IN THE UNITED STATES DISTRICT COURT,
FOR THE EASTERN DISTRICT OF VIRGINIA
ALEXANDRIA DIVISION

Yoshiki Okada,

Plaintiff,

CIVIL ACTION NO. 1:18-cv-01338
(LO/TCB)

v.

John Doe, et. al.,

Defendants.
_____/

DEFENDANT OLP.COM, INC.'S MEMORANDUM IN SUPPORT OF MOTION TO SET ASIDE ENTRY OF DEFAULT

Defendant OLP.COM, INC. ("OLP") respectfully submits this Memorandum in Support of its Motion to Set Aside the Entry of Default obtained by Plaintiff Yoshiki Okada ("Okada"). OLP is a Florida corporation which is the holder in interest of the domain name <olp.com> against which this action is brought.

On October 26, 2018, Okada filed the present action against John Doe ("Defendant Doe") and various domain names ("Defendant Domain Names") including Defendant OLP (collectively "Defendants"), alleging that (1) Okada is entitled to a declaratory judgment; (2) Defendants violated the federal Anticybersquatting Consumer Protection Act ("ACPA"), 15 U.S.C. §1125(d); (3) Defendant Doe committed tortious interference with a contractual relationship; (4) Defendant Doe committed conversion; and (5) Defendant Doe violated the federal Computer Fraud and Abuse Act, 18 U.S.C. §§ 1030(a)(2)(C). (Dkt. 1). On November 27, 2018, the clerk entered a default based on Defendants' failure to plead or otherwise defend themselves. (Dkt. 9)

OLP respectfully requests that this Court set aside the clerk's default for good cause because (1) OLP has meritorious defenses to this action, (2) OLP acted with reasonable

promptness upon learning of this lawsuit, (3) OLP had no actual notice of the litigation and thus any default was not willful, (4) no prejudice will result to Okada if the default is lifted, (5) OLP has no history of dilatory action, and (6) less drastic sanctions are available.

I. Statement of Facts.

A. Defendant OLP's purchase and interest in <olp.com>

OLP, a Florida corporation, is the holder in interest of <olp.com>. (Artecona dec. ¶ 3). Mr. George (Kurt) Artecona ("Artecona"), a Florida citizen, is the president and owner of OLP. (Id. ¶ 2). OLP has operated OneLoanPlace.com ("OneLoanPlace") since approximately December 2005.[1] (Id. ¶ 4). OneLoanPlace is a highly regarded loan agency in Tallahassee, Florida, which offers personal and business loans.[2] (Id. ¶ 6).

In late 2017, OneLoanPlace, often referred to as OLP for simplicity, determined to develop and undertake a marketing campaign to promote its loan services primarily in connection with the mark "OLP" as opposed to "OneLoanPlace." (Id. ¶ 8). OLP is shorter, easier to remember, and was already a moniker for the company. (Id. ¶ 9). Integral to the proposed marketing campaign was securing the domain name <olp.com>. (Id. ¶ 11). OLP found that the domain name was available and that it resolved to the IP address of well-known Chinese registrar and hosting site wanming.com, indicating that the Chinese registrar hosted, owned or controlled the domain name. (Id. ¶ 12). OLP had no knowledge of Okada's purported rights to the domain name. (Id. ¶ 31). OLP engaged a third-party broker to secure the domain name. (Id. ¶ 13).

[1] OLP was formerly known as Rocket Daddy, Inc. which, over the years, filed fictitious names for One Loan Place and OneLoanPlace.com. (Id. ¶ 5)

[2] OneLoanPlace has received over 360 Google® reviews for an average rating of 4.5 out of 5 stars for its services and a 5 star (Excellent) rating based on 510 reviews received by Trustpilot® for its services. (Id. ¶ 7)

Thus, on January 23, 2018, after considerable negotiation, OLP purchased the domain name <olp.com> and transferred the purchase monies to the registrant seller through Escrow.com. (Id. ¶ 14, exhibit B). The registrant seller of the domain name approved the sale and allowed its transfer to OLP's GoDaddy.com® account. (Id. ¶ 15).

Upon purchase of the domain name, OLP had full access to the website at <olp.com> and updated the site to reflect a notice that read "Coming Soon." (Id. ¶ 16). Artecona logged in to his GoDaddy® account and changed the registrant and technical contact information after the transfer was complete to reflect OLP's status as registrant. (Id. ¶ 17). Artecona believed that he had completed all necessary steps to properly update the registrant information for <olp.com> but inadvertently overlooked an email including a link to confirm that change. (Id. ¶ 18, exhibit C). If Artecona had clicked that link the contact information for <olp.com> would be correct in the "whois" database today. (Id. ¶ 19).

OLP, a company with over 500 employees, sought legal and banking advice prior to officially changing its corporate name to "OLP.COM, Inc." on April 30, 2018. (Id. ¶ 20). OLP reflected this name change on its bank accounts and began conducting business as OLP.COM. (Id. ¶ 21). It entered contracts which reflected the new corporate name. (Id.).

In August 2018, OLP suffered a financial setback which delayed development of the OLP website. (Id. ¶ 22). Over the last 6 months, OLP worked diligently to improve its business system to adapt to changes in the industry, securing over $800,000 in financing to do so. (Id. ¶ 23).

In late March 2019, OLP attempted to establish a web presence utilizing <olp.com> as its flagship website. (Id. ¶ 24). When OLP tried to set up hosting services through GoDaddy® for website development, OLP found the site was dispositioned as "locked under dispute." (Id. ¶

25). OLP contacted GoDaddy® to determine the reason for the lock and was informed of the present lawsuit on or about March 29, 2019. (Id. ¶ 26). OLP immediately consulted and retained the Pennington Law Firm (Pennington, P.A.) to evaluate and defend against the lawsuit. (Id. ¶ 26). This was also the first time that OLP first became aware that the "whois" database registrant information was incorrect. (Id. ¶ 27).

B. History of <olp.com>

Okada alleges that <olp.com> was acquired and used in commerce from September 17, 2009 until January 29, 2018. (Dkt. 1 ¶¶ 14-15). With some brief research (and without discovery), however, OLP has discovered archival screenshots which indicate that <olp.com> has not been "used in commerce" from at least March 30, 2013 forward.[3] (Artecona dec. ¶ 29, exhibit E). Further, while Okada purports to have properly renewed the domain name in 2016, he is not listed as the registrant of <olp.com> from at least January 23, 2016 forward. (Dkt. 1 ¶¶ 14-15; Artecona dec. ¶ 30, exhibit F).

These facts directly contradict Okada's allegation that he has used <olp.com> in commerce for at least the past five years, and also call into question whether he properly held and renewed the domain name. If Okada did not renew the domain name, he would have been removed as its owner and the domain name would have become publicly available for purchase by another on the open market. This could explain how it came to be purchasable by OLP.

II. Good Cause Exists to Lift the Default

This Court may set aside an entry of the clerk's entry of default for "good cause" under

[3] The Internet Archive WayBack Machine® is a digital historical archive of the World Wide Web found at https://archive.org/web/web.php. The archive contains no screenshots of <olp.com> between 2009 and 2012. However, from 2013 to 2017, the screenshot history consistently shows a blank page with an error code at <olp.com>, not its use in commerce. (Artecona dec. ¶ 28)

Federal Rule of Civil Procedure 55(c). There is "a strong preference…that defaults be avoided and that claims and defenses be disposed of on their merits." See Colleton Preparatory Academy, Inc. v. Hoover Universal, Inc. 616 F.3d 413, 417 (4th Cir. 2010). Therefore, the "good cause" standard for lifting defaults is applied liberally. Wainwright's Vacations v. Pan Am. Airways, 130 F.Supp.2d 712, 717 (D. Md. 2001); Lolatchy v. Arthur Murray, Inc., 816 F.2d 951, 954 (4th Cir. 1987). This standard is even more generous where, as here, the default has been entered without an accompanying default judgment. Colleton, 616 F.3d at 420.

To determine whether good cause exists, courts in the Fourth Circuit consider various factors, including: (1) existence of a meritorious defense, (2) whether the moving party acted with reasonable promptness, (3) whether the defaulting party acted willfully, (4) whether the plaintiff would be prejudiced if the default is lifted, (5) whether there is a history of dilatory action, and (6) the availability of less drastic sanctions. Id. at 416. The test is not rigid, instead it must be liberally construed. Vick v. Wong, 263 F.R.D. 325, 329 (E.D. Va. 2009). Although the burden of demonstrating good cause lies with the moving party, all doubts are resolved in favor of lifting the default. Tolson v. Hodge, 411 F.2d 123, 130 (4th Cir. 1969). Here, all factors weigh in favor of OLP.

A. OLP has a meritorious defense.

OLP has a meritorious defense. See United States v. Morali, 673 F.2d 725, 727 (4th Cir. 1982); see also Central Operating Co. v. Utility Workers of Am., AFL-CIO, 491 F.2d 245, 252 n.8 (4th Cir. 1974) ("[A] party is not required to establish a meritorious defense by a preponderance of the evidence. The purpose of the motion was only to open the default judgment so that there may be a trial on the merits; he did not seek judgment in his favor"). Here, OLP's defenses include (1) that the complaint fails to state a claim upon which relief can

be granted against OLP, (2) OLP disputes many factual allegations in the complaint, and (3) various affirmative defenses OLP will raise to any cause of action which is or can be properly pled against it.

First, count I of the complaint, which purports to seek a declaratory judgment, fails to state a claim upon which relief can be granted against OLP because Okada fails to allege facts that show there is a real and substantial controversy between him and OLP, (b) that he and OLP have adverse legal interests, or (c) that the controversy is of sufficient immediacy and reality to warrant the issuance of a declaratory judgment. Tyson v. BB&T Corp., 2017 WL 708724 at *4 (E.D. Va. 2007). An actual controversy is present when the dispute is "definite and concrete, touching the legal relations of the parties having adverse legal interests." White v. Nat'l Union Fire Ins. Co., 913 F.2d 165, 167 (4th Cir. 1937). Okada has not alleged what the parties adverse legal interests are, but more importantly he has not alleged what sort of declaration he seeks. Indeed, Okada only alleges that he seeks some unidentified declaration "of [his] rights." (Dkt. 1 ¶¶ 52-54). This does not inform OLP (or the Court) of what declaration is being sought here and does not state a claim upon which relief can be granted.[4]

In count II, Okada alleges a violation of the federal ACPA, which requires a plaintiff to plead and prove that it owns a distinctive trademark and that the defendant, acting with bad faith intent to profit, registers, traffics in, or uses a domain name that is confusingly similar to that mark. 15 U.S.C. §1125(d). First, this count fails to state a claim upon which relief can be granted because Okada does not allege that OLP acted with bad faith intent to profit. (Dkt. 1 ¶¶ 55-58). As explained below, this indeed will be an issue in any ACPA count that survives the pleading stage, as OLP is a good faith purchaser of <olp.cpm> on the open market.

[4] If Okada desires a declaration that he owns the domain name <olp.com>, OLP will dispute his ownership and raise various affirmative defenses as discussed herein.

Second, Okada does not own valid trademark rights in OLP.COM, and never has. Although Okada *alleges* that he has developed common law rights in the mark (Dkt. 1 ¶ 55), as the Court has pointed out, it is unclear "(1) how [the mark is] distinctive, and (2) why the purported use of [the mark] for domain monetization and resale entitles Okada to relief under the ACPA." (Dkt. 17). OLP disputes that the domain name <olp.com> was actually in use *as a trademark* and that Okada's alleged use of it results in valid and protectable trademark rights to satisfy the ACPA. Retail Servs., Inc. v. Freebies Publ'g, 364 F.3d 535, 549 (4th Cir. 2004).

Third, OLP disputes that it acted with a bad faith intent to profit from the use of <olp.com>. Under the ACPA, bad faith intent is tested by considering numerous factors, including: (I) the trademark rights of the defendant, if any, in the domain name, (II) the extent to which the domain name is the legal name of the defendant or a name otherwise commonly used to identify defendant, (III) defendant's prior use of the domain name in connection with bona fide offering of goods or services, (IV) defendant's bona fide noncommercial or fair use of the mark in a site accessible under the domain name; (V) defendant's intent to divert consumers away from mark owner's online location either for commercial gain or with intent to tarnish or disparage the mark, (VI) defendant's offer to transfer, sell or otherwise assign the domain name to the mark owner or a 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, (VII) defendant's intentional failure to maintain accurate contact information, (VIII) defendant's history of registering multiple domain names which are confusingly similar to distinctive and known marks, and (IX) the extent to which the mark incorporated in the defendant's domain name registration is or is not distinctive and famous. 15 U.S.C. 1125(d)(1)(B)(i).

OLP believes it has trademark rights in the name "OLP," indicating good faith under

factor I. Id. OLP registered the domain name <olp.com> for the purpose of using the domain name to promote its loan services under the mark "OLP," which the company has been commonly known as for over 10 years, indicating good faith under factors II, III and V.[5] Id. OLP had no knowledge of Okada's purported ownership of the mark "olp.com" and did not "transfer, sell or otherwise assign the domain name for financial gain" under factor VI. OLP has not profited from the use of <olp.com>, but instead posted a "Coming Soon" notice while it secured the funds to launch its marketing campaign. Thus, all of the factors weigh against a finding of bad faith intent to profit. This too is a defense to an ACPA action.

Finally, also as to the ACPA, OLP will raise at least the affirmative defenses of estoppel-by-laches and abandonment.[6]

A laches defense may apply here because Okada knew <olp.com> was not in his possession at least as early as January 2016 yet unreasonably delayed in taking action until late 2018, which now has prejudiced OLP. Brittingham v. Jenkins, 914 F.2d 447, 456 (4th Cir. 1990). OLP will also seek to prove that Okada abandoned any purported rights in the trademark "OLP.COM" through intentional non-use. 15 U.S.C. § 1127. While common law marks can be entitled to protection under the ACPA, they are only acquired through actual use of the mark. Klumba.UA, LLC v. Klumba.com, 320 F.Supp. 3d 772, 777 (E.D. Va. 2018). Three consecutive years of non-use of a mark is prima facie evidence of abandonment. 15 U.S.C. § 1127. Okada's purported website at <olp.com> resolved to a blank page from at least March 2013 until the purported "taking" in January 2018, which constitutes abandonment of any purported rights in the mark.

[5] OLP changed its corporate name to OLP.COM, Inc. in April 2018. (Artecona dec. ¶ 10).

[6] OLP will not immediately assert an 'unclean hands' defense if it is permitted to respond to the complaint. However, OLP will conduct discovery of this potential defense.

The remaining counts in the complaint also do not state a claim upon which relief can be granted against OLP. Okada does not allege any facts that relate to OLP or its actions in its counts for tortious interference with a contractual relationship, conversion, or violation of the Computer Fraud and Abuse Act, 18 U.S.C. §1030(a)(2)(C). (Dkt. 1, ¶¶ 63-73).

Even if the Court finds that Okada has stated a claim upon which relief can be granted, OLP did not commit theft of or unlawfully take the domain name <olp.com>. OLP is a bona fide purchaser of <olp.com> with no notice of any wrongdoing in the transfer of the domain names and therefore cannot be liable for conversion. Fed. Ins. Co. v. Smith, 144 F.Supp. 2d. 507, 519-20, n.28 (E.D. Va. 2001) aff'd, 63 F.App'x 630 (4th Cir. 2003) (a transferee is not liable for conversion where it takes possession for valuable consideration).[7]

OLP also did not intentionally interfere with Okada's purported contractual rights to the domain name, which is necessary to hold OLP liable for tortious interference with a contractual relationship. Peterson v. Cooley, 142 F.3d 181, 186 (4th Cir. 1998). Indeed, OLP has never even had any knowledge of any contractual right purportedly held by Okada. (Artecona dec. ¶ 34).

Finally, OLP has never accessed a protected computer so as to be liable for a violation of the Computer Fraud and Abuse Act, 18 U.S.C. 1030(a)(2)(C). (Id. ¶ 31). OLP will dispute any allegation that it has done so. OLP will also dispute that Okada's purported property was wrongfully controlled or taken at all and that his computer accounts were accessed without authorization. OLP will seek discovery as to whether Okada simply failed to renew <olp.com>. OLP will also bring at least the affirmative defenses of laches, abandonment, the statute of limitations, and consent to the "taking" of the property.

For these reasons, OLP has a meritorious defense to this action.

[7] OLP is unsure that Virginia law applies to Okada's conversion claim, but if it does, OLP took possession of the domain name for valuable consideration.

B. OLP's failure to respond is excusable and OLP acted reasonably promptly.

OLP's failure to respond to the complaint was not willful and OLP acted with reasonable promptness upon learning of this action. Okada attempted to serve process upon OLP by e-mailing a copy of the complaint to the listed domain name registrant and publishing notice of this action, as the Court directed. (Dkt. Nos. 2, 7-2). Due to OLP's inadvertent error in the domain name registration process, the registrant information was not updated when Okada brought this lawsuit, so the e-mailed complaint never reached OLP. Whether Okada properly served OLP or not, OLP did not have actual notice of this lawsuit.[8] OLP would have timely responded to any lawsuit of which it had actual notice. (Artecona dec. ¶ 33).

Upon attempting to set up the <olp.com> website, OLP became aware of the lawsuit and quickly retained counsel. OLP's actions were not the result of an affirmative decision not to litigate the action. Instead, OLP mistakenly failed to complete the process to update the registrant information for its domain name. OLP believed that it had taken all necessary steps to change the information and was not aware that an additional confirmation was required. (Artecona dec. ¶ 18). OLP therefore overlooked the pertinent confirmation email. (Id.). It did not occur to OLP to check the registrant data through a "whois" search because OLP could update the website, had access to its GoDaddy® account, and its business account information with the registrar was accurate. (Id ¶ 17, exhibit C).

Although case law addressing this precise factual scenario is limited, it can be compared to defendants who inadvertently fail to update registered agent information with their state. Philips & Jordan, Inc. v. AM Dirtworks & Constr., LLC, 2017 WL 7693395 *2 (D. N.D. 2017)

[8] The listed registrant did not forward or provide any actual notice to OLP, and Artecona does not read The Washington Times, where publication was made. (Artecona dec. ¶ 33).

(although defendant was careless it "did not exhibit an intentional disregard of the court and its process); Trout v. Colormatrix Corp., 2013 WL 567315 *3 (D. S.C. 2013) (failure to update the address of registered agent held excusable). In both Philips & Jordan and Trout, the courts found that defendants' failures to respond to the action were excusable where, as here, they did not intentionally conceal their contact information. Philips & Jordan, Inc., 2017 WL at *2-3; Trout, 2013 WL at *3. OLP's failure to respond to the complaint is similarly excusable -- it inadvertently failed to complete the process to update the registrant information, did not have actual notice of this lawsuit, would have timely responded to any lawsuit of which it did have actual notice, and acted expeditiously upon learning of the default. Therefore, this factor too weighs in favor of setting aside the default.

C. Okada will not be prejudiced.

Delay alone does not constitute prejudice to the opposing party nor does requiring a party to prove the merits of their claim. Colleton, 616 F.3d at 419 citing Johnson v. Dayton Elec. Mfg. Co., 140 F.3d 781, 785 (8th Cir. 1998). Here, the clerk entered a default just over four months ago. (Dkt. 9). The Court has required that Plaintiff supplement the record at least thrice, most recently just last week. (Dkt. 13, 15 and 17). No final judgment has been entered. If the default is set aside, the case can proceed to discovery and the course of the proceedings will not be affected. Okada will be required to prove his claim on its merits, but this is not prejudicial to him. As there is no prejudice there, this factor weighs in favor of setting aside the clerk's default.

D. Remaining Factors

There has been no history of dilatory action by OLP. Upon learning of this action, OLP immediately sought out counsel, contacted Okada's lawyers to advise that OLP is the holder in

interest of the <olp.com> domain name, and has filed the instant motion. (Artecona dec. ¶ 26). OLP has no other history of dilatory action. Finally, sanctions do not apply in this case, where an attorney is not responsible for the default. Vick, 263 F.R.D. at 331 (monetary or alternative sanctions alternative sanctions would not be effective and therefore that the factor weighed in favor of setting aside the default.)

These factors also weigh in favor of setting of the clerk's default.

III. Conclusion.

For the above-referenced reasons, OLP requests that this Court enter an order setting aside the clerk's default of November 27, 2018 and allowing OLP five business days to respond the complaint.

Dated this 12th day of April, 2019.

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on this 12th day of April, 2019, I have electronically filed the foregoing document with the Clerk of Court by using the CM/ECF, which will send notice to:

Jonathan Westreich, Esq.
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Stevan Lieberman, Esq.
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/s/William J. Utermohlen_____