

Yuga Labs awarded over \$1.5 million in ‘Bored Ape’ NFT dispute

Karin Segall

Leason Ellis LLP

17 November 2023



UNITED STATES OF AMERICA

Legal updates: case law analysis and intelligence

- The case involved Yuga’s ‘Bored Ape Yacht Club’ NFT collection and alleged infringement of the associated marks by the defendants
- The court found that a disgorgement of profits was appropriate under the “totality of the circumstances”
- The court awarded the maximum statutory damages for cybersquatting based on the defendants’ “wilful and egregious” conduct

In [Yuga Labs Inc v Ripps](#) (Central District of California, 25 October 2023), a bench trial as to only the relief to which the plaintiffs were entitled, the court awarded disgorgement of the defendants’ profits for false designation of origin and maximum statutory damages for cybersquatting.

Background

The underlying case involved Yuga’s ‘Bored Ape Yacht Club’ (‘BAYC’) non-fungible token (NFT) collection and alleged infringement of the associated trademarks by the defendants’ use of ‘Ryder Ripps Bored Ape Yacht Club’ (‘RR/BAYC’) and the ‘Ape Collection’. The RR/BAYC NFT collection pointed to the same online digital images as the BAYC collection. The defendants contended that this was “appropriation art” intended to expose offensive messages in Yuga’s NFTs.

On summary judgment, Yuga’s unregistered trademarks were found valid and protectible, regardless of their being used for virtual goods. The court also concluded that there was a likelihood of confusion based on the defendants’ use of similar marks pointing to the same images. The defendants’ First Amendment defence was rejected because the defendants’ “art” added no expressive content by pointing to the same exact images. A fair use defence was also rejected because the defendants were selling competing NFTs.

The cybersquatting claim related to the defendants' domain names 'rrbays.com' and 'apemarket.com'. These were held to be identical and confusingly similar to Yuga's trademarks and were being used in bad faith, entitling Yuga to summary judgment.

After winning summary judgment on these two claims, Yuga voluntarily dismissed its other claims and narrowed the issues remaining for trial by seeking only equitable relief, namely:

1. the defendants' profits from infringing Yuga's marks;
2. statutory damages for cybersquatting;
3. injunctive relief; and
4. attorneys' fees.

In so doing, the case could be decided by the judge rather than a jury.

Decision

The court determined that a disgorgement of profits was appropriate under the "totality of the circumstances". Such awards are meant to compensate, not penalise, and are therefore considered equitable relief not triggering the right to a jury trial. The court invoked [Romag Fasteners v Fossil](#) (Supreme Court, 2020) in noting that wilfulness is not required, but that a defendant's state of mind is still a highly important consideration. From there, the court concluded that the defendants' use of Yuga's marks was intentional and with the expectation of profiting from that use. No credit was given to the defendants' claims that their use was parody or criticism of Yuga's NFT's. Thus, disgorgement of profits of \$1.38 million would be "fair" so that the defendants would not profit from their infringement while, at the same time, Yuga would not receive a windfall. The amount was determined based on statements from an economics expert. The defendants offered no evidence that their profits were attributable to something other than their infringing activities. The only deductions were for royalties paid to non-defendants.

The plaintiffs elected statutory damages for their cybersquatting claim, which are not less than \$1,000 and not more than \$100,000 per domain name "as the court considers just". Based on the defendants' "wilful and egregious" conduct, the court awarded the maximum - that is, \$200,000 in total for the two domain names. The court reiterated that there was no right to a jury to calculate the amount of statutory damages for cybersquatting, invoking Ninth Circuit precedent.

The court permanently enjoined the defendants from using Yuga's BAYC marks, including the infringing marks in suit, and to transfer control of the disputed domain names and related social media accounts to Yuga. Additionally, the defendants were required to transfer the RR/BAYC NFT "smart contract" (which authenticates such digital products) so that the defendants would be in fact prevented from further infringement, rather than relying on compliance with the injunction.

Finally, the court awarded attorneys' fees and costs to Yuga based on this being an "exceptional case".

Comment

Through a strategy of summary judgment, narrowing of claims and election of equitable remedies, Yuga pursued an efficient path to victory.

Karin Segall

Author | Partner

segall@LeasonEllis.com

Leason Ellis LLP