

ADJUDICATOR DECISION

CASE NUMBER:	ZA2007-0008
DECISION DATE:	5 DECEMBER 2007
DOMAIN NAME	privatesale.co.za
THE DOMAIN NAME REGISTRANT:	Ian Ward
REGISTRANT'S LEGAL COUNSEL:	Heidi van der Meulen Ince Wood & Raubenheimer Attorneys
THE COMPLAINANT:	Homefront Trading 272 CC
COMPLAINANT'S LEGAL COUNSEL:	Andrew Marshall nicciferguson inc.
THE 2 nd LEVEL DOMAIN NAME ADMINISTRATOR:	UniForum SA (CO.ZA Administrators)

1. Procedural History

The Dispute was filed with the South African Institute of Intellectual Property Law (the "SAIPL") on **4 October 2007**. On the same date the SAIPL transmitted by e-mail to UniForum SA a request for the registry to suspend the domain name at issue and UniForum SA confirmed that the domain name had indeed been suspended. The SAIPL verified that the Dispute satisfied the formal requirements of the .ZA Alternate Resolution Regulations (the "Regulations"), and the SAIPL's Supplementary Procedure.

In accordance with the Regulations, the SAIPL formally notified the Registrant of the commencement of the Dispute on **4 October 2007**. In accordance with the Regulations the due date for the Registrant's Response was **2 November 2007**. The Registrant,

having obtained an extension to do so, submitted its Response on **9 November 2007**, and the SAIPL verified that the Response satisfied the formal requirements of the Regulations and the SAIPL's Supplementary Procedure. The SAIPL forwarded a copy of the Response to the Complainant on **13 November 2007**.

In accordance with the Regulations the due date for the Complainant's Reply was **20 November 2007**. The Complainant submitted its Reply on **19 November 2007**.

The SAIPL appointed **Mr Chris Job** as the Adjudicator in this matter on **22 November 2007**. The Adjudicator has submitted a Statement of Acceptance and Declaration of Impartiality and Independence, as required by the SAIPL to ensure compliance with the Regulations and Supplementary Procedure.

2. Factual Background

- 2.1 The dispute concerns the competing interests of the parties in the domain names privatesale.co.za (held by the Registrant) and private-sale.co.za (held by the Complainant). The procedural history is briefly summarised below in chronological sequence.
- 2.2 The Registrant's domain name, privatesale.co.za, was originally registered on 11 April 2000 in the name of one Neil Hughes. The Complainant's domain name, private-sale.co.za, was registered a little more than two years later on 7 June 2002 in the name of Rex Schelling & Associates, the trading name of one Rex Schelling.
- 2.3 Ian Ward, the Registrant, wanted to acquire the domain name privatesale.co.za and commenced negotiations, on 31 March 2004, with Neil Hughes to purchase it together, as contended by the Registrant, with the intellectual capital and goodwill associated with it. This negotiation was, however, not successful and the Registrant then registered the domain name noagent.co.za on 20 April 2004, after which he established

a website at www.noagent.co.za for purposes of his business. Based in Cape Town, this was to operate a website on which intending sellers of immovable property from anywhere could list details of their properties in a data base and prospective purchasers could, similarly, register their interests and search the data base for suitable properties to buy. Transactions for the purchase and sale of immovable property could then take place without the involvement of an estate agent.

- 2.4 Rex Schelling, trading as Rex Schelling & Associates, decided to establish a similar business to that described above, and set up a website at www.private-sale.co.za, which went live on 26 October 2006. The first prospective purchaser registered his/her property on this website on the same date and, on 30 October 2006, the first prospective seller registered a property on the data base. These services were first advertised in November 2006 by the purchase of GOOGLE Adwords whereby a hyperlink to the website at www.private-sale.co.za was inserted at the top or side of Google search results pages.
- 2.5 During November 2006, the Registrant pursued his earlier negotiations with Neil Hughes to purchase the domain name privatesale.co.za and this was achieved on 28 November 2006, although the domain name was only transferred from Neil Hughes to the Registrant on 22 February 2007.
- 2.6 On 4 December 2006, Rex Schelling sold the business he had established on www.private-sale.co.za as a going concern to the Complainant, which thereafter conducted the business, although the domain name itself was not transferred to the Complainant until 7 February 2007. The private-sale.co.za business was officially launched by the Complainant who held a function at the Opium Beach Bar, Camps Bay, Cape Town on 20 February 2007, which attracted media coverage in the form of an

article on the website of property24.com. From 1 March 2007 onwards, regular print advertisement in Property Trader, Die Burger, Cape Times and Weekend Argus was undertaken. Articles referring to the Complainant's business also appeared in the media in April and June 2007. The Complainant states that approximately R250 000.00 has been expended on advertising up to the date of the complaint on 4 October 2007 although no further detail of the extent of activity on the website or of the business is given.

- 2.7 On an unspecified date (which the Registrant has not mentioned) the Registrant, now the owner of the domain name privatesale.co.za, used it to set up a "redirect", namely, a mechanism whereby requests sent to www.privatesale.co.za were automatically redirected to the Registrant's website at www.noagent.co.za. This first came to the attention of the Complainant in July 2007, at which time it was also noted that the Registrant had entered the following on the website at www.noagent.co.za :

*"Feb 2007 – noagent purchases the domain name
privatesale.co.za".*

- 2.8 This led to a letter of demand being addressed by the Complainant's legal Counsel to the Registrant, alleging that the conduct of the latter constituted passing-off and/or unfair competition under the common law, and that the domain name privatesale.co.za was an abusive registration in terms of the Regulations. The Registrant did not comply with the demands made of it. Some time after receipt of the letter, it apparently changed the entry on its website at www.noagent.co.za to read :

*"Feb 2007 – noagent purchases the business of
privatesale.co.za".*

2.9 It was also noted by the Complainant at that time that the masthead of the www.noagent.co.za website included the wording "incorporating privatesale.co.za".

3. Parties' Contentions

3.1. Complainant

3.1.1 The Complainant contends that it has rights in respect of a name or mark which is identical or similar to the domain name in issue and that the domain name www.privatesale.co.za is, in the hands of the Registrant, an abusive registration in terms of Regulation 3(1)(a). The Regulations apply not only to the registration of domain names, but also to their acquisition and use. *In casu*, the test for abusiveness should be applied from the date on which the domain name was acquired by the Registrant, namely, 22 February 2007.

3.1.2 The Complainant submits that it is clear from the history of the dispute that the timing of the acquisition of the domain name privatesale.co.za by the Registrant, a direct competitor of the Complainant, only days after the official launch of the Complainant's website and its media coverage, leads to the conclusion that the Respondent deliberately took steps to meet this competition by disrupting the operation of the Complainant's website. The Complainant submits that the domain name www.privatesale.co.za offends the following Regulations :

(a) Regulation 4(1)(a)(ii) because the Registrant has intentionally blocked the registration or acquisition of the domain name privatesale.co.za by the Complainant to which it had rights

based on the similarity of its trading name private-sale.co.za to the domain name in dispute;

(b) Regulation 4(1)(a)(iii) because the Registrant has unfairly disrupted the business of the Complainant by setting up the redirect of privatesale.co.za to the website at www.noagent.co.za. This has had the effect of routing internet traffic which would have come to the Complainant's website to that at www.noagent.co.za. This constitutes the common law delict of unlawful competition in terms, *inter alia*, of Schultz vs Butt 1986 (3) SA 667 (A), Pepsico Inc. and Others vs United Tobacco Company Co. Ltd. 1988 (2) SA 334 (W) and the comments of J Neethling and B R Rutherford in "Competition", LAWSA Vol 2, Part 2, 2nd edition (2003) para 263;

(c) Regulation 4(1)(a)(iv) because the actions of the Registrant restrict the exercise of the rights established by the Complainant in private-sale.co.za as the conduct of the Registrant amounts to passing-off under the common law. The Complainant contends that it has acquired a reputation in the domain name www.private-sale.co.za arising from the conduct of the business which has been in operation since October 2006. Particularly, through GOOGLE and similar search engines, a reputation has been acquired simply by having the website live and accessible on the internet. Furthermore, the Complainant commenced advertising on the GOOGLE system in November 2006 and the workings of the worldwide web "*impose a dynamic in respect of reputation which is different from the real world and there is no comparable facility in the offline world*".

3.1.3 The Registrant has been misrepresenting the services offered through www.privatesale.co.za/www.noagent.co.za as those offered by the Complainant on its website at www.privatesale.co.za and, as a result, there is a reasonable likelihood that members of the public would be confused into believing that that business is related to the Complainant's.

3.1.4 Even if the disputed domain name does not fall foul of any of the specific factors set out in Regulation 4, it is nonetheless an abusive registration as defined in Regulation 1 because it takes unfair advantage of, or is unfairly detrimental to, the Complainant's rights for several reasons, including : the fact that the Registrant arranged the redirect to www.noagent.co.za while aware of the Complainant's rights; that the word "domain" was replaced with the word "business" in the description on the www.noagent website after receipt of the Complainant's letter of demand; and that the acquisition of the disputed domain name took place three days after the official launch of the Complainant's website.

3.2. Registrant

3.2.1 The Registrant trenchantly defends its conduct, denies any passing-off and submits that the reverse is true, namely, that the Complainant is guilty of reverse domain name hijacking.

3.2.2 The Registrant primarily defends its conduct on the basis that its privatesale.co.za domain name was registered more than two years before private-sale.co.za of the Complainant and that the legal principle *qui prior est tempore potior est iure* applies. Reference is made to the appeal court's judgment in Wahloo Sand

BK and Andere vs Trustees Hambley Park Trust and Andere 2002 (2) SA 776 (SCA) where the court held that, where there are two competing personal rights, the time of registration of the right is relevant. *Ergo*, the Registrant has a prior and stronger right in this case than the Complainant.

3.2.3 The acquisition of the domain name privatesale.co.za was legitimate for the purpose of operating it in tandem with the website at www.noagent.co.za. Joining the two well established domains under one umbrella was a sound business practice. The Registrant has acquired the well established domain name privatesale.co.za and paid a premium (although undisclosed) price for it, including its associated intellectual capital, business and goodwill. Such goodwill had been acquired by Neil Hughes from 11 April 2000.

3.2.4 The Registrant concedes that there could clearly be confusion between privatesale and private-sale, but has lawfully exercised his rights as owner of the domain name. If the exercise of those rights has had any detrimental effect on the business of the Complainant, the Complainant is the author of its own misfortune.

3.2.5 The Complainant's references to decisions in the United Kingdom under the Nominet Dispute Resolution Service Policy are irrelevant to the dispute and an adjudicator is only entitled to take cognisance of foreign law once the South African law is unclear or as a guideline in interpretation. *In casu*, the South African Regulations are sufficiently clear to avoid any ambiguity.

3.3 Complainant's Reply

3.3.1 In its reply, the Complainant challenges the Registrant's allegations of prior rights arising from the earlier registration of privatesale.co.za. It denies that the Registrant purchased or acquired any intellectual property rights, business or goodwill associated with the disputed domain name when it acquired it on 22 February 2007 because it was dormant until some time in 2007.

3.3.2 The Registrant displays ignorance of the difference between a domain name and a website. While admitting that the maxim *qui prior est tempore potior est iure* applies in South African law, this operates against the Registrant in this case because the goodwill and reputation that had been built up in the domain name private-sale.co.za were established well before any use had been made of the domain name privatesale.co.za.

4. Discussion and Findings

4.1 Legal issues

4.1.1 "Abusive registration" is defined in Regulation 1(a) and (b) as one which was either registered, or was acquired, or has been used in a manner which, at the relevant time, took unfair advantage of, or was unfairly detrimental to, the Complainant's rights.

4.1.2 "Rights" are defined in Regulation 1 to include intellectual property rights, commercial, cultural, linguistic, religious and personal rights protected under South African law, but are not limited thereto.

4.1.3 To succeed in a Dispute, a Complainant must, in terms of Regulation 3(1)(a), establish that it has rights in respect of a name or mark which is identical or similar to the domain name and that, in the hands of the Registrant, the domain name is an abusive registration.

4.1.4 Regulation 4(1) sets forth factors which indicate that a domain name is an abusive registration. These include Reg. 4(b), namely, circumstances indicating that the Registrant is using the domain name in a way that leads people or businesses to believe that there is some connection with the Complainant. Regulation 5 sets out factors which may indicate the opposite. One of these (Reg. 5(b)) is that the domain name is used generically or in a descriptive manner and the Registrant is making fair use of it.

4.1.5 Regulation 13(1) requires that an adjudicator consider and be guided by previous decisions made in terms of these Regulations (national decisions) and also decisions by foreign dispute resolution providers (foreign decisions). Regulation 13(2) directs an adjudicator to be guided by national, foreign and international law.

4.1.6 In summary, adjudication of the dispute requires consideration of :

(a) whether the Complainant has any relevant rights on which the complaint is based;

(b) whether those rights are in respect of a name or mark which is identical or similar to the domain name;

(c) whether the registration, acquisition or use of the domain name by the Registrant took unfair advantage of, or was unfairly detrimental to, the Complainant's rights, bearing in mind the positive indicators of Regulation 4, and the negative indicators of Regulation 5.

4.1.7 The critical issue in this Dispute is whether, and to what extent, the Complainant has demonstrated that it has sufficient rights in the domain name private-sale.co.za to succeed in its complaint and whether the conduct of the Registrant is unfair in relation to them. There is no disagreement between the parties about the confusing similarity between the two domain names. The descriptiveness of the names privatesale.co.za and private-sale.co.za and the consequence of this require careful assessment, although, in reaching a decision, it will initially be assumed that the Complainant has established such rights (as widely defined in Regulation 1). The other relevant considerations will first be addressed as doing so may shed some light on first issue.

4.1.8 Has the Registrant acquired or used privatesale.co.za in a manner which has taken unfair advantage of, or has been unfairly detrimental to, the Complainant's rights? It certainly seems that the exertions of the Registrant to acquire the domain name privatesale.co.za from Neil Hughes, particularly in November 2006, the transfer of the domain name to him on 22 February 2007, and arranging redirection from that address to the website at www.noagent.co.za were prompted and motivated by the competitive activities of the Complainant. The Registrant obviously sought to meet this competition in the identical field, and using the

same method of doing business, by seeking to direct prospective buyers and sellers of immovable property to his own website, instead of the Complainant's.

- 4.1.9 The Registrant's repeated assertions that a prior goodwill or reputation existed in the domain name privatesale.co.za at the time of its acquisition do not hold water. Goodwill and reputation can only come into existence as a result of commercial use of a name or mark (see, for example, Bergkelder Beperk vs Shoprite Checkers (Pty) Limited 2006 (4) SA 275 (SCA) and Pepsico Inc and Others vs United Tobacco Co. Ltd. 1988 (2) SA 334 (W)). On the evidence, no such goodwill has been shown at the time of the commencement of the business (subsequently acquired by the Complainant) at www.private-sale.co.za during October 2006, nor in February 2007.
- 4.1.10 The efforts made by the Registrant during 2004 to acquire the domain name from Neil Hughes could not have given rise to any reputation or goodwill, nor did this attempt constitute (as is alleged) a demonstrable preparation to use the domain name. The Registrant seeks to rely on the decision in ZA2007/0005, Telkom SA Ltd and Another vs The Internet Corporation, to support this submission but, as was held in that decision, such preparations have to be real preparations calculated to result in deployment of an operational website address. Negotiations to acquire a domain name are not sufficient in this regard.
- 4.1.11 The bare fact of the registration of the Registrant's domain name privatesale.co.za approximately two years before the Complainant's domain name private-sale.co.za is therefore to be treated with caution and does not itself assist the Registrant. If it

can be found that the Complainant has established relevant rights in the domain name private-sale.co.za as defined in Regulation 1, the prior registration of privatesale.co.za does not protect the Registrant from the inescapable conclusion that his conduct in acquiring and using the domain name privatesale.co.za took unfair advantage of the Complainant's rights. This would point to unfair conduct and an abusive registration in terms of Regulation 4(1)(a)(ii) and (iii) and also 4(1)(b).

- 4.1.12 Returning, however, to the critical issue of the rights that the Complainant claims in the domain name private-sale.co.za, the first aspect to be appreciated is that, by defining rights widely in Regulation 1 to include intellectual property rights and also, *inter alia*, commercial and personal rights (without limitation thereto), the Regulation is not restricted to rights founded on the well-established principles of trade mark law. The clear intention behind the Regulations is to recognise rights going beyond those in terms of the Trade Marks Act, No. 194 of 1993, or the well-established requirements at common law for a passing-off claim. However, such rights must find recognition in law.
- 4.1.13 It is trite in trade mark law that words which are purely descriptive or generic cannot be registered or give rise to a protectable right unless they have been used to such an extent that, as a matter of fact, the words have acquired a "secondary meaning", that is, have become capable of distinguishing the goods or services of the proprietor (see, for instance, Truck and Car Co Limited vs Kar-N-Truck Auctions 1954 (4) SA 552 (A), Capital Estate and General Agencies (Pty) Limited and Others vs Holiday Inns Inc. and Others 1977 (2) SA 916 (A), Van der Walt

vs Humansdorp Marketing CC 1993 (4) SA 779 (SE), Judy's Pride Fashions (Pty) Limited vs Registrar of Trade Marks 1997 (2) SA 87 (T), Peregrine Group (Pty) Limited and Others vs Peregrine Holdings Ltd and Others 2000 (1) SA 187 (W), ZA2007-001 mrplastic.co.za and ZA2007-0005 whitepages.co.za.

- 4.1.14 As was held by the Supreme Court of Appeal in the Bergkelder case (*supra*), mere use and a reputation does not necessarily equate with distinctiveness of a trade mark as it must be shown that the consequence of the use and reputation is that the name or mark has acquired a "secondary meaning" which, as a matter of fact, denotes one trader and no other. To get over this hurdle, cogent and extensive evidence is required, including details of the use of the trade mark, sales figures, the extent and size of the business, supporting evidence from members of the public or the trade and the like.
- 4.1.15 Turning to private-sale.co.za, this comprises two hyphenated words both of which describe aspects of the relevant business. There is nothing unusual or inventive about the name which, inherently, gives it a degree of capability of distinguishing the Complainant's business or website from those of others. Exactly the same considerations apply, of course, to the domain name privatesale.co.za. Apart from an oblique reference by the Complainant to this aspect, the parties are essentially silent on the point. The common use, in trade, of the words "Private Sale" is evident from the Complainant's own complaint which has annexed to it, as annexure 20, a printout of the first page of a South African GOOGLE search conducted in relation to "private-sale". Several instances of the use of the words "Private Sale" are evident.

- 4.1.16 Bearing in mind the legal requirements briefly summarised above, can it be said that the Complainant has put forward sufficient evidence to establish that it has trade mark rights in private-sale.co.za? Apart from evidence of certain media coverage and advertisements (involving the expenditure of approximately R250 000.00) there is no indication given of the number of persons who have listed their immovable properties for sale on the Complainant's website, the numbers sold, the income derived from these activities, or the reach and extent of the business. There is no support from members of the public or persons involved in the trade to support the contention of the existence of a goodwill (and, hence, a trade mark right). In consequence, it is held that the Complainant has not shown any trade mark right on which to base its complaint.
- 4.1.17 In reaching this conclusion, and as required by Regulation 13, consideration has been given to various decisions in the United Kingdom under the Nominet Dispute Resolution Service Policy, and to those of the Administrative Panel of the WIPO Arbitration and Mediation Centre in terms of the Uniform Domain Name Dispute Resolution Policy (UDRP) and Rules. Caution should be exercised in doing so because, in the United Kingdom, "rights" are more narrowly defined and specifically exclude a name or term which is wholly descriptive of the Complainant's business. This restriction is absent from the definition in our Regulation 1. The UDRP, which forms the basis of the WIPO decisions, is also different and requires a Complainant to establish a "legitimate interest" in a domain name. Nominet and WIPO cases dealing with this issue include, *inter alia*, DRS 00336 premierfinance.co.uk, DRS 00359 parmaham.co.uk, DRS 01399 loan.co.uk, DRS 01576 airlinewarehouse.co.uk, DRS2000-0105

[pets.com](#) and D2005-0874 [saltworks.com](#) and D2006-0250 [jettours.com](#).

4.1.18 Despite these differences in definition, however, the general approach adopted by WIPO and the Nominet panels has been that, where domain names are wholly descriptive, rights or a legitimate interest can only be established where sufficient use has been made of the name to have given rise to the acquisition of a "secondary meaning". The finding in this case is, therefore, compatible with these foreign decisions.

4.1.19 The question next arises as to whether the Complainant has established the existence of any other legally recognised right, for instance, of a commercial or other nature which might bring it within the scope of the requirements of Regulation 3(1)(a). If so, has the Registrant acted unfairly in relation to it? Commercial or personal rights which the Complainant has obviously include the ownership of the domain name [private-sale.co.za](#) and also, *inter alia*, the right to trade freely without unlawful interference or competition from anyone. Although the Complainant has based its complaint on the existence of a reputation and goodwill in [private-sale.co.za](#) (which has been held not to have been established) and has made no direct mention of any such other rights, it is nevertheless considered necessary to deal with these in reaching a decision.

- 4.1.20 As far as the Complainant's right of ownership of the bare domain name private-sale.co.za is concerned, this came into existence in 2002. It is here that the relevance of the Registrant's priority of rights is of consequence because his domain name dates from 11 April 2000. The Registrant's mere (later) right of ownership of the domain name does therefore not assist it in this Complaint against the Registrant.
- 4.1.21 Can it then be said that the Registrant has competed unfairly with the Complainant and infringed the right of the Complainant to trade without unlawful interference, or is there some other form of unlawfulness involved in the Respondent's conduct? In considering any such wrongfulness, consideration must be given to our law of delict and the decisions of our courts dealing with conduct which is *contra bonos mores* (such as Schultz vs Butt 1986 (3) SA 667 (A) and Lorimar Productions Inc. and Others vs Dallas Restaurant and Others 1981 (3) SA 1129 (T)).
- 4.1.22 As decided above, the Registrant's conduct is not *contra bonos mores* in the passing-off sense. Nor is it considered that his conduct is of such an unfair or dishonest nature that it is *contra bonos mores* in any other way. Whilst the conduct of the Registrant in seeking to divert custom from the Complainant to himself certainly raises a critical eyebrow, one cannot ignore the descriptiveness of the terms "private-sale" and "privatesale" and the warnings that have been sounded so often in our case law to traders about the dangers of adopting descriptive words for trade names or trade marks. Granting monopolies in simple descriptive terms adopted as domain names and in the absence of compelling evidence of an acquired capability of distinguishing (that is, of "secondary meaning"), would play havoc with the

reasonable requirements and rights of traders and others to use such names themselves.

4.1.23 It is therefore held, despite the questionable conduct of the Registrant and the absence of any relevant submissions on his behalf to support a finding on this basis, that the Complainant has not established a protectable right in order to succeed in its complaint.

4.1.24 Finally, it is necessary to deal with the Registrant's contention that the Complainant is guilty of reverse domain name hijacking. This means, by definition, that the Complainant has used the Regulations in bad faith to attempt to deprive the Registrant of his domain name. I do not find, on the evidence, that this has been shown. It is apparent that the Complainant's conduct involved the lawful and *bona fide* acquisition of a domain name (and associated business) and nothing in its conduct has been aimed at undermining the domain name privatesale.co.za, nor the business of the Registrant. Indeed, at the time of the original registration of private-sale.co.za, and the later acquisition of the business associated with it, no business was being conducted using the domain name privatesale.co.za, and no "reverse hijacking" could have existed.

5. **Decision**

For all the foregoing reasons, the Dispute is refused.

C K JOB

SAIIPL SENIOR ADJUDICATOR

www.DomainDisputes.co.za