

.nz Dispute Resolution Service

DRS Reference: 188

Kiwispy Limited v Richard Gustin trading as Everlast

Key words –

1. Parties

Complainant:

Mr Craig Mitchell
Kiwispy Limited
c/o Watershed Accountants
4th Floor NZI Building
11 Garden Place
Hamilton

Respondent:

Mr Richard Gustin
Everlast
38 Pinelands Street
Longanlea
Queensland
Australia

2. Domain Name/s

kiwispy.co.nz (“the Domain Name”)

3. Procedural history

The Complaint was lodged on 20/02/07 and InternetNZ, through the Office of the Domain Name Commissioner, notified the Respondent of the validated Complaint on 23/02/2007. The domain/s were locked on 7/12/2006, preventing any changes to the record until the conclusion of these proceedings.

There was no response filed by the Respondent.

The Complainant paid InternetNZ the appropriate fee on 16/03/2007 for a decision of an Expert, pursuant Paragraph 9 of the InternetNZ Dispute Resolution Service Policy (“the Policy”).

Hon Barry Paterson QC, the undersigned, (“the Expert”) confirmed to InternetNZ on 20/03/2007 that he knew of no reason why he could not properly accept the invitation to act as expert in this case and that he knew of no matters which ought to be drawn to the attention of the parties, which might appear to call into question his independence and/or impartiality.

On considering the Complaint, the Expert noted a possible difficulty in the procedural history. It is that the Domain Name was registered on 17 July 2006 approximately six weeks before the Complainant was incorporated. The Complainant could thus have not attained any rights to the Domain Name on 17 July 2006. The Complainant therefore has no standing to bring this Complaint unless the Complainant can establish that it has subsequently acquired any rights which OzSpy may have to the Domain Name.

In an effort to clarify the position, the Expert requested under paragraph B 12.1 of the Policy further statements or documents from the Complainant.

The Complainant has responded to the request but unfortunately has not addressed the two particular legal issues noted in the request.

4. Factual background

The Complainant, a wholly owned subsidiary of OzSpy Pty Limited (OzSpy), was incorporated in New Zealand on 1 September 2006.

OzSpy operates an Australian security chain which with the assistance of the Australian government established a branch in New Zealand under the name Kiwispy. It appointed a master franchisee who has the right to grant franchise rights for a chain of Kiwispy outlets in New Zealand.

OzSpy employed Richard Gustin in Queensland under an employment contract which commenced on 6 January 2006 and was due to terminate on 5 October 2006. The written employment contract contained a term headed "Employees' Loyalty to Employer's Interest" which required Mr Gustin to devote all his time, attention, knowledge and skills solely and exclusively to the business and interests of OzSpy. He expressly agreed that during the term he would "not be interested directly or indirectly, in any form, fashion or manner ... in any other business similar" to OzSpy's business.

Mr Mitchell, the Manager of OzSpy, applied to the Registrar of Companies to reserve the name Kiwispy Limited for incorporation of a company. The Registrar gave his approval in a letter dated 13 July 2006.

Mr Mitchell then gave Mr Gustin his credit card and instructed him to register the Domain Name in the name of OzSpy. In an email dated 17 July 2006, Mr Gustin advised Mr Mitchell that he had registered the Domain Name for two years at a cost of \$66 per two years. He had used the credit card to do so. He stated "it will be delegated to us tomorrow morning".

Shortly after Mr Gustin registered the Domain Name, OzSpy complained that he was stealing from it and he left the employment of OzSpy. The Queensland police are involved.

After Mr Gustin had left the employment of OzSpy, it was discovered that the Domain Name had been registered in the name of "Everlast Internet Solutions,

Richard, Gustin". Other domain names belonging to OzSpy had also been transferred to Mr Gustin.

OzSpy has produced searches which indicate that it is unlikely that there is a business, trade mark or company known as Everlast Internet Solutions in Australia.

5. Parties' contentions

(a) Complainant

The Complainant in effect alleges that the Respondent has misappropriated its right to the Domain Name without legal right. The Respondent as employee was instructed to acquire the Domain Name in the name of the Complainant. Contrary to those instructions he paid for the cost of acquiring the Domain Name by using OzSpy's director's credit card and had the Domain Name registered in the name of Everlast.

(b) Respondent

The Respondent has not filed a response.

6. Discussion and findings

The Complainant is required to prove:

- (a) It has Rights in respect of the name or mark which is identical or similar to the Domain Name; and
- (b) The Domain Name, in the hands of the Respondent, is an Unfair Registration.

The Rights

If the Complaint had been made in the name of OzSpy Pty Limited, the position would have been straightforward. The Expert is satisfied on the evidence produced that Mr Gustin "misappropriated" the Domain Name. Under the terms of his employment contract he was obliged to show loyalty and good faith to OzSpy. He was clearly in breach of this obligation when he "misappropriated" the Domain Name by having it registered in the name of Everlast Internet Solutions Richard Gustin. His obligation was to have it registered in the name of OzSpy. He conceded his misappropriation by reporting as he did in his email of 17 July 2006. The Complainant having misappropriated the Domain Name held it as a trustee under a constructive trust for OzSpy.

As OzSpy has not applied to be joined as a complainant, the issue is whether the Complainant can establish that it has standing. It has to establish that it has a Right in the Domain Name. Rights as defined in the Policy "includes, but is not limited to, rights enforceable under New Zealand law". The Right which OzSpy would have to seek in equity is a transfer of the Domain Name to it, would in the Expert's view fall within the definition of Rights. OzSpy was the beneficiary of the constructive trust.

OzSpy was obtaining the Domain Name for the benefit of the Complainant which it proposed to have incorporated as a wholly owned subsidiary and in respect of which it already held name approval. It is clear from the documents now produced that the Domain Name was being acquired for the benefit of the Complainant when incorporated. While OzSpy was to be the initial holder of the Domain Name, it was the intention to hold the same for the Complainant.

The Expert is satisfied that there has been an equitable assignment of a chose in action from OzSpy Pty Limited to the Complainant. OzSpy intended to acquire the Domain Name for the Complainant and by its action in pursuing the Complaint through the Complainant rather than itself has in equity assigned its Rights to the Complainant.

Alternatively, the Complainant arguably has a right under s 4 of the Contracts (Privity) Act 1982 to enforce the right to seek equitable relief against the Respondent. For these reasons, the Expert is satisfied that the Complainant does have Rights in respect of the name or mark which is identical or similar to the Domain Name. The name Kiwisky is used in trade by the Complainant and its master franchisee and the franchise holders.

Unfair Registration

An Unfair Registration is defined in the Policy as including “a Domain Name which ... was registered or otherwise acquired in a manner which, at the time when the registration or acquisition took place, took unfair advantage of or was unfairly detrimental to the Complainant’s Rights”.

The evidence establishes that Mr Gustin, in breach of his contractual obligations to OzSpy, registered the Domain Name in the name of “an entity” in which he was personally interested. He was in breach of his duty of good faith to his employer. He took “unfair advantage” of OzSpy and the registration “was unfairly detrimental” to the Complainant’s rights.

In summary, he breached a legal duty to OzSpy, which if he had complied with, would have seen OzSpy the registered holder of the Domain Name, which, in due course, would have been transferred to the Complainant.

It is the view of the Expert that there was in this case an Unfair Registration.

7. Decision

The Complainant has satisfied the Expert to the required standard of the balance of probabilities that:

- (a) The Complainant has Rights in respect of the name or mark which is similar to the Domain Name; and
- (b) The Domain Name, in the hands of the Respondent, is an Unfair Registration.

The appropriate remedy in the circumstances is an order to transfer the Domain Name from the Respondent to the Complainant and there is an order accordingly.

Place of decision Auckland
Date 11th April 2007
Expert Name Hon Barry Paterson QC

Signature