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UNITED STATES DISTRICT COURT  
WESTERN DISTRICT OF WASHINGTON  
AT SEATTLE

DAVID LAHOTI,  
Plaintiff,  
v.  
VERICHECK, INC.,  
Defendant.

CASE NO. C06-1132JLR  
FINDINGS OF FACT AND  
CONCLUSIONS OF LAW

This matter came for a bench trial that began on November 6, 2007. Plaintiff/Counterclaim Defendant David Lahoti was represented by John Du Wors and Derek Linke of Newman & Newman, Attorneys at Law, LLP. Defendant Vericheck, Inc. (“Vericheck”) was represented by Shannon Jost of Stokes Lawrence, P.S. At the conclusion of the case, the court took the case under advisement. The court has considered the evidence and exhibits admitted at trial, the findings and conclusions reached in the court’s order on summary judgment (“SJ Order”) (Dkt. # 52), and counsels’ arguments. Being fully advised, the court makes its Findings of Fact and Conclusions of Law.

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## I. FINDINGS OF FACT

### Background

1. Vericheck, a Georgia corporation, is a national provider of electronic payment transaction processing services, and has been using the VERICHECK mark (or, “the mark”) in connection with its business since at least 1992. In 2003, Vericheck attempted to register the mark with the United States Patent and Trademark Office (“PTO”) but was unable to do so because an Arizona company successfully registered VERICHECK as a word mark in 1975. Sec. Hannah Decl. at ¶ 8 (Dkt. # 26); Exs. 7, 8.

2. According to Vericheck’s Chief Executive Officer (“CEO”) Jerry Hannah, who purchased the company in 1995, Vericheck has maintained a world wide web presence at <vericheck.net> since 1999 and began offering its services online about a year later. Sec. Hannah Decl. at ¶ 2. The company also registered the domain names <vericheck.org>, <vericheck.cc>, <vericheck.us>, and <vericheck.biz>, many of which redirect visitors to <vericheck.net>. Vericheck now conducts its business primarily over the Internet and through its resellers and independent sales offices (“ISOs”), who rely on the Internet, including Vericheck’s websites, as a primary mode of communication with Vericheck. On August 31, 2001, the company successfully registered a service mark with the State of Georgia, described as “a depiction of a check mark over the word ‘vericheck.’” Sec. Jost Decl. ¶ 3, Ex. B (Dkt. # 28).

3. Mr. Lahoti is an adjudicated cybersquatter who has registered thousands of domain names and prospectively registers domain names of services he “might offer” based on his “ideas for new ventures.” Lahoti Decl. at ¶¶ 7-8 (Dkt. # 31); Jost Decl., Ex. B (Dkt. # 16) (*E-Stamp Corp. v. Lahoti*, Case No. 2:99-CV-9287-GAF-MAN (C.D. Cal. Jun. 12, 2000)); Supp. Jost Decl., Ex. K (Dkt. # 23); SJ Order at 12 n.9. After having

1 tracked <verichack.com> (or, “Domain Name”) for five years, Mr. Lahoti, a self-  
2 described “Internet entrepreneur,” registered the Domain Name in March 2003. Lahoti  
3 Decl. at ¶¶ 3, 11. The Domain Name incorporates the VERICHECK mark. Mr. Lahoti  
4 uses <verichack.com> in connection with a directory website providing links to  
5 companies that compete with Verichack. *See* Ex. A-10.

6  
7 4. Prior to Mr. Lahoti purchasing the Domain Name, it was owned by a Canadian  
8 company. For several years, Mr. Hannah and other Verichack representatives attempted  
9 to secure rights to <verichack.com> from the Canadian company. Once Mr. Lahoti  
10 purchased the Domain Name, he expressed a willingness to sell the Domain Name to  
11 Verichack at prices that ranged from \$48,000 to \$100,000. SJ Order at 3-4.

12 5. In June 2006, Verichack filed a complaint with the National Arbitration Forum  
13 (“NAF”) pursuant to the Uniform Domain-Name Dispute-Resolution Policy seeking an  
14 order transferring <verichack.com> to Verichack. Mr. Lahoti responded and objected. In  
15 August 2006, the arbitrator issued a decision ordering transfer of the Domain Name to  
16 Verichack.  
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18 6. Mr. Lahoti filed the instant action for declaratory relief challenging NAF’s  
19 decision pursuant to 15 U.S.C. § 1114(2)(D)(v), which allows a registrant whose domain  
20 name has been suspended, disabled, or transferred, to file a civil action to establish that  
21 his use of the domain name is lawful. He seeks a declaratory judgment that his use of the  
22 Domain Name does not contravene the Anti-Cybersquatting Consumer Protection Act  
23 (“ACPA”), 15 U.S.C. § 1125(d), or any other provision of the Lanham Act, 15 U.S.C.  
24 § 1051 *et seq.* In its answer, Verichack pleads the following counterclaims: violation of  
25 the ACPA; Lanham Act false designation of origin, 15 U.S.C. § 1125(a); common law  
26 trademark infringement and trade name infringement; common law unfair competition  
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1 and misappropriation; and a violation of Washington’s Consumer Protection Act  
2 (“CPA”), RCW § 19.86.020. Vericheck seeks transfer of the Domain Name, statutory  
3 damages, and attorneys’ fees.

4 7. The parties filed cross-motions for summary judgment. On August 30, 2007, the  
5 court denied Mr. Lahoti’s motion and granted in part and denied in part Vericheck’s  
6 motion. The court found the following: Mr. Lahoti registered and used <vericheck.com>  
7 in bad faith, SJ Order at 12-14; Mr. Lahoti is not entitled to take refuge in the “safe  
8 harbor” provision of Lanham Act § 43(d), 15 U.S.C. § 1125(d)(1)(B)(ii), SJ Order at 14;  
9 the Domain Name and the VERICHECK mark are identical or confusingly similar, *id.* at  
10 6, 17; Vericheck’s use of the mark predates Mr. Lahoti’s registration of the Domain  
11 Name, *id.* at 7 n.5; Mr. Lahoti’s use of the Domain Name for a directory website and his  
12 offers to sell the Domain Name constitute “commercial use,” *id.* at 15; and both parties  
13 use the Internet as a marketing channel, *id.* at 17.

14 8. With respect to liability, the court found that there were issues of fact with regards  
15 to: (1) the distinctiveness of the VERICHECK mark; and (2) the likelihood of consumer  
16 confusion caused by Mr. Lahoti’s use of the mark. The first issue affects all five of  
17 Vericheck’s counterclaims. The second issue affects all claims except for the ACPA  
18 counterclaim.

19 9. At the bench trial, Vericheck called two witnesses to testify: Vericheck CEO Mr.  
20 Hannah and Mr. Lahoti. Mr. Lahoti called a single witness, Tom Nort, to testify  
21 telephonically in rebuttal to Mr. Hannah’s deposition testimony of November 5, 2007.  
22 Mr. Nort sold the VERICHECK mark and business to Mr. Hannah.

23 10. Because the court had already determined that Mr. Lahoti used the VERICHECK  
24 mark in bad faith, on the second day of the trial the parties agreed that the court could  
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1 determine statutory damages and attorneys' fees on the existing record without need for  
2 trial testimony.

### 3 **Vericheck's Business, Its Services, and Consumer Confusion**

4 11. In 1992, Mr. Nort started Vericheck in Georgia. Vericheck was a verification  
5 company for check processing that appeared to employ a unique system for tracking  
6 account information.

7  
8 12. Mr. Hannah met Tom Nort in 1992 or 1993. In 1995, Mr. Hannah purchased  
9 Vericheck from Mr. Nort. The assets included in the sale were the company's computer  
10 programs, computers, processing equipment, and the name Vericheck, Inc. Mr. Hannah  
11 continued to do business as Vericheck and has always used the name Vericheck to brand  
12 the company's services. Mr. Nort thereafter changed the name of his business so that he  
13 could offer services that he had not sold to Mr. Hannah as part of the sale of the  
14 Vericheck business. *See* Ex. A-21.

15  
16 13. Mr. Nort was called to testify telephonically as a rebuttal witness to challenge Mr.  
17 Hannah's deposition testimony that Vericheck had been doing business under the  
18 Vericheck name since 1991 or 1992. Mr. Nort instead corroborated Mr. Hannah's  
19 testimony, testifying that Vericheck began offering services in 1991 or 1992 and, when  
20 pressed, said that he would have to settle on "around 1992." Mr. Nort further testified  
21 that salesmen used the VERICHECK mark to solicit business in Atlanta, Georgia and the  
22 surrounding area, as well as in Gainesville, Georgia.

23  
24 14. Mr. Hannah registered Vericheck, Inc. with the State of Georgia on September 7,  
25 1999. Exs. 4, 5. He testified credibly that his delay in registering the company was due  
26 to the death of one parent and the debilitating illness of his other parent around the same  
27 time that he began operating Vericheck. Vericheck owns a State of Georgia trademark  
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1 registration, No. S-19547, for the mark VERICHECK & Design, issued August 31, 2001.

2 Ex. A-3.

3 15. Vericheck provides a broad array of financial and merchant solutions, including  
4 check and other financial verification services; check guarantee services; check collection  
5 and prosecution of delinquent payments; verification of account information, balance, and  
6 positive or bad/fraudulent account transaction history; monitoring and reporting of check  
7 transaction history; payment processing services (credit card, debit card, echecks,  
8 electronic benefit transfer (“EBT”), wireless payments, stored value or purchasing cards,  
9 and personal or merchant check); and related transactional and technical support services.

10 *See, e.g.*, Exs. A-4, A-9, 4, 5, 15. The vast majority of Vericheck’s business involves  
11 automated check handling (“ACH”), which includes prearranged payment debits  
12 (“PPD”); commercial cash debits (“CCD”); accounts receivable conversion (“ARC”);  
13 telephone transactions; back office conversion (“BOC”); point-of-purchase transactions  
14 (“POP”); returned check collection (“RCK”); and consolidated returns (“RCC”). Of  
15 these ACH transactions, ARC, BOC, POP, RCK, and RCC depend upon the existence of  
16 a physical check.  
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19 16. There are approximately 1,500 merchants conducting electronic transactions  
20 through Vericheck. Its customers include large private corporations such as the home  
21 security company ADT, as well as county and city governments, law firms, and  
22 professional organizations. Mr. Hannah testified that Vericheck’s sales volume in 1995  
23 was “minuscule,” but the company now is involved with approximately \$300 million in  
24 transactions per year, which translates to approximately 300,000 transactions. According  
25 to Mr. Hannah, in 2001-2002, Vericheck’s business “really took off” and the “trajectory  
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1 was straight up”; this increase in business was related to Vericheck’s partnership with  
2 USA ePay. Presently, Vericheck grosses approximately \$60,000 per month.

3 17. Vericheck promotes its name and services through trade shows; banking shows;  
4 and electronic transactions exhibitions in Las Vegas and San Jose; merchant’s forums in  
5 Eureka, California, southern Tampa, Florida, and Atlanta, Georgia; and vendor groups  
6 sponsored by regional and national banks. Mr. Hannah personally attends two to three  
7 trade shows per year, distributing material and business cards, all of which prominently  
8 display the VERICHECK mark. It costs approximately \$5,000 to register for a trade  
9 show and additional expenses are incurred for setting up a booth. Vericheck also offers  
10 incentives to promote its services, for example, waived application fees for vendors, and  
11 asks that its ISOs and resellers participate in promoting these incentives.

12 18. Mr. Hannah testified that approximately 90% of Vericheck’s business is conducted  
13 through the Internet. This includes Vericheck’s secure network and merchant  
14 transactions. Vericheck, its resellers, and ISOs also direct merchants to the website  
15 posted at Vericheck’s <vericheck.net> to fill out applications, service agreements, and for  
16 further information. Vericheck, its resellers, and ISOs use VERICHECK as a trademark  
17 regularly. *See, e.g.*, Exs. A-4 (using the mark on the website posted at <vericheck.net>),  
18 A-9 (using the mark on the website posted at <USAePay.com>).

19 19. Mr. Hannah testified that he personally receives two or three calls per day from  
20 Vericheck resellers who say that customers are confused by visiting the website posted at  
21 <vericheck.com> and cannot find the Vericheck merchant application. According to Mr.  
22 Hannah, these resellers ask what the company is doing to increase Vericheck’s presence  
23 on the Internet and eliminate the confusion when merchants attempt to locate the  
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1 Vericheck application online and visit Mr. Lahoti's website posted at <vericheck.com>  
2 instead of the website posted at Vericheck's <vericheck.net>.

### 3 **The VERICHECK Mark and Distinctiveness**

4 20. An Arizona company successfully registered VERICHECK as a word mark in  
5 1975. Exs. 7, 8. These registrations were not renewed by the trademark owner and have  
6 expired. Exs. 9-10. There is no evidence in the record that the Arizona company ever  
7 used the VERICHECK mark.  
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9 21. Mr. Hannah testified credibly that the Arizona company has never and does not  
10 presently offer services similar to those of Vericheck. According to Mr. Hannah, the  
11 Arizona company is primarily a civil collections firm. Mr. Hannah has spoken with the  
12 Arizona company's principal and Vericheck presently has a referral agreement with that  
13 company: once checks are processed through the RCK process, Vericheck will refer the  
14 "hard collections" to the Arizona company. Mr. Hannah believes that the Arizona  
15 company does business under a name other than "Vericheck."  
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17 22. In July 2007, Vericheck applied for registration of the VERICHECK mark.  
18 Ex. 30. The PTO recently completed its initial examination of Vericheck's application  
19 for registration of the VERICHECK mark, and has approved Vericheck's application for  
20 publication for opposition. Ex. A-22. Mr. Lahoti has opposed Vericheck's application.  
21

22 23. At trial, Mr. Lahoti testified inconsistently and evasively about his research into  
23 the <vericheck.com> domain name. In his answers to interrogatories, Mr. Lahoti stated  
24 that he began researching domain names with the "VERI-" prefix in 1998, discovering  
25 that <vericheck.com> was, at that time, registered to a Canadian company; searched the  
26 PTO's online database, finding that an Arizona company had registered the  
27 VERICHECK mark; and then conducted an Internet search, determining that "the  
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1 Arizona entity was no longer using the alleged mark VERICHECK,” and that “a number  
2 of other third parties were using terms identical or similar to VERICHECK in connection  
3 with their goods or services.” Ex. A-23, at 9. Mr. Lahoti testified: (1) he could not verify  
4 that his answers to interrogatories were accurate; (2) he may not have verified or  
5 reviewed the answers to interrogatories before they were served on opposing counsel;  
6 (3) he was unaware of any duty to ensure that his answers were accurate; and (4) his  
7 attorney told him that any inaccuracies could be sorted out at trial.  
8

9 24. Mr. Lahoti testified that he did an Internet search for “Vericheck” and that the  
10 Arizona company did not appear in any of the results. He further stated that he did not  
11 take specific notice of Vericheck’s presence on the Internet because he was  
12 “overwhelmed” by the number of companies doing business on the Internet as  
13 “Vericheck.”  
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15 25. Mr. Lahoti has earned \$724 in revenue from owning <vericheck.com>. He  
16 received this revenue from Overseer.net, which pays Mr. Lahoti based upon the number of  
17 times a visitor to <vericheck.com> clicks through links on the page. He testified that he  
18 did not know how much he earned per click, and could not recall the number of times that  
19 visitors clicked through the links. He said that he did not scrutinize the statistics provided  
20 by Overseer.net closely enough to hazard a guess as to how his revenue was earned.  
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22 26. Vericheck’s use of the VERICHECK mark predates nearly all of the alleged users  
23 cited by Mr. Lahoti. Several of the purported third-party uses either are unsupported,  
24 irrelevant, or support the distinctiveness of the VERICHECK mark as used by Vericheck  
25 to describe its services.

26 27. Most of the alleged uses upon which Mr. Lahoti relies are in unrelated services.  
27 For example, “VeriCheck Information Services” offers background investigation services,  
28 Exs. 20, 21; “Vericheck, Inc.” offers pre-employment background services, Exs. 22, 23;

1 VeriCheck provides “Professional Pre-employment Verification Service,” Ex. 24; and  
2 “VERI-CHECK” offers an ultraviolet counterfeit money detector, Moeller Decl. (Dkt.  
3 # 32), Ex. 25.

4 28. Mr. Lahoti argued in his trial brief that another company, GLA, Inc., had an earlier  
5 use of a “vericheck” designation. However there is no evidence of record showing any  
6 use whatsoever by GLA, Inc. of the mark, and the slim documentation provided by Mr.  
7 Lahoti, Ex. 17, indicates that GLA registered the trade name VERICHECK in Hawaii in  
8 1997, at least five years after Vericheck adopted the mark.

9 29. Mr. Lahoti also cites VeriChek, Inc., a Texas company, Ex. 13; however, the  
10 earliest alleged use of the mark by that company is 1995, at least three years after  
11 Defendant adopted the VERICHECK mark.

12 30. Mr. Lahoti references three third-party uses that allegedly commenced before  
13 Vericheck first adopted the VERICHECK mark in 1992: Credit Associates of Maui; Veri-  
14 Cheque of Canada, Ex. 18; and Vericheck Services, Inc. of Arizona, Exs. 7-10. There is  
15 no evidence indicating whether or the extent to which Credit Associates of Maui or Veri-  
16 Cheque of Canada actually used and promoted any mark in connection with their  
17 services. The sole evidence presented by Mr. Lahoti concerning Veri-Cheque of  
18 Canada’s alleged use of a mark are a page printed from an Internet archive from 1998, six  
19 years after Defendant adopted its VERICHECK mark, and a page printed from Veri-  
20 Cheque’s current website in June 2007, fifteen years after Defendant adopted its  
21 VERICHECK mark. Moreover, Veri-Cheque is a Canadian company, and aside from a  
22 statement on the website that it operates in “North America” there is no evidence of  
23 actual goods or services provided in the United States.

24 31. The court finds that the evidence introduced at trial about the Arizona company  
25 supports Vericheck’s contention that the mark is distinctive. The Arizona company does  
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1 not use the mark in connection with services that compete with Vericheck. Mr. Lahoti's  
2 own investigation showed that the company did not use the VERICHECK mark, at least  
3 on the Internet, and he has not produced evidence to contradict his own investigation.  
4 Furthermore, that the PTO allowed the Arizona company to register the now expired  
5 VERICHECK mark without requiring proof of secondary meaning affords a rebuttable  
6 presumption that the mark is inherently distinctive for "check verification services." Ex.  
7 7 (capitalization removed); see *Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537  
8 F.2d 4, 11 (2d Cir. 1976).

10 32. The VERICHECK mark has no common English meaning, and appears in no  
11 dictionary. If the term VERICHECK is understood by the average consumer to suggest  
12 Vericheck's services, such understanding requires imagination and creativity, or a mental  
13 leap by the consumer, in order to become apparent. The court therefore finds the  
14 VERICHECK mark to be inherently distinctive.

15 33. Vericheck has also presented substantial proof of the VERICHECK mark's  
16 strength in the marketplace in the form of Vericheck's extensive and longstanding use and  
17 promotion of the mark as well as the company's expanding territory, client list, and sales  
18 figures.  
19

## 20 **II. CONCLUSIONS OF LAW**

21 1. Vericheck has presented facts that establish the distinctiveness of the  
22 VERICHECK mark and the likelihood of consumer confusion caused by Mr. Lahoti's use  
23 of the mark. Given that the mark is strong and protectable, Vericheck is entitled to  
24 judgment on its five counterclaims: (1) violation of the ACPA; (2) Lanham Act false  
25 designation of origin; (3) common law trademark infringement and trade name  
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1 infringement; (4) common law unfair competition and misappropriation; and (5) violation  
2 of the Washington CPA. Mr. Lahoti's claims are dismissed.

3 **Counterclaim I: Anti-Cybersquatting Consumer Protection Act**

4 2. The ACPA, which Congress incorporated into the Lanham Act in 1999, sets forth  
5 the elements of a cybersquatting claim. To prevail, Verichex must prove that it holds a  
6 distinct mark, that Mr. Lahoti had a "bad faith intent to profit" from the mark, and that  
7 Mr. Lahoti "register[ed], traffic[ked] in, or use[d]"<sup>1</sup> a domain name" that is identical to, or  
8 confusingly similar to that mark. See 15 U.S.C. § 1125(d)(1)(A)(i)-(ii). The ACPA  
9 protects both federally-registered marks as well as unregistered marks. *DaimlerChrysler*  
10 *v. The Net Inc.*, 388 F.3d 201, 205 (6th Cir. 2004) (citing *Two Pesos Inc. v. Taco Cabana,*  
11 *Inc.*, 505 U.S. 763, 768 (1992)); see also 4 J. THOMAS MCCARTHY, MCCARTHY ON  
12 TRADEMARKS AND UNFAIR COMPETITION § 25:78 (4th ed. 2007) (hereinafter  
13 "MCCARTHY").

14 3. The Court already concluded that Mr. Lahoti registered and used the domain name  
15 <verichex.com> in bad faith, and that he made commercial use of the mark and Domain  
16 Name. SJ Order at 11-13, 15-16. Likewise, "[t]here is no dispute that verichex.com and  
17 the VERICHEX mark are identical or confusingly similar." *Id.* at 6. Thus the  
18 remaining issue for trial was the distinctiveness of the VERICHEX mark.

19 4. There are five categories of trademarks: (1) generic; (2) descriptive; (3) suggestive;  
20 (4) arbitrary; and (5) fanciful. *Yellow Cab Co. of Sacramento v. Yellow Cab of Elk*  
21 *Grove, Inc.*, 419 F.3d 925, 927 (9th Cir. 2005). Word marks that are "'arbitrary'  
22 ('Camel' cigarettes), 'fanciful' ('Kodak' film), or 'suggestive' ('Tide' laundry detergent)'  
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26  
27 <sup>1</sup>Unlike a trademark infringement claim, a claim under the ACPA does not require the  
28 claimant to prove that the alleged cybersquatter made *commercial* use of the mark. See *Bosley*  
*Medical Institute, Inc. v. Kremer*, 403 F.3d 672, 680-81 (9th Cir. 2005).

1 are inherently distinctive. *Wal-Mart Stores, Inc. v. Samara Bros., Inc.*, 529 U.S. 205,  
2 210-11 (2000). These three categories are entitled to trademark protection because they  
3 “serve[ ] to identify a particular source of a product . . . .” *Two Pesos*, 505 U.S. at 768.  
4 A term is suggestive “if imagination or a mental leap is required in order to reach a  
5 conclusion as to the nature of the product being referenced.” *Filipino Yellow Pages, Inc.*  
6 *v. Asian Journal Publ’ns, Inc.*, 198 F.3d 1143, 1147 (9th Cir. 1999). By contrast,  
7 “descriptive” marks simply “define a particular characteristic of the product in a way that  
8 does not require any exercise of the imagination.” *Yellow Cab*, 419 F.3d at 927 (internal  
9 citation and quotation omitted). A descriptive mark receives trademark protection only  
10 when it establishes “secondary meaning” in the marketplace. *Id.* Generic marks receive  
11 no protection because they simply identify the product, rather than the source of the  
12 product. *Id.* (internal citation omitted). “Placement on the spectrum of distinctiveness  
13 does not end the enquiry as to the strength of a mark: it is only the first step. The second  
14 step is to determine the strength of this mark in the marketplace. That is, to ascertain its  
15 degree of recognition in the minds of the relevant customer class.” 2 MCCARTHY §11.2.

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18 5. Vericheck contends that the VERICHECK mark is inherently distinctive and is  
19 protectable as a trademark even without evidence of secondary meaning. Also, the  
20 VERICHECK mark has acquired distinctiveness in the minds of consumers as a result of  
21 Vericheck’s long use, advertising and promotion, and extensive sales of Vericheck’s  
22 financial transaction processing services, all in connection with the VERICHECK mark.  
23 Mr. Lahoti contends that the VERICHECK mark is generic or descriptive, and thus either  
24 unprotectable under any circumstance, or protectable only on a showing of secondary  
25 meaning.  
26

27 6. The distinctiveness of a mark must be assessed not in the abstract, but in relation  
28 to the applicable goods or services, the context in which the mark is used and

1 encountered in the marketplace, and the significance the mark in that context is likely to  
2 have to the average consumer. In assessing mark strength, it is improper to dissect a mark  
3 and to separately analyze the individual words which it may incorporate. *See In re*  
4 *Hutchinson Tech., Inc.*, 852 F.2d 552, 554-55 (Fed. Cir. 1988). A combination of words  
5 or word parts in a mark, which might themselves be descriptive if taken separately, are  
6 not necessarily descriptive if used as a mark. *See e.g., Equine Techs., Inc. v.*  
7 *Equitechology, Inc.*, 68 F.3d 542, 545 (1st Cir. 1995) (holding that “EQUINE  
8 TECHNOLOGIES” in its entirety is not descriptive of hoof pads for horses,  
9 notwithstanding that “equine” describes horses).

11 7. Taken in its entirety, the VERICHECK mark is suggestive. The term  
12 VERICHECK has no common English meaning, and does not appear in any dictionaries.  
13 The VERICHECK mark does not call to mind Vericheck’s broad array of financial  
14 transaction processing services without need for the exercise of imagination or creativity  
15 by the consumer. Vericheck’s long use of the VERICHECK mark as a trademark, and  
16 not as a descriptor of its goods and services, also supports the court’s finding that the  
17 mark is protectable.

19 8. Mr. Lahoti improperly breaks down the mark into two component parts, “veri” and  
20 “check,” in order to argue that consumers will immediately presume that Vericheck  
21 provides “check verification” services. *See e.g., Equine Techs.*, 68 F.3d at 545; *In re*  
22 *Hutchinson Tech.*, 852 F.2d at 554-55. Even if the mark were parsed, the result would  
23 not immediately call to mind the broad array of electronic transaction processing services  
24 that Vericheck provides. “Veri” has no independent meaning and could refer to “*veritas*”  
25 (“truth”) or “*veritable*” as easily as “*verification*.” “Check” could refer to a noun, a verb,  
26 an interjection, and has a myriad of meanings. *See Dictionary.com, Dictionary.com*  
27 *Unabridged* (v 1.1), Random House, Inc., <http://dictionary.reference.com/browse/check>

1 (last visited November 28, 2007) (referring to 46 separate meanings). Following Mr.  
2 Lahoti’s reasoning, the recombinant VERICHECK mark could conceivably describe a  
3 process for stopping the truth from being transmitted (“*veritas*” and “check” definition  
4 number 1), or a reliable form of checking baggage at the airport (“veritable” and “check”  
5 definition number 10). *See id.*

6  
7 9. Most of Mr. Lahoti’s evidence supports a finding that the VERICHECK mark is  
8 suggestive, strong, and protectable. As the court recognized on summary judgment,  
9 evidence that “the VERICHECK mark could denote a wide variety of products” supports  
10 a finding that the mark “require[s] a consumer’s imagination to connect the term to  
11 Vericheck’s particular services.” SJ Order at 10; *see also Playtex Prods., Inc. v.*  
12 *Georgia-Pacific Corp.*, 390 F.3d 158, 164 (2d Cir. 2004) (finding the term “Wet Ones,”  
13 like “Wite-Out,” to be suggestive because it “could plausibly describe a wide variety of  
14 products”). An ultraviolet counterfeit money detector (checking into the truth of the  
15 currency) and pre-employment background verification (a verifying background  
16 check)—uses which would be suggested by an improper parsing of the VERICHECK  
17 mark—differ significantly from the many financial services offered by Vericheck . *See,*  
18 *e.g.*, Moeller Decl., Ex. 25; Exs. 22.

19  
20 10. Similarly, evidence that the Arizona company obtained two trademark registrations  
21 (now expired) for marks incorporating the term VERICHECK plus a design component  
22 indicates that the PTO did not consider the mark to be descriptive or generic as applied to  
23 that company’s services. *See* 2 MCCARTHY § 11:69 (citing *Borinquen Biscuit Corp. v.*  
24 *M.V. Trading Corp.*, 443 F.3d 112, 119-20 (1st Cir. 2006) (holding that the PTO’s  
25 acceptance of other marks incorporating the same term for a registration supports the  
26 inherent distinctiveness of the mark at issue)); *see, e.g.*, Ex. 7 (Arizona company’s  
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1 registration of VERICHECK mark for “check verification services”) (capitalization  
2 removed).

3 11. Mr. Lahoti argues that the VERICHECK mark has been rendered weak and,  
4 therefore, unprotectable by a crowded field of third-party use of the mark. However,  
5 most of the alleged third-party uses cited by Mr. Lahoti are in unrelated fields, and  
6 “[e]vidence of other unrelated potential infringers is irrelevant to claims of trademark  
7 infringement and unfair competition under federal law.” *Eclipse Assocs. Ltd. v. Data*  
8 *Gen. Corp.*, 894 F.2d 1114, 1119 (9th Cir. 1990); *see also Electropix v. Liberty Livewire*  
9 *Corp.*, 178 F. Supp. 2d 1125, 1130 (C.D. Cal. 2001) (rejecting relevance of trademark  
10 report showing 200 companies using the mark where only two of the companies were  
11 using the mark in the same or a similar industry).

12  
13 12. Mr. Lahoti cites three prior users of the mark in the same industry as Vericheck:  
14 Credit Associates of Maui, Veri-Cheque of Canada, and Vericheck Services, Inc. of  
15 Arizona. Federal registration of the mark by a single company, along with scant evidence  
16 about two other purported users, constitute a far cry from a multitude of registrations and  
17 uses that might suggest a weak mark. *See, e.g., Petro Stopping Centers, L.P. v. James*  
18 *River Petroleum, Inc.*, 130 F.3d 88, 94 (4th Cir. 1997) (referring to 2,700 companies, 117  
19 third-party federal registrations, 63 users within the same product area, and 42 prior  
20 registrations of the mark “PETRO” supported a finding that plaintiff had a weak mark);  
21 *Estee Lauder Inc. v. The Gap, Inc.*, 108 F.3d 1503, 1511 (2d Cir.1997) (holding that  
22 weakness of mark was demonstrated by over 70 trademark registrations, pending  
23 applications for registration or renewal, or publications-for-opposition that included the  
24 term used in plaintiff’s mark); *Miss World (UK) Ltd. v. Mrs. America Pageants, Inc.*, 856  
25 F.2d 1445, 1449 (9th Cir. 1988) (approving district court’s finding of a relatively weak  
26 mark where “[m]ost other pageants use a mark which is composed of a marital prefix and  
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28

1 a defining geographic term. As a result any combination of a marital prefix and  
2 geographic term ‘means’ beauty pageant.”), *abrogation recognized, Eclipse Assocs.*, 894  
3 F.2d at 1116 n.1 (referring to the standard of review); *Amstar Corp. v. Domino’s Pizza,*  
4 *Inc.*, 615 F.2d 252, 259-60 (5th Cir. 1980) (holding relevant the evidence of 72  
5 third-party uses and registrations of the appellant’s mark); *cf.* 3 MCCARTHY § 17:17  
6 (noting that third-party use and a plaintiff’s failure to police a mark are relevant as to  
7 whether widespread use has led to the weakening of the mark).

9 13. Mr. Lahoti presented no credible evidence that Credit Associates of Maui, Veri-  
10 Cheque of Canada, and Vericheck Services, Inc. of Arizona have used the VERICHECK  
11 mark in the United States to compete with Vericheck. Mr. Lahoti never attempted to  
12 admit at trial his exhibit verifying Credit Associates of Maui’s use of the VERICHECK  
13 mark, Ex. 16, and no reference to the VERICHECK mark is navigable from that  
14 company’s website. *See* <http://www.creditassoc.com/> (last accessed November 28,  
15 2007).

17 14. There is no credible evidence of Veri-Cheque of Canada’s use of the  
18 VERICHECK mark prior to Vericheck’s use in 1992, and there is no evidence of the  
19 Canadian company’s use of the mark in the United States. Trademark rights are  
20 territorial in nature, and possible use outside the United States does not bear on the  
21 protectability of the VERICHECK mark in this country. “Priority of trademark rights in  
22 the United States depends solely upon priority of use in the United States, not on priority  
23 of use anywhere in the world.” *Grupo Gigante SA De CV v. Dallo & Co., Inc.*, 391 F.3d  
24 1088, 1093 (9th Cir. 2004) (quoting 4 MCCARTHY § 29:2).

26 15. The evidence presented with respect to the Arizona company supports Vericheck’s  
27 position. Mr. Lahoti failed to present any evidence whatsoever that the Arizona company  
28 actually used the VERICHECK mark to compete with Vericheck’s services. Mr. Lahoti

1 testified that his own independent Internet search verified that the Arizona company was  
2 not using the mark, at least on the Internet. That the PTO allowed the Arizona company  
3 to register the now expired VERICHECK mark without requiring proof of secondary  
4 meaning affords a rebuttable presumption that the mark is inherently distinctive. *See*  
5 *Abercrombie & Fitch Co.*, 537 F.2d at 11. Furthermore, Mr. Hannah’s unrebutted  
6 testimony established that: (1) Vericheck has a continuing business relationship with the  
7 Arizona company; (2) the Arizona company does not offer the same services as  
8 Vericheck; and (3) the Arizona company does not use the VERICHECK mark.

10 16. Mr. Lahoti argues, nonetheless, that the Arizona company’s prior registration of  
11 the VERICHECK mark, without any evidence of the company’s use of the mark,  
12 precludes Vericheck’s ability to raise counterclaims against him. He relies upon the  
13 principle that a senior registrant’s prior registration of a mark on the PTO’s Principal  
14 Register constitutes prima facie evidence of the validity of the registered mark and of the  
15 senior registrant’s exclusive right to use the mark on the goods and services specified in  
16 the registration. *See* 15 U.S.C. §§ 1057(b), 1115(a); *Brookfield Commun’ns v. W. Coast*  
17 *Entm’t Corp.*, 174 F.3d 1036, 1047 (9th Cir. 1999).

19 17. Mr. Lahoti’s argument is a *jus tertii* defense, i.e., he asserts that a third party, the  
20 Arizona company, has rights superior to Vericheck and, therefore, “[s]omebody has a  
21 right to sue me, but it’s not you.” 6 MCCARTHY § 31:157 (internal marks omitted).  
22 Modern courts and the Trademark Board have rejected the *jus tertii* defense. *Id.*  
23 § 31:160; *see Comm. for Idaho’s High Desert, Inc. v. Yost*, 92 F.3d 814, 820 (9th Cir.  
24 1996) (“[A] third party’s prior use of a trademark is not a defense in an infringement  
25 action.”); *Bishops Bay Founders Group, Inc. v. Bishops Bay Apartments, LLC*, 301 F.  
26 Supp. 2d 901 (W.D. Wis. 2003) (holding that whether a third party might have trademark  
27 rights superior to plaintiff “has no effect on this lawsuit”); *General Cigar Co. v. G.D.M.*

1 *Inc.*, 988 F. Supp. 647, (S.D.N.Y. 1997) (holding that a third party’s possibly superior  
2 rights cannot be a defense); *Krug Vins Fins de Champagne v. Rutman Wine Co.*, 197  
3 U.S.P.Q. 572, 574 (T.T.A.B. 1977) (“The fact that the third persons might possess some  
4 rights in their respective marks which they could possibly assert against petitioner in a  
5 proper proceeding can avail respondent nothing herein since respondent is not in privity  
6 with nor is the successor in interest to any rights which such persons have acquired in  
7 their marks.”). This court follows suit. Mr. Lahoti acquired rights to the Domain Name  
8 more than a decade after Vericheck began using the mark. “So long as plaintiff proves  
9 rights superior to defendant, that is enough. Defendant is no less an infringer because it  
10 is brought to account by a plaintiff whose rights may or may not be superior to the whole  
11 world.” 6 MCCARTHY § 31:160; *Comm. for Idaho’s High Desert*, 92 F.3d at 821 (citing  
12 MCCARTHY).  
13

14 18. In sum, the court finds the VERICHECK mark to be suggestive and, therefore,  
15 inherently distinctive. The mark’s strength in the marketplace is amply supported by  
16 Vericheck’s long use of the mark; the mark’s promotion through advertising, trade shows,  
17 and promotional incentives; and the expansion of Vericheck’s territory and client list  
18 along with an increase in sales. The VERICHECK mark is therefore entitled to  
19 protection. Because Vericheck has already satisfied the other elements under the ACPA,  
20 the court grants judgment in favor of Vericheck on its ACPA counterclaim.  
21

### 22 **Counterclaims II, III, and IV: Infringement Claims**

23 19. To prevail on its claims of false designation of origin, common law trademark  
24 infringement, and unfair competition (collectively, “infringement claims”),<sup>2</sup> Vericheck  
25

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26  
27 <sup>2</sup>The familiar “likelihood of confusion” test is the standard for liability, whether the claim  
28 is one for unfair competition, false designation of origin, or infringement. *See New West Corp. v. NYM Co. of Cal., Inc.*, 595 F.2d 1194, 1201 (9th Cir.1979) (“Whether we call the violation

1 must show that it holds a protectable mark, and that Mr. Lahoti made commercial use of a  
2 mark that is similar enough to cause confusion in the minds of consumers about the origin  
3 of the goods or services in question. *KP Permanent Make-Up, Inc. v. Lasting Impression*  
4 *I, Inc.*, 543 U.S. 111, 117 (2004). At summary judgment, the court found that Mr. Lahoti  
5 made commercial use of the VERICHECK mark, and has determined, above, that  
6 Vericheck holds a protectable mark. The remaining element of Vericheck’s infringement  
7 claims is, therefore, whether Mr. Lahoti’s use of the mark was likely to cause confusion  
8 in the minds of consumers. *See Levi Strauss & Co. v. Blue Bell, Inc.*, 778 F.2d 1352,  
9 1355 n.5 (9th Cir. 1985) (noting that “the question of likelihood of confusion is routinely  
10 submitted for jury determination as a question of fact”).

11  
12 20. The following eight factors first announced in *AMF, Inc. v. Sleekcraft Boats*, 599  
13 F.2d 341, 348-49 (9th Cir. 1979), guide the court’s analysis on likelihood of confusion:

- 14 (1) the similarity of the marks;
- 15 (2) the marketing channels used to promote the marks;
- 16 (3) the relatedness of the goods or services promoted under the marks;
- 17 (4) the strength of the plaintiff’s mark;
- 18 (5) evidence of actual confusion;
- 19 (6) likelihood of expansion of either parties’ product lines;
- 20 (7) the degree of care a potential purchaser is likely to exercise; and
- 21 (8) the defendant’s intent in selecting the mark.

22 In the context of the Web, the three most important *Sleekcraft* factors for determining  
23 likelihood of confusion are (1) similarity of the marks, (2) relatedness of the goods or  
24 services, and (3) the simultaneous use of the Web as a marketing channel. *Goto.com, Inc.*  
25 *v. Walt Disney Co.*, 202 F.3d 1199, 1205 (9th Cir. 2000).

26  
27 \_\_\_\_\_  
28 infringement, unfair competition or false designation of origin, the test is identical – is there a  
‘Likelihood of Confusion?’); *see also* 4 MCCARTHY § 23:1 (same as to common law trademark  
infringement).

1 21. Application of the *Sleekcraft* Internet troika shows that confusion is likely. First,  
2 the court has already determined that the VERICHECK mark and <verichack.com> are  
3 identical or confusingly similar. *See* SJ Order at 6, 17.

4 22. Second, Mr. Lahoti uses the Internet in connection with competing services.  
5 Verichack uses the mark in connection with financial transaction processing services.  
6 Mr. Lahoti uses the Domain Name in connection with a “directory”-style website that  
7 includes links to companies offering services that compete with those of Verichack, such  
8 as <safepayment.com>, as well as to web sites that offer “Online Payments” and  
9 “Merchant Processing.” Ex. A-10, at 110, 111, 113; *see* SJ Order at 15.

10 23. Third, both Mr. Lahoti and Verichack use the Internet as a marketing channel.  
11 The crux of Verichack’s business is merchants’, ISOs’, and resellers’ ability to easily  
12 access Verichack’s website in order to facilitate the provision of Verichack’s services.  
13 Many of these customers and affiliates, in attempting to reach Verichack’s website and to  
14 access Verichack’s services, would — and do — naturally type <verichack.com> and  
15 would and are immediately sent to Mr. Lahoti’s competing website. *See also* SJ Order at  
16 15.

17 24. As discussed earlier, the mark is inherently distinctive and the strength of the  
18 VERICHECK mark is supported by Verichack’s long and substantial use of the mark  
19 since at least 1992; the company’s expansion nationwide; its fulfillment of hundreds of  
20 thousands of financial transactions worth millions of dollars; and substantial advertising  
21 and promotion of the mark by Verichack, its resellers, and ISOs through the Internet, in  
22 print and electronic advertising, and through participation in industry trade shows.

23 25. The remaining *Sleekcraft* factors either favor Verichack or are neutral. Though  
24 uncorroborated, Mr. Hannah presented credible testimony that he received two to three  
25 calls per day from Verichack resellers about merchant confusion regarding the  
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1 <verichack.com> website. Neither party presented evidence regarding the likelihood of  
2 expansion into other product lines, though Mr. Lahoti testified that he discussed licensing  
3 the VERICHECK mark from the Hawaiian company GLA, Inc. for unspecified purposes.  
4 This factor is nonetheless irrelevant here. *See Victoria's Secret Stores v. Artco Equip.*  
5 *Co.*, 194 F. Supp. 2d 704, 728 (S.D. Ohio 2002) (holding that likelihood of expansion of  
6 product lines irrelevant where parties already directly compete). Exercising an average  
7 degree of care, a potential purchaser could conceivably visit <verichack.com> instead of  
8 <verichack.net> and consequently become frustrated or confused by the myriad links  
9 found there. *See Electropix v. Liberty Livewire Corp.*, 178 F. Supp. 2d 1125, 1134 (C.D.  
10 Cal. 2001) (“[V]irtually no amount of consumer care can prevent confusion where two  
11 entities have the same name.”). Finally, the court has already found that Mr. Lahoti acted  
12 with bad faith intent in selecting the mark. SJ Order at 12-14.

13 26. The court grants judgment in favor of Verichack on the infringement claims:  
14 Lanham Act false designation of origin; common law trademark infringement and trade  
15 name infringement; and common law unfair competition and misappropriation.  
16

#### 17 **Counterclaim V: Washington Consumer Protection Act**

18 27. To prevail on its CPA claim, Verichack must show: (1) an unfair or deceptive act  
19 or practice; (2) occurring in the conduct of trade or commerce; (3) affecting the public  
20 interest; (4) injuring its business or property; and (5) a causal link between the unfair or  
21 deceptive act and the injury suffered. *Nordstrom, Inc. v. Tampourlos*, 733 P.2d 208, 210  
22 (Wash. 1987). The court already has determined that Mr. Lahoti’s registration and use of  
23 <verichack.com> constitute use in commerce. SJ Order at 15-16.  
24

25 28. Absent unusual or unforeseen circumstances, the analysis of a CPA claim will  
26 follow that of the trademark infringement and unfair competition claims: it will turn on  
27 the likelihood of consumer confusion regarding a protectable mark. *See Seattle*  
28

1 *Endeavors*, 868 P.2d 120, 127 (1994) (citing *Nordstrom, Inc. v. Tampourlos*, 733 P.2d  
2 212 (1987) (noting that confusion of the public sufficient to meet the public interest  
3 requirement of the CPA)).

4 29. The court grants judgment in Vericheck’s favor on its CPA counterclaim for the  
5 reasons discussed earlier: the VERICHECK mark is strong and inherently distinctive and  
6 Mr. Lahoti intentionally infringed the VERICHECK mark by his registration and use of  
7 the <vericheck.com> domain name, which confused and diverted Vericheck’s customers.

8  
9 **Mr. Lahoti’s Affirmative Defenses**

10 30. All but one of the affirmative defenses raised by Mr. Lahoti fail in light of the  
11 proof offered by Vericheck in support of its counterclaims. *See* Pretrial Order at 2-3  
12 (Dkt. # 71). Mr. Lahoti’s only remaining affirmative defense, that Vericheck’s claims  
13 are barred by the doctrine of “unclean hands,” is unsupported in fact or law.

14 31. The equitable defense of unclean hands is a defense to a Lanham Act infringement  
15 suit. *See Fuddruckers, Inc. v. Doc’s B.R. Others, Inc.*, 826 F.2d 837, 847 (9th Cir. 1987).  
16 The party seeking application of the doctrine of unclean hands “must demonstrate that  
17 the plaintiff’s conduct is inequitable and that the conduct relates to the subject matter of  
18 its claims.” *See Levi Strauss & Co. v. Shilon*, 121 F.3d 1309, 1313 (9th Cir. 1997)  
19 (quoting *Fuddruckers*).

20 32. Mr. Lahoti argues that Vericheck’s counterclaims are barred by the doctrine of  
21 unclean hands because Vericheck was not justified in adopting the VERICHECK mark in  
22 light of the Arizona company’s registration of the VERICHECK mark. This argument is  
23 essentially the *jus tertii* defense the court has already rejected. Regardless, nothing on the  
24 record supports Mr. Lahoti’s position. As Mr. Hannah testified, he is and was aware of  
25 the Arizona company, and knows that it does not and has not offered services that  
26 compete with those of Vericheck. Mr. Lahoti himself stated that he conducted an Internet  
27 search and concluded, “the Arizona entity was no longer using the alleged mark  
28

1 VERICHECK.” Ex. A-23 at 9. The two registrations issued to the Arizona company  
2 have expired. *See* Exs. 7-8 (trademark registration records), 9-10 (status reports for  
3 cancelled trademark registrations). The court therefore rejects Mr. Lahoti’s affirmative  
4 defense of unclean hands.

5 **Relief Sought by Vericheck**

6 **Vericheck is entitled to an injunction, including mandatory transfer of the**  
7 **<vericheck.com> domain name to Vericheck**

8 33. “Injunctive relief is the remedy of choice for trademark and unfair competition  
9 cases, since there is no adequate remedy at law for the injury caused by a defendant’s  
10 continuing infringement.” *Century 21 Real Estate Corp. v. Sandlin*, 846 F.2d 1175, 1180  
11 (9th Cir. 1988); 15 U.S.C. § 1116 (injunctive relief for violation of Lanham Act 43(a) or  
12 (d)); RCW § 19.86.090 (injunctive relief for violation of Washington CPA).

13 Section 43(d) of the Lanham Act specifically authorizes district courts to order transfer of  
14 an infringing domain name to the mark owner. “In any civil action involving the  
15 registration, trafficking, or use of a domain name under this paragraph, a court may order  
16 . . . the transfer of the domain name to the owner of the mark.” 15 U.S.C.  
17 § 1125(d)(1)(C).

18 34. Vericheck is entitled to an injunction against Mr. Lahoti, prohibiting him and his  
19 affiliates from using the term VERICHECK in any manner, including as a domain name,  
20 and requiring him to transfer the <vericheck.com> domain name to Vericheck. The  
21 injunction sought is narrowly tailored to address the specific harm that is suffered by  
22 Vericheck and to remedy actual and likely consumer confusion caused by Mr. Lahoti’s  
23 acts.  
24

25 35. The court directs Vericheck to file a proposed order for injunctive relief within ten  
26 days.  
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1 **Vericheck is entitled to an award of statutory damages**

2 36. Vericheck requests statutory damages of \$100,000 on its cybersquatting claim.  
3 15 U.S.C. § 1117(d) provides that “[i]n a case involving a violation of section 1125(d)(1)  
4 of this title, the plaintiff may elect, at any time before final judgment is rendered by the  
5 trial court, to recover, instead of actual damages and profits, an award of statutory  
6 damages in the amount of not less than \$1,000 and not more than \$100,000 per domain  
7 name, as the court considers just.”

8 37. Vericheck is entitled to the maximum amount of statutory damages, \$100,000,  
9 based on the totality of facts in this case including, without limitation, Mr. Lahoti’s bad  
10 faith and his deliberate and knowing acts, his pattern and practice of registering domain  
11 names that incorporate the trademarks of others, his efforts to extort thousands of dollars  
12 in exchange for transfer of the Domain Name, his disregard for the submission of  
13 inaccurate answers to interrogatories, and the actual confusion which is occurring in the  
14 marketplace as a result of Mr. Lahoti’s use of the Domain Name in connection with a  
15 commercial website offering links to third parties that compete with Vericheck. *See, e.g.,*  
16 *Elec. Boutique Holdings Corp. v. Zuccarini*, 56 U.S.P.Q.2d 1705, 1710 n.11, 1713-14  
17 (E.D. Pa. 2000) (awarding \$100,000 statutory damages per domain name with \$27,487  
18 attorneys’ fees against “notorious cybersquatter” who “thumbs his nose at the rulings of  
19 this court and the laws of our country”); *Mirage Resorts, Inc. v. Cybercom Prods.*, 228 F.  
20 Supp. 2d 1141, 1142-43 (D. Nev. 2002) (awarding statutory damages on default of  
21 \$100,000, plus \$13,763 attorneys’ fees, and \$1,000 for corrective advertising); *Graduate*  
22 *Mgmt. Admission Council v. Raju*, 267 F. Supp. 2d 505, 512-13 (E.D. Va. 2003)  
23 (awarding statutory maximum of \$100,000 per domain name in addition to other  
24 remedies); *Pinehurst, Inc. v. Wick*, 256 F. Supp. 2d 424, 433 (M.D.N.C. 2003) (awarding  
25 statutory damages of \$50,000 per domain name plus attorneys’ fees and costs based on  
26 defendant’s willful and deliberate conduct).  
27  
28

1                   **Vericheck is entitled to an award of its attorneys’ fees and costs**

2 38. An award of Vericheck’s attorneys’ fees and costs is authorized by the  
3 Washington CPA, which provides for an award of attorneys’ fees and costs to prevailing  
4 plaintiffs. RCW § 19.86.090.

5 39. Vericheck also seeks recovery of its reasonable attorneys’ fees because this is an  
6 “exceptional” case under 15 U.S.C. § 1117(a). The Lanham Act permits an award of  
7 reasonable attorneys’ fees to prevailing plaintiffs<sup>3</sup> for violations of 15 U.S.C. § 1125(a)  
8 and § 1125(d) in “exceptional cases.” 15 U.S.C. § 1117(a). “Exceptional” is defined as  
9 “malicious, fraudulent, deliberate or willful.” *Gracie v. Gracie*, 217 F.3d 1060, 1068  
10 (9th Cir. 2000) (citation omitted); *see Lindy Pen Co., Inc. v. Bic Pen Corp.*, 982 F.2d  
11 1400, 1409 (9th Cir. 1993).

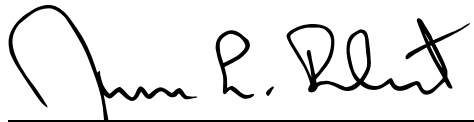
12 40. Mr. Lahoti’s acts include: willful registration and use of the Domain Name;  
13 attempts to extort thousands of dollars from Vericheck in exchange for the Domain  
14 Name; disregard of Vericheck’s trademark rights notwithstanding his clear knowledge  
15 and actual notice of them; a pattern and practice of cybersquatting, including a pattern  
16 and practice of abusive litigation practices as a means to convince trademark owners to  
17 drop their domain name claims or to pay for domain names; and his disregard for the  
18 submission of inaccurate answers to interrogatories. Such conduct renders this an  
19 “exceptional” case. *See, e.g., Elec. Boutique*, 56 U.S.P.Q.2d 1705; *Mirage Resorts*, 228  
20 F. Supp. 2d 1141; *Pinehurst*, 256 F. Supp. 2d 424; Jost Decl., Ex. B, at 36-37, 42-43  
21 (finding, in *E-Stamp Corp. v. Lahoti*, that case was exceptional and awarding attorneys  
22 fees where Mr. Lahoti engaged in pattern and practice of registering domain names with a  
23 bad faith intent to profit from them); *E-Stamp Corp. v. Lahoti*, Case No. 2:99-CV-9287-  
24 GAF-MAN, Judgment on Court Trial and Permanent Injunction, at 2 (C.D. Cal. Aug. 1,  
25  
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27 \_\_\_\_\_  
28                   <sup>3</sup> Here, although technically the defendant, Vericheck is in the position of plaintiff.

1 2000) (awarding \$305,612,20 in attorneys' fees based on exceptional nature of Mr.  
2 Lahoti's conduct).

3 41. The court grants Vericheck leave to submit a tabulation of its attorneys' fees and  
4 costs in this matter.

5 Dated this 3rd day of December, 2007.

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10 JAMES L. ROBART  
11 United States District Judge  
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