as 'malicious,' 'fraudulent,' 'deliberate' or willful."[87]

Commissioner Tegtmeyer also testified to the interrelationship of existing remedies under the Lanham Act with attorney's fees awards:

> The Trademark Act currently provides for awarding treble damages in appropriate circumstances in order to encourage the enforcement of trademark rights. The availability of treble damages, however, cannot be

83. *Id.*

84. *Id.* The Patent Act's attorney's fees provision reads: "The court in exceptional cases may award reasonable attorney fees to the prevailing party." 35 U.S.C. § 285 (2014). The Copyright Act provides:

> In any civil action under this title, the court in its discretion may allow the recovery of full costs by or against any party other than the United States or an officer thereof. Except as otherwise provided by this title, the court may also award a reasonable attorney's fee to the prevailing party as part of the costs.

17 U.S.C. § 505 (2014).

85. *Hearing on H.R. 7599, H.R. 8981, H.R. 9199, and S. 71 Before the Subcomm. on Courts, Civil Liberties, & the Admin. of Justice of the H. Comm. on the Judiciary*, 93rd Cong. 15 (1973) (statement of Hon. Rene Tegtmeyer, Acting Comm'r of Patents, Dep't of Commerce).

86. Leighton notes that although "[t]he legislative history does not reveal whether the Commerce Department drafted H.R. 8981, [] that would not be surprising." Leighton, *supra* note 50, at 860. H.R. 8981 was introduced at the Commerce Department's request. *Hearing on H.R. 7599, H.R. 8981, H.R. 9199, and S. 71 Before the Subcomm. on Courts, Civil Liberties, & the Admin. of Justice of the H. Comm. on the Judiciary*, 93rd Cong. 1 (1973).

87. *Hearing on H.R. 7599, H.R. 8981, H.R. 9199, and S. 71 Before the Subcomm. on Courts, Civil Liberties, & the Admin. of Justice of the H. Comm. on the Judiciary*, 93rd Cong. 15 (1973) (statement of Hon. Rene Tegtmeyer, Acting Comm'r of Patents, Dep't of Commerce). Commissioner Tegtmeyer also noted that the proposed attorney's fees provision "would also permit prevailing defendants to recover attorney fees in exceptional cases." *Id.*

> regarded as a substitute for the recovery of attorney fees. In suits brought primarily to obtain an injunction, attorney fees may be more important than treble damages. Frequently, in a flagrant case of infringement where the court action is instituted promptly, the measurable damages are nominal. Nonetheless, attorney fees may be substantial. The Trademark Act as amended . . . would make clear that a court has discretion as to whether to award attorney fees, treble damages, or both, or neither.[88]

The House Judiciary Committee Report promulgated following the hearing also stated that "[t]he attorney fee remedy should coexist with [the] existing provision for treble damages and attorney fees should also be available to defendants in exceptional cases."[89]

Both the House and Senate Judiciary Committees promulgated reports containing statements substantially similar to Commissioner Tegtmeyer's testimony.[90] Both reports' sectional analyses stated that:

> Section 3 provides that attorney fees may be awarded to the prevailing party in actions under the federal trademark laws, when equitable considerations justify such awards. It would make a trademark owner's remedy complete in enforcing his mark against willful infringers, and would give defendants a remedy against unfounded suits.[91]

The amendment adding attorney's fees to the remedies available for trademark infringement under the Lanham Act became law in January 1975.[92] The House Report and the following Senate Report also stated that the amendment would authorize attorney's fees awards "where justified by equitable considerations" and defined "exceptional" infringement cases as those "where the acts of infringement can be characterized as 'malicious,' 'fraudulent,' 'deliberate,' or 'willful.' "[93]

88. *Id.*
89. H.R. REP. NO. 93-524, at 2 (1973).
90. *Id.* at 2–6; S. REP. NO. 93-1400, at 2–6 (1974).
91. H.R. REP. NO. 93-524, at 6 (1973); S. REP. NO. 93-1400, at 6 (1974).
92. Patents-Filing Oppositions Act of 1975, Pub. L. No. 93-600, 88 Stat. 1955.
93. H.R. REP. NO. 93-524, at 1–2 (1973); S. REP. NO. 93-1400, at 1–2 (1974).

In December 2004 (following enactment of the ACPA and section 1117(d)), Congress further amended section 1117 to include a presumption of willful violation where a violator knowingly gives false information when registering a domain name. Specifically, section 1117(e) provides that:

> In the case of a violation referred to in this section, it shall be a rebuttable presumption that the violation is willful for purposes of determining relief if the violator, or a person acting in concert with the violator, knowingly provided or knowingly caused to be provided materially false contact information to a domain name registrar, domain name registry, or other domain name registration authority in registering, maintaining, or renewing a domain name used in connection with the violation. Nothing in this subsection limits what may be considered a willful violation under this section.[94]

According to the House Judiciary Committee Report, this section creates a test to determine whether a violation within the ambit of section 1117 is "willful" and "ensures that only those who attempt to mask their identity in connection with another violation of the Trademark Act" will be subject to "the additional civil penalties that result from willful infringement," absent the ability to offer evidence to rebut the presumption.[95]

There is a textual overlap and thus an apparent tension between subsection (e) (knowingly providing materially false contact information in registering, maintaining, or renewing a domain name) and ACPA factor seven (providing material and misleading false contact information when applying for

94. Intellectual Property Protection and Courts Amendments Act of 2004, Pub. L. No. 108-482, 118 Stat 3912.

95. H.R. REP. NO. 108-536, at 3, 6–7 (2004). Congress intended subsection (e) to establish a five-part test to determine whether a violation is willful (which does not appear in the text of the statute itself):

> (1) The domain name registration must be materially false.
> (2) The information must have been knowingly provided or knowingly caused to be provided.
> (3) The recipient of the information must be a domain name registrar, registry, or other domain name registration authority (such as ICANN or its successor).
> (4) The information must be provided for the purpose of registering, maintaining, or renewing a domain name.
> (5) The domain name must have been used in connection with a violation.

Id. at 6.

the registration of the domain name). However, it is important to note that subsection (e) establishes a rebuttable presumption of "willfulness," not a rebuttable presumption of "bad faith intent to profit." This is consistent with Congress's intent in creating the nonexclusive, nonexhaustive list of bad faith intent factors:

> [T]he fact that a defendant provided erroneous information in applying for a domain name registration or registered multiple domain names that were identical to, confusingly similar to, or dilutive of distinctive marks does not necessarily show bad-faith. The Committee recognizes that such false information may be provided without a bad-faith intent to trade on the goodwill of another's mark, and that there are likely to be instances in which multiple domain name registrations are consistent with honest business practices. Similar caveats can be made for each of the eight balancing factors, which is why the list of factors is nonexclusive and nonexhaustive.[96]

Further, subsection (e) establishes a rebuttable presumption that the violation is willful "for purposes of determining relief," not for purposes of initially determining whether the ACPA has been violated. Thus, subsection (e) becomes significant for purposes of relief—including attorney's fees—only after an ACPA violation is established. Subsection (e) may then be considered in determining whether or not a case is "exceptional" for purposes of attorney's fees awards under subsection (a).[97]

II. CIRCUIT SPLIT: STATUTORY DAMAGES AND ATTORNEY'S FEES UNDER THE LANHAM ACT AND THE ACPA

A recent circuit split highlights the uncertainty in deciding the first question this article attempts to answer: whether attorney's fees are available under section 1117(a) to Lanham Act plaintiffs who seek statutory damages in place of actual damages and profits. This Part provides an overview of the split by reviewing the relevant circuit court decisions and proceeds to argue not only that attorney's fees are available to Lanham Act plaintiffs who elect to receive statutory damages for trademark counterfeiting violations

96. S. REP. NO. 106-140, at 9–10 (1999).
97. *See infra* Part III.B.3.

under section 1117(c) (as the Second Circuit has held), but that they are also available to ACPA plaintiffs who elect to receive statutory damages for cybersquatting violations under section 1117(d).

A. Ninth Circuit – Electing to Receive Statutory Damages Precludes an Award of Both Treble Damages and Attorney's Fees under the Lanham Act

In December 2007, the Ninth Circuit Court of Appeals decided that an award of statutory damages for trademark counterfeiting under 15 U.S.C. § 1117(c) precluded an award of attorney's fees under 15 U.S.C. § 1117(b).[98] The plaintiff, an aftermarket automotive accessory manufacturer and owner of two registered trademarks, filed suit against defendants alleging trademark infringement, counterfeiting, and dilution under 15 U.S.C. §§ 1114 and 1125.[99] In its complaint, plaintiff elected to receive statutory damages under 15 U.S.C. § 1117(c).[100] After the district court granted plaintiff's motion for summary judgment on all claims, it awarded $20,000 in statutory damages under 15 U.S.C. § 1117(c)(1) and $100,000 in attorney's fees under section 1117(b).[101]

On appeal, the Ninth Circuit Court of Appeals held that attorney's fees could not be awarded when the plaintiff elected to receive statutory damages under section 1117(c) rather than actual damages under section 1117(a). The court observed that under section 1117(a), a plaintiff seeking actual damages could be awarded attorney's fees in "exceptional cases." Further, in cases involving counterfeit marks, under section 1117(b), a plaintiff could recover three times the actual damages recoverable under section 1117(a) plus reasonable attorney's fees "in every case" in the absence of extenuating circumstances. But under section 1117(c), a plaintiff that chooses to "eschew" actual damages under

98. K & N Eng'g v. Bulat, 510 F.3d 1079 (9th Cir. 2007).

99. *Id.* at 1080–81.

100. *Id.* at 1081.

101. *Id.* ("Pursuant to 15 U.S.C. § 1117(c)(1) and (b) respectively, the district court awarded K & N statutory damages of $20,000 and attorney's fees of $100,000."). Under Section 1117(c), a plaintiff may elect to recover statutory damages "at any time before final judgment is rendered by the trial court." 15 U.S.C. § 1117(c) (2008).

section 1117(a) and seek statutory damages instead would not be awarded attorney's fees or treble damages.[102] The court noted that section 1117(c) "makes no provision for attorney's fees; nor does section 1117(b) authorize such fees for a plaintiff seeking statutory damages under section 1117(c). Section 1117(b)'s attorney's fees provision applies only in cases with actual damages under section 1117(a)."[103] Thus, because the plaintiff elected to receive statutory damages under section 1117(c) and because the district court "did not assess or award" actual damages under section 1117(a), the court concluded that there was "no statutory basis to award . . . attorney's fees under section 1117(b)."[104]

Notwithstanding language in the opinion strongly suggesting that an award of attorney's fees in Lanham Act cases is tied to an award of actual damages under section 1117(a) (or trebled actual damages under 1117(b)), the court expressly reserved "the issue whether an election to receive statutory damages under section 1117(c) precludes an award of attorney's fees for exceptional cases under the final sentence of section 1117(a)."[105] That question was answered in early 2012 in the Second Circuit.

B. Second Circuit – Electing to Receive Statutory Damages Does Not Preclude an Award of Attorney's Fees under the Lanham Act

Unlike the Ninth Circuit, a recent Second Circuit decision concluded that attorney's fees could be awarded where the plaintiff elects statutory damages. In *Louis Vuitton Malletier S.A. v. Ly USA, Inc.*,[106] the famous French fashion house brought suit against defendants alleging trademark counterfeiting, infringement, and dilution and false designation of origin under 15 U.S.C. §§ 1114, 1125(a), and 1125(c).[107] In 2008, the district court granted plaintiff's motion for summary judgment on its trademark counterfeiting and infringement claims.[108] Plaintiff requested

102. *K & N Eng'g*, 510 F.3d at 1081–82.
103. *Id.* at 1082.
104. *Id.*
105. *Id.* at 1082 n.5.
106. 676 F.3d 83 (2d Cir. 2012).
107. *Id.* at 89.
108. *Id.* at 92–93.

the maximum statutory damages available under the Lanham Act in addition to attorney's fees, costs, and investigative fees.[109] Over defendants's objections, the district court awarded plaintiff $3,000,000 in statutory damages under 15 U.S.C. § 1117(c) and over $500,000 in attorney's fees and costs under 15 U.S.C. § 1117(a).[110] Recognizing the typical availability of attorney's fees in cases where actual damages, but not statutory damages, are awarded, the district court nonetheless found that attorney's fees in addition to statutory damages were appropriate.[111]

On appeal, defendants argued that because the plaintiff elected to receive statutory damages under 15 U.S.C. § 1117(c), plaintiff "waived" its ability to receive an award of attorney's fees under section 1117(a).[112] Defendants relied on the text of the statute, reasoning that 15 U.S.C. §§ 1117(a) and (b) expressly provide for attorney's fees awards and subsection (c) does not.[113] Defendants also relied on a series of district court decisions finding that the election of statutory damages precludes an attorney's fees award and on the Ninth Circuit Court of Appeals' ruling in *K and N Engineering*.[114]

The Second Circuit found the issue "plain": does the choice to seek statutory damages under 15 U.S.C. § 1117(c) "supplant" only "the method for ascertaining the amount of damages" under subsection (a) (leaving the provision regarding attorney's fees in "exceptional cases" "unaffected") or "the entirety" of section (a) (including the provision for attorney's fees in "exceptional cases")?[115] In other words, does subsection (c) provide an alternative remedy to actual damages under subsection (a), or an alternative to all of the remedies provided in subsection (a)? The court first noted the explicit disagreement in its district courts on this issue, as well as those instances where district courts either acknowledged the issue "without proffering an answer to it"; "avoid[ed] confronting the issue by implicitly or explicitly accounting for the cost of attorney's fees in setting the

109. *Id.* at 93–94.
110. *Id.* at 94.
111. *Id.* at 104.
112. *Id.*
113. *Id.*
114. *Id.* at 104–05.
115. *Id.* at 106.

amount of the statutory-damages award"; or awarded attorney's fees under subsection (a) and statutory damages under subsection (c) "without acknowledging the potential statutory hurdle they had to clear in doing so."[116]

Turning to the decision in *K & N Engineering*, the Second Circuit noted that the Ninth Circuit recognized but did not resolve the issue in a "critically different" case where the plaintiff sought statutory damages and attorney's fees under sections (c) and (b), and not, as in the present case, under sections (c) and (a).[117] The Second Circuit also noted a disagreement among commentators as to the availability of both statutory damages and attorney's fees under sections 1117(a) and (c).[118]

Engaging in its own analysis of the plain meaning of the statutory text, the Second Circuit first noted that section 1117(a) distinguishes between a plaintiff's recovery of actual damages, profits, and costs and a court's "discretionary award of attorney's fees in exceptional circumstances."[119] The court went on to state that in the Second Circuit, "exceptional" cases necessarily involved trademark infringement that was "willful" or in "bad faith."[120] The text of section 1117(c), the court explained, allows plaintiffs to recover statutory damages "instead of actual damages and profits under subsection (a)."[121] Thus, given the distinction between the awards under subsection (a) and the provision under subsection (c) for statutory damages "instead of actual

116. *Id.* at 106–07.

117. *Id.* at 107–08. The Second Circuit speculated that the plaintiffs in *K & N Engineering* might "have sought attorney's fees under section 1117(b) rather than section 1117(a) because the former provides for an automatic grant of attorney's fees together with damages, while the latter only provides for attorney's fees in 'exceptional cases,' as discussed previously." *Id.* at 108.

118. *Id.* at 108. *Cf.* 4 *Callmann on Unfair Competition, Trademarks and Monopolies* § 23:67 (4th ed. 2011) ("[A] prevailing plaintiff who elects statutory damages under the Lanham Act in a counterfeiting case is not entitled to attorney's fees.") *with* 5 *McCarthy on Trademarks and Unfair Competition* § 30:95 n.9 (4th ed. 2012) (describing the Ninth Circuit's *K & N Engineering* decision in the subsection (b) context as "a hyper-technical reading of the statute" and lamenting that it fails "to read Lanham Act § 35 as an integrated whole")
Id. (alteration in original).

119. *Id.*

120. *Id.* at108–09 (citing Patsy's Brand, Inc. v. I.O.B. Realty, Inc., 317 F.3d 209, 221 (2d Cir. 2003)).

121. *Id.* at 109; 15 U.S.C. § 1117(c) (2008).

damages and profits under subsection (a)," awards of attorney's fees in "exceptional cases" are "not foreclosed" in cases where a plaintiff elects to receive statutory rather than actual damages.[122]

Although the court found this interpretation of the statutory text "compelling" and concluded that "so long as the 'exceptional case' requirement . . . is met, the text of sections 1117(a) and 1117(c) leaves an award of attorney's fees within the discretion of the district court," two of the three judges acknowledged "at least some ambiguity" in the text and continued their analysis to consider the legislative history of and intent behind the enactment of section 1117(c).[123] The court first observed that, before enactment of the Anticounterfeiting Consumer Protection Act in 1996,[124] remedies for trademark infringement under the Lanham Act were limited to actual damages, profits, costs, and attorney's fees "in exceptional cases" under 15 U.S.C. § 1117(a) and treble damages, reasonable attorney's fees, and prejudgment interest in cases of willful counterfeiting under 15 U.S.C. § 1117(b).[125] Citing the Senate Judiciary Committee's 1995 report on the proposed legislation to add section (c), the court observed that "Congress appears to have been motivated by a gap in the law" that existed when successful plaintiffs in trademark counterfeiting suits were nonetheless "unable to obtain an adequate recovery in actual damages because counterfeiters often maintain sparse business records, if any at all."[126] Further, the court explained that the present case exemplified the "gap" Congress recognized and attempted to fill by providing a statutory damages alternative in trademark counterfeiting suits, as the district court "concluded that the defendants were responsible for a 'massive counterfeiting enterprise' based at least in part on

122. *Ly*, 676 F.3d at 109.

123. *Id.* at 109 n.26.

124. Anticounterfeiting Consumer Protection Act of 1996, Pub. L. No. 104-153, 110 Stat. 1386. *See supra* notes 63–68 and accompanying text.

125. *Ly*, 676 F.3d at 110.

126. *Id.* (citing S. REP. NO. 104-177, at 10 (1995) ("The committee recognizes that under current law, a civil litigant may not be able to prove actual damages if a sophisticated, large-scale counterfeiter has hidden or destroyed information about his counterfeiting. Moreover, counterfeiters' records are frequently nonexistent, inadequate or deceptively kept in order to willfully deflate the level of counterfeiting activity actually engaged in, making proving actual damages in these cases extremely difficult if not impossible.")).

plaintiff's allegations and the unavailability of records suggesting otherwise."[127]

Consistent with their analysis of the statutory text, the court concluded that the amendment to the Lanham Act adding subsection (c) "was thus apparently designed to provide an alternative to the type of recovery provided in section 1117(a); not to all of the remedies provided for in that section" and that the amendment "was meant to expand the range of remedies available to a trademark plaintiff, not restrict them."[128] Given that remedial purpose, the court went on to state that it was "unlikely that Congress intended to prevent a plaintiff who opts to recover statutory damages from also receiving attorney's fees," especially given the lack of any evidence that Congress "intended a tradeoff between statutory damages and both actual damages and attorney's fees" in the amendment's legislative history.[129] The court further opined that "it makes little sense . . . to further reward a defendant successful in defeating the plaintiff's and the court's attempts to fix the actual amount of damages by allowing him or her to avoid an award of attorney's fees."[130] The court then concluded that attorney's fees awards are available in "exceptional cases" under section 1117(a) "even for those plaintiffs who opt to receive statutory damages under section 1117(c)."[131]

C. Evidence from the Legislative History of the Lanham Act – Electing to Receive Actual or Statutory Damages Does Not Preclude an Award of Attorney's Fees

In at least one respect, the Ninth and Second Circuit decisions summarized above do not represent a genuine circuit "split" as that term is usually understood.[132] After all,

127. *Id.*
128. *Id.*
129. *Id.*
130. *Id.* at 110–11.
131. *Id.* at 111.
132. *See, e.g.*, SUP. CT. R. 10 ("A petition for a writ of certiorari will be granted only for compelling reasons. The following, although neither controlling nor fully measuring the Court's discretion, indicate the character of the reasons the Court considers: (a) a United States court of appeals has entered a decision *in conflict* with the decision of another United States court of appeals on *the same* important matter . . .") (emphasis added); H.W. PERRY, JR., DECIDING TO DECIDE: AGENDA SETTING IN THE UNITED STATES SUPREME COURT 246–52 (1991) (discussing circuit conflicts, or "splits," as a criteria for determining

the issues before the two courts, as the Second Circuit recognized, were different.[133] *K and N Engineering* involved construction of 15 U.S.C. §§ 1117(a) and (b): the former provides for awards of actual damages and profits, costs, and attorney's fees in "exceptional cases" for trademark infringement (including counterfeiting) and the latter provides for treble damages and attorney's fees for knowing trademark counterfeiting in the absence of "extenuating circumstances."[134] Thus, although not necessarily self-evident, the Ninth Circuit's conclusion that the two provisions "overlap," making the election of damages under one preclusive of an award under the other, is both reasonable and logical.

The Second Circuit's decision in *Ly*, on the other hand, involved construction of 15 U.S.C. §§ 1117(a) and (c).[135] Subsection (c) provides for statutory damages for trademark counterfeiting (as opposed to treble damages under subsection (b)) and does not separately provide for an attorney's fees award (in either the presence or absence of "extenuating circumstances," as under subsection (b)).[136] Similar to the Ninth Circuit's decision in *K and N Engineering*, then, the reasonable inferences drawn solely from the text of the statute suggest that the *Ly* decision reading the two subsections as interdependent and compatible is also reasonable and logical.

This section provides additional support for the Second Circuit's conclusion by incorporating other evidence from the legislative history of the attorney's fees provision in 15 U.S.C. § 1117(a)—which neither the Second nor the Ninth Circuit courts considered in their analyses—as a precursor to applying the Second Circuit's construction of subsection (c) to subsection (d) (providing statutory damages in cybersquatting cases) in Part II-D below.

1. *Acknowledging the Textual Ambiguity in Section 1117*

As an initial matter, it must be acknowledged that some ambiguity exists in the text of section 1117 before proceeding

"certworthiness").

133. *Ly*, 676 F.3d at 107–08.

134. K & N Engineering v. Bulat, 510 F.3d 1079, 1082 (9th Cir. 2007).

135. *Ly*, 676 F.3d at 106.

136. 15 U.S.C. § 1117(b), (c) (2008).

to consider additional legislative history. If there were no ambiguity—if the statute "spoke for itself"—neither the Second Circuit's analysis of the legislative history of section 1117(c), nor the additional analysis of section 1117(a) offered in this paper, would be necessary or justified.[137]

A comparison of subsections (a), (b), (c), and (d) suggests there is at least some ambiguity[138] in the text of section 1117 that requires recourse to extrinsic legislative materials to fully understand the appropriate application of the statute. Subsection (a) provides for actual damages, profits, costs, and attorney's fees in "exceptional cases"[139] for trademark infringement, including ordinary infringement, counterfeiting, unfair competition, and willful trademark dilution.[140] Subsection (b) provides for treble damages for trademark counterfeiting "[i]n assessing damages under subsection (a)" and mandates attorney's fees where no "extenuating circumstances" exist.[141] Subsection (c), which provides statutory damages in trademark counterfeiting cases, references subsection (a) but includes no provision for attorney's fees itself.[142] Subsection (d), which provides statutory damages in cybersquatting cases, does not reference subsection (a) and also makes no provision for attorney's

137. *See* Exxon Mobil Corp. v. Allapattah Servs., Inc., 545 U.S. 546, 568 (2005) ("As we have repeatedly held, the authoritative statement is the statutory text, not the legislative history or any other extrinsic material. Extrinsic materials have a role in statutory interpretation only to the extent they shed a reliable light on the enacting Legislature's understanding of otherwise ambiguous terms."). This issue is particularly relevant here, as one of the three circuit judges empanelled to decide the issues presented in *Ly* believed that the text at issue was unambiguous and did not join in the court's discussion of the legislative history of 15 U.S.C. § 1117(c). *Ly*, 676 F.3d at 109 n.26.

138. *See, e.g.*, United States v. Shirey, 359 U.S. 255, 258 (1959) ("Awkwardness is not ambiguity, nor do defined multiple meanings . . . constitute a want of definiteness."); BLACK'S LAW DICTIONARY 93 (9th ed. 2009) (defining ambiguity as "[a]n uncertainty of meaning or intention, as in a contractual term or statutory provision.").

139. A fuller discussion of the ambiguity inherent in these two words follows in Part III.

140. 15 U.S.C. § 1117(a) (prescribing recovery for violations "under section 1125(a) or (d) of this title, or a willful violation under section 1125(c) of this title").

141. *Id.* § 1117(b).

142. *Id.* § 1117(c) ("In a case involving the use of a counterfeit mark . . . the plaintiff may elect, at any time before final judgment is rendered by the trial court, to recover, instead of actual damages and profits under subsection (a) of this section, an award of statutory damages").

fees.[143]

The Second Circuit noted that "[t]he fact that section 1117(b) expressly provides for attorney's fees arguably indicates that section 1117(c)'s lack of an attorney's fee provision reflects an intent not to allow the award of fees in statutory-damages cases."[144] The same implication could be drawn from the lack of an attorney's fees provision in section 1117(d), particularly given the marked similarity of the text of both sections.[145]

In addition, it should be noted that the legislative history of 15 U.S.C. § 1117 considered here is discrete and not "murky, ambiguous, and contradictory" such that it is a suspect source of clarification on this particular point.[146] Thankfully, the relevant legislative histories are short (the ACPA went from introduction to enactment in less than six months) and, in many instances, repetitive[147] and therefore not amenable to the sort of "cherry picking" that make some excursions into extrinsic materials especially "vulnerable . . . to criticism."[148]

143. *Id.* § 1117(d) ("In a case involving a violation of section 1125(d)(1) of this title [the ACPA], the plaintiff may elect, at any time before final judgment is rendered by the trial court, to recover, instead of actual damages and profits, an award of statutory damages").

144. Louis Vuitton Malletier S.A. v. Ly USA, Inc., 676 F.3d 83, 109 n.25 (2d Cir. 2012).

145. *See infra* notes 165–67 and accompanying text (comparing (c) and (d)).

146. Exxon Mobil Corp. v. Allapattah Servs., Inc., 545 U.S. 546, 568 (2005) (noting that"[n]ot all extrinsic materials are reliable sources of insight into legislative understandings, however, and legislative history in particular is vulnerable to two serious criticisms. First, legislative history is itself often murky, ambiguous, and contradictory. . . . Second, judicial reliance on legislative materials like committee reports, which are not themselves subject to the requirements of Article I, may give unrepresentative committee members—or, worse yet, unelected staffers and lobbyists—both the power and the incentive to attempt strategic manipulations of legislative history to secure results they were unable to achieve through the statutory text.").

147. *See supra* Part I.A–B.

148. *Exxon Mobil*, 545 U.S. at 568 (noting that "[j]udicial investigation of legislative history has a tendency to become, to borrow Judge Leventhal's memorable phrase, an exercise in 'looking over a crowd and picking out your friends.' "). Given the size of the legislative history here and the light it sheds on the text, the author respectfully submits that the crowd is small and mostly made up of friends.

2. The Textual Ambiguity Can Be Resolved by Considering the Legislative History of Both Sections (a) and (c)

Analyzing the text of 15 U.S.C. §§ 1117(a) and (c), the Second Circuit observed that the latter's provision of statutory damages "*instead* of actual damages and profits under subsection (a)" meant that it was "a carveout for part of the remedy otherwise available under section 1117(a): 'actual damages and profits.' "[149] Thus, the election of statutory damages under subsection (c) did not "supplant the entirety of subsection (a) including the provision for attorney's fees in 'exceptional cases.' "[150]

In analyzing the legislative history of subsection (c) (but not subsection (a)), the court concluded that this textual reading was entirely consistent with Congress's intent to remedy a "gap" in the law created when actual damages are difficult to prove (given counterfeiters' deliberate or negligent record keeping) by enacting an alternative, statutory damages provision.[151] The court also rejected the notion that Congress intended to create an alternative remedy to all of the remedies provided for in subsection (a) (including attorney's fees), particularly given the remedial nature of the statute, or to restrict the remedies available to plaintiffs in trademark infringement cases.[152]

Additionally, the legislative history of section (a)'s attorney's fees remedy provides additional support for these conclusions that was not considered by the Second Circuit. First, Commissioner Tegtmeyer's testimony at the only hearing in which the amendment providing for attorney's fees was considered heavily emphasized the "equitable considerations" justifying an exception to the American Rule, as well as successful parties' entitlement to "full compensation for injuries sustained and expenses incurred" in trademark infringement cases.[153] This equitable emphasis

149. *Ly*, 676 F.3d at 109 (emphasis added).

150. *Id.*

151. *Id.* at 110 n.27 (quoting S. REP. NO. 104-177, at 10 (1995)).

152. *Id.* at 110 (citing H.R. REP. NO. 104-556 (1996); S. REP. NO. 104-177 (1995)).

153. *Hearing on H.R. 7599, H.R. 8981, H.R. 9199, and S. 71 Before the Subcomm. on Courts, Civil Liberties, & the Admin. of Justice of the H. Comm. on the Judiciary*, 93rd Cong. 14 (1973) (statement of Hon. Rene Tegtmeyer, Acting Comm'r of Patents, Dep't of Commerce).

was reiterated in both the House and Senate reports that followed the hearing.[154]

Commissioner Tegtmeyer also emphasized the discretionary nature of attorney's fees awards in this context and their limitation to exceptional cases.[155] Both of these considerations were key to the Second Circuit's comparison of subsections (a), (b), and (c) and its rejection of the idea that the express provision of attorney's fees in section (b) and the omission of the same in section (c) "reflects an intent not to allow the award of fees in statutory-damages cases."[156] Conversely, the court reasoned that:

> The fact that both sections 1117(a) and 1117(b) specifically allow for attorney's fees suggests that section 1117(c) also allows for them, especially in light of the purpose of that subsection, and that it does so by retaining the "exceptional case" provision of section 1117(a). The attorney's fee provisions of sections 1117(a) and (b) differ in an important respect: the former is subject to the "exceptional case" requirement, and is therefore discretionary, while the latter is mandatory.[157]

Importantly, Commissioner Tegtmeyer and the House and Senate reports on the bill also noted that attorney's fees awards were meant to be an additional—rather than an alternative—remedy that, with others, were meant to afford trademark infringement plaintiffs complete relief. Commissioner Tegtmeyer specifically testified that awards of treble damages under subsection (a)[158] "cannot be regarded as a substitute for the recovery of attorney fees," particularly "[i]n suits brought primarily to obtain an injunction" where "attorney fees may be more important than treble damages" because the suits are "instituted promptly," actual damages

154. H.R. REP. NO. 93-524, at 1, 2, 6 (1973); S. REP. NO. 93-1400, at 1, 2, 6 (1974).

155. *Hearing on H.R. 7599, H.R. 8981, H.R. 9199, and S. 71 Before the Subcomm. on Courts, Civil Liberties, & the Admin. of Justice of the H. Comm. on the Judiciary*, 93rd Cong. 15 (1973) (statement of Hon. Rene Tegtmeyer, Acting Comm'r of Patents, Dep't of Commerce).

156. *Ly*, 676 F.3d at 109 n.25.

157. *Id.*

158. "In assessing damages the court may enter judgment, according to the circumstances of the case, for any sum above the amount found as actual damages, not exceeding three times such amount." 15 U.S.C. § 1117(a) (2008). The treble damages under subsection (a) and those available under the later-enacted subsection (b) are, of course, distinguishable.

are therefore "nominal," but "attorney fees may be substantial."[159] Commissioner Tegtmeyer went on to state that "[t]he Trademark Act as amended . . . would make clear that a court has discretion as to whether to award attorney fees, treble damages, or both, or neither."[160] The House Report also noted that attorney's fees awards should "coexist" with existing remedies under section 1117.[161] Finally, both the House and Senate reports reasoned that attorney's fees awards "would make a trademark owner's remedy complete in enforcing his mark against willful infringers."[162]

This history is important as the inability to substitute treble damages available under subsection (a) for attorney's fees strongly suggests that statutory damages (under either subsection (c) or (d)) are similarly not a substitute for attorney's fees. Both treble damages and statutory damages are remedies responsive to the unique facts of a case whose calculation is committed to the discretion of the trial court. Subsection (a) provides that "[i]n assessing damages the court may enter judgment, according to the circumstances of the case, for any sum above the amount found as actual damages, not exceeding three times such amount."[163] Similarly, subsections (c) and (d) provide for a range of statutory damages as an alternative to actual damages and profits in cases where calculation of the latter is difficult (if not impossible).[164]

All of the considerations underlying the addition of an attorney's fees provision in subsection (a)—the equitable nature of attorney's fees awards; the discretionary power to make attorney's fees awards only in "exceptional cases"; the character of attorney's fees awards as an additional, rather than alternative, remedy; and their purpose in providing complete relief—are consistent with the considerations the Second Circuit surveyed in analyzing subsection (c), and that consistency provides further support to the court's conclusion

159. *Hearing on H.R. 7599, H.R. 8981, H.R. 9199, and S. 71 Before the Subcomm. on Courts, Civil Liberties, & the Admin. of Justice of the H. Comm. on the Judiciary*, 93rd Cong. 15 (1973) (statement of Hon. Rene Tegtmeyer, Acting Comm'r of Patents, Dep't of Commerce).

160. *Id.*

161. H.R. REP. NO. 93-524, at 2 (1973).

162. *Id.* at 6; S. REP. NO. 93-1400, at 6 (1974).

163. 15 U.S.C. § 1117(a).

164. *See id.* § 1117(c), (d).

that Congress intended attorney's fees awards to accompany awards of statutory damages in "exceptional cases."

D. Attorney's Fees are Available in "Exceptional Cases" under the ACPA Where the Plaintiff Elects to Receive Statutory Damages, Just as in "Exceptional Cases" Where the Plaintiff Elects to Receive Actual Damages

In light of the Second Circuit's decision and its discussion of the legislative history of subsection (c), as well as the discussion of the legislative history behind subsection (a) presented here, this paper now turns to a discussion of the text and legislative history of subsection (d) to argue that attorney's fees are available in "exceptional cases" when a cybersquatting plaintiff elects to receive statutory damages under subsection (d). As noted before, the text of subsections (c) and (d) are substantially similar. Subsection (c) reads:

> In a case involving the use of a counterfeit mark (as defined in section 1116(d) of this title) in connection with the sale, offering for sale, or distribution of goods or services, the plaintiff may elect, at any time before final judgment is rendered by the trial court, to recover, instead of actual damages and profits under subsection (a) of this section, an award of statutory damages for any such use in connection with the sale, offering for sale, or distribution of goods or services in the amount of—
>
> (1) not less than $1,000 or more than $200,000 per counterfeit mark per type of goods or services sold, offered for sale, or distributed, as the court considers just; or
>
> (2) if the court finds that the use of the counterfeit mark was willful, not more than $2,000,000 per counterfeit mark per type of goods or services sold, offered for sale, or distributed, as the court considers just.[165]

Subsection (d) reads:

> In a case involving a violation of section 1125(d)(1) of this title, the plaintiff may elect, at any time before final judgment is rendered by the trial court, to recover, instead of actual damages and profits, an award of statutory damages in the amount of not less than $1,000 and not more than $100,000 per domain name, as the court

165. *Id.* § 1117(c) (emphasis added).

considers just.[166]

Identical language in both subsections provides that "the plaintiff may elect, at any time before final judgment is rendered by the trial court, to recover, instead of actual damages and profits . . . an award of statutory damages . . . as the court considers just." Importantly, the text of both subsections is clear that statutory damages sought under either are available as an alternative to actual damages and profits, arguably leaving the opportunity to recover attorney's fees under subsection (a) in place.

The same conclusion is reached when one applies the Second Circuit's textual analysis to a case where a cybersquatting plaintiff elects to receive statutory damages for a violation of the ACPA under subsection (d) and seeks to recover attorney's fees under subsection (a). Subsection (a) distinguishes between awards of actual damages and profits in cybersquatting cases generally and awards of attorney's fees in "exceptional" cybersquatting cases, and subsection (d) is a carveout for the former in cases where a plaintiff elects to receive statutory damages "instead" of actual damages and profits. Further, nothing in subsection (d) (unlike subsection (b)) hampers the court's discretion in awarding attorney's fees in "exceptional cases" when statutory damages are chosen as an alternative remedy.[167]

Given the substantial similarity between subsections (c) and (d), as well as the minor differences in their texts (most significantly subsection (c)'s express reference to subsection (a), a reference subsection (d) does not include), it is reasonable to assume the same ambiguity that may be found in the former is also present in the latter, making recourse to the legislative history of the ACPA appropriate in an effort to better understand Congress's intent in providing statutory damages relief in cybersquatting cases.

First, it should be noted that with the exception of the first version of the ACPA, later supplanted by substitute

166. *Id.* § 1117(d) (emphasis added).

167. As a textual matter, this conclusion holds notwithstanding the explicit reference to subsection (a) in subsection (c) and the omission of a similar reference in subsection (d). Both subsections provide for statutory damages "instead of actual damages and profits," and no provision other than subsection (a) is implicated as no other provision under section 1117 (or the Lanham Act) provides for "actual damages and profits."

legislation, the only mention of attorney's fees awards in the legislative history of the ACPA is with respect to a trademark plaintiff's misrepresentation regarding domain name infringement:

> Under the amended bill, a trademark owner who knowingly and materially misrepresents to the domain name registrar or registry that a domain name is infringing is liable to the domain name registrant for damages, including costs and attorneys' fees, resulting from the suspension, cancellation, or transfer of the domain name.[168]

In fact, when the ACPA was amended to replace the original text with substitute legislation, Senator Abraham, the ACPA's original sponsor, neglected to mention that the attorney's fees provision would be omitted from the substitute legislation, along with the original bill's provision for criminal penalties (which did, for some reason, warrant mention).[169]

The omission of any substantive discussion of attorney's fees in the legislative history of the ACPA is, like all silences, subject to interpretation. Notably, the legislative history of subsection (c) is also silent on the matter of attorney's fees. Thus, again noting the similarity in the text of the two sections, it would be reasonable to conclude either that (1) Congress intended for attorney's fees to be available alongside statutory damages under both sections and did not feel the need to include an express provision for attorney's fees, given the provision already included in subsection (a); or (2) Congress did not intend for attorney's fees to be available alongside statutory damages under either section.

168. S. REP. NO. 106-140, at 11 (1999). This provision is codified at 15 U.S.C. § 1114(2)(D)(iv) ("If a registrar, registry, or other registration authority takes an action described under clause (ii) based on a knowing and material misrepresentation by any other person that a domain name is identical to, confusingly similar to, or dilutive of a mark, the person making the knowing and material misrepresentation shall be liable for any damages, including costs and attorney's fees, incurred by the domain name registrant as a result of such action. The court may also grant injunctive relief to the domain name registrant, including the reactivation of the domain name or the transfer of the domain name to the domain name registrant.").

169. *See Cybersquatting and Consumer Protection: Ensuring Domain Name Integrity: Hearing on S. 1255 Before the S. Comm. on the Judiciary*, 106th Cong. 2 (1999) (statement of Sen. Spencer Abraham) ("A number of suggestions have convinced me of the need for substitute legislation which addresses the issue of in rem jurisdiction and which eliminate provisions dealing with criminal penalties.").

First, the latter conclusion is at odds with Congress's express intention to allow defendants to recover attorney's fees where plaintiff trademark owners "overreach." Notwithstanding the special solicitude for potential defendants subject to that overreach, including the clear intention to provide them relief in the form of attorney's fees, it is nonsensical to assume that Congress meant to afford greater relief to defendants fallen victim to plaintiffs' overreach than to plaintiffs fallen victim to defendants' trademark infringement.

Second, it is significant that from the very beginning the ACPA was intended to "supplement[] existing rights under trademark law,"[170] and the statutory damages provision that would become subsection (d) was seen as an alternative to actual damages and profits under then-existing subsection (a).[171] Also, the ACPA was intended "to provide adequate remedies for trademark owners" in cybersquatting cases,[172] allowing them to seek "traditional" remedies, such as injunctions, actual damages, statutory damages, profits, and costs.[173] Consistent not only with tradition,[174] but with existing remedies available under the Lanham Act, both the Senate and House reports made clear that "the creation of a new section [defining and prohibiting cybersquatting] in the Trademark Act does not in any way limit the application of current provisions of trademark, unfair competition and false advertising or dilution law, or other remedies under counterfeiting or other statutes, to cybersquatting cases."[175]

Thus, given this legislative history background, it seems that the Second Circuit's reasoning as to Congress's intent in providing for statutory damages in trademark counterfeiting cases in addition to attorney's fees in "exceptional cases" similarly applies to the statutory damages provision in cybersquatting cases. In cybersquatting cases, just as in

170. *Id.*

171. *Id.* at 3 ("Finally, this [substitute] legislation provides for statutory civil damages . . . The plaintiff may elect these damages in lieu of actual damages or profits at any time before final judgment.").

172. S. REP. NO. 106-140, at 8 (1999).

173. *Id.* at 16; *see also* H.R. REP. NO. 106-412, at 15 (1999).

174. It should be noted that before the Court's decision in *Fleishmann*, "traditional" remedies for willful trademark infringement included attorney's fees. *See supra* notes 72–74 and accompanying text.

175. S. REP. NO. 106-140, at 16 (1999); H.R. REP. NO. 106-412, at 14 (1999).

trademark counterfeiting cases, alleged cybersquatters are presumably no more or less prone to keep accurate business records that might form the basis of an actual damages or profits award. Moreover, given the availability of injunctive relief in cybersquatting cases, actual damages (including treble damages) and profits may be very little, but attorney's fees could be substantial.

It is also clear that Congress intended to provide a host of "traditional" remedies to trademark owners in cybersquatting cases, so the notion that the election of statutory damages instead of actual damages and profits forecloses the availability of attorney's fees "in exceptional cases" is unsound, if not directly contrary to that intent.

The legislative history of subsection (a) also supports this conclusion because, in exceptional cases, the court was intended to have discretionary power to award equitable remedies. Additionally, the notion that attorney's fees awards are an additional, rather than alternative, remedy and that their purpose is to assist in providing complete relief are consistent with both the text and the legislative history of subsection (d).

Consistent with the text and the legislative history of both subsections (a) and (d), cybersquatting plaintiffs who elect to receive statutory damages under the latter provision should also be able to recover attorney's fees under the former in "exceptional cases." But what is an "exceptional case" in the context of the Lanham Act and who is the "exceptional cybersquatter" in the specific context of the ACPA? This paper now turns to a discussion of these questions and advances a definition of the latter in an attempt to provide more clarity to this narrow but confusing area of the law governing damages in trademark cases.

III. WHO IS THE EXCEPTIONAL CYBERSQUATTER?

This part attempts to clarify when a defendant cybersquatter whose "bad faith intent to profit" is established under the ACPA[176] may be ordered by the court to pay the

176. This analysis assumes that the other elements of an ACPA violation—plaintiff's ownership of the mark and defendant's registration, trafficking, or use of a domain name that is identical or confusingly similar to the mark; the distinctiveness of the mark; and the inapplicability of the safe harbor provisions—are satisfied. *See* 15 U.S.C. § 1125(d)(1) (2012); Mamiya America

plaintiff's attorney's fees upon a finding that the case is exceptional. Again, the court's discretionary power to award attorney's fees "in exceptional cases" is not implicated here, because the threshold finding of "exceptionality" is not itself discretionary and will be reviewed for clear error.[177] Thus, although a "bad faith intent to profit" is necessary to a finding of "exceptionality" that then permits a court to exercise its discretion in making an attorney's fees award to the plaintiff, it is not sufficient to render a case "exceptional" given a complete definition of that term.

Although this necessary/sufficient distinction may seem obvious in some respect, several cases[178] where the distinction has been both blurred and observed are useful in distilling three key principles that together help to define "the exceptional cybersquatter": (1) "bad faith intent to profit" alone does not make a case exceptional; (2) a cybersquatter's

Corp. v. HuaYi Brothers, Inc., No. 09 CV 5501, 2011 WL 1322383, at *4 (E.D.N.Y. Mar. 11, 2011).

177. *See, e.g.*, Newport News Holdings Corp. v. Virtual City Vision, Inc., 650 F.3d 423, 441 (4th Cir. 2011); Procter & Gamble Co. v. Amway Corp., 280 F.3d 519, 528 (5th Cir. 2002). *But see* Lahoti v. Vericheck, Inc., 636 F.3d 501, 505 (9th Cir. 2011) ("We . . . review de novo whether a trademark case is exceptional under 15 U.S.C. § 1117(a)"). The burden is on the party seeking an award of attorney's fees to establish that the case is "exceptional." *See, e.g.*, Schlotzsky's, Ltd. v. Sterling Purchasing & Nat'l Distrib. Co., Inc., 520 F.3d 393, 402 (5th Cir. 2008); Bd. of Supervisors for La. State Univ. Agric. & Mech. Coll. v. Smack Apparel Co., 550 F.3d 465, 491 (5th Cir. 2008) ("The prevailing party bears the burden of demonstrating the exceptional nature of the case by clear and convincing evidence.").

178. Many of the cases here were decided in the federal district courts and although they represent only persuasive authority, the conduct of the trial courts is important as many cybersquatting cases are adjudicated on motions for default judgment where the factual allegations contained in the plaintiff's complaint are deemed admitted. *See* FED. R. CIV. PROC. 8(b)(6) ("An allegation—other than one relating to the amount of damages—is admitted if a responsive pleading is required and the allegation is not denied."); Prot. One Alarm Monitoring, Inc. v. Exec. Prot. One Sec. Serv., LLC., 553 F. Supp. 2d 201, 207–08 (E.D.N.Y. 2008) ("In the Complaint, plaintiff alleges that Executive Protection One's use of the Protection One mark was willful. . . . As discussed above, a default requires that the factual allegations in the complaint be accepted as true and plaintiff plead the necessary facts for willful infringement. Therefore, defendant's violations are deemed willful and thus constitute exceptional circumstances. An award of reasonable attorney's fees is thus appropriate."). For obvious reasons, entries of default judgment are not often appealed. Also, as discussed below, at least one circuit court of appeals conflates the discretion to award attorney's fees in "exceptional cases" with the discretion to decide whether cases are "exceptional" in the first instance. *See*, Audi AG v. D'Amato, 469 F.3d 534, 551 (6th Cir. 2006).

litigation misconduct, that is, conduct separable from any conduct violative of the Lanham Act or the ACPA, may make a case exceptional; and (3) a cybersquatter's willful conduct in violation of the Lanham Act or the ACPA may also make a case exceptional.

It should be noted that these three categories are not neatly discrete or mutually exclusive, and that conduct demonstrating "bad faith intent to profit" may also demonstrate "willfulness," in which case the cybersquatting is "exceptional."[179] Similarly, the facts of a particular case may establish (1) "bad faith intent to profit," (2) litigation conduct that amounts to abuse of process, and (3) willfulness within the meaning of the Lanham Act.[180] However, as many of the cases below demonstrate, facts establishing "bad faith intent to profit" and those found to make a case "exceptional" are too often confused. In response, this paper attempts to offer a classification that fully realizes the distinction between the two standards in an attempt to define the truly "exceptional cybersquatter."

A. What is an "Exceptional Case"?

The attorney's fees provision of the Lanham Act provides that courts may award reasonable attorney's fees to the prevailing party "in exceptional cases." Thus, for a party to receive an attorney's fees award, it must prevail, the case must be "exceptional," and the court must then exercise its discretion to make such an award. But what is an "exceptional case"?

The "jumble" of case law defining "exceptional cases" under the Lanham Act has received searching scrutiny by both courts and commentators.[181] Confusion on this point

179. *See* Stephen W. Boney, Inc. v. Boney Servs. Inc., 127 F.3d 821, 827 (9th Cir. 1997) ("'[B]ad faith of one of the parties may be part of those exceptional circumstances' warranting a fee award") (alterations omitted).

180. *See, e.g.*, Emp'rs Council On Flexible Comp. v. Feltman, 384 F. App'x 201, 207–08 (4th Cir. 2010) (finding "ample support" for the district court's determination that the defendants' conduct was "exceptional" when they copied plaintiff's marks to "cause[] consternation in the ranks" and compete directly against the plaintiff ("willful" conduct) and that one of the defendants "conducted minimal legal research" on the trademark issues involved in the case (litigation conduct)). *See also* discussion *infra* Part III.B.

181. *See, e.g.*, Nightingale Home Healthcare, Inc. v. Anodyne Therapy, LLC, 626 F.3d 958 (7th Cir. 2010); Leighton, *supra* note 50.

comes from the lack of any definition in the Lanham Act itself and the fact that the only definition provided in the legislative history of the attorney's fees provision of 15 U.S.C. § 1117(a) is a brief but cryptic list of "descriptors": an exceptional case is one in which the defendant's infringing activity is "'malicious,' 'fraudulent,' 'deliberate,' or 'willful.'"[182]

Leighton opines that "the disjunctive form used by Congress indicates that each of these descriptors is meant to mean different things; on the other hand, Congress may have been deliberately redundant to capture varying judicial descriptors of the same type of activity."[183] In either case, many circuit courts of appeals define exceptionality by including, either along with "'malicious,' 'fraudulent,' 'deliberate,' or 'willful,'" or independently of them, "bad faith" conduct. In some jurisdictions, conduct that does not rise to the level of "bad faith" is nonetheless sufficient to render a case "exceptional."

What follows is a brief survey of several Courts of Appeals' definitions of "exceptional cases" in and out of the cybersquatting context that sets the stage for this paper's proposed definition of the "exceptional cybersquatter."[184]

In the Second, Fourth, Fifth, Tenth, Eleventh, and District of Columbia Circuits, if the prevailing plaintiff demonstrates that the defendant acted in "bad faith," the case may be, but is not necessarily, "exceptional" within the

182. *Hearing on H.R. 7599, H.R. 8981, H.R. 9199, and S. 71 Before the Subcomm. on Courts, Civil Liberties, & the Admin. of Justice of the H. Comm. on the Judiciary*, 93rd Cong. 15 (1973); H.R. REP. NO. 93-524, at 1, 2 (1973); S. REP. NO. 93-1400, at 1, 2 (1974).

183. Leighton, *supra* note 50 at 866–67.

184. Both *Nightingale* and Leighton collect and categorize cases based on both the circuits' definitions of "exceptional" and how that definition applies to a "prevailing party," whether plaintiff or defendant. Because the issue here—the exceptionality of cybersquatters in cases where the bad faith of the defendant is already established as a substantive requirement under the ACPA—is not presented when a *plaintiff* engages in bad faith conduct (because there is no "doubling down" on bad faith as an element of both the ACPA violation and "exceptionality"), the collection and categorization here is simpler. Similarly, the validity of "dual standards" for determining exceptionality under the Lanham Act in light of Fogerty v. Fantasy, Inc., 510 U.S. 517 (1994) (rejecting the application of different standards to prevailing plaintiffs and prevailing defendants in determining the availability of attorney's fees awards under the Copyright Act) is beyond the scope of this paper. *See* Leighton, *supra* note 50 at 875–76.

meaning of the Lanham Act.[185] Such a case is determined exceptional and an award of attorney's fees is permitted at the discretion of the district court.[186] Addressing the meaning of "exceptional cases" in the specific context of the ACPA, the Fourth Circuit found that "a bad faith finding under the ACPA does not compel a finding of malicious, fraudulent, willful or deliberate behavior under section 1117."[187] In *People for Ethical Treatment of Animals v. Doughney*,[188] the court concluded that "the district court was within its discretion to find that, even though Doughney violated the ACPA (and, thus, acted in bad faith), he did not act with the level of malicious, fraudulent, willful or deliberate behavior necessary for an award of attorney fees."[189]

The Sixth Circuit appears to closely follow the legislative history behind the Lanham Act's attorney's fees provision,

185. Patsy's Brand, Inc. v. I.O.B. Realty, Inc., 317 F.3d 209, 221–22 (2d Cir. 2003) ("The Lanham Act authorizes the award of attorney's fees to prevailing parties in 'exceptional cases,' 15 U.S.C. § 1117(a), which we have understood to mean instances of 'fraud or bad faith.'") (citing Twin Peaks Productions v. Publications International, Ltd., 996 F.2d 1366, 1383 (2d Cir. 1993)); Scotch Whisky Ass'n v. Majestic Distilling Co., Inc., 958 F.2d 594, 599 (4th Cir. 1991) (stating that under 15 U.S.C. § 1117(a), a case is "exceptional" if the defendant's conduct was "malicious, fraudulent, willful or deliberate in nature" and that a prevailing plaintiff must "show that the defendant acted in bad faith"); Tex. Pig Stands, Inc. v. Hard Rock Cafe Int'l, Inc., 951 F.2d 684, 697 (5th Cir. 1992); Procter & Gamble Co. v. Amway Corp., 280 F.3d 519, 526 (5th Cir. 2002); Nat'l Ass'n of Prof'l Baseball Leagues, Inc. v. Very Minor Leagues, Inc., 223 F.3d 1143, 1147 (10th Cir. 2000); Safeway Stores, Inc. v. Safeway Disc. Drugs, Inc., 675 F.2d 1160, 1169 (11th Cir. 1982); Reader's Digest Ass'n, Inc. v. Conservative Digest, Inc., 821 F.2d 800, 808 (D.C. Cir. 1987) ("Under the Lanham Act, a court must find willful or bad faith infringement by the defendant in order to award attorney's fees to the plaintiff.").

186. Patsy's Brand, 317 F.3d at 221–22 ("The Lanham Act authorizes the award of attorney's fees to prevailing parties in 'exceptional cases,' 15 U.S.C. § 1117(a), which we have understood to mean instances of 'fraud or bad faith' ") (citing Twin Peaks, 996 F.2d at 1383); Scotch Whisky, 958 F.2d at 599 (stating that under 15 U.S.C. § 1117(a), a case is "exceptional" if the defendant's conduct was "malicious, fraudulent, willful or deliberate in nature" and that a prevailing plaintiff must "show that the defendant acted in bad faith"); Tex. Pig Stands, 951 F.2d at 697; Procter & Gamble, 280 F.3d at 526; Prof'l Baseball Leagues, 223 F.3d at 1147; Safeway Stores, 675 F.2d at 1169; Reader's Digest, 821 F.2d at 808 ("Under the Lanham Act, a court must find willful or bad faith infringement by the defendant in order to award attorney's fees to the plaintiff.").

187. People for Ethical Treatment of Animals v. Doughney, 263 F.3d 359, 370 (4th Cir. 2001).

188. *Doughney*, 263 F.3d 359.

189. *Id.* at 370.

eschewing the inclusion of "bad faith" along with "'malicious,' 'fraudulent,' 'deliberate,' or 'willful'" in its general definition of "exceptional."[190] However, the Sixth Circuit is unique among all of the federal courts of appeals—it explicitly suggested all cybersquatting cases may be "exceptional" by stating that "[a] finding of bad faith under the ACPA does not necessarily compel a court to find 'malicious, fraudulent, willful or deliberate' conduct. However, a court would be well within its discretion in determining that bad faith under the ACPA supports finding such conduct."[191]

This statement is remarkable in its lack of qualification. As I argue below, a court would not be "well within its discretion in determining that bad faith under the ACPA supports a finding" of "malicious, fraudulent, willful, or deliberate" conduct in the absence of conduct in some way separable from that which establishes bad faith intent under the ACPA; otherwise, all ACPA cases are "exceptional" (which also means none of them are). Further, the determination that a case is "exceptional" based on a finding of "malicious, fraudulent, willful, or deliberate" conduct is not discretionary, it is a factual determination reviewed for clear error. Instead, it is the award of attorney's fees once a case has been determined to be "exceptional" that is discretionary. However, to the extent that the Sixth Circuit recognizes conduct may establish both "bad faith intent to profit" and exceptionality, the conclusion is correct but relies on an incomplete and misleading statement of the law.

Uniquely, the Seventh Circuit appears to equate "exceptionality" with a broad definition of "abuse of process."[192] Under this theory, a defendant who "insist[s] on mounting a costly defense" is indistinguishable from a plaintiff who brings a trademark infringement case "not in order to obtain a favorable judgment, but instead to burden the defendant with costs likely to drive it out of the

190. Eagles, Ltd. v. Am. Eagle Found., 356 F.3d 724, 728 (6th Cir. 2004) ("the term "exceptional" is not defined in the statute, although a case is not exceptional unless 'the infringement was malicious, fraudulent, willful, or deliberate.' ") (quoting Hindu Incense v. Meadows, 692 F.2d 1048, 1051 (6th Cir. 1982)).

191. Audi AG v. D'Amato, 469 F.3d 534, 551 (6th Cir. 2006).

192. Nightingale Home Healthcare, Inc. v. Anodyne Therapy, LLC, 626 F.3d 958, 963–64 (7th Cir. 2010).

market."[193] Thus, a showing that a defense is "objectively unreasonable," in the sense that it was meant to "impose disproportionate costs" on the plaintiff, is sufficient to show the case is "exceptional."[194]

The First, Third, Eighth, and Ninth Circuits do not require a showing of "bad faith" in order for a case to be exceptional.[195] "Willfulness short of bad faith" and mere "culpable conduct" (including bad faith, fraud, malice, and knowing infringement) are sufficient in the First, Third, and Eighth circuits to render a case exceptional, and the Ninth Circuit expressly does not require a showing of bad faith.[196]

The Third Circuit has also separately addressed the meaning of "exceptional" in the cybersquatting context. In *Shields v. Zuccarini*,[197] a case decided shortly after the enactment of the ACPA, the district court made the requisite finding of culpable conduct when it determined that the defendant "acted willfully and in bad faith when he registered . . . domain names in an effort to confuse people and to divert

193. *Id.* at 963.

194. *Id.* at 965.

195. Tamko Roofing Prods., Inc. v. Ideal Roofing Co., 282 F.3d 23, 32 (1st Cir. 2002) ("willfulness short of bad faith or fraud will suffice when equitable considerations justify an award and the district court supportably finds the case exceptional"); Ferrero U.S.A., Inc. v. Ozak Trading, Inc., 952 F.2d 44, 47–48 (3d Cir. 1991) ("a district court must make a finding of culpable conduct on the part of the losing party, such as bad faith, fraud, malice, or knowing infringement, before a case qualifies as 'exceptional.' "); Securacomm Consulting, Inc. v. Securacom, Inc., 224 F.3d 273, 280 (3d Cir. 2000) (under the Lanham Act, attorney's fees are available in "exceptional cases" which involve culpable conduct, such as "bad faith, fraud, malice, or knowing infringement.") (citing *Ferrero*, 952 F.2d 44); Hartman v. Hallmark Cards, Inc., 833 F.2d 117, 123 (8th Cir. 1987) ("Bad faith is not a prerequisite to a Lanham Act fee award."); Cmty. of Christ Copyright Corp. v. Devon Park Restoration Branch of Jesus Christ's Church, 634 F.3d 1005, 1013–14 (8th Cir. 2011) (stating that a district court is not "required to find the existence of bad faith before it could deem the case exceptional."); Stephen W. Boney, Inc. v. Boney Servs., Inc., 127 F.3d 821, 827 (9th Cir. 1997); Love v. Associated Newspapers, Ltd., 611 F.3d 601, 615–16 (9th Cir. 2010).

196. Green v. Fornario, 486 F.3d 100, 101 (3d Cir. 2007) ("the term 'exceptional' is not, as the plaintiff seems to suggest, a throwaway. Rather, it calls for a district court to determine whether it finds a defendant's conduct particularly culpable—enough to alter the general American rule that parties to litigation pay their own attorneys' fees."); *see also Tamko*, 282 F.3d 23; *Ferrero*, 952 F.2d 44; *Securacom*, 224 F.3d 273; *Hartman*, 833 F.2d 117; *Cmty. of Christ*, 634 F.3d 1005; *Boney*, 127 F.3d 821; *Love*, 611 F.3d 601.

197. Shields v. Zuccarini, 254 F.3d 476, 487 (3d Cir. 2001).

Internet traffic to his web sites for his own economic gain."[198] The district court also found that the defendant "conducted no bona fide business related to [plaintiff's mark] and that he had no basis on which to believe his use of the domain names was fair and lawful."[199] Further, the district court found the defendant's conduct to be "particularly flagrant" based on his registration of 1,644 domain names during the course of the pending litigation and noted that defendant "showed no remorse for his actions."[200]

The Third Circuit noted that although "bad faith" was "a threshold finding for any violation of the ACPA . . . the district court made a proper finding that, under the circumstances, this case qualified as 'exceptional' and merited the award of attorney's fees under § 1117(a)."[201] Significantly, the court of appeals explicitly reserved the question of "whether the finding of 'bad faith' under [the ACPA] automatically warrants an award of attorney's fees under § 1117(a) and the case law that has interpreted that provision."[202]

Similarly, the Ninth Circuit has found that willful conduct and a pattern or practice of cybersquatting, as well as "abusive litigation practices" in the course of cybersquatting litigation, can render a case "exceptional." In *Lahoti v. Vericheck, Inc.*,[203] the district court found that the defendant not only willfully registered a domain name substantially similar to plaintiff's mark, "attempt[ed] to extort thousands of dollars" from plaintiff, and disregarded plaintiff's trademark rights, he also engaged in a pattern and practice of cybersquatting and a pattern and practice of "abusive litigation practices," including "the submission of inaccurate answers to interrogatories."[204]

Of course, attorney's fees awards under section 1117(a) are not mandatory, as they are under section 1117(b). Thus, a successful plaintiff in a cybersquatting case, having established "bad faith intent to profit," can still be denied an

198. *Id.*
199. *Id.*
200. *Id.* at 487 n.7.
201. *Id.* at 487.
202. *Id.* at 487 n.6.
203. Lahoti v. Vericheck, Inc., 636 F.3d 501, 510–11 (9th Cir. 2011).
204. *Id.*

award of attorney's fees in the district court's discretion even if the court is bound by circuit precedent acknowledging that bad faith may serve as a prerequisite to such an award.[205] However, as Leighton points out, "the determination of exceptionality under Lanham Act Section 35(a) is a two-step analysis, the first step of which entails an objective inquiry that applies the statutory intent and related case law to the relevant facts as a precondition to the second step, namely, exercising the discretionary authority granted in the section . . . the initial inquiry is not, in itself, a discretionary act."[206] Thus, "focusing on discretion begs the question of *how* a trial court should determine whether the case before it is an 'exceptional' one in which to exercise such discretion."[207] This distinction is important because the discretionary grant is necessarily limited. Just as it would be inappropriate for a district court to award attorney's fees in a case that was not exceptional,[208] it would similarly be inappropriate for a district court not to award attorney's fees in a case that was patently exceptional given Congress's intent to provide

205. *See, e.g.*, People for Ethical Treatment of Animals v. Doughney, 263 F.3d 359, 370 (4th Cir. 2001) ("a bad faith finding under the ACPA does not compel a finding of malicious, fraudulent, willful or deliberate behavior under § 1117. The district court was within its discretion to find that, even though [the defendant] violated the ACPA (and, thus, acted in bad faith), he did not act with the level of malicious, fraudulent, willful or deliberate behavior necessary for an award of attorney fees."); Mister Softee of Brooklyn, Inc. v. Boula Vending Inc., 484 F. App'x 623, 624 (2d Cir. 2012) ("While we have said that a finding of willfulness, fraud, or bad faith is a '*prerequisite*' to finding a case 'sufficiently "exceptional" to warrant an award of fees' under section 1117(a) . . . we have never held that a finding of willfulness, fraud, or bad faith *automatically* requires an award of fees under that section.") (quoting Louis Vuitton Malletier S.A. v. Ly USA, Inc., 676 F.3d 83, 108–09 (2d Cir. 2012)).

206. Leighton, *supra* note 50, at 866; *see also* Green v. Fornario, 486 F.3d 100, 103–04 (3d Cir. 2007) ("Determining whether a case is exceptional is a two-step process. First, the District Court must decide whether the defendant engaged in any culpable conduct. We have listed bad faith, fraud, malice, and knowing infringement as non-exclusive examples of the sort of culpable conduct that could support a fee award. Moreover, the culpable conduct may relate not only to the circumstances of the Lanham Act violation, but also to the way the losing party handled himself during the litigation. Second, if the District Court finds culpable conduct, it must decide whether the circumstances are "exceptional" enough to warrant a fee award. In sum, a district court may not award fees without a finding of culpable conduct, but it may decline to award them despite a finding of culpable conduct based on the totality of the circumstances.") (citations omitted).

207. Leighton, *supra* note 50, at 866.

208. *Id.*

complete relief for trademark owners under the various provisions of the Lanham Act.

B. The Exceptional Cybersquatter Defined

This paper argues that defining the "exceptional cybersquatter" requires a principled distinction between what facts demonstrate "bad faith intent to profit" (that is, facts that define a "cybersquatter") under the ACPA and what facts are sufficient to render a case "exceptional" under the Lanham Act. Although it is important to recognize that the two inquiries can involve the same facts, all too often courts analyze those facts under one standard ("bad faith intent to profit") and then assume the application of the other ("exceptional cases"). This paper argues that that assumption is clearly erroneous, and that for any cybersquatting case to be truly "exceptional," in addition to a finding that there is bad faith intent to profit, there must also be a finding that the defendant either engaged in conduct during the course of litigation that warrants the exercise of the discretion to award attorney's fees or engaged in conduct that qualifies as "willful" within the meaning of the Lanham Act.

Critically, the definition of the exceptional cybersquatter proposed here—"bad faith intent to profit" plus extraordinary litigation or infringement conduct—does not apply to cases that merely involve claims of cybersquatting. Defining the exceptional cybersquatter as such is different than defining exceptional cybersquatting cases. Thus, a case where attorney's fees are sought against a defendant whose cybersquatting counterclaim is allegedly meritless is beyond the scope of this paper because the alleged cybersquatter in that case—the plaintiff—is the party seeking attorney's fees rather than the party against whom attorney's fees are sought.[209] In this scenario, there is no need to define the exceptional cybersquatter because it is not the alleged cybersquatter (the plaintiff) whose "exceptional" conduct is at issue; it is the defendant's litigation conduct that warrants an attorney's fees award.

209. *See* AirFX.com v. AirFX, LLC, No. CV 11-01064-PHX-FJM, 2013 WL 857976, at *3 (D. Ariz. Mar. 7, 2013) ("because we find that defendant's counterclaims [for trademark infringement and cybersquatting] were groundless and unreasonable, we conclude that this case is exceptional within the meaning of 15 U.S.C. § 1117(a)").

1. Facts Underlying the Determination of "Bad Faith Intent to Profit" Alone Do Not Make a Case Exceptional

At the outset, bad faith generally (as distinguishable from "bad faith intent to profit") cannot support the determination that a case is "exceptional" for two reasons. First, there is no support for the use of "bad faith" as a descriptor for exceptional conduct in the legislative history of the Lanham Act's attorney's fees provision—the two words are never used, either in conjunction with or independent of the often-repeated definition of "exceptional cases," that is, those exhibiting "malicious, fraudulent, deliberate, or willful" conduct.[210] Second, as Leighton notes and the cases surveyed here demonstrate, "bad faith" is not capable of a precise definition and is therefore understandably defined and applied inconsistently by the courts.[211] This paper argues that generalized bad faith as a judicially-created, amorphous descriptor of "exceptional" conduct is entirely at odds with the text, intent, and purpose of both the Lanham Act's attorney's fees provision and the ACPA, and should not be used in determining what cases brought under the latter are "exceptional."

As noted above, the ACPA includes nine factors to guide courts in determining the existence of "bad faith intent to profit," one of the essential elements of a cybersquatting claim. The factors are permissive and in "unique circumstances," courts are permitted to go beyond the factors to examine the facts of a case as a whole in deciding whether

210. *See, e.g.*, H.R. REP. NO. 93-524, at 1, 2 (1973); S. REP. NO. 93-1400, at 1, 2 (1974); Leighton, *supra* note 50, at 881 ("The term 'bad faith' . . . does not appear (as such) in the statute or its legislative history.").

211. Leighton, *supra* note 50, at 881 ("In Lanham Act cases (and elsewhere), 'bad faith' invariably is unexplained, or explained by case-specific illustration only, rather than being the subject of a generally recognized definition. In decisions that interpret the exceptional cases provision, the 'bad faith' descriptor is viewed inconsistently among the federal circuits. Thus, for example, some courts simply require a demonstration of 'willfulness or bad faith,' indicating that the terms are different but of equal culpability when applied to an action. Some indicate that bad faith is of greater culpability than willfulness alone. Some state that 'willful' and 'bad faith' are to be regarded merely as synonyms.") (citing Reader's Digest Ass'n, Inc. v. Conservative Digest, Inc., 821 F.2d 800, 808–09 (D.C. Cir. 1987); Tamko Roofing Prods., Inc. v. Ideal Roofing Co., 282 F.3d 23, 32 (1st Cir. 2002); Nightingale Home Healthcare, Inc. v. Anodyne Therapy, LLC, 626 F.3d 958, 960 (7th Cir. 2010)).

an alleged cybersquatter has the requisite intent.[212]

The first task in defining the "exceptional cybersquatter" is clearly defining what he is not—a mere cybersquatter. In other words, facts supporting a finding of "bad faith intent to profit" alone are insufficient to also support a finding that a case is exceptional. Otherwise, all cybersquatting cases would be exceptional, and the extraordinary, exceptional relief provided for in the Lanham Act's attorney's fees provision would cease to be either extraordinary or exceptional in all cases brought under the ACPA. As there is no evidence whatsoever in the text or the legislative history of the ACPA or the Lanham Act justifying such a result, courts must be careful to distinguish cases involving "run of the mine" cybersquatters from cases involving truly exceptional cybersquatters. Although making this distinction is seemingly intuitive, it appears to be difficult in practice.

One of the most recent cases to expressly address the issue of "exceptionality" in cases where defendant's bad faith is already established as an element of plaintiff's cybersquatting claim is *ForeWord Magazine, Inc. v. OverDrive, Inc.*[213] The plaintiff in *ForeWord*, a provider of book review services and publisher of a magazine called Foreword Reviews, owned the trademarks FOREWORD and FOREWORD REVIEWS.[214] It entered into an agreement with defendant, an e-book software provider, to develop, distribute, and sell on-line book reviews.[215] With the plaintiff's consent, defendant registered the domain names forewordreviews.com and, to "head off consumer confusion from misspellings," forwardreviews.com.[216]

The parties' joint venture ended acrimoniously, and as part of a settlement agreement, defendant agreed to transfer forewordreviews.com to plaintiff.[217] Defendant retained forwardreviews.com, which was not included in the parties' settlement agreement, and for several years the domain name went unused until defendant rerouted Internet traffic from it

212. *See* Sporty's Farm L.L.C. v. Sportsman's Mkt. Inc., 202 F.3d 489 (2d Cir. 2000); Gioconda Law Grp. PLLC v. Kenzie, 941 F. Supp. 2d 424 (S.D.N.Y. 2013).

213. ForeWord Magazine, Inc. v. OverDrive, Inc., No. 1:10-CV-01144, 2013 WL 140195 (W.D. Mich. Jan. 10, 2013).

214. *Id.*

215. *Id.*

216. *Id.*

217. *Id.*

to its own website.[218] When plaintiff learned that forwardreviews.com was still in use and directing traffic to defendant's website, the parties entered into discussions regarding the domain name's transfer.[219] At one point, defendant offered to transfer forwardreviews.com to plaintiff in exchange for a $2,500 donation to charity.[220] Plaintiff rejected this offer and threatened to sue defendant if the domain name was not transferred.[221] Defendant's CEO responded to this threat by temporarily rerouting traffic to forwardreviews.com to the website of *Forward*, a Jewish daily newspaper.[222] Plaintiff later brought cybersquatting, unfair competition, and breach of contract claims against defendant under the ACPA and Michigan state law.[223] On summary judgment, the court found in favor of the plaintiff on its cybersquatting claim, and after trial it turned to the issue of attorney's fees.[224]

The court began its analysis of the attorney's fees issue by revisiting its decision, on summary judgment, that defendant had acted in bad faith "as an element of [plaintiff's] cybersquatting claim."[225] Citing Sixth Circuit precedent, the court stated that a case is not "exceptional" under the Lanham Act unless the infringement at issue is "malicious, fraudulent, willful, or deliberate," but that a finding of bad faith under the ACPA was sufficient to support a determination that a case is "exceptional" and justify an award of attorney's fees.[226] The court's findings on summary judgment, however, went "further."[227] Specifically, the court reached the "inescapable conclusion" that defendant acted in bad faith because of its:

> (1) Registration of a confusingly similar domain name for purposes of its joint venture with plaintiff ("to head off consumer confusion from misspellings");

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218. *Id.*
219. *Id.*
220. *Id.*
221. *Id.*
222. *Id.*
223. *Id.*
224. *Id.* (The court ultimately ordered transfer of the domain name forwardreviews.com to plaintiff, in addition to attorney's fees under the ACPA).
225. *Id.*
226. *Id.*
227. *Id.*

> (2) Failure to use the confusingly similar domain name for any legitimate business following the dissolution of the joint venture;
>
> (3) Re-routing of visitors to its own site, using the "overlap" between the two companies' "somewhat different products and services" in "an attempt to increase [defendant's] own business using [plaintiff's] unwitting, potential" customers;
>
> (4) Re-routing of visitors to "forward.com" with "an intent to confuse [plaintiff's] potential customers by linking the book-review company to a Jewish daily newspaper";
>
> (5) "[R]efusal to simply give the [confusingly similar] domain name to [plaintiff] in exchange for its registration costs, even though it had no real connection to and no legitimate use for the domain name" [a refusal the court stated "smacks of bad faith"];
>
> (6) Offer to transfer the confusingly similar domain name "in exchange for a $2,500 donation to a charity associated with [defendant's] CEO"; and
>
> (7) Refusal "to return the domain name not out of any legitimate business purpose, nor based on any reasonable legal arguments that it was not in fact violating the law" but as " 'a matter of principle' . . . opposing [plaintiff] at every turn."228

Each of these findings "maps" onto factors set out in the ACPA for consideration in determining bad faith intent to profit. First, (7) "the lack of any reasonable legal arguments that [defendant] was not in fact violating the law" suggests that defendant had no trademark or other intellectual property rights in the domain name—the first ACPA bad faith intent factor.[229] Similarly, defendant had never used the domain name in connection with the bona fide offering of any

228. *Id.*

229. 15 U.S.C. § 1125(d)(B)(i)(I) (2012) ("In determining whether a person has a bad faith intent described under subparagraph (A), a court may consider factors such as, but not limited to . . . the trademark or other intellectual property rights of the person, if any, in the domain name."). Lack of reasonable arguments that a defendant is not in fact in violation of the ACPA also suggest that the safe harbor provisions of the ACPA do not apply and, possibly, that defendant engaged in the kind of "abuse of process" that the court in *Nightingale* found sufficient to render a case "exceptional." *See* Nightingale Home Healthcare, Inc. v. Anodyne Therapy, LLC, 626 F.3d 958, 963–65 (7th Cir. 2010).

goods or services ((2), ACPA factor three[230]) and later, following the dissolution of the parties' joint business venture, defendant intentionally diverted plaintiff's "unwitting, potential" customers in an attempt to confuse them and increase its business ((3) and (4), ACPA factor five[231]). Defendant also offered to transfer or sell the domain name to plaintiff for financial gain without having used it in commerce itself ((5) and (6), ACPA factor six[232]) and acquired the domain name in the first instance, as the court points out, knowing that it was confusingly similar to plaintiff's trademark ((1), ACPA factor eight[233]).

Addressing defendant's arguments that attorney's fees were improper, including the simplicity of the case, plaintiff's lack of actual damages, and defendant's efforts to settle the matter, the court stated that:

> [I]f anything, the simplicity of this case cuts against [defendant], which continued to refuse to transfer the name to [plaintiff] even after the issues and relevant law became clear. The lack of actual damages, for its part, is also not a reason to find this case unexceptional . . . [and] attempts to settle a case cannot excuse the willful and

230. 15 U.S.C. § 1125(d)(B)(i)(III) ("In determining whether a person has a bad faith intent described under subparagraph (A), a court may consider factors such as, but not limited to . . . the person's prior use, if any, of the domain name in connection with the bona fide offering of any goods or services.").

231. *Id.* § 1125(d)(B)(i)(V) ("In determining whether a person has a bad faith intent described under subparagraph (A), a court may consider factors such as, but not limited to . . . the person's intent to divert consumers from the mark owner's online location to a site accessible under the domain name that could harm the goodwill represented by the mark, either for commercial gain or with the intent to tarnish or disparage the mark, by creating a likelihood of confusion as to the source, sponsorship, affiliation, or endorsement of the site.").

232. *Id.* § 1125(d)(B)(i)(VI) ("In determining whether a person has a bad faith intent described under subparagraph (A), a court may consider factors such as, but not limited to . . . the person's offer to transfer, sell, or otherwise assign the domain name to the mark owner or any third party for financial gain without having used, or having an intent to use, the domain name in the bona fide offering of any goods or services, or the person's prior conduct indicating a pattern of such conduct.").

233. *Id.* § 1125(d)(B)(i)(VIII) ("In determining whether a person has a bad faith intent described under subparagraph (A), a court may consider factors such as, but not limited to . . . the person's registration or acquisition of multiple domain names which the person knows are identical or confusingly similar to marks of others that are distinctive at the time of registration of such domain names, or dilutive of famous marks of others that are famous at the time of registration of such domain names, without regard to the goods or services of the parties.").

deliberate infringement that made the case necessary in the first place.

Based on these facts and this reasoning, the court concluded that the case was "exceptional" and awarded attorney's fees.

This case is illustrative of the line-drawing problem inherent in defining the exceptional cybersquatter. Where does conduct that "smacks of bad faith" for purposes of determining cybersquatter liability under the ACPA cross the line and become "malicious, fraudulent, willful, or deliberate" for purposes of awarding attorney's fees under the Lanham Act? From this perspective, the court's analysis in this case is at least confusing and at most critically flawed.[234]

First, the court's statement that a finding of bad faith is sufficient to render a case exceptional, although consistent with Sixth Circuit precedent, is incorrect. If that were true, all cybersquatting cases would be exceptional, and thus none would be. Further, even assuming the intellectual validity of such a proposition, findings of exceptionality are fact findings reviewed for clear error, although awards of attorney's fees "in exceptional cases" are discretionary and reviewed for abuse of discretion. Thus, the deferentially-reviewed decision to award attorney's fees is within the discretion of the court only after the court has correctly determined, as a factual matter, that the case is "exceptional."[235]

Given precedent permitting confusion of the two standards, it is understandable but still remarkable for the purposes of this paper that the court determines the case is "exceptional" by looking at facts that map onto factors set out in the ACPA for consideration in determining bad faith intent

234. For another, similar Sixth Circuit decision, see *HER, Inc. v. Re/Max First Choice*, LLC, No. C2-06-492, 2011 WL 6019438 (S.D. Ohio Dec. 1, 2011). As in *ForeWord*, the facts the *HER* court uses to justify its "exceptionality" determination map onto factors Congress set out for courts to consider in determining whether bad faith intent exists under the ACPA. *See also* Citigroup, Inc. v. Chen Bao Shui, 611 F. Supp. 2d 507, 512–13 (E.D. Va. 2009) (methodically analyzing the facts of the case according to the bad faith intent elements listed in the ACPA and concluding that the plaintiff had established the defendant's ACPA violation, but merely stating that "Defendant's violative use has been established as sufficiently willful, deliberate, and performed in bad faith to merit the maximum statutory award of $100,000 and an award of attorneys' fees.").

235. *See, e.g.*, K.S.R. X-Ray Supplies, Inc. v. Se. X-Ray, Inc., No. 09-81454-CIV, 2010 WL 4317026 (S.D. Fla. Oct. 25, 2010).

to profit. Although it may be that the court relied implicitly on defendant's "spitefulness" in determining that its infringement in this case was "willful and deliberate" and thus "exceptional," the overwhelming weight of the reasoning in the opinion combined with the misstatement of the relevant standard at the head of the court's discussion strongly indicates that the behavior here is indicative of nothing more than "bad faith intent to profit" and that the defendant is therefore no more than a cybersquatter as defined in the ACPA.

This overlapping, misapplication of the two standards—"bad faith intent to profit" and "exceptional cases"—is not uncommon and, as *ForeWord* shows, not unique to cases where attorney's fees requests (or liability under the ACPA) are uncontested.[236] However, for the two standards to remain distinct, analysis like that in *ForeWord*—analysis that relies on the same facts to determine "bad faith intent to profit" and exceptionality without recognizing the distinction between the two—must be avoided.

2. *Litigation Conduct May Make a Cybersquatter Exceptional*

Notwithstanding the potential overlap between definitions of "bad faith intent to profit" and malicious, fraudulent, deliberate, and willful conduct generally, there are cases where defendants' conduct in the course of litigation itself goes beyond the elements of "bad faith intent to profit" and courts recognizing this conduct appropriately and justifiably use it as a foundation for a finding of exceptionality. This litigation conduct generally takes two forms: a pattern or practice of abusive discovery or litigation

236. *See, e.g.*, Two Plus Two Pub., LLC v. Boyd, No. 2:09-CV-02318-KJD, 2012 WL 724678 (D. Nev. Mar. 1, 2012) (analyzing bad faith intent under the ACPA factors and summarily finding defendant's conduct willful without reference to facts *not* included in that analysis). Even in uncontested cases, where willfulness is inferred from a defendant's failure to appear, some courts still fail to distinguish between bad faith intent and exceptional conduct in their analyses. *See, e.g.*, Nucal Foods, Inc. v. Kaye, No. 2:12-CV-2754 KJM AC, 2013 WL 1680643 (E.D. Cal. Apr. 17, 2013) (concluding that "because the defendant's conduct can be deemed willful and deceptive in light of his failure to defend this action, *in combination with* his demand for payment [ACPA factor six], plaintiff is entitled to an award of attorneys' fees.") (emphasis added); City of Carlsbad v. Shah, 850 F. Supp. 2d 1087, 1106 (S.D. Cal. 2012).

conduct and default, or the failure to defend.

A pattern or practice of abusive discovery or litigation conduct is often the basis for courts' findings of an "exceptional" case where attorney's fees awards may be appropriate. For instance, in *City of Carlsbad v. Shah*,[237] the district court determined "bad faith intent to profit" from a series of stipulated facts, then went on to find that defendant's "infringement was malicious, fraudulent, deliberate and willful."[238]

> Shah knowingly, intentionally and deliberately adopted and used the City's Marks in order to cause confusion. Shah has persisted in using the City's Logo in connection with his business enterprise even after the summary judgment ruling that established the City's rights in the Marks and the Logo. Shah has no good faith basis for refuting the City's ownership of the Marks and Logo, and his arguments and behavior throughout this case have been groundless, unreasonable, vexatious, and pursued in bad faith.[239]

The use of affirmative litigation behavior as a foundation for any "exceptional case" determination is not only consistent with a principled separation of the "bad faith intent to profit" and "exceptional" standards, but also with the Seventh Circuit's attempt to standardize the definition of the "exceptional case" generally. In *Nightingale*, Judge Posner asserted that "a case under the Lanham Act is 'exceptional,' in the sense of warranting an award of reasonable attorney's

237. *Shah*, 850 F. Supp. 2d at 1108–09.

238. *Id.*

239. *Id.* (emphasis added); *see also* Lahoti v. Vericheck, Inc., 636 F.3d 501, 510–11 (9th Cir. 2011) (finding that defendant's infringement was willful because he knowingly registered plaintiff's mark as a website address, tried to extort thousands of dollars from the plaintiff, had a pattern and practice of cybersquatting, and had a pattern of abusive discovery and litigation conduct); Mine O'Mine, Inc. v. Calmese, No. 2:10-CV-00043-KJD, 2012 WL 1279827, at *3 (D. Nev. Apr. 16, 2012), *aff'd*, 489 F. App'x 175 (9th Cir. 2012) (finding that in previous cases, defendant "demonstrated a habit of disregarding courtesy to opposing counsel, unscrupulous conduct relating to settlement, wasteful litigation practices, and unwillingness to follow court orders," and that in the instant case, his "sleight of hand tactics in settlement negotiations, backsliding on an agreement for an extension, dilatory conduct in relation to depositions, and unwillingness to respect [the court's] instructions on filing discovery motions . . . create[d] inconvenience and waste which negatively affect[ed] opposing parties, the Court, and litigants in other cases with meritorious claims").

fees to the winning party, if the losing party was the . . . defendant and had no defense yet persisted in the trademark infringement or false advertising for which he was being sued, in order to impose costs on his opponent."[240]

Far from being an abstraction, this "abuse of process" rationale usefully distinguishes between infringing behavior underlying a substantive violation of a trademark right (like cybersquatting) and behavior following the establishment of that violation whose only significance is in determining whether the case is otherwise "exceptional." This distinction between behavior that violates the Lanham Act and "exceptional" behavior in the course of litigation is moreover consistent with the express purpose of the attorney's fees provision in the Lanham Act: making "a trademark owner's remedy complete in enforcing his mark against willful infringers."[241] After all, a complete remedy cannot be afforded in a case where the infringer acts willfully both in the act of infringement and during the course of litigation to establish and remedy that infringement. In the latter case, the defendant is imposing additional costs on the plaintiff that are over and above the costs incurred because of the substantive trademark violation itself.

In other cases, the court engages in a factor-by-factor "bad faith intent to profit" analysis and similarly finds that defendant's litigation behavior (or non-behavior) sets that case apart as "exceptional." In *Mamiya Am. Corp. v. HuaYi Bros., Inc.*,[242] following entry of default judgment, the court first observed that the defendant did not possess any trademark or intellectual property rights in the disputed domain name (ACPA factor one), the domain name did not consist of the legal name of its owner, the defendant (ACPA factor two), and that the defendant did not make fair or

240. Nightingale Home Healthcare, Inc. v. Anodyne Therapy, LLC, 626 F.3d 958, 963–64 (7th Cir. 2010); *see also* AirFX.com v. AirFX, LLC, No. CV 11-01064-PHX-FJM, 2013 WL 857976 (D. Ariz. Mar. 7, 2013) ("However, we are not persuaded that defendant or defendant's counsel acted in bad faith. Nevertheless, because we find that defendant's counterclaims were groundless and unreasonable, we conclude that this case is exceptional within the meaning of 15 U.S.C. § 1117(a).").

241. H.R. REP. NO. 93-524, at 6 (1973); S. REP. NO. 93-1400, at 6 (1974).

242. Mamiya Am. Corp. v. HuaYi Bros., Inc., 09-CV-5501 ENV JO, 2011 WL 1322383 (E.D.N.Y. Mar. 11, 2011), *adopted by* No. 09-CV-5501 ENV JO, 2011 WL 1253748 (E.D.N.Y. Mar. 31, 2011).

noncommercial use of the plaintiff's marks on its site (ACPA factor four).[243] In determining the appropriate amount of statutory damages to award, the court noted that defendant's "failure to participate in this action also establishes willfulness."[244] Regarding an "exceptional" award of attorney's fees, the court concluded that given the facts of the case and its posture, plaintiff had established that defendant's infringement was "both in bad faith *and* willful" and recommended an award of attorney's fees.[245]

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243. *Id.*
244. *Id.*
245. *Id.* (emphasis added); *see also* Punch Clock, Inc. v. Smart Software Dev., 553 F. Supp. 2d 1353, 1358–59 (S.D. Fla. 2008) ("Plaintiff has established the Defendant's bad faith intent to profit though its well-pleaded allegations of SSD's intent to divert consumers of time keeping software away from PCI with the use of the accused domain name, bolstered by the evidence of its ongoing willful infringement of the trademark. . . . Given the bad faith and willful nature of the violation, the Court finds such an 'exceptional' case here and concludes that an award of attorneys' fees and costs is warranted."); Ticketmaster Corp. v. DeVane, No. 7:07-CV-196-F, 2008 WL 2073914 (E.D.N.C. May 14, 2008) (finding that defendant's continued use of plaintiff's marks after receiving a cease and desist letter and failure to appear rendered the case exceptional); Taverna Opa Trademark Corp. v. Ismail, No. 08-20776-CIV, 2010 WL 1838384, at *4 (S.D. Fla. May 6, 2010) (stating that the court was "satisfied that the deliberate and willful conduct by [defendant], her concealing her whereabouts, and her failure to defend this lawsuit substantiates Taverna Opa's claim for reasonable attorney's fees and costs under 15 U.S.C. § 1117(a)."); Nucal Foods, Inc. v. Kaye, No. 2:12-CV-2754 KJM AC, 2013 WL 1680643, at *7 (E.D. Cal. Apr. 17, 2013) ("Willful infringement occurs when the defendant knowingly and intentionally infringes on a trademark. Willfulness can also be inferred from a defendant's failure to defend. Here, because the defendant's conduct can be deemed willful and deceptive in light of his failure to defend this action, in combination with his demand for payment, plaintiff is entitled to an award of attorneys' fees.") (citations omitted); Study Logic, LLC v. Clear Net Plus, Inc., No. 11 CV 4343 CLP, 2012 WL 4329349, at *15 (E.D.N.Y. Sept. 21, 2012) ("willful infringement may be established by virtue of a defendant's default") (citing Kenneth Jay Lane v. Heavenly Apparel, Inc., No. 03 CV 2132, 2006 WL 728407, at *7 (S.D.N.Y. Mar. 21, 2006)); eAdGear, Inc. v. Liu, CV-11-05398 JCS, 2012 WL 2367805, at *19 (N.D. Cal. June 21, 2012), *adopted by* No. C-11-05398 RMW JCS, 2012 WL 4005454 (N.D. Cal. Sept. 11, 2012) ("Willfulness can also be inferred from a defendant's failure to defend.") (citing Philip Morris USA, Inc. v. Castworld Prods., Inc., 219 F.R.D. 494, 500 (C.D. Cal. 2003)). *But see* United Air Lines, Inc. v. unitedair.com, No. 1:12CV0143 GBL/JFA, 2012 WL 2838629, at *7 (E.D. Va. June 11, 2012), *adopted by*, No. 1:12CV143 GBL/JFA, 2012 WL 2838569 (E.D. Va. July 9, 2012) ("It would be illogical to find that a failure to appear in an *in rem* proceeding under the ACPA may form an independent basis for an award of attorney's fees under the Lanham Act-to do so would convert all unanswered ACPA claims (which are in no way exceptional) into 'exceptional' cases.").

It is worth noting that, given the discretionary nature of attorney's fees

These cases demonstrate that behavior beyond "bad faith intent to profit" in the context of the cybersquatting litigation itself can and should be sufficient to render a case "exceptional."[246] This behavior is not willful within the meaning of the Lanham Act, as it is not part of a substantive violation of any trademark right, including rights protected by the ACPA. Nevertheless, the behavior is "exceptional" and attorney's fees may therefore be appropriate to afford complete relief to a cybersquatting plaintiff as the plaintiff may expend resources in vindicating those rights that she would not if the defendant did not engage in such behavior. This paper now turns to the second and final definition of the "exceptional cybersquatter"—one who acts willfully within the meaning of the Lanham Act.

3. *Willful Cybersquatters are Exceptional Cybersquatters*

If a defendant does not default, a cybersquatting plaintiff may still be entitled to attorney's fees if the court believes the cybersquatting conduct was willful and thus exceptional. Because a defendant in default admits all of the factual allegations in the complaint,[247] even a court unwilling to consider defendant's failure to defend as "exceptional" conduct would be hard pressed to ignore allegations that defendant's infringement was willful.[248]

awards in "exceptional" cases, including those where the exceptional conduct is confined to defendant's failure to appear, default does not always automatically trigger an award of attorney's fees. *See* Area 55, Inc. v. Pandamerican LLC, No. 10-CV-269-H NLS, 2010 WL 3564715, at *5 (S.D. Cal. Sept. 10, 2010) ("Based on allegations by the Plaintiff of Defendants' violations of the ACPA as well as allegations that Defendants deliberately used Area 55's marks to distract and divert Area 55's marks to distract and divert consumers to their website and banner advertisements, the Court holds that Plaintiff is entitled to costs. The Court DENIES Plaintiff's request for attorney's fees.").

246. *Accord* Leighton, *supra* note 50, at 881 ("Under Lanham Act subsection 35(a), a district court may use its discretion to award reasonable attorneys' fees to the prevailing party only in 'exceptional cases' brought under the Act. 'Exceptional cases' within the meaning of that subsection are limited to . . . cases in which the defendant's violation of the Act was not willful, but in which defendant willfully pursued an unfounded defense during the litigation to harm the plaintiff, as shown by objectively considering the defendant's pleadings and litigation activities").

247. FED. R. CIV. PROC. 8(b)(6) ("An allegation—other than one relating to the amount of damages—is admitted if a responsive pleading is required and the allegation is not denied").

248. *See, e.g.*, Wecosign, Inc. v. IFG Holdings, Inc., 845 F. Supp. 2d 1072,

In contested cases, willfulness under the Lanham Act, that is, willfulness in the context of the substantive body of trademark law, is not only appropriately distinguishable from the substantive definition of a violation of the ACPA (including the "bad faith intent to profit" element) and thus a valid justification for determining that a case is "exceptional,"[249] but an expressly recognized basis for such a finding given the legislative history of the Lanham Act's attorney's fees provision. Both the House and Senate reports on subsection (a) stressed that attorney's fees awards in "exceptional" cases "would make a trademark owner's remedy complete in enforcing his mark against *willful* infringers."[250] Further, as Leighton points out, "willfulness" includes "malicious, fraudulent, and deliberate" behavior such that Congress's definition of the "exceptional case" and a definition of the "exceptional cybersquatter" that depends first on a finding of willfulness is also consistent with Congress's understanding of that term.[251]

Unlike the ACPA's explicit introduction of "bad faith" into the Lanham Act, "willfulness" has a long and storied history in trademark law and is, in some jurisdictions, a requirement for an award of damages under section 1117(a).[252] This subpart argues that where defendant's willfulness is established under the Lanham Act independently of any conduct within the ambit of the "bad

1086 (C.D. Cal. 2012) (stating that "the Ninth Circuit has upheld awards of attorneys' fees solely because, by entry of default judgment, the district court determined, as alleged in [plaintiff's] complaint, that [defendant's] acts were committed knowingly, maliciously, and oppressively, and with an intent to . . . injure [plaintiff]. Here, Plaintiff alleged that Defendants' acts were 'willful and deliberate.' Accordingly, the Court concludes that Plaintiff is entitled to attorneys' fees.") (alterations in original) (citations and internal quotation marks omitted).

249. *Accord* Leighton, *supra* note 50, at 880 ("'Exceptional cases' within the meaning of that subsection are limited to (1) cases in which the defendant willfully violated the Act").

250. H.R. REP. NO. 93-524, at 6 (1973); S. REP. NO. 93-1400, at 6 (1974).

251. *See* Leighton, *supra* note 50, at 881.

252. 5 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 30:92 (4th ed. 2011) ("In most cases of judicial increases in damages or profits, the defendant is at least a knowing and intentional infringer"); Ross, *supra* note 42, at § 4.02[2][b] (collecting cases that require or at least consider willful infringement in deciding whether to award various remedies under 15 U.S.C. § 1117(a) following a 1999 amendment that added the words "or a willful violation under section 43(c)" to the first sentence of section (a)).

faith intent to profit" factors under the ACPA, the case is indeed "exceptional" and a court may proceed to consider whether an attorney's fees award is appropriate in its discretion.

Distinguishing between "bad faith intent to profit" and "willfulness" can be as analytically tricky as distinguishing between "bad faith intent to profit" and "exceptional" conduct warranting a discretionary award of attorney's fees. In *City of Carlsbad v. Shah*,[253] the court began its analysis of "bad faith intent to profit" under the ACPA by stating that it must "look at the individual circumstances of the case, including whether the infringing activity was *willful*."[254] Not only does this obviously confuse "bad faith intent to profit" analysis with willfulness analysis, but the authority cited for the proposition, *Lahoti v. VeriCheck, Inc.*,[255] , addresses an entirely different issue—not bad faith intent to profit, but willfulness in the context of determining whether the ACPA's safe harbor provisions applied to defendant's behavior.[256] Similarly, later in the same discussion, court stated that:

> In determining bad faith intent, "[w]illfulness can be inferred by the fact that a defendant continued infringing behavior after being given notice" of the allegations of infringement. Louis Vuitton Malletier and Oakley, Inc. v. Veit, 211 F. Supp. 2d 567, 583 (E.D. Pa. 2002). Additionally, the courts consider the egregiousness of the defendant's cybersquatting and other behavior evidencing an attitude of contempt. Verizon California, Inc. v. Onlinenic, Inc., 2009 WL 2706393 *3–6 (N.D. Cal. 2009).[257]

However, both *Veit* and *Verizon California* discussed willfulness in the context of determining the appropriate amount of statutory damages under 15 U.S.C. § 1117(c)—a discussion that would only be appropriate after a finding of "bad faith intent to profit" under the ACPA.[258]

253. City of Carlsbad v. Shah, 850 F. Supp. 2d 1087, 1106 (S.D. Cal. 2012).

254. *Id.* (emphasis added).

255. 586 F.3d 1190, 1203 (9th Cir. 2009)

256. *Shah*, 850 F. Supp. 2d at 1106 (citing *Lahoti*, 586 F.3d at 1203).

257. *Id.*

258. *See also* Two Plus Two Pub., LLC v. Boyd, No. 2:09-CV-02318-KJD, 2012 WL 724678 (D. Nev. Mar. 1, 2012) (engaging in an extensive, factor-by-factor, bad faith intent analysis on a motion for summary judgment, concluding that the plaintiff had made an undisputed showing that the defendant acted with bad faith intent to profit, awarding statutory damages based on that showing and "scant evidence of Defendant's success," and also finding, without

It is also important to note that a pattern and practice of cybersquatting falls within the ambit of ACPA factor eight:

> In determining whether a person has a bad faith intent described under subparagraph (A), a court may consider factors such as, but not limited to . . . the person's registration or acquisition of multiple domain names which the person knows are identical or confusingly similar to marks of others that are distinctive at the time of registration of such domain names, or dilutive of famous marks of others that are famous at the time of registration of such domain names, without regard to the goods or services of the parties.[259]

Thus, willful conduct that consists only of "serial" cybersquatting is not sufficient to render a cybersquatter's conduct "exceptional."[260]

An example of willfulness separable from "bad faith intent to profit" is *In re Gharbi*,[261] where the bankruptcy court appropriately engaged in a factor-by-factor ACPA analysis finding that the defendant did not have any intellectual property rights in three disputed domain names

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additional discussion, "that because Defendant's conduct was willfull [sic] it qualifies as 'exceptional' and awards attorney's fees and costs to Plaintiff.").

259. 15 U.S.C. § 1125(d)(1)(B)(i)(VIII) (2012).

260. *Cf. Lahoti*, 636 F.3d at 510–11 (finding that infringement is exceptional when a defendant knowingly registered plaintiff's mark as a website address, tried to extort thousands of dollars from the plaintiff, had a pattern and practice of cybersquatting, and had a pattern of abusive discovery and litigation conduct); Harry & David v. Pathak, No. CIV. 09-3013-CL, 2010 WL 4955780 (D. Or. Oct. 29, 2010), *adopted by*, No. CIV. 09-3013-CL, 2010 WL 4955715 (D. Or. Nov. 30, 2010); Verizon Cal. Inc. v. Onlinenic, Inc., No. C 08-2832 JF (RS), 2009 WL 2706393 (N.D. Cal. Aug. 25, 2009) (considering a "pattern or practice" of registering and using multiple domain names (in that case, 663) that are "identical or confusingly similar" to a plaintiff's marks (ACPA bad faith factor eight) "willful and outrageous conduct alone [] sufficient for the Court to conclude that Verizon must be awarded its reasonable attorneys' fees under § 1117." The *Verizon* court also found defendant's failure to oppose plaintiff's argument for attorney's fees and its attendant concession that the case was "exceptional" was an independent basis for finding the case to be, in fact, "exceptional."); Shields v. Zuccarini, 254 F.3d 476, 487 (3d Cir. 2001). In some cases there may be both serial cybersquatting (bad faith perhaps, but unexceptional under the argument advanced here) *and* truly exceptional, willful conduct. *See* GoPets Ltd. v. Hise, No. CV07-01870 AHM VBKX, 2012 WL 3962789 (C.D. Cal. Sept. 10, 2012) (finding that defendants registered over 1,300 domain names and that they "attempted, only a few months ago, to 'reverse hijack' Plaintiff's domain name, gopets.net").

261. *In re* Gharbi, No. 08-11023-CAG, 2011 WL 831706 (Bankr. W.D. Tex. Mar. 3, 2011), *aff'd*, No. A-11-CA-291 LY, 2011 WL 2181197 (W.D. Tex. June 3, 2011).

(ACPA factor one); that although defendant had a license to use plaintiff's mark in defendant's domain names under a franchise agreement (ACPA factor three), termination of that agreement revoked the license and defendant was on notice that he no longer had any right to use the mark (ACPA factor four);[262] and that following termination of the franchise agreements, defendant used plaintiff's mark (as incorporated in the disputed domain names) for commercial purposes after the termination of the agreement (ACPA factor five).[263] Awarding statutory damages under subsection (d) and attorney's fees under subsection (a), the bankruptcy court stated that:

> In making the determination that Defendant violated the ACPA, the Court holds that Defendant acted with the bad faith intent to profit from Plaintiff's marks. [Additional testimony] shows that Defendant knew that what he was doing was wrong and Defendant was previously told by the Plaintiff to cease using the marks. Defendant acted willfully in choosing to keep the websites at issue in operation and to use them as pointers to his new website. The Court therefore finds that Defendant's conduct renders this an exceptional case and Plaintiff is entitled to reasonable attorneys' fees.[264]

Willfulness will most often be found in cases of "deliberate and flagrant" infringement, as in *Newport News Holdings Corp. v. Virtual City Vision, Inc.*,[265] a recent case from the Fourth Circuit, where the district court found the defendant had transformed a website into a women's fashion website after being put on notice by a decision of the Internet Corporation for Assigned Names and Numbers (ICANN) that the plaintiff—a women's clothing and accessories company—had rights in the marks at issue.[266] Because the defendant was unable "to provide a legitimate justification for its

262. The court also found that although the defendant had the right to use the trademark at issue in his company's domain names under certain franchise agreements (that is, he did not register or initially use the domain names with bad faith intent to profit), once the agreements were terminated, he no longer had use of the mark and did not fall within the ACPA's safe harbor provision. *In re* Gharbi, 2011 WL 831706.

263. *Id.*

264. *Id.*

265. Newport News Holdings Corp. v. Virtual City Vision, Inc., 650 F.3d 423, 441 (4th Cir. 2011).

266. *Id.*

decision to shift its website's focus to women's clothing, particularly in the face of the ICANN panel's implicit suggestion that to do so courted the risk of a finding of bad faith," the district court's finding that the case was "exceptional" was not clear error.[267]

Finally, as noted above, the latest addition to 15 U.S.C. § 1117, subsection (e), establishes a rebuttable presumption of willfulness "for purposes of determining relief" if a cybersquatter "knowingly provides . . . materially false contact information to a domain name registrar, domain name registry, or other domain name registration authority in registering, maintaining, or renewing a domain name used in connection with the violation."[268]

Thus, in *Translucent Communications, LLC v. Americas Premiere Corp.*,[269] the court methodically applied the bad faith intent factors, determining that seven of the nine listed in section 1125(d)(1)(B)(i) "weigh[ed] in favor of Translucent and clearly demonstrate a bad faith intent by Defendants."[270] The court also stated that defendants's diversion of internet users from plaintiff's website was "strong evidence of Defendants' bad faith intent and this factor alone, Factor five, sufficiently establishes Defendants' bad faith intent."[271] Further, citing section 1117(e),[272] the court determined that one of the defendants provided false contact information to the disputed domain name's registrar and diverted plaintiff's domain name "to exact punishment or harm," conduct the court found to be "egregious" for purposes of assessing statutory damages.[273] When assessing attorney's fees, the court specifically cited the latter—defendant's diversion of plaintiff's domain name via the provision of false contact information—as a basis for finding that defendants' "malicious, fraudulent, willful, [and] deliberate" conduct rendered the case "exceptional."[274]

267. *Id.*

268. 15 U.S.C. § 1117(e) (2008); *see also supra* notes 94–96 and accompanying text.

269. Translucent Commc's, LLC v. Ams. Premiere Corp., No. CIV.A. WGC-08-3235, 2010 WL 723937 (D. Md. Feb. 24, 2010).

270. *Id.*

271. *Id.*

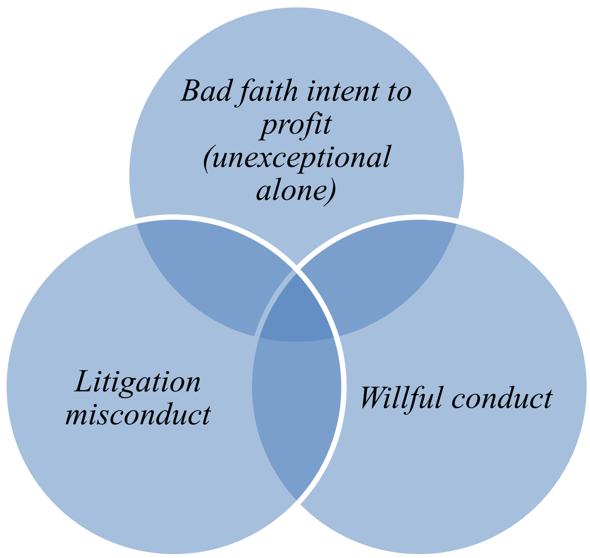
272. *Id.*

273. *Id.*

274. *Id.*

4. An Attempt at Simplification

The Venn diagram below is useful in illustrating how these three areas of conduct—"bad faith intent to profit," litigation conduct, and willful conduct—interrelate. As stated above, facts supporting the elemental determination of "bad faith intent to profit" that do not also support a finding of either litigation misconduct or conduct considered willful under the Lanham Act, are insufficient to support a finding that a case involves "exceptional" cybersquatting.



Conversely, where facts supporting the determination that an alleged cybersquatter possessed the requisite "bad faith intent to profit" also support a finding of litigation misconduct or willful conduct (that is, where "bad faith intent to profit" overlaps with either litigation misconduct, willful conduct, or both), a finding that a case is "exceptional" is appropriate and attorney's fees award may be awarded. And, where facts in addition to those supporting a determination that an alleged cybersquatter possessed the requisite "bad faith intent to profit" establish that the cybersquatter also engaged in litigation misconduct or willful conduct (or both), the case is similarly "exceptional."

CONCLUSION

This review and analysis of the text and legislative history of the ACPA and the Lanham Act's remedial provisions and the selective survey of relevant case law presented here persuasively demonstrate several, interrelated principles. First, notwithstanding certain language in the Ninth Circuit's *K and N Engineering* decision that suggests attorney's fees awards under the Lanham Act are "tied" to awards of actual damages and profits, there is no basis for an outright denial of an attorney's fees award to a plaintiff who elects to receive statutory damages instead of actual damages for a violation of the ACPA.

Second, and more importantly, in determining whether a case is truly "exceptional" for purposes of making an attorney's fees award given a violation of the ACPA (either in conjunction with an actual or statutory damages award), there must be a distinction between the conduct constituting the violation itself (which is in no way "exceptional") and the "exceptional" conduct that warrants the exercise of the court's discretion to make that attorney's fees awards. This distinction is necessary to preserve the meaning of the term "exceptional," honor the intent and purpose behind its inclusion in the Lanham Act (as well as the policies underlying the American Rule), and give the ACPA its proper scope within the broader context of trademark law.