

Decision

ZA2019-0375

**.ZA ALTERNATE DISPUTE RESOLUTION
REGULATIONS (GG29405)**

ADJUDICATOR DECISION

CASE NUMBER:	ZA2019-0375
DECISION DATE:	23 September 2019
DOMAIN NAME	sugarless.co.za
THE DOMAIN NAME REGISTRANT:	Steven Green
REGISTRANT'S LEGAL COUNSEL:	A J Stone Attorneys – Abrie Stone
THE COMPLAINANT:	The Sugarless Company Pty Ltd
COMPLAINANT'S LEGAL COUNSEL:	Lake Law - Gregory Huddleston
2 nd LEVEL ADMINISTRATOR:	ZACR (CO.ZA)

1. Procedural History

- a) The Dispute was filed with the South African Institute of Intellectual Property Law (the “SAIPL”) on **11 June 2019**. On the same day the SAIPL transmitted by email to ZACR a request for the registry to suspend the domain name(s) at issue, and on the same day ZACR confirmed that the domain name had indeed been suspended. The SAIPL verified that the Dispute satisfied the formal requirements of the .ZA Alternate Dispute Resolution Regulations (the “Regulations”), and the SAIPL’s Supplementary Procedure.
- b) In accordance with the Regulations, the SAIPL formally notified the Registrant of the commencement of the Dispute on **26 June 2019**. In accordance with the Regulations the due date for the Registrant’s Response was **24 July 2019**, and this was extended on request. The Registrant submitted its Response on **31 July 2019** and the SAIPL verified that the Response satisfied the formal requirements of the Regulations and the SAIPL’s Supplementary Procedure.
- c) The Complainant submitted its Reply on **6 August 2019**.
- d) The SAIPL appointed **Adv Owen Salmon SC** as the Adjudicator in this matter. He has submitted the Statement of Acceptance and Declaration of Impartiality and Independence, as required by the SAIPL to ensure compliance with the Regulations and Supplementary Procedure.
- e) On **20 September 2019** the Adjudicator requested that a further document be provided in terms of Regulation 26. This was provided on **23 September 2019**.

2. Factual Background

- 2.1 The Complainant is The Sugarless Company Pty Ltd, an Australian company of Stapylton, Queensland. It has an international business in confectionary which is branded with a particular logo comprising the letter

“S” surrounding by concentric circles in different colours, and the words SUGARLESS CONFECTIONARY in a stylised form (“the SUGARLESS logo”). This mark is the subject of several international trade mark registrations. On 16 September 2015 the SUGARLESS logo was registered in South Africa in the Complainant’s name in class 30 for, *inter alia*, confectionary.

- 2.2 On 7 September 2015 the Complainant entered into a distribution agreement with the firm Infinity Foods & Beverages of 32A Kloof Road, Bedford View, Johannesburg. Signed on the latter’s behalf by, it seems, Mr Dale Hellon, the agreement provides, *inter alia*, for the importation and distribution in South Africa of confectionary manufactured by or on behalf of the Complainant (“the Complainant’s products”). *Inter alia*, the agreement states that “*The Distributor shall acquire and promote the sale of The Sugarless concept range including confectionary and chocolate to its dealers and customers including an on-line shop.*”
- 2.3 On 17 February 2016 Mr Green registered the domain <sugarless.co.za>. According to his Response, he holds the domain on behalf of Quad Energy Africa (Pty) Ltd, the company referred to below (“Quad”). Mr Green is the owner and acting CEO of Pitch Digital (Pty) Ltd, which has rendered social media marketing, website development, domain registration and hosting services to Quad. Mr Green maintains that all rights to this specific domain vest with Quad.
- 2.4 On 6 April 2016, Quad created a Facebook page called Sugarless, and on 28 April 2016 the page name was changed to Sugarless Co SA. The page linked to the website at the domain. Quad used the domain exclusively for the marketing of the Complainant’s products, which it had commenced importing in October 2015.
- 2.5 With effect from 22 September 2016 the said distribution agreement was extended, novated or replaced by one entered into between the Complainant and Quad, which gave its address as 32A Kloof Road, Bedford View, Johannesburg. (The agreement was signed on the latter’s

behalf by Mr Dale Hellon, as Managing Director of Infinity Foods & Beverages.) Nothing seems to turn on the fact of this further agreement. It was terminated by Quad on 16 April 2018, with effect from a short notice period thereafter. The domain <sugarless.co.za> has been dormant ever since.

2.6 Some time thereafter an application was launched by the Complainant in the Gauteng Local Division Johannesburg, of the South African high Court, under Case number 25802/2018. As explained in the judgement by Van Der Linde J, about a week before the expiry date of the contract, the Complainant established that Quad was distributing competing products in the same retail outlets, and in some instances Quad's product was displayed in the Complainant's display stands, together with the Complainant's product. Moreover, according to the judgment, the size, material and prominent black background of Quad's packaging appeared identical to that of the Complainant's product. The Quad product packaging also presented with colourful representations of the contents, and included, in the same prominent position, a logo comprising the letter "S" inverted (though not within a circle) and immediately beneath it, also in stark white, the word "SUGARLEAN" in caps. The inverted "S" was written over a soft representation of the infinity symbol.

2.7 Van Der Linde J granted several interdicts against Quad on the basis of trade mark infringement, passing off, copyright infringement, and contraventions of the Counterfeit Goods Act 1997. (Not all the relief sought was granted.) He also dismissed a counter application for rectification of the Trade Marks Register by the entry of a disclaimer in the Complainant's registration of the word 'sugarless'. This judgment is the subject of a pending appeal to the Supreme Court of Appeal.

3. Parties' Contentions

3.1 Complainant

a) The Complainant contends, in short, that: that the domain is

abusive because it features on the Facebook page for Quad's competing SUGARLEAN products; that it is likely to mislead customers and divert business to Quad; it unfairly disrupts the Complainant's business; the fact that it has been dormant since April 2018 indicates an intention to block the Complainant; and – peculiar to the Registrant *per se* he clearly has no legitimate interest and has demonstrated no legitimate non-commercial or fair use of the domain.

3.2 Registrant

- a) The Registrant, in short, maintains that the dispute should be stayed pending the outcome of the appeal; that the word 'sugarless' is entirely descriptive and is not similar within the meaning of the Regulations to a mark in which the Complainant has rights; and the domain was registered with the full knowledge of the Complainant.
- b) Further, that the domain is not being used pending the outcome of the SCA appeal, and that it intends to use the domain once the SCA has granted its appeal in respect of the use thereof.

4. Discussion and Findings

4.1 In terms of Section 1 of the Regulations, an abusive registration means a domain name which either –

4.1.1 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

4.1.2 Has been used in a manner that takes unfair advantage of, or is unfairly detrimental to the Complainant's rights.

4.2 An indication is given in the Regulations as to what could be considered an abusive registration. In terms of Section 4(1), such factors include:-

- “(a) Circumstances indicating that the registrant has registered or otherwise acquired the domain name primarily to –
- (i) Sell, rent or otherwise transfer the domain name to a complainant or to a competitor of the complainant, or any third party, for valuable consideration in excess of the registrant’s reasonable out-of-pocket expenses directly associated with acquiring or using the domain name;
 - (ii) Block intentionally the registration of a name or mark in which the complainant has rights;
 - (iii) Disrupt unfairly the business of the complainant; or
 - (iv) Prevent the complainant from exercising his, her or its rights;
- (b) circumstances indicating that the registrant is using, or has registered, the domain name in a way that leads people or businesses to believe that the domain name is registered to, operated or authorized by, or otherwise connected with the complainant;
- (c) evidence, in combination with other circumstances indicating that the domain name in dispute is an abusive registration, that the registrant is engaged in a pattern of making abusive registrations;
- (d) false or incomplete contact details provided by the registrant in the Whois database; or
- (e) the circumstances that the domain name was registered as a result of a relationship

between the complainant and the registrant,
and the complainant has –

- (i) been using the domain name registration exclusively; and
- (ii) paid for the registration or renewal of the domain name registration.”

4.3 An indication is also given as to what would not be an abusive registration.
In terms of Section 5, factors which may indicate this include:-

- “(a) before being aware of the complainant’s cause for complaint, the registrant has –
 - (i) used or made demonstrable preparations to use the domain name in connection with a good faith offering of goods or services;
 - (ii) been commonly known by the name or legitimately connected with a mark which is identical or similar to the domain name;
or
 - (iii) made legitimate non-commercial or fair use of the domain name;
- (b) the domain name is used generically or in a descriptive manner and the registrant is making fair use of it;
- (c) that the registrant has demonstrated fair use, which use may include websites operated solely in tribute to or fair criticism of a person or business: Provided that the burden of proof shifts to the registrant to show that the domain name is not an abusive registration if the domain name (not including the first and second level suffixes) is identical to the mark in which the complainant asserts rights,

without any addition”

- 4.4 In terms of Section 9, one of two outcomes is possible in the case of a complaint that the domain is an abusive registration: refusal of the dispute, or transfer of the disputed name.
- 4.5 To succeed in this complaint the Complainant has to prove,¹ on a balance of probabilities, the following:-
- It has rights in respect of a name or mark which is identical or similar to the domain name; and
 - The domain name, in the hands of the Registrant, is an abusive registration as defined.
- 4.6 These are not proceedings in which trade mark rights are decided, yet this is the basis upon which the Registrant appears to have based part of his defence. Valid trade mark proprietorship has never been the benchmark for establishment of ‘rights’ necessary to afford *locus standi* in order to complain about a domain registration. It is a somewhat low threshold, this criterion, and will be satisfied in myriad ways – valid trade mark proprietorship being one of them but not exhaustively to the exclusion of all else.² As I stated in ZA 2019/0372 <armytek.co.za>, domain names are, largely speaking, about ecommerce and the matrix which swirls around the world of ecommerce is what informs the determination of ‘rights’. It also informs the determination overall.
- 4.7 There is a dispute to be determined elsewhere as to whether the word ‘sugarless’ ought to be disclaimed in the Complainant’s trade mark registration. But even the entry of the disclaimer by the SCA is not going to be dispositive of whether the complainant has rights to afford it *locus standi* for the purposes of the present proceedings. It undoubtedly has rights in what I have referred to above as the SUGARLESS logo: it has

¹ Section 3(1)(a) of the Regulations.

² Compare: ZA2009-0030 seido.co.za (on Appeal) at paragraphs 5.1 – 5.7

trade mark registrations in several foreign jurisdictions which will all be unaffected by anything the South African SCA decides. It has established common law rights in that mark as well. The Complainant gets over the threshold in this regard and I find that it has rights as contemplated by Regulation 3.

- 4.8 The question next to be decided is whether the mark in which the Complainant has rights is identical or similar to the domain name. It is not identical, that much is clear. (No attempt is made by the Complainant to establish that it has rights in the word 'sugarless'.) The question of 'similarity' in this context does not concern itself with likelihoods of confusion or deception as would be the case in statutory infringement proceedings (although proof thereof would likely meet the requirement). What mark would find itself at the fingertips of an internet user searching for the Complainant company or its business or products? In all probability, 'sugarless' – perhaps 's.sugarless' or 'sugarless company' - or a search string to this effect.
- 4.9 Is any of these similar to 'sugarless'? I think all of them are. A check and balance would postulate an answer to this question: why was the domain registered in the first place, if not to serve as an internet-based source for the Complainant's products in the South African cyber-space? I mean, it can hardly be contended by the (then, well-intending) Registrant that it was, actually, wholly unsuited to that purpose. Therefore I find that the Complainant passes the hurdle set by Regulation 3: the mark in which it has rights is similar to the domain.
- 4.10 Having determined that there is thus a complaint to be adjudicated, the question is whether to stay the proceedings pending the SCA appeal, as contended by the Registrant. Its position is that:
- 4.10.1 Regulation 11(4) provides that ZACR (the domain administrator) may not implement the adjudicator's decision because legal action has commenced; and

4.10.2 Regulation 33 provides that if legal proceedings are initiated, during a dispute, in respect of a domain name that is the subject of a dispute the dispute must be suspended immediately. If the adjudicator has already been appointed, he must decide the dispute but it must then be subject to Regulation 11(4) referred to above;

4.10.3 In any event, the common law dilatory plea of *lis alibi pendens* applies.

4.11 The legal action contemplated by Regulation 11(4) is that contemplated by Regulation 11 (3): that is, legal action “*concerning the domain name*”. This anticipates the kind of situation made well-known in the One in A Million case³ where it was held that a domain name can bring about a passing off; or, as another example of such an anticipated situation, litigation for an interdict against transfer by the registrant of the domain name.⁴

4.12 The litigation in the High Court (and now on appeal) does not concern the domain name. Indeed, the only subject matter (holistically, not jurisprudentially) with which the application before Van Der Linde J was concerned is the packaging of Quad’s competitive products. The domain name was not in issue; indeed, the dispute concerned whether Quad’s mark SUGARLEAN was an infringement; any user by it of SUGARLESS was not of concern before the Court.

4.13 The only question was whether the word sugarless is descriptive so as to warrant the entry of a disclaimer. But even if so, this does not undermine the Complainant’s *locus standi* (which I have addressed elsewhere). Nor does it undermine the premise upon which the present dispute is raised – nor affect the adjudication. The reasoning set out below in dealing with the question of whether the domain is abusive within the meaning of the Regulations will be unaffected by any finding the SCA might arrive at in the

³ British Telecommunications Plc v One in a Million Ltd [1999] FSR 1 (CA). For a brief reference to the case, see Webster & Page, South African Law of Trade Marks (Lexis Nexis 4th Ed at paragraph 15.26.17) authority

⁴ Such as in Fairhaven Country Estate (Pty) Ltd V Harris And Another 2015 (5) SA 540 (WCC)

appeal before it.

4.14 This being so, there is no impediment in the Regulations preventing this adjudication from concluding. The defence raised of *lis alibi pendens* is on a more precarious footing. The 'lis' in this adjudication is not before the SCA and the matters it must determine on appeal do not affect the outcome of the present dispute. For that matter, the Complainant might never have launched those High Court proceedings but this dispute could be raised and adjudicated all the same. I decline to stay the adjudication.

4.15 The next question is whether the domain :-

- was registered or otherwise acquired in a manner which took unfair advantage of or was unfairly detrimental to the Complainant's rights; or
- has been used in a manner that takes unfair advantage of, or is unfairly detrimental to the Complainant's rights

4.16 There are two potential abuses:-

- registration with abusive intent; and
- abusive use,

and the nature of "abusiveness" as contemplated by the Regulations does not require a positive intention to abuse the Complainant's rights, but that abuse was the effect of the use or registration. Moreover, as has been established by previous adjudications, the abuse can succeed the registration or acquisition.

4.17 The Registrant registered sugarless.co.za at a time when – and because – his principal Infinity Foods & Beverages (soon to be, if not already then Quad) was happily a distributor of the Complainant's products and this raises the following question. Why the determination to retain it once the

distributorship came to an end? Its genesis and *raison d'être* was to serve the purpose of indexing the portal for an online offering of the Complainant's products and that purpose it indeed gave effect to, indeed for a number of years. Quad's intention to use the domain once the SCA has (putatively) upheld its appeal will not be in relation to the Complainant's products, but other competitive products.

- 4.18 What does one's sense of the equities, or of the notion of fair and honest practices in trade and competition say about that? Referring to a statutory defence to infringement in the UK Trade Marks Act, for example, ("*provided the use is in accordance with honest practices in industrial or commercial matters*") the eminent British author Kerly⁵ states:

The CJEU has repeatedly held... that the requirement constitutes in substance the expression of a duty to act fairly in relation to the legitimate interest of the trade mark proprietor.

- 4.19 Domain registrations are not about stealing a march on another, less so a competitor. All else being equal, of course, the person who registers a domain prior to another is in the dominant position. But here, the only purpose of the registration was to service Quad's position as a distributor of the Complainant's products, and where an online offering was a requirement. An honest and fair practice (viewed in the light of the mentioned authorities) would be to relinquish the domain once that distributorship comes to an end. And if the word 'sugarless' is so utterly non distinctive, devoid of any commercial magnetism, (as the quest for imposition of a disclaimer seems to suggest) why the pursuit of its maintenance?
- 4.20 In my view, maintaining the registration in the face of the Complainant's rights, given Quad's erstwhile status as distributor of the Complainant's products (and it being the Registrant's principal), is abusive within the meaning of the Regulations.

⁵ Kerly's Law of Trade Marks and Trade Names (Sweet & Maxwell) 15th Ed at 15-005

5. Decision

- 5.1 For all the foregoing reasons, in accordance with Regulation 9, the Adjudicator orders that the domain name sugarless.co.za be transferred to the Complainant.

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ADV OWEN SALMON SC
SAIIPL SENIOR ADJUDICATOR
www.DomainDisputes.co.za