

## **.nz Dispute Resolution Service**

**DRS Reference: 646**

### **Sam Khulusi v AdNet.co.nz Limited**

Key words – Rights – identical – similar – generic - remedies

#### **1. Parties**

Complainant:

Mr Sam Khulusi

2555 W. 190th Street

Torrance, CA 90504

United States

New Zealand

Represented by: Mr Kim McLeod

Respondent:

AdNet.co.nz Limited

C/o Ingham Mora Limited

2nd Floor, Realty House

60 Durham Street

Tauranga

New Zealand

Represented by:

#### **2. Domain Name/s**

onsale.co.nz ("the Domain Name")

#### **3. Procedural history**

The Complaint was lodged on 11/04/2011, and the Domain Name registration was locked on 12/04/2011, preventing any changes to the record until the conclusion of these proceedings. Domain Name Commission Limited (DNC) notified the Respondent of the validated Complaint on 15/04/2011.

On 16 April 2011, Mr Paul Vincent of the Respondent sent an email to DNC stating:

*"This is not a case for the DRS – it is regarding a supposed disagreement in a purchase arrangement. Please escalate internally, I'm not sure why you are dealing with this."*

On 17 April 2011, DNC replied to Mr Vincent advising:

*"This is a dispute over who should be the registrant of a .nz domain name, and therefore it has correctly come through the .nz Dispute Resolution*

Service. You are able to make your response to the dispute through the response form at <http://dnc.org.nz/response>.

*As you will recall from previous disputes, the Domain Name Commission is not involved in the decision as to who should become the registrant – we simply process the dispute, following the .nz Dispute Resolution Service policy. A copy of that policy was included with the hard copy of the complaint which was mailed to you on Friday afternoon.”*

No further communication was received from the Respondent until 7 May 2011, being 2 days before the last date for filing a Response stated in the notification of the Complaint to the Respondent. On 7 May 2011, Mr Vincent sent an email to DNC stating:

*“This domain has been transferred – please check the Whois and release the lock on the domain. It is in the new owner’s control.”*

On May 9, 2011, DNC advised the Complainant’s representative of the Respondent’s advice that he had attempted to transfer the Domain Name to the Complainant. DNC explained that the Respondent had not been able to do that because of the lock it had placed on the Domain Name, and enquired if there had been any pre-mediation contact between the parties with regard to the transfer of the /Domain Name to the Complainant.

By email dated 9 May, 2011, the Complainant’s representative advised that the Respondent and the Complainant had each posted messages on the message system at the Sedo.com website, but that no agreement had been reached on a method by which the purchase price would be paid and the Domain Name transferred to the Complainant. The Complainant’s representative advised DNC that the Complainant remained willing to pay the agreed sum to the Respondent for the Domain Name, once the Domain Name had been transferred to the Complainant.

DNC then advised Mr Vincent that he should contact the Complainant’s representative to try to arrange a transfer of the Domain Name.

By 11 May 2011 DNC had not received any notification under paragraph B18.1 of the Policy that the parties had reached a settlement. Accordingly, it advised the parties on that date that, as the Respondent had not filed a Response, the dispute would be referred to an independent expert for a decision.

The Complainant paid DNC the appropriate fee on 12/05/2011 for a decision of an Expert, pursuant to Paragraph 9 of the .nz Dispute Resolution Service Policy (“the Policy”).

Mr Warwick Smith, the undersigned, (“the Expert”) confirmed to the DNC on 19/05/2011 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. The Expert was appointed by DNC on 20 May, 2011.

By Procedural Direction No. 1 dated 30 May 2011, the Expert requested a further submission from the Complainant, addressing two specific issues raised by the Expert. The Complainant was requested to provide the further statement by 3 June 2011. That date was subsequently extended to 7 June, 2011. The Complainant duly submitted a further statement on that date.

The Respondent was given 5 days in which to file a Response to the Complainant's further statement. The Respondent did that, on time, on 14 June, 2011.

By further procedural order made on 15 June 2011, the Expert invited the Complainant to file a Reply, limited to matters raised in the Response which had not been dealt with in the Complaint or in the Complainant's further submission made on 7 June 2011. The Complainant duly submitted its Reply, in time, on 22 June 2011.

The time for the Expert to give his decision in the case was extended by procedural directions made on 30 May, 3 June 2011, and 15 June 2011. The last of those directions extended the time for the Expert's decision to 27 June, 2011.

#### **4. Factual background**

##### *The Contract to Purchase the Domain Name*

On 16 February 2011, the Complainant agreed to purchase the Domain Name from the Respondent. The contract was made through the online facility at [www.sedo.com](http://www.sedo.com) ("Sedo"). The purchase price was USD1,750.

The contract was made on the Sedo standard terms for the sale and purchase of a domain name. Under a section in these terms headed "Warranty and Liability", the Respondent guaranteed that it had good title to the Domain Name. Otherwise, warranties on the part of the seller for legal defects (other than those maliciously concealed by the seller) were excluded. This section of the standard form contract also contained the following:

*"(c) Otherwise, the Seller shall be liable only for damages which are based upon intentional wrongdoing or gross negligence upon the part of the Seller, his/her legal representatives or vicarious agents. This shall not apply for damages due to loss of life, bodily injury or damage to health, in the event of the provision of express guarantees by the Seller as well as for the violation of essential contractual obligations."*

The contract recorded the parties' agreement that the technical aspects of transferring the Domain Name and paying the purchase price would be processed via Sedo's German subsidiary company in Cologne, and/or by Sedo LLC of Cambridge, Massachusetts. If a party to a purchase agreement was a customer of Sedo LLC, the Transfer Terms and Conditions of that company were said to apply. The Expert was not informed of any additional terms or conditions which may have been imported into the contract by this provision.

The contract required the parties to provide the necessary co-operation in order to successfully complete the transaction, and in the event of a violation, Sedo GmbH (but apparently not Sedo LLC) had the right to abort the transfer and demand the commission from the party who had violated his or her obligation to co-operate.

Payment under the contract was to be remitted to Sedo within 5 business days from the creation of a payment request.

Under a clause headed "Applicable Law", the contract provided:

*"Provided that the Seller and the Buyer can agree upon this, the contractual relationship between them shall be subject to the law of Massachusetts, USA."*

The website at [www.sedo.com](http://www.sedo.com) provided a facility described as "Sedo Transfer Centre" at which the parties could monitor the progress of their transaction, and transmit and receive messages to and from Sedo staff. The Complainant produced a Sedo Transfer Centre screenshot showing that a "payment request" was made to it on 16 February 2011. A section of this form headed "Current Status" stated: "Purchase agreement reached. Transfer in progress." Under the heading "Latest Update" the form stated: "Escrow payment received".

With its supplementary submission, the Complainant produced copies of various communications between it and Sedo, made through the Sedo Transfer Centre, in the period between 16 February 2011 and 30 March 2011. An item posted by Sedo on 21 February 2011 noted that Sedo had not at that stage received the Complainant's payment for the Domain Name. The Complainant was asked to pay the balance within the next 5 days. A Sedo Transfer Centre entry dated 23 February 2011 showed that payment was duly received in the Sedo escrow account on that date.

Thereafter, it appears that a number of difficulties were encountered in effecting a transfer of the Domain Name from the Respondent to the Complainant. The Complainant initially wanted the transaction effected through EuroDNS, and he provided Sedo with his account ID with EuroDNS, and asked Sedo to initiate the transfer. Sedo replied on 24 February 2011 that it could not initiate the transfer, and that the Complainant should ask EuroDNS to initiate a transfer request for the Domain Name. Sedo said that it would then contact the Seller, and have

the Seller approve the transfer at its end. Apparently as an alternative, Sedo suggested on 1 March 2011 that the easiest way to effect the transfer would be for the Complainant to create an account at [www.discountdomains.co.nz](http://www.discountdomains.co.nz), and then provide Sedo with his account ID at that website.

The Complainant's difficulties continued. There were problems over the need for additional paperwork to go with the "authorization code", and the Complainant had difficulty establishing an account at DiscountDomains. However, that process was eventually completed, and on 11 March 2011 the Complainant forwarded to Sedo its DiscountDomains customer number and asked Sedo to proceed with the transfer.

On 21 March 2011, the Complainant repeated its advice that it had opened the account at DiscountDomains as requested, and it again advised its DiscountDomains customer number. It asked Sedo what was happening with the transfer.

Sedo responded the same day, saying that the seller had not gotten back to it regarding the completion of the transaction. Sedo said that it would follow up with the Respondent once more.

When nothing had happened by 25 March 2011, the Complainant again contacted Sedo, asking it to contact the Respondent and have the transfer initiated ASAP. On 25 March 2011, Sedo responded as follows:

*"We have contacted the seller on numerous occasions regarding the push [a reference to the steps necessary to effect the transfer], but will follow up again with him today. Thank you."*

No further progress was made, and on 29 March 2011 the Complainant contacted Sedo asking for the seller's contact information. Sedo replied that it would ask the Respondent to "push" the Domain Name again, but that if the Respondent did not reply to Sedo's requests, the transfer "will have to be cancelled, and your payment refunded to you".

The Complainant responded to Sedo on 30 March 2011 saying: "Please do not cancel until I give the order."

#### *The Respondent's Contact Details*

In its Complaint, the Complainant alleged that the Respondent had given incorrect contact details for the Domain Name. The Complainant contended that the contact address and telephone numbers provided in the Whois particulars are from Toronto, Canada, whereas the Respondent is a New Zealand-registered company. The Respondent's rejoinder was that he currently *is* in Canada, and that the company name, email, and phone number are the correct contact details. The Respondent went on to say that those contact details were "temporary (originally planned for less than 24 hours) as the domain had been

moved to another Registrar that performs online ownership transfers – this is the fastest way to transfer domains to overseas buyers”.

The Complainant produced a schedule showing that the Respondent is the owner of a large number of domain names, all of which are advertised for lease or sale. The Respondent did not deny that in its statement in response.

#### *The Respondent and the Domain Name*

The Domain Name was registered on 19 June 2001. In its statement in response, the Respondent stated that it was the party who registered the Domain Name on that date.

The Respondent stated that it is operating a live website at the Domain Name (“the Respondent’s website”), with paid advertising contents to sale-related shopping sites, both in New Zealand and globally. The Respondent’s website was also said to include a search engine.

The Respondent said that in the period of 5 days immediately following the making of the agreement, “the broker” (presumably a reference to Sedo) contacted it “multiple times”, apologising that it had not had a response from the Complainant after asking for payment “multiple times”.

The Respondent went on to say that it often has buyers who make offers to temporarily secure a domain name while they are looking for another one, and then fail to pay. It said that its agreement with the Complainant was on the basis of “immediate” payment of the purchase price, “but at least within the 5 day period from the 15 Feb date. Beyond that date we were not willing to sell at this price as we no longer required those funds.” The Respondent stated that it had received no advice from the broker that the Complainant’s payment would be late – it was told that there was simply no response to multiple follow-ups for payment.

The Respondent went on to say in its statement in response that “given that the agreement was void, the broker was instructed by phone to return the funds in escrow ... to the Complainant.” The Respondent did not provide any email or other document recording that communication.

The Respondent alleged that soon after it gave that instruction, Mr Vincent began receiving threatening phone calls from the Complainant, between 2am and 4am. That was said to have occurred on three occasions, and the Respondent said that the calls “eliminated any chance of my company doing business with them”.

The Respondent also stated that, before its Response was due in this proceeding, it contacted the Complainant’s representative stating that, if the Complaint were withdrawn and the Domain Name unlocked, it would transfer the Domain Name to the Complainant immediately (thereby continuing with the transaction even though the Respondent did not

believe that it was legally required to do so). The Respondent contended that it had no response from the Complainant's representative.

With its statement in response, the Respondent produced an extract from Sedo's Transfer Center which contained the date "Feb/15/11" for the purchase and sales agreement. This document appears to be generally in the same form as the document entitled "Transfer Overview for onsale.co.nz" produced by the Complainant with the Complaint, except that the version produced by the Respondent shows the word "Center", i.e., in the American spelling.

## **5. Parties' contentions**

### **a. Complainant**

In his Complaint, the Complainant relied on alleged Rights arising out of its contract to purchase the Domain Name from the Respondent, and his payment of the purchase price into the Sedo escrow account. The Complainant contended that the continued registration of the Domain Name in the name of the Respondent was an Unfair Registration, as the Respondent was contractually bound to transfer the Domain Name to the Complainant but was refusing or neglecting to do so. The Complainant said that he remained willing and able to pay the purchase price to the Respondent once the Domain Name had been transferred to him. He contended that the continued registration of the Domain Name in the name of the Respondent was impacting on his ability to obtain ownership of, and use of, the Domain Name.

In his Supplementary Submission, made in response to the Expert's Procedural Direction No. 1, the Complainant contended that the Policy can be used in relation to a purely contractual claim, such a claim not being excluded by the definition of "Rights" in the Policy. He contended that having a contractual right to ownership of the Domain Name also gave him "rights in the brand consisting of the domain name". The Complainant argued that it is important to distinguish between the ownership of the Domain Name, and rights arising from that ownership. For example, being the owner of the Domain Name would give the Complainant a proprietary right sufficient to sustain a trademark application in New Zealand, and possibly elsewhere (for example, for the trademark "onsale.co.nz"). It would also give the Complainant the right to start using the Domain Name, which in itself would start generating common law rights arising from such usage.

The Complainant sought to distinguish the decision of the appeal panel in the Nominet UK case, *David Munro v Celtic.com Inc.* (Nominet UK DRS Case No. 04632), to which the Expert had referred in his Procedural Order No. 1. First, the Complainant contended that the appeal panel in *David Munro* failed to take into account the other

“Rights” which the Complainant asserts in this case. Secondly, the Complainant argued that it is not disputed in this case that there is an enforceable contract between the parties (because the Respondent did not put that it in issue by filing a formal Response).

The Complainant referred to the Nominet UK decision in *longlife.co.uk* (Nominet UK Case No. 1863), in which a Nominet UK expert held that a contractual entitlement to the relevant disputed domain name created qualifying “rights “under the Nominet UK Policy.

On the topic of Unfair Registration, the Complainant again referred to the Respondent’s failure to respond to the original Complaint. He argued that the Respondent was in breach of contract in refusing to complete the transfer, and that, as in the *longlife.co.uk* case, that breach of contract is sufficient for the Expert to hold that the Domain Name registration, in the hands of the Respondent, is likely to be used in a manner which takes unfair advantage of, or is unfairly detrimental to, the Complainant’s Rights. The Complainant contended that the ongoing maintenance of the Domain Name registration in the name of the Respondent qualified as a “use” of the Domain Name for the purposes of the Policy.

In addition, the Complainant contended that the Respondent’s continued advertising and offers to sell the Domain Name have amounted to a “use” of the Domain Name by the Respondent, which use has taken unfair advantage of the Complainant’s Rights, or has been unfairly detrimental to those Rights: the Respondent may still seek to sell the Domain Name to another entity, thereby denying the Complainant the right to use the Domain Name.

The Complainant raised certain other matters in its statement in response to Procedural Order No. 1, including expanded allegations relating to the allegedly incorrect contact details provided to the Registrar by the Respondent. The Complainant also stated that, in filing the Complaint, he relied in good faith on a representation from DNC that a complaint may be pursued in situations where a complainant has a contractual claim to a disputed domain name.

More generally, the Complainant contended that at no time had the contract for the sale and purchase of the Domain Name been avoided by the Respondent.

## **b. Respondent**

The Respondent contended as follows:

- (i) The Complainant has never operated in New Zealand, has no New Zealand trademark or brand recognition in New Zealand,

and no claim to any intellectual property rights in the word “onsale”.

- (ii) The Complainant failed to pay the purchase price for the Domain Name within five business days. That period would have expired at midnight on 21 February 2011. No payment was received into the Sedo escrow account until 23 February 2011.
- (iii) The Complainant made no response to multiple follow-up requests from Sedo for payment.
- (iv) Given that the agreement had become void, Sedo was instructed by the Respondent to return the funds in escrow to the Complainant.
- (v) The registration details in the Whois particulars for the Domain Name provide the correct Canadian address for the Respondent.
- (vi) The Complainant has failed to supply any evidence in response to the Expert’s Procedural Order No. 1, apart from relying on a void agreement and stating that, because the Domain Name is still listed for sale by the Respondent, that is somehow an example of “use” of the Domain Name. The Domain Name can not be sold during the present proceeding, and it has been removed from sale on the Respondent’s website until the proceeding has been resolved.
- (vii) The Respondent received no response from the Complainant’s lawyer to what was a generous offer to resolve the Complaint. (The Respondent had finally given in to the Complainant’s aggressive demands, on the basis that the Respondent would be able to move on immediately and not go through a long and drawn out dispute process which would cost further money.) Given that the Respondent’s very generous offer was ignored, and the original agreement is void, the Respondent requests that the Expert reject the Complaint, so that the USD1,750 still in escrow can be returned to the Complainant.
- (viii) The Complainant cannot rely on the Respondent’s failure to file a Response in answer to the original Complaint. The failure to respond does not prove that the Respondent did not deny the allegations made by the Complainant, and the Complainant knew why no response had been filed.

## 6. Discussion and findings

### A. *Procedural Issue – Allowing the Respondent to file a Statement in Response*

In New Zealand DRS Case No. 341 (*eluggage v CRW Group Ltd*) this Expert noted:

*“In the Expert’s view, a simple contractual or trust-based claim to have a disputed domain name transferred to the complainant is not enough on its own – the complainant must prove that it has “Rights” in some name or mark which is distinct from the disputed domain name itself. That is clear from paragraph 4.1 of the Policy, which makes it clear that the complainant must have Rights in respect of a name or mark which is “identical or similar” to the disputed domain name.”*

The present case appeared to the Expert to raise precisely the same issue, and the Expert’s preliminary view was that the Complaint should be dismissed for failure to establish a Right in any relevant name or mark. However, the Expert had not had the benefit of legal submissions from the parties in the *eluggage* case, and he subsequently noted a Nominet UK appeal panel decision on the point (*David Munro*) which appeared to suggest that the position on this point might not be as clear as the Expert had taken it to be in the *eluggage* case. Accordingly, the Expert thought it appropriate to ask the Complainant to provide a further statement on the point.

The Respondent had not filed any formal Response, but as the Complainant was being given the opportunity to clarify its Complaint, the Expert determined that procedural fairness required that the Respondent should be permitted to file a Statement in Response.

A further consideration in allowing the Respondent to submit a Statement in Response was that the Expert noted that, in his very first email to DNC, Mr Vincent of the Respondent appeared to raise the very issue which is highlighted in the passage from the *eluggage* case quoted above. Mr Vincent said *“This is not a case for the DRS – it is regarding a supposed disagreement in a purchase arrangement.... I am not sure why you are dealing with this.”*

DNC replied to Mr Vincent on 17 April 2011, saying: *“This is a dispute over who should be the registrant of a .nz domain name, and therefore it has correctly come through the .nz Dispute Resolution Service....”* While that statement from DNC may have been true as far as it went, and the Expert has no doubt that it was made in a good faith effort to help Mr Vincent understand the relevant procedure under the Policy, the Expert had some concern that the statement might have been misread by Mr Vincent as advice from DNC that he could not successfully argue that a claim based solely on an alleged contractual right was outside the scope of the Policy.

Whether or not Mr Vincent was labouring under any such misapprehension (and if he was, whether that misapprehension played a part in the

Respondent's decision not to file a formal Response), the Expert does not know. But the possibility of such a misapprehension, coupled with the fact that the Respondent *did* raise, in time, if informally, what the Expert considered to be a substantial argument in opposition to the Complaint, confirmed the Expert's view that procedural fairness required that the Respondent be allowed to file a Statement in Response.

## **B. Relevant Provisions of the Policy**

The Policy applies to Respondents when a Complainant asserts that:

- “(i) *The Complainant has Rights in respect of a name or mark which is identical or similar to the Domain Name; and*
- “(ii) *The Domain Name, in the hands of the Respondent, is an Unfair Registration.*” (Policy, paragraph 4.1)

The Complainant is required to prove on the balance of probabilities that both elements are present (Policy, paragraph 4.2).

The expressions “Rights” and “Unfair Registration”, are both defined in paragraph 3 of the Policy.

The expression “Rights” includes, but is not limited to, rights enforceable under New Zealand law. However a complainant may not rely on rights in a name or term which is wholly descriptive of the complainant's business.

The expression “Unfair Registration” means a Domain Name which either:

- “(i) 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; OR
- “(ii) has been, or is likely to be, used in a manner which took unfair advantage of or was unfairly detrimental to the Complainant's Rights.”

At paragraph 5.1, the Policy contains a non-exhaustive list of factors which may be evidence that a domain name is an “Unfair Registration”. The list includes the following:

*“5.1.1 Circumstances indicating that the Respondent has registered or otherwise acquired the Domain Name primarily:*

- (a) for the purposes of selling, renting or otherwise transferring the Domain Name to the Complainant or to a competitor of the Complainant, for valuable consideration in excess of the Respondent's documented out-of-pocket*

*costs directly associated with acquiring or using the Domain Name;*

- (b) as a blocking registration against a name or mark in which the Complainant has Rights; or*
- (c) for the purpose of unfairly disrupting the business of the Complainant; or*

*5.1.2 Circumstances demonstrating that the Respondent is using the Domain Name in a way which is likely to confuse, mislead or deceive people or businesses into believing that the Domain Name is registered to, operated or authorised by, or otherwise connected with the Complainant. ...”*

*5.1.4 [Where] the Complainant can demonstrate that the Respondent has knowingly given false contact details to a Registrar and/or to the D.N.C., or ...*

*5.1.5 [Where] the Domain Name was registered arising out of a relationship between the Complainant and the Respondent, and the circumstances indicate that it was intended by both the Complainant and the Respondent that the Complainant would be entered in the Register as the Registrant of the Domain Name.”*

Paragraph 6.1 of the Policy sets out a list of factors which may be evidence that the Domain Name is *not* an Unfair Registration. This list, which is again non-exhaustive, contains the following:

*“6.1.1 Before being aware of the Complainant’s cause for complaint (not necessarily the Complaint itself), the Respondent has:*

- (a) used or made demonstrable preparations to use the Domain Name or a Domain Name which is similar to the Domain Name in connection with a genuine offering of goods or services;*
- (b) been commonly known by the name or legitimately connected with a mark which is identical or similar to the Domain Name;*
- (c) made legitimate non-commercial or fair use of the Domain Name; or*

*6.1.2 The Domain Name is generic or descriptive and the Respondent is making fair use of it in a way which is consistent with its generic or descriptive character;*

6.1.3 *In relation to paragraph 5.1.5; that the Registrant's holding of the Domain Name is consistent with an express term of a written agreement entered into by the Parties ....*"

**C. Does the Complainant have enforceable rights in respect of a relevant name or mark in this Case?**

In the *eluggage* case, the Expert took the view that a contractual right to acquire a disputed domain name under an agreement to buy that domain name, did *not*, without more, qualify as a "Right" for the purposes of the Policy. The main factor which led the Expert to that view was that paragraph 4.1.1 of the Policy appeared to contemplate two separate things: the disputed domain name on the one hand, and a name or mark (in which the complainant had Rights) on the other. (It seemed to the Expert that "identical or similar" implied that a comparison was required, and to make a comparison, one ordinarily had to have two or more separate things which could be compared with each other. If the complainant's right was simply a right in respect of the disputed domain name itself, there would be only one thing.)

Looking beyond paragraph 4.1.1, none of the factors set out at paragraph 5 of the Policy (factors which may be evidence that the Domain Name is an Unfair Registration) appear to apply in a situation where the complainant's claim is based on a bare contractual entitlement to a transfer of the disputed domain name. The "Unfair Registration" factors described at paragraphs 5.1.1 and 5.1.5 of the Policy cannot have any relevance – both address the situation at the time when the respondent registered the disputed domain name, and a complainant relying only on a right to acquire the disputed domain name under a subsequent contract to buy it from the respondent could not have had any "Right" at that time.

Nor can paragraph 5.1.3 or paragraph 5.1.4 have any relevance. There is no allegation of any pattern of registrations in this case (paragraph 5.1.3), and it is difficult to see how the fact that a respondent has provided the Registrar with false registration particulars could ever, on its own, amount to a "taking unfair advantage of", or constitute an "unfair detriment" to, a complainant's bare contractual right to have the relevant domain name transferred to it. (It seems to the Expert that the paragraph 5.1.4 circumstance is in most cases no more than a circumstance which may (depending on other facts) *contribute* to a finding of Unfair Registration.)

Nor does paragraph 5.1.2 appear to be capable of being applied in circumstances where the complainant's only claim is that it has (or had) a contractual entitlement to have the disputed domain name transferred to it. Any ongoing confusing, misleading, or deceptive use of a disputed domain name by a respondent would not normally be expected to have any effect on the *contractual right to acquire* that domain name, especially where the domain name consisted of a generic English expression in which the complainant had not shown that it had any pre-existing goodwill or reputation.

A lesser point relates to the definition of the expression “Rights”. On its face, the definition is very broad. However, it does not include rights “in a name or term which is wholly descriptive of the Complainant’s business”. If the intention was that a bare contractual right to acquire a disputed domain name would qualify under the Policy as a “Right”, why should the “wholly descriptive” exception apply to that kind of “Right”? A complainant’s contractual right to acquire a disputed domain name is no less valid or enforceable because the domain name in question happens to be descriptive of the complainant’s business. It is not a decisive point on its own, but to this Expert the exclusion in the definition of “Rights” appears to be at least consistent with the view that the relevant “name or term” was intended to be something separate from the disputed domain name itself.

In his submissions on the interpretation of the Policy, the Complainant began by correctly noting that the definition of “Rights” in the Policy does not exclude contractual rights. He went on to submit that a contractual right to ownership of the Domain Name gives the Complainant, as the owner of the Domain Name, rights *in the brand consisting of the Domain Name*. But in the Expert’s experience, rights in a name or mark (or, to use the Complainant’s expression, “brand”) are ordinarily acquired by either registration or by the use of that name or mark. That is particularly the case where the relevant expression is a generic or descriptive one which is in common every day use, such as “onsale”. Here, there has been neither registration nor use: the Complainant has not been *able* to use the Domain Name because he has not been able to obtain registration of it.

The Complainant submitted that the right to acquire the Domain Name would give the Complainant the right to start using the Domain Name, and went on to contend that that “in itself will start generating common law rights arising from such usage ...”. The clear implication of the submission is that no such common law rights have yet arisen. In the Expert’s view, that was a concession properly made by the Complainant. If the Complainant had no registered or common law “Right” in the expression “onsale” when he filed the present Complaint, his case must stand or fall with his contention that no such right was necessary; that a bare contractual right to acquire was enough. For the reasons set out above, the Expert believes that the framers of the Policy did not intend that such claims should come within its ambit.

Having regard to the foregoing considerations, the Expert’s preliminary view, based purely on the parties’ submissions on the interpretation of the Policy, is that the Complaint should be denied, on the basis that the Complainant has not proved that he holds any relevant “Right”. The next question is how certain decisions made by experts under the Nominet UK Policy, which is very similar in its terms to the New Zealand Policy, may affect that preliminary view. I now turn to that issue.

### ***The Nominet UK Decisions***

The point with which the Expert is presently concerned arose in a UK dispute resolution case, *David Munro v Celtic.com, Inc.*, Nominet Appeal Panel

Decision No. DRS 04632 (2007). The disputed domain name in that case was *ireland.co.uk* and, as in this case, there was no question of the complainant holding trade mark or other intellectual property rights in the expression "Ireland": its only claim was under a contract to purchase the domain name from the respondent. Nothing about the respondent's continued use of the disputed domain name was claimed to be in any sense abusive, save for the fact that the disputed domain name should no longer be in the respondent's hands.

The Appeal Panel in *David Munro* noted that the primary purpose of the Nominet.uk Policy was to deal with Rights in trade marks and the like. However, it accepted that the definition of "Rights" under the Nominet Policy did not exclude rights in respect of the disputed domain name itself, *or indeed, contractual rights to the domain name* (this Expert's emphasis). It noted that the majority of Nominet experts who had addressed the issue had concluded that contractual rights on their own could suffice.

The fact that the case was virtually unique and (as in the present case) outside the non-exhaustive list of examples of abusive registration set out in paragraph 3 of the Nominet Policy, was not regarded as fatal to the Complaint. However, it did raise the question as to whether this was a set of circumstances contemplated by the legislator (Nominet).

The Appeal Panel in *David Munro* concluded that, while they are not expressly excluded by the terms of the Nominet UK Policy, contractual disputes will not normally be suitable for determination under the Nominet Policy. Such disputes are generally best left to the Courts to resolve. The Panel noted in that context that Nominet experts were not appointed as experts in the laws of contract, and that a "significant minority" of the body of Nominet experts were not lawyers at all.

The Appeal Panel in *David Munro* noted that it was faced with contested issues, including an issue of jurisdiction. What was the proper law of the contract, and what statutory provisions might govern its enforcement? The members of the Appeal Panel found that they were not in a position to come to a clear view on such contractual issues. Another difficulty highlighted by the Appeal Panel was how the Nominet DRS system could deal with overseeing the performance of the contract, and what jurisdiction it would have to do so.

Importantly, the Appeal Panel said:

*"Moreover, the Complainant seems to assume that the natural consequence of a finding of breach of contract by a Court will lead inexorably to an order for transfer of the domain name in issue. That is not so. A Court might decide the fair result should be a damages award. Yet, the only sanction available to the Panel is transfer (or cancellation). The Panel is not satisfied that in this case an order for transfer of the Domain Name would necessarily be the just result."*

The Appeal Panel concluded on the Rights issue:

*“For all the foregoing reasons, the Panel is confident that pure contractual disputes of this kind are outwith the scope of the Policy. In all the circumstances, not only is the Panel unable to satisfy itself on the balance of probabilities that the Complainant has Rights, but in any event it declines to allow the appeal.”*

In the present case, the Complainant seeks to distinguish *David Munro*, on the basis that the Appeal Panel failed to take into account the other rights claimed by the Complainant (e.g. the right that an owner of a domain name would have to apply for registration of the domain name as a trade mark in New Zealand or elsewhere). However the Expert is not persuaded that such Rights can exist at a time before a complainant has actually acquired the disputed domain name.

The second ground on which the Complainant sought to distinguish the *David Munro* case, was that in that case there was a contractual dispute between the parties, whereas in the present case it is not disputed that there exists an enforceable contract between the parties. But even if that is so, the Complainant’s submission does not answer the point made in *David Munro* that the Complainant’s entitlement in a court proceeding alleging breach of contract might only be to an award of damages, and not to an order that the Respondent specifically perform the agreement by transferring the Domain Name to the Complainant.

If the Complainant has no registered or common law rights in “onsale”, and if (under whatever may be the relevant law) the Complainant would not be entitled to ask a court of competent jurisdiction to direct a transfer of the Domain Name to him, how could it be said that he has a “Right” *in respect of a name or mark* which is identical or similar to the Domain Name? If the Complainant has not proved that he would have been entitled to a court order for the transfer of the Domain Name, it seems to the Expert that he does not bring himself within the category of cases (which appears to have been recognised somewhat reluctantly by the Nominet Appeal Panel in *David Munro*) in which claims based purely on rights under a purchase contract have been held to be sufficient.

The critical problem for the Complainant in this case is one of remedies available under whichever may be the applicable law. Those were important matters considered by the Appeal Panel in *David Munro*, where the Panel asked: “what is the proper law of the contract, and what statutory provisions might govern its enforcement?”

The Complainant himself resides in California, and it appears that Mr. Vincent of the Respondent may have been in Canada when the contract was made. The purchase price for the Domain Name was expressed in US dollars, and payment was to be made into a Sedo escrow account which appears to have been operated from Sedo’s Massachusetts address. The “Applicable Law”

clause in the relevant contract provided that Massachusetts law would apply, “provided the Seller and the Buyer can agree upon this ...”.

The “Warranty and Liability” clause in the contract relevantly provided that ... “(c) Otherwise, the Seller shall be liable only for damages which are based on intentional wrongdoing or gross negligence. ... This shall not apply to damages ... for the violation of essential contractual obligations.” It is not clear to the Expert if that provision was intended to limit an innocent purchaser’s rights in the event of breach by the Seller, to a claim for damages.<sup>1</sup>

The Complainant did not provide evidence or submissions directed to any of the foregoing matters. There was no evidence on the proper law of the contract, nor on the remedies available to him under that law in the event of breach by the Respondent. The onus of proof of those matters lies on the Complainant, and in the Expert’s view that onus has not been discharged. In those circumstances the Complainant has not shown that he has or had an enforceable right to obtain a court order transferring the Domain Name to him.

The Complainant relied upon another Nominet UK case, *Cardiff Exhausts Limited (t/a Longlife) v Another.com Limited (formerly DC Tech Limited)*, Nominet UK Case No. DRS 01863. This was a case decided by an individual expert in September 2004, some 3 years before the *David Munro* case was decided. The complainant did not establish that it had any trade mark or passing off rights, and the expert was left with an argument based only on a contract to buy the domain name. No response was filed by the respondent, and there was no detailed discussion of the “contractual right only” issue. The Nominet expert simply stated (in respect of the definition of “Rights”) that:

*“Whilst such rights are in many cases rights in trade marks acquired through registration or use, they may also include contractual rights.”*

The Complainant in the *Longlife* case proved that it had paid the amount invoiced to it by the respondent, and the expert, having concluded that the complainant had a contractual entitlement to the disputed domain name as against the Respondent, found that the complainant “accordingly has relevant Rights in the Domain Name”. There was apparently no issue of what law might be applicable, and there was no discussion of issues such as whether the Complainant’s proper contractual entitlement might be to an award of damages rather than a transfer of the disputed domain name.

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<sup>1</sup> The Expert notes that Sedo’s response, when it appreciated that the Respondent was not co-operating with the steps necessary to effect the transfer of the registration to the Complainant, was to say to the Complainant “... if they do not reply to our requests, the transfer will have to be cancelled, and your payment refunded to you”. It is not clear if Sedo was purporting to apply some rule or policy in proposing a cancellation and refund. For example, it may have been referring to the contractual right of Sedo GmbH to abort the transfer in the event of a party violating his or its obligation to co-operate in the completion of an agreed sale.

The Appeal Panel in *David Munro* distinguished *Longlife* on the basis that the vendor respondent in *Longlife* had pocketed the purchase price paid by the complainant, and did not contest the proceedings (and therefore did not contest the effect of the purchase contract). In this case, the Respondent has not “pocketed the purchase price”, which has remained throughout in the Sedo escrow account. The Respondent’s stance is that it should be returned to the Complainant.

The Appeal Panel in *David Munro* did not distinguish *Longlife* on the basis that there was no jurisdiction/applicable law issue in the earlier case, but it seems to this Expert that it might have done.

The *Longlife* decision was a fairly brief decision of an individual expert, with little consideration of the issues later addressed by the Appeal Panel in *David Munro* and by the Expert in this decision. The Expert is not bound by the *Longlife* decision, and to the extent that it may be relevant, he declines to follow it. Nor is the Nominet Appeal Panel decision binding on this Expert, although New Zealand experts will normally treat decisions of that Panel as influential, at least where the relevant Policy wording and factual circumstances are materially the same. It seems to the Expert that, to some extent, the *David Munro* panel may have felt constrained by the number of earlier expert decisions which had adopted a reading of the Nominet Policy under which a bare contractual right to acquire a disputed domain name can suffice as a “Right” under the Nominet Policy. This Expert is not so constrained, and if it were necessary to do so, he would hold that a bare contractual right under an agreement to purchase a disputed domain name is not sufficient, without more, to qualify as a “Right” in a name or mark for the purpose of paragraph 4.1.1 of the Policy.

However it is not necessary to so hold on the facts of this case. Adopting the approach of the Appeal Panel in the *David Munro* case, it is enough for the Expert to find, as he does, that this case is not suitable for resolution under the Policy. On the evidence which has been produced, it is not clear that the Complainant holds anything in the nature of a right to call for specific performance of his contract with the Respondent - if anything, the purchase contract and the Sedo correspondence appear to suggest that cancellation and a refund of the purchase price may have been the intended remedies for failure by a party to complete. The Expert does not believe that a right to claim damages or a refund of the purchase price would be enough to bring the Complainant within paragraph 4.1.1 of the Policy.

It remains to mention the Complainant’s contention that, in filing the Complaint, the Complainant relied in good faith on a representation from DNC that a complaint may be pursued in situations where a complainant has a contractual claim to a disputed domain name. There is no merit in that contention. First, it is not clear that DNC was aware that the Complainant did not hold any relevant trade mark or similar right. Secondly, DNC made it clear to the Complainant’s representatives that it would be for them to demonstrate that their client had rights in the name, and that the registration was unfair, on the balance of probabilities. But quite apart from those matters, the

Complainant and his advisers must have known that it was their responsibility to research the facts and applicable law, and to reach their own conclusions on the merits or otherwise of the proposed complaint. It could hardly have been otherwise, as the parties are entitled to have the Policy applied by an independent Expert in the light of the evidence and the parties' submissions, unfettered by any informal communications which may have passed between the Complainant and DNC before the Complaint was even filed.

Having regard to the foregoing, the Expert is not satisfied that the Complainant has established Rights in respect of a name or mark which is identical or similar to the Domain Name. The Complaint must therefore be denied. In those circumstances it is unnecessary for the Expert to consider whether the Domain Name, in the hands of the Respondent, is an Unfair Registration.

## **7. Decision**

For the foregoing reasons, the Complaint is denied.

**Place of decision** Auckland, New Zealand

**Date** 27 June, 2011

**Expert Name** Mr Warwick Smith

**Signature**