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UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

<p>HAAS AUTOMATION INC.,</p> <p style="text-align: center;">PLAINTIFF,</p> <p>V.</p> <p>BRIAN DENNY, ET AL.,</p> <p style="text-align: center;">DEFENDANTS.</p>	<p>)</p> <p>)</p> <p>)</p> <p>)</p> <p>)</p> <p>)</p> <p>)</p>	<p>No. 09-CV-8336 CBM(PLA)</p> <p>ORDER ON INJUNCTIVE RELIEF AND ATTORNEYS’ FEES</p>
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The matters before the Court are Plaintiff Haas Automation, Inc.’s Motion for Injunctive Relief and Proposed Judgment; Plaintiff’s Motion for Attorneys’ Fees, and Defendants Brian Denny, CNCPros.net, Inc., and Automated Solutions, Inc., dba ASI Machine and Supply’s (collectively, “Defendants”) Motion for Attorneys’ Fees. [Docs. No. 107; 105; 118.]

JURISDICTION

This Court has federal question jurisdiction pursuant to 28 U.S.C. § 1331.

FACTUAL AND PROCEDURAL BACKGROUND

Plaintiff Haas Automation, Inc. (“Haas”), a manufacturer of computer numerically controlled (“CNC”) tools in California, sued Brian Denny, a former-Haas tools distributor, and various business entities allegedly controlled by Denny.

1 (First Amended Complaint at ¶¶ 1-9.)¹ The parties' dispute stems over the
2 registration by Defendant Denny of fifteen domain names that incorporate the
3 word "haas." In 2008, Denny acquired a number of domain names that include
4 the word "haas," which has been a registered trademark of Haas Automation, Inc.
5 since 2002.² Plaintiff alleged in its complaint that Denny, through his entity
6 CNCPros.net ("CNCPros"), registered the domain names with the bad faith to
7 profit from the Haas trademark. Plaintiff alleged that Defendant CNCPros sells
8 and services CNC machines that compete with Haas, and the registration of the
9 domain names was intended to divert consumers looking for Haas to its
10 competitors. Plaintiff asserted a violation of the Anti-Cybersquatting Protection
11 Act ("ACPA"), 15 U.S.C. § 1125(d), trademark infringement, false designation,
12 and two state law claims.

13 Trial proceeded on April 12, 2011, only on Plaintiff's ACPA claim, after
14 this Court granted Defendants summary judgment on one state law claim and
15 Plaintiff abandoned the remaining claims. Plaintiff also voluntarily dismissed two
16 defendant entities from the suit, and proceeded to trial only against Defendants
17 Denny and CNCPros. After deliberations, the jury returned a verdict in favor of
18 the Plaintiff and against Denny on five domain names, finding that Denny
19 registered those five domain names with the bad faith intent to profit from the
20 "haas" trademark. The jury found that Denny registered the remaining ten domain
21 names at issue with no bad faith intent to profit, although the jury also found that
22 Denny did not have a reasonable belief that the use of the domain names would be
23 a fair use. The jury found that CNCPros was not liable under the ACPA.

24 Plaintiff has filed a motion for injunctive relief and Defendants filed
25 objections thereto. In addition, both parties have filed motions for attorneys' fees.
26 Both matters have been fully briefed.

27 ¹ These business entities are ASI Machine and Supply ("ASI Machine"), CNCPros.net, Inc. ("CNCPros"), and
28 Automated Solutions, Inc. ("ASI").

² In addition, Haas registered its domain name "haascnc.com" on June 10, 1996.

1 **STANDARD OF LAW**

2 *I. Injunctive Relief*

3 A court has the power the grant permanent injunctive relief for violations of
4 the ACPA. 15 U.S.C. § 1116(a). In addition, if a plaintiff proves a cybersquatting
5 claim, the court may order the forfeiture or cancellation of the domain name, or
6 transfer of an infringing domain name to the owner of the mark. 15 U.S. C. §
7 1125(d)(1)(C).

8 A district court applies “traditional equitable principles” in deciding
9 whether to grant permanent injunctive relief. *Reno Air Racing Ass’n, Inc. v.*
10 *McCord*, 452 F.3d 1126, 1137 (9th Cir. 2006) (citation omitted). The court
11 considers the following four factors in determining whether injunctive relief is
12 appropriate: (1) whether the plaintiff has suffered an irreparable injury; (2)
13 whether remedies available at law, such as monetary damages, are inadequate to
14 compensate for the jury; (3) the balance of hardships between the plaintiff and the
15 defendant; and (4) whether an injunction would serve the public interest. *Id.* at
16 1138 n.10. “The essence of equity jurisdiction is the power of the court to fashion
17 a remedy depending upon *the necessities of the particular case.*” *Park Village*
18 *Apartment Tenant Ass’n v. Mortimer Howard Trust*, 636 F.3d 1150, 1162 (9th Cir.
19 2011) (emphasis in original). Therefore, there is no presumption of irreparable
20 injury “simply because a defendant violates a statute that authorizes injunctive
21 relief.” *Id.*; see also *Flexible Lifeline Systems, Inc. v. Preciscion Lift, Inc.*, No. 10-
22 35987; --- F.3d ---, 2011 WL 3659315 (9th Cir. 2011).

23 *II. Attorneys’ Fees*

24 A prevailing party in an ACPA case is entitled to attorneys’ fees if the case
25 is an “exceptional case.” 15 U.S.C. § 1117(a). An exceptional case in which a
26 plaintiff is the prevailing party is one in which the acts of infringement can be
27 characterized as malicious, fraudulent, deliberate, or willful. *Playboy Enterprises,*
28 *Inc. v. Baccarat Clothing Co.*, 692 F.2d 1272, 1276-77 (9th Cir. 1982). An

1 exceptional case in which the defendant is the prevailing party is one that is
2 pursued despite being “groundless, unreasonable, vexatious, or pursued in bad
3 faith.” *Cairns v. Franklin Mint Co.*, 292 F.3d 1139, 1156 (9th Cir. 2002). An
4 award of attorneys’ fees to a prevailing party in an exceptional case is within the
5 discretion of the trial court. *Gracie v. Gracie*, 217 F.3d 1060, 1071 (9th Cir.
6 2000).

7 DISCUSSION

8 I. *Injunctive Relief*

9 Plaintiff seeks a permanent injunction preventing Denny and others working
10 with Denny from registering, using, owning, or trading in any domain name that
11 incorporates the Haas trademarks, including Haas, Haas Automation, and/or Haas
12 Factory Outlet, or any confusingly similar term.

13 In order to obtain injunctive relief, Plaintiff must show that it has suffered
14 irreparable injury. Here, Plaintiff argues that it has suffered irreparable injury
15 because the use of the infringing domain names is likely to cause confusion.
16 Plaintiff points out that in addition to the fifteen domain names that the Court
17 found to be confusingly similar, Denny admitted during discovery to registering
18 an additional twenty-one domain names that incorporate Plaintiff’s mark, and
19 Plaintiff discovered an additional undisclosed domain name registered after trial.
20 Thus, Plaintiff argues, denying injunctive relief would force Plaintiff to continue
21 bringing suits for damages.

22 Defendants argue that there is no evidence that the additional domain names
23 were registered with bad faith, which is required under the ACPA to show that the
24 registration was unlawful. Defendants further argue that in this case, there is no
25 irreparable injury because the domain names were never made live websites.
26 Defendants also argue that it would be contrary to the jury’s verdict to grant
27 Plaintiff the relief it seeks, as the jury found that 10 of the 15 domain names at
28 issue did not violate the ACPA.

1 The Court finds that Plaintiff has not shown that it has suffered irreparable
2 injury. Although Denny registered a number of domain names, the jury found that
3 only five of the fifteen domain names at issue were registered with bad faith intent
4 to profit. Based on this verdict, the Court cannot infer that the additional domain
5 names registered by Denny, not included in the First Amended Complaint, were
6 registered with bad faith intent to profit. Furthermore, the remaining factors do
7 not weigh in favor of issuing permanent injunctive relief. An available remedy
8 for Plaintiff is the forfeiture, cancellation, or transfer of the infringing domain
9 names. Here, such relief is unnecessary, as Denny has already transferred all
10 fifteen domain names to Plaintiff. The balance of hardships does not weigh
11 towards either party. Plaintiff has spent a significant amount of money protecting
12 its trademark, but the jury found that Denny's actions were largely not in violation
13 of the ACPA. The fourth factor, whether an injunction would serve the public
14 interest, weighs against issuing injunctive relief. The jury's verdict does not
15 reflect that consumers would be confused by the domain names at issue in the
16 complaint, as that issue was not before the jury. Furthermore, to the extent that
17 the domain names were registered in compliance with the ACPA, Denny has an
18 interest in continuing his business. The public interest would not be served by
19 precluding a small business owner from pursuing business interests that were not
20 in violation of the ACPA. Based on consideration of the factors involved, the
21 Court finds that Plaintiff has not shown that injunctive relief is warranted.

22 II. Attorneys' Fees

23 A. Prevailing party

24 The parties move for attorneys' fees, both arguing that they are the
25 prevailing party in this case. A prevailing party is one whose legal relationship
26 with the opposing party has materially changed as a result of a judicial action.
27 *Buckhannon Bd. & Care Home, Inc. v. W. Va. Dep't of Health and Human Res.*,
28 532 U.S. 598, 604 (2001). Plaintiff argues that the jury's verdict reflects that it is

1 the prevailing party on the ACPA claim. Defendants argue that Plaintiff is not a
2 prevailing party because Defendants are the prevailing party on the claims that
3 Plaintiff dismissed with prejudice prior to trial. Although certain claims were
4 dismissed by Plaintiff prior to trial, this fact by itself does not foreclose the
5 possibility that Plaintiff is a prevailing party on its ACPA claim. Here, the jury's
6 verdict finding that Defendant Denny violated the ACPA when it registered five
7 domain names containing the Haas trademark constitutes such an alternation in the
8 legal relationship between the parties to make Plaintiff a prevailing party. *See*
9 *Briggs v. Marshall*, 93 F.3d 355, 358 (7th Cir. 1996) (affirming the plaintiffs'
10 status as a prevailing party despite jury returning a mixed verdict); *Hashimoto v.*
11 *Dalton*, 118 F.3d 671, 677 (9th Cir. 1997) ("A litigant need not prevail on every
12 issue . . . to be considered the prevailing party.") The Court finds that Plaintiff is
13 the prevailing party on its ACPA claim. Because Plaintiff is the prevailing party
14 on this claim, Defendants are not entitled to attorneys' fees in this case.

15 B. "Exceptional case"

16 Plaintiff argues that this case is "exceptional" and therefore warrants an
17 award of attorneys' fees. In support, Plaintiff cites the following evidence to show
18 that Denny's cybersquatting acts were malicious, fraudulent, deliberate, or
19 willful:³ (1) the jury's verdict, which indicates that the jury found that Defendant
20 Denny acted with bad faith intent in registering five domain names that
21 incorporated the Haas trademark; (2) Denny's testimony that he intended to use
22 the domain names so that when a person searches "Haas" on the internet, the
23 person is directed to Denny's website; (3) the fact that Denny continued
24 registering domain names after receiving cease and desist letters from Plaintiff;
25 and (4) the fact that Denny registered a total of 36 domain names using the Haas
26 trademark, 10 of which were registered after this lawsuit was filed.

27 ³ Plaintiff filed a request for judicial notice of numerous trial exhibits and documents already contained in the
28 record. [Doc. No. 108.] Defendants have not opposed the request. The Court finds it unnecessary to take judicial
notice of documents that are already part of the record in this case. The request is therefore denied.

1 Defendants argue that there is no evidence that would support a finding that
2 the case is exceptional because the domain names were never used as live
3 websites and Defendants did not register the domain names in order to gain
4 business leverage with Haas.

5 A defendant's bad faith may be considered in the determination of whether
6 a case is exceptional. *Gracie*, 217 F.3d at 1068-69. While "[a] finding of bad
7 faith under the ACPA does not necessarily compel a court to find 'malicious,
8 fraudulent, willful or deliberate' conduct, . . . a court [could] determin[e] that bad
9 faith under the ACPA supports finding such conduct. *Audi AG v. D'Amato*, 469
10 F.3d 534, 551 (6th Cir. 2006). In this case, the jury's verdict establishes that
11 Denny registered five domain names with the bad faith intent and that Denny
12 lacked a reasonable basis to believe the registration of the fifteen domain names
13 was a fair use. The fact that the domain names were not used as live websites
14 does not foreclose a finding that the ACPA violation, which occurred when Denny
15 *registered* the domain names, was willful, deliberate, malicious or fraudulent.

16 Although Denny testified that he intended to use the domain names to
17 operate websites to actually service Haas products, as opposed to divert consumers
18 to his own products, the Court cannot say that the jury credited this testimony, as
19 the jury still found Denny liable under the ACPA. The Court finds sufficient
20 evidence in the record to establish that this case is "exceptional" and that
21 attorneys' fees are warranted.

22 C. Amount of Fees

23 Defendants argue that in the event that the Court grants Plaintiff attorneys'
24 fees, the Court should reduce the amount for work done for non-successful claims.
25 Plaintiff seeks a total of \$439,405, and argues that there is no meaningful manner
26 in which to separate fees between defendants or claims for relief.

27 In order to determine the amount of attorneys' fees that is appropriate, a
28 "district court must first determine the presumptive lodestar figure by multiplying

1 the number of hours reasonable expended on the litigation by the reasonable
2 hourly rate.” *Intel Corp. v. Terabyte Int’l, Inc.*, 6 F.3d 614, 622 (9th Cir. 1993).
3 “The fee applicant has the burden of producing satisfactory evidence, in addition
4 to the affidavits of its counsel, that the requested rates are in line with those
5 prevailing in the community for similar services.” *Jordan v. Multnomah County*,
6 815 F.2d 1258, 1263 (9th Cir. 1987). A prevailing party is entitled to recover on
7 the work done on the prevailing claims, and if there are other claims that are “so
8 intertwined that it is impossible to differentiate between work done on claims,” the
9 prevailing party may recover for all the work necessary. *Gracie*, 217 F.3d at 1069.

10 Plaintiff argues that all of the claims stem from a single set of facts – the
11 registration of the fifteen domain names incorporating the “Haas” trademark, and
12 that all claims include similar elements and issues. Plaintiff further argues that
13 there is no meaningful distinction between Denny, the defendant against which the
14 jury verdict was directed, and the other defendants, who were either voluntarily
15 dismissed or of whom the jury found in favor.

16 Defendants argue that the Court should apportion Plaintiff’s counsel time
17 spent on litigating the five domain names that the jury found were registered in
18 violation of the ACPA and: (1) the ten domain names that the jury found were not
19 registered in violation of the ACPA; (2) the non-recoverable trademark
20 infringement and false designation claims; and (3) the non-recoverable state law
21 claims.⁴

22 The Court finds that the fee calculation should be reduced to attempt to
23 apportion for work completed on the non-recoverable claim of trademark
24 infringement, false designation of origin, and related non-recoverable state law
25 claims. While it may be impossible to make an exact apportionment, given the
26 common set of facts and related legal theories, “the impossibility of making an

27
28 ⁴ Defendants argue that the Court should reduce the total fee amount by 95% to represent the non-recoverable claims, both Lanham Act and state law claims.

1 exact apportionment . . . does not relieve the district court of its duty to make
2 some attempt to adjust the fee award.” *Cairns v. Franklin Mint Co.*, 292 F.3d at
3 1157. In this case, as Defendants point out, the elements of an ACPA claim are
4 different from the elements of proof to establish trademark infringement and false
5 designation of origin, although all are regulated by the Lanham Act.⁵ However,
6 the Court finds that the fee calculation cannot be reduced to reflect the work done
7 on the ten domain names, because the work completed to litigate the five domain
8 names cannot be separated from the work completed to litigate the ten domain
9 names that the jury found not to have been registered in violation of the ACPA.
10 The Court further finds that the rates sought by Plaintiff’s counsel are reasonable.

11 In determining the appropriate fee calculation, “[t]he district court may
12 attempt to identify specific hours that should be eliminated, or it may simply
13 reduce the award to account for the limited success.” *Hensley v. Eckerhart*, 461
14 U.S. 424, 436-437, 103 S.Ct. 1933, 1941 (1983). Because Plaintiff’s accounting
15 does not allow the Court to identify specific hours that should be eliminated
16 because they were spent on trademark infringement and related state law claims,
17 the Court must simply reduce the award to account for the limited success. Here,
18 the Court finds that a reduction of 35% is appropriate to reflect that the bulk of the
19 case revolved around the ACPA claim. The Court finds that a reduction is not
20 appropriate for the work completed on the ten domain names that the jury found to
21 have been registered with no bad faith intent to profit.⁶

22 CONCLUSION

23 For the reasons provided above, Plaintiff’s Motion for Injunctive Relief is
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25 ⁵ As the Eighth Circuit has pointed out, “the inquiry under the ACPA is [] narrower than the traditional multifactor
26 likelihood of confusion test for trademark infringement.” *Coca-Cola Co. v. Purdy*, 382 F.3d 774, 783 (8th Cir.
2004).

27 ⁶ Defendants also argue that the Court should reduce the fee calculation based on the factors listed in *Kerr v. Screen*
28 *Extras Guild, Inc.*, 526 F.2d 67 (9th Cir. 1975). Reductions based on the *Kerr* factors are rare, and are based only
on the factors not already assumed into the lodestar analysis. *Yahoo!, Inc. v. Net Games, Inc.*, 329 F.Supp.2d 1179,
1182 (N.D.Cal. 2004). The Court finds that Defendants have not shown that the fee calculation should be reduced
under the *Kerr* factors.

1 DENIED, Plaintiff's Motion for Attorneys' Fees is GRANTED, and Defendants'
2 Motion for Attorneys' Fees is DENIED. The Court further ORDERS that
3 Defendants pay Plaintiff \$285,613.25 in attorneys' fees, which represents the fees
4 sought (\$439,405) less 35% apportioned for the non-recoverable Lanham Act
5 claims and non-recoverable state law claims.

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IT IS SO ORDERED.

DATED: October 14, 2011


By _____

CONSUELO B. MARSHALL
UNITED STATES DISTRICT JUDGE