

DISPUTE RESOLUTION SERVICE

D00011491

Decision of Independent Expert

Sprayfine Ltd

and

Philip Argyle

1. The Parties

Complainant: Sprayfine Ltd
Avon Building
Wallops Wood
Sheardley Lane
Droxford
Southampton
Hampshire
SO32 3QY
United Kingdom

Respondent: Mr Philip Argyle
15 Veryan
Fareham
HANTS
PO14 1NN
United Kingdom

2. The Domain Name

sprayfine.co.uk ('the Domain Name')

3. Procedural History

Nominet checked that the complaint dated and received on 18 June 2012 complied with its UK Dispute Resolution Service ('DRS') Policy ('the Policy') and the Procedure for the conduct of proceedings under the Dispute Resolution Service ('the Procedure'). It then notified the Respondent of the complaint, inviting him to file a response. That response was received on 9 July. The Complainant was invited to reply but chose not to do so. When informal mediation failed to resolve the dispute, Nominet advised both parties that the matter could be referred to an independent expert for a decision, on payment of the appropriate fee. That fee was received on 1 August.

On 1 August 2012 I, Mark de Brunner, agreed to serve as an expert under the Policy and Procedure. I subsequently confirmed that I am independent of each of the parties and that there are no facts or circumstances that might call into question my independence.

There are two non-routine procedural issues I need to deal with here, concerning:

- without prejudice correspondence; and
- the re-filing of a complaint.

Without prejudice correspondence

The Respondent says that one of the documents supporting the complaint, produced during negotiations around the termination of the Respondent's employment by the Complainant, was sent without prejudice to the Respondent's right to take a different position subsequently - and indeed was explicitly marked 'without prejudice'. Specifically, there is a paragraph in an email in which the Respondent says:

As you are also aware, I also own the Sprayfine.co.uk domain name and a number of other sprayfine domains. Whilst I am happy to permit the company to use this domain whilst I remain employed, this permission will cease should my employment terminate. There is a significant commercial value to these domains and if the company would like to secure the use and ownership for the future then I could be prepared to sell these assets to the company - this is a completely separate commercial transaction to any settlement in relation to my employment with Sprayfine and will not form part of any other negotiations.

The Respondent says that because the material was 'without prejudice', it should not have been included in the evidence supporting the complaint.

The Policy makes clear that the 'without prejudice' rule does not normally apply to limit evidence that may be put before the expert in arriving at a decision under DRS proceedings. There are two exceptions to that general position. Paragraph 6 says:

Documents and information which are 'without prejudice' (or are marked as being 'without prejudice') may be used in submissions and may be considered by the expert except that the expert will not consider such materials if:

- (i) they are generated within informal mediation; or
- (ii) the expert believes that it is in the interests of justice that the document or information be excluded from consideration.

The document in question was produced as part of contractual negotiations that were quite separate from Nominet's DRS – and was therefore not generated within informal mediation. Equally, I do not believe that excluding it from consideration here is in the interests of justice. As it happens, I do not rely on the document to draw any particular conclusion. But the key point is that I do not think it would be right to ignore it as a matter of principle.

I conclude that neither exception applies and that the material may be admitted.

Re-filing of a complaint

The Respondent says that this is a re-filed complaint, identical in substance to a complaint that went as far as mediation but got no further. Nominet's file was closed in January 2011 when neither party chose to pay for an expert decision.

The Policy says (paragraph 10 e):

If a complaint has reached the decision stage on a previous occasion it will not be reconsidered (but it may be appealed, see paragraph 10(a) and Procedure paragraph 18) by an expert. If the expert finds that the complaint is a resubmission of an earlier complaint he or she shall reject the complaint without examining it.

The *DRS Experts' Overview* says (section 5.3):

A second or subsequent complaint lodged under the Policy by the same Complainant against the same Respondent in respect of the same domain name...[is] discouraged and only permitted in very exceptional circumstances. If a Complainant is unhappy with a decision, ordinarily the appropriate step for the Complainant to take is to appeal the decision, not seek to have a second bite of the cherry. Whether or not a Complaint is a repeat or re-filed Complaint is a matter for the Expert.

The key here is that the earlier complaint needs to have reached the decision stage. Only then is there an appealable position. It did not reach that stage in this case, because Nominet closed the file once informal mediation failed and

neither party paid the fee for the case to be referred to an independent expert for a decision. On that basis, there is no bar to my considering this complaint.

4. Factual Background

There is no website at the Domain Name but I have visited the Complainant's website at www.sprayfine.ltd.uk. Some of the facts here are disputed but, from that visit, the complaint and the response, I accept the following.

Sprayfine is a business specializing in spray treatments, typically for commercial or industrial premises. Sprayfine Ltd, the Complainant, was incorporated on 6 March 2009. The Respondent initiated the formation of the company with a view to its taking over the business of his 25 year old paint spraying company, Stylefine-Clentech Ltd, which was in difficulty. Turnover for the Complainant's first year of trading, generated under the Sprayfine name, was over £1m.

Two prospective investors were found for the new company, both of whom were made directors. The Respondent was the General Manager from when the Complainant began trading until the start of redundancy proceedings against him on 27 May 2010. He was dismissed on 14 July 2010.

The Domain Name was registered on 5 March 2009 to the Respondent at his home address. It was used by the Complainant for email but not for a website. The Respondent allowed the Domain Name to be used by the Complainant until the end of September 2010 (i.e. until after he was made redundant) – at which point the Complainant tried to take control of the Domain Name by what the Respondent claims to be underhand means. The Respondent then prevented the Complainant from using the Domain Name. Since September 2010, it has not been in use for any purpose.

The Complainant then registered an alternative domain name, sprayfine.ltd.uk. There is a website at that new domain name, advertising the Sprayfine business, and it is also being used for email to the Complainant. Some customers have tried to contact the Complainant using the old sprayfine.co.uk email address.

Negotiations over a possible agreement with the Complainant, under which the Respondent would have waived any claims he may otherwise have been entitled to make under employment law, touched on the matter of the Domain Name. But the agreement finally made specifically left out the Domain Name.

There are two particular areas of dispute about the facts.

The Complainant says that the Respondent arranged the Domain Name registration on its behalf, that the registration was billed to the Complainant and that – though the Respondent paid that bill – the Complainant reimbursed the cost. There is an invoice from IDNET, dated 2 July 2009, made out in the

name of the Respondent at Sprayfine Ltd, with the Complainant's address. It is for

Domain and web hosting (www.sprayfine.co.uk) - £4.26

as well as for what looks to be the rental of two landlines.

The Respondent disputes that account and says that the registration was arranged for him by his son, James, who paid the bill. He includes an invoice dated 5 March 2009 from 123-reg, made out to James Argyle at an address in Sheffield. It includes the following reference:

Sprayfine.co.uk: domain registration - £5.98

He says that the expense was never reclaimed from the Complainant.

It seems clear to me that the Respondent's invoice reflects the bill for setting up the Domain Name and on that basis I accept that the registration was arranged and paid for by the Respondent's son.

The Respondent says that Sprayfine started trading on 1 April 2009. The complaint implies that it began trading early in March 2009. The company's accounts have been prepared for the period beginning 6 March 2009, but of course it does not follow that trading began on that date. I have no reliable basis for choosing between the alternative possibilities here but, for reasons covered in section 6 below, I do not think that anything material turns on the precise date the Complainant started trading.

5. Parties' Contentions

Complaint

The Complainant says that it has rights in the name Sprayfine because it:

- (i) has been trading as Sprayfine since March 2009; and
- (ii) used the Domain Name for email from then until the Respondent terminated that use.

It says that the Domain Name is an abusive registration because:

- (i) the Respondent registered the Domain Name on the Complainant's behalf
- (ii) the Respondent retained control of the Domain Name and, when threatened with redundancy, advised that if his employment was terminated he would sell the Domain Name, suggesting his motive at registration was to sell at a profit
- (iii) after he had been dismissed, the Respondent prevented use of the Domain Name, forcing the Complainant to acquire the domain name sprayfine.ltd.uk to minimise disruption to its business
- (iv) customers have mistakenly used the email address at the Domain Name, unaware that their emails would not be received directly by the Complainant.

Response

The Respondent says this is not an abusive registration because

- (i) the Domain Name is his property, having been registered on his behalf rather than on the Complainant's
- (ii) registration predated the formation of the company and its beginning to trade
- (iii) the Complainant has had sufficient time to educate customers about email addresses (it has been nearly two years since it registered sprayfine.ltd.uk for its business) so it is not credible to imply that it is losing business because it does not have use of the Domain Name
- (iv) the evidence offered with the complaint does not show that customers have been confused by the absence of an email service at the Domain Name
- (v) there has been no use of the Domain Name since the Complainant's access was terminated by the Respondent.

Reply

The Complainant did not reply to the response.

6. Discussion and Findings

To succeed in this complaint, the Complainant must prove, on the balance of probabilities, that

- it has rights in respect of a name or mark which is identical or similar to the Domain Name; and that
- the Domain Name, in the hands of the Respondent, is an abusive registration.

Rights

The Complainant has been trading under the Sprayfine name since March or April of 2009. Turnover in the first year was over £1m and I conclude that the Complainant has therefore acquired at least unregistered rights in the name Sprayfine.

Ignoring the .co.uk suffix as merely a generic feature of the domain name register, the Domain Name is sprayfine.

I accept that the Complainant has rights in a name which is identical or similar to the Domain Name.

Registration

As defined by the Policy, an abusive registration is a domain name which:

- was registered or otherwise acquired in a manner which, at the time when the registration or acquisition took place, took unfair advantage of or was unfairly detrimental to the Complainant's rights; or
- has been used in a manner which has taken unfair advantage of or has been unfairly detrimental to the Complainant's rights.

The Complainant's case is essentially that, having registered the Domain Name on behalf of the Complainant, the Respondent has acted as though the Domain Name was his to use and dispose of without reference to the Complainant – offering to sell it, withdrawing its use for the Complainant's business, effectively making the Complainant register an alternative domain name for the Sprayfine business and leaving some customers sending emails intended for the Complainant but that might never reach it.

The Respondent counters that he arranged the registration for himself and deliberately kept the Domain Name outside of the Complainant company, being free to use it as he saw fit – offering it for separate sale and permitting the Complainant company to use it while it employed him (and indeed for a short time afterwards) but entitled to withdraw that permission at any time.

The Domain Name was registered here as part of the preparations for the Complainant's formation and beginning to trade. At the point of registration, the Complainant did not exist but it seems to me that the Domain Name was registered to be used for the purposes of Sprayfine Ltd's business (even if it took a little time for the company to begin trading) – and indeed it was so used for over a year. I note the Respondent's claim that the Domain Name was his property – and I have accepted that the registration was arranged and paid for by the Respondent's son. But I do not accept the Respondent's argument that that means he is entitled to use or dispose of the Domain Name however he likes.

Domain names are offered first come, first served. But that offer is subject to Nominet's rules about registration or use that takes unfair advantage of a complainant's rights. Even if the Complainant here had no rights in the name Sprayfine at the point of registration, it began to acquire rights as it conducted its business using that name. The Respondent, by contrast, was not acquiring equivalent rights on his own account – he had simply gone through the bare formalities of the domain name registration process.

The Respondent suggests there can have been no abusive use of the Domain Name because, once he had withdrawn permission from the Complainant, there was no use at all. It is true that paragraph 3 b of the Policy says:

Failure on the Respondent's part to use the Domain Name for the purposes of email or a web site is not in itself evidence that the Domain Name is an Abusive Registration.

But, equally (paragraph 3 a i B of the Policy):

circumstances indicating that the Respondent has registered or otherwise acquired the Domain Name primarily...as a blocking registration against a name or mark in which the Complainant has Rights

may be evidence that the Domain Name is an abusive registration. A blocking registration could easily involve an unused domain name.

The *Overview*, explaining the purpose behind paragraph 3 b of the Policy, says (section 3.7):

In the early days of the UDRP, many decisions were issued to the effect that non-use of a domain name was of itself evidence of bad faith under the UDRP.

In certain circumstances, evidence of non-use of a 'uk' domain name may persuade an Expert that the domain name in issue is an abusive registration, but Nominet was concerned to ensure that non-use of a domain name should not automatically be regarded as indicative of abusive intent.

Non-use does not automatically point to an abusive registration, but it does not follow that, because there has been no use of a domain name, its registration *cannot* be abusive. It will depend upon the facts. Seen in those terms, preventing someone with a legitimate interest in a domain name from using it (so ensuring non-use) could properly be regarded as ‘use’ of the domain name for the purposes of the Policy and therefore as use that takes unfair advantage of a complainant’s rights.

The Respondent is clearly aggrieved by some of the Complainant’s actions. He draws attention to what he regards as evidence of sharp practice. He is also the architect of the transfer to the Complainant of a business that had been run for many years by another company in which he was sole shareholder – and his relationship with the Complainant and the business has now come to an end. He evidently feels badly treated but believes that he has separate rights in the Domain Name that can be used to achieve a measure of redress. That is understandable but I do not think it can be correct.

I cannot see that the Respondent as an individual has a legitimate interest in the Sprayfine name separate from the company that he helped form and that has been using that name. Either the Respondent registered the Domain Name for the Complainant, in which case he is not entitled to exploit it outside of the Complainant’s business; or he registered the Domain Name on his own account, in which case his freedom to use the Domain Name (or prevent its use) became constrained as the Complainant acquired rights in the name Sprayfine.

To be clear, I do not see any evidence that the Respondent’s motive at registration was to sell the Domain Name at a profit. But his subsequent withdrawal of the Domain Name clearly did disrupt the Complainant’s business and led to an amount of customer confusion. Some customers used an email address at the Domain Name and were obviously unaware that their messages had not been received by the intended recipient. As the Complainant has an established alternative platform for its website and email, it may not be losing significant business, but the potential for lost business – and indeed for the Domain Name to be actively used to attract customers away from the Complainant – remains a clear threat.

Whether or not registration itself took unfair advantage of the Complainant’s rights, the use made of the Domain Name, or rather the preventing of the Complainant from using the Domain Name for email – forcing it to register another domain name for its website and email and leading to some emails based on the original Domain Name to go undelivered – clearly took advantage of the Complainant’s rights in the name Sprayfine. It seems to me that that advantage and the continuing threat to the Complainant’s business (because it does not control a domain name identical to the name in which it is trading) can only be unfair.

7. Decision

I find that the Complainant has rights in respect of a name which is identical or similar to the Domain Name and that the Domain Name, in the hands of the Respondent, is an abusive registration.

In the light of that, I direct that the Domain Name be transferred to the Complainant.

Mark de Brunner

30 August 2012