

NATIONAL ARBITRATION FORUM

DECISION

365 Enterprises Pty Ltd. v. David Gregory
Claim Number: FA1402001542131

PARTIES

Complainant is 365 Enterprises Pty Ltd. ("Complainant"), represented by Zak Muscovitch of The Muscovitch Law Firm, Canada. Respondent is David Gregory ("Respondent"), United Kingdom.

REGISTRAR AND DISPUTED DOMAIN NAME

The domain name at issue is <sex-toys247.com> ("Domain Name"), registered with GoDaddy.com, LLC.

PANEL

The undersigned certifies that he or she has acted independently and impartially and to the best of his or her knowledge has no known conflict in serving as Panelist in this proceeding.

Clive Elliott QC as Panelist.

PROCEDURAL HISTORY

Complainant submitted a Complaint to the National Arbitration Forum electronically on February 4, 2014; the National Arbitration Forum received payment on February 4, 2014.

On February 4, 2014, GoDaddy.com, LLC confirmed by e-mail to the National Arbitration Forum that the Domain Name is registered with GoDaddy.com, LLC and that Respondent is the current registrant of the name. GoDaddy.com, LLC has verified that Respondent is bound by the GoDaddy.com, LLC registration agreement and has thereby agreed to resolve domain disputes brought by third parties in accordance with ICANN's Uniform Domain Name Dispute Resolution Policy (the "Policy").

On February 4, 2014, the Forum served the Complaint and all Annexes, including a Written Notice of the Complaint, setting a deadline of February 24, 2014 by which Respondent could file a Response to the Complaint, via e-mail to all entities and persons listed on Respondent's registration as technical, administrative, and billing contacts, and to postmaster@sextoys247.com. Also on February 4, 2014, the Written Notice of the Complaint, notifying Respondent of the e-mail addresses served and the deadline for a Response, was transmitted to Respondent via post and fax, to all entities and persons listed on Respondent's registration as technical, administrative

and billing contacts.

A timely Response was received and determined to be complete on February 24, 2014.

On March 6, 2014, pursuant to Complainant's request to have the dispute decided by a single-member Panel, the National Arbitration Forum appointed Clive Elliott QC as Panelist.

Having reviewed the communications records, the Administrative Panel (the "Panel") finds that the National Arbitration Forum has discharged its responsibility under Paragraph 2(a) of the Rules for Uniform Domain Name Dispute Resolution Policy (the "Rules") "to employ reasonably available means calculated to achieve actual notice to Respondent" through submission of Electronic and Written Notices, as defined in Rule 1 and Rule 2.

RELIEF SOUGHT

Complainant requests that the Domain Name be transferred from Respondent to Complainant.

PARTIES' CONTENTIONS

A. Complainant

Complainant contends that it is the registrant of two registered trade marks for SEX TOYS 247, one under Australian trade mark number 1499618 registered on January 14, 2013, and the other under United States trade mark number 4,454,460 registered on December 24, 2013. Complainant states that both of these trade marks remain valid on their respective registry, and as such are both considered distinctive marks of Complainant.

Complainant asserts that it was incorporated as 365 Enterprises Pty Ltd, on August 29, 2009 and is in the business of inter alia, selling sex aids and sex toys. Complainant also asserts that it registered "Sex Toys 247" as a business name in Victoria, Australia on 28th January, and that its domain name, <sextoys247.com.au>, was registered in January 2010, with an associated website being launched in April 2010.

Complainant contends that it spends an average of AUD \$20,000.00 per month on radio advertising, and in addition has spent approximately USD \$500,000 in Google Adwords advertising since its Internet advertising started in April 2010.

Complainant asserts that since the launch of its website in April 2010, over 2 million people have visited the website with Complainant grossing over AUD \$5 mil-

lion. Complainant submits that based upon this extensive advertising, sales volume, and Internet traffic, it may be reasonably concluded that its business and trade marks are fairly well known, in Australia in particular.

Complainant asserts that Respondent registered the Domain Name on June 20, 2013, some three months after Complainant's trade mark was registered.

Complainant states that on April 8, 2013, it received a message via its website from a person named Al Perkins, who advised that he was "selling the domain sextoys247.com" which he owned, and that he was "approached by one of [Complainant's] rivals in Australia to buy it". Mr. Perkins further advised therein, that the prospective purchaser was <adultshop.com> and that in order for Complainant to buy the Domain Name, Complainant would have to "blast their offer [of US \$9,000.00] out of the water ASAP".

Complainant advises that <adultshop.com> ("Adultshop") is owned by Adultshop Pty Ltd, an Australian company which is also the operator of the domain name <adultshop.com.au>. Complainant also advises that Malcolm Day is its Managing Director and that Adultshop is a direct competitor of Complainant, as both companies deal primarily in adult sex aids and sex toys.

Complainant states that it declined the offer from Mr Perkins to purchase the Domain Name as it believed it should not have been compelled to outbid its competitor for a domain name corresponding to its own distinct trade mark. Complainant understands that the Domain Name was then sold to its competitor, Adultshop, and that according to Whois the Domain Name was transferred on April 14, 2013 to "Rob Flinn", the IT Manager for Adultshop, of "9 Foundry Street, Maylands, Perth, Australia", which according to Whois are details almost identical to that of Adultshop.

Complainant submits that once the Domain Name had been purchased by Respondent, it then redirected it to <adultshop.com> in an attempt to unlawfully trade off Complainant's goodwill in order to misdirect Internet visitors looking for Complainant.

On April 26, 2013, Complainant's solicitors wrote to both Mr Flinn and Mr Day, demanding that the Domain Name be transferred to Complainant. Complainant's solicitors relied upon Complainant's registered trade mark rights,

and alleged that Respondent's conduct was infringing Complainant's registered trade mark in violation of the Australian Trade Marks Act 1995, and was also a violation of the Australian Competition and Consumer Act 2010. In addition, Complainant's solicitors advised that failing inter alia, the transfer of the Domain Name to Complainant, Complainant would either commence a Federal Court Action or commence a UDRP complaint.

On May 23, 2013, Complainant's solicitors received a reply from Adultshop's solicitors undertaking that their client would cease redirecting the Domain Name, but declined to transfer the Domain Name.

On May 28, 2013 Complainant's solicitors wrote a further letter to Adultshop's solicitors expressly demanding the transfer of the Domain Name on the basis of well-established legal rights. Furthermore, Complainant's solicitors, in a reasonable effort to avoid Complainant incurring substantial legal fees for having to commence legal proceedings to enforce Complainant's legal rights, offered the sum of \$2,500.00 in consideration for Adultshop's immediate compliance with the demand, which Complainant advises was not accepted.

Complainant advises it then instructed its solicitors to begin preparations for a UDRP proceeding, but on June 4, 2013, Malcolm Day contacted Complainant's Customer Service Manager, Chris Diprose, via email and asked to discuss the matter with Mr. Diprose. Mr. Diprose and Mr. Day then had a telephone conversation wherein Mr. Day demanded \$6,000 for the transfer of the Domain Name. Complainant's Mr. Diprose confirmed this in an email to Mr. Day on June 9, 2013, and reiterated that Complainant had a strong case under the UDRP as well as under Australian trade mark infringement law. Mr. Diprose advised that Complainant was unwilling to pay such a large sum since it would be less expensive in comparison to commence legal proceedings, but would pay \$3,000 as this was the estimated cost of filing a UDRP Complaint.

On June 10, 2013, Mr. Day responded by email, and advised that they had sold the Domain Name to an unrelated third party. According to Whois records the Domain Name was sold to Respondent, David Gregory, on June 10, 2013.

On June 10, 2013 Complainant wrote to Respondent via email advising of the legal dispute and inquiring as to Respondent's intentions with the Domain Name.

On June 20, 2013 Respondent responded advising that he was willing to sell the Domain Name for US\$25K.

Complainant contends that Respondent is not a party unrelated to Adultshop, as according to his LinkedIn page he is a known associate of Adultshop and a former employee, as well as a friend of AdultShop's Managing Director, Malcolm Day, as shown on Respondent's Facebook page.

Complainant submits that Respondent knew, or ought to have known (given his well recorded involvement in the same business as Complainant), of Complainant's marks, domain name, and reputation, and accordingly Complainant believes that Respondent has registered the Domain Name in bad faith in an attempted "cyberflying" scheme, or as a cybersquatter on his own account. Complainant claims that Respondent continues to list the Domain Name for sale.

Complainant asserts that the Domain Name corresponds exactly to its registered trade marks, except for the inclusion of the ".com" suffix and the elimination of spaces between the words in Complainant's SEX TOYS 247 marks.

Complainant also contends that Respondent has no legitimate interest in the Domain Name, as it is not commonly known by the Domain Name or any name containing Complainant's SEX TOYS 247 marks.

Complainant further contends that it has not authorized or licensed Respondent to use its trade marks in any way.

Complainant submits that Respondent has not himself used nor prepared to use the Domain Name in connection with any bona fide goods or services, and as such has demonstrated his lack of any legitimate interest and is evidence of passively holding the Domain Name. Complainant suggests that Respondent is a temporary registrant in order to evade the transfer of the Domain Name to Complainant and is therefore engaged in cyberflying, which is evidence of bad faith registration and use. Complainant further suggests that, given the well-established close association between Respondent and his former employer, AdultShop, it is likely that Respondent was aware of the existing dispute between Complainant and AdultShop, and therefore willingly registered the Domain Name in bad faith in order to hinder and obstruct Complainant.

Complainant also suggests that Respondent's demand for \$25,000.00 from Com-

plainant for the Domain Name is confirmation that his sole purpose in registering the Domain Name was to sell it to Complainant which is evidence of bad faith registration and use of a domain name.

B. Respondent

Respondent states that he is the legitimate owner of the Domain Name, which he acquired in entirely good faith with no knowledge of Complainant's pre-existing trade marks. Moreover, he states that he has a legitimate interest in the Domain Name as he has business interests in the United Kingdom in connection with the Domain Name which do not in any way affect Complainant.

Respondent denies the allegations made by Complainant in the Complaint, and in particular that (a) this is a "relatively straightforward case of cybersquatting"; (b) that he "willingly acted as a front man" on a thinly disguised 'cyberflight' scheme"; (c) that he had knowledge of Complainant's pre-existing trade marks prior to acquiring the Domain Name; (d) that he conspired with the previous owner of the Domain Name (or anyone else) in order to harm or extort Complainant as part of a cyberflight scheme or otherwise; and (e) that he registered the Domain Name purely for the purposes of selling it and/or extorting Complainant.

Respondent accordingly submits that the Complaint is entirely misconceived and should be dismissed forthwith.

Respondent asserts that he had no knowledge of Complainant's pre-existing trade marks ("the Trade marks") until receipt of the Complaint, as his home territories are either in the United Kingdom or the European Union.

Respondent does not contest that the Trade Marks are similar to the Domain Name, but asserts that he has a legitimate interest in the Domain Name. He is a business graduate based in England with a particular interest in the adult market, as is evidenced by the brief period in which he worked at Adultshop in Australia. Pursuant to this interest, he has researched the market extensively and has drafted business plans with a view to entering and being successful in the market. Respondent asserts that he acquired the Domain Name in entirely good faith and has devised a business plan relating to a unique service in the adult market. Unfortunately, the plans have been put on hold, initially due to Respondent being until recently in full time employment and secondly, a realisation that the

project would require greater capital/resources than Respondent had previously anticipated.

Respondent states that he resigned from full time employment in October 2013 in order to conduct further research and pursue external business interests, including his plans in relation to the Domain Name, which can be corroborated by his LinkedIn page. Respondent advises that he fully intends to pursue his business plan in the future and when this will occur will depend on a variety of factors, not least the availability of capital.

Respondent states that he had no involvement in any conduct relating to the Domain Name prior to acquiring it and in particular he had no role in using the Domain Name to redirect users to the Adultshop's website. Respondent admits he spent a short time working at Adultshop but advises that that ended in 2007 which was well before any of the acts referred to.

Respondent denies that the Domain Name remains beneficially owned by Adultshop and further denies that he registered the Domain Name in bad faith or that he has been involved in any form of "cyber flying".

Respondent contends that he registered the Domain Name in good faith and at the time of acquiring the Domain Name, he was not aware of Complainant's Trade Marks. Respondent advises that he lives in England where he was both schooled and attended university. He spent a brief period in Australia where he worked at Adultshop between January-April 2007 before returning to England to university.

Respondent states that he acquired the Domain Name from Malcolm Day, owner of an adult online business in England, and that he had no knowledge of the dispute between Complainant and Malcolm Day at the time of acquiring the Domain Name.

Respondent admits that he did offer to sell the Domain Name to Complainant but denies that this is indicative of bad faith. Respondent contends that the Domain Name is clearly of value, being a ".com" address and that whilst it is desirable, it is not essential for him to have the Domain Name in order to pursue his business interest as another domain name could be used. Respondent states that he would be prepared to sell the Domain Name but only for the price which he believes it merits.

Respondent argues that in the absence of

a suitable offer forthcoming, he intends to develop the Domain Name and build upon what he believes is a valuable asset. Respondent denies the allegation that he is a "temporary registrant" of the Domain Name.

Respondent denies the allegation that there is a "well-established close association" between him and Adultshop. He admits that he worked with Adultshop for around four months, six years before the trade marks were registered and that whilst he remains in occasional contact with Malcolm Day, they can best be described as distant friends especially given that they live on opposite sides of the world, and they have not seen each other since 2010 when Respondent last visited Australia.

Respondent submits that Complainant seeks to overstate the connection between Respondent and Adultshop in order to support its otherwise hopeless inferences that the two of them acted in concert or that Respondent should have been aware of the trade marks. It is submitted that these inferences are unsustainable and should be dismissed.

Respondent denies the allegation that he is "passively holding" the Domain Name and claims that he has a legitimate interest in it and plans to develop it.

FINDINGS

For the reasons set out below Complainant has established all the elements of Paragraph 4(a) of the Policy and is entitled to a transfer of the Domain Name.

DISCUSSION

Paragraph 15(a) of the Rules instructs this Panel to "decide a complaint on the basis of the statements and documents submitted in accordance with the Policy, these Rules and any rules and principles of law that it deems applicable."

Paragraph 4(a) of the Policy requires that Complainant must prove each of the following three elements to obtain an order that a domain name should be cancelled or transferred:

- (1) the domain name registered by Respondent is identical or confusingly similar to a trade mark or service mark in which Complainant has rights; and
- (2) Respondent has no rights or legitimate interests in respect of the domain name; and
- (3) the domain name has been registered and is being used in bad faith.

Identical and/or Confusingly Similar

Complainant states that it is the owner of

the SEX TOYS 247 mark, which it uses in connection with the sale of adult oriented products. Complainant asserts that it is the owner of the USPTO registration for the SEX TOYS 247 mark (Reg. No. 4,454,460 filed May 5, 2013; registered Dec. 24, 2013). See Complainant's Exhibit B. Complainant also demonstrated that it is the owner of the IPA registration for the SEX TOYS 247 mark (Reg. No. 1,499,618 registered Jan. 14, 2013). See Complainant's Exhibit A. Panels have found that, regardless of the location of the parties in relation to the jurisdiction in which the trade marks were registered, the registration of a mark satisfies the Policy requirement of a demonstration of rights. See *Miller Brewing Co. v. Miller Family*, FA 104177 (Nat. Arb. Forum Apr. 15, 2002) (finding that the complainant had established rights to the MILLER TIME mark through its federal trade mark registrations); *Koninklijke KPN N.V. v. Telepathy Inc.*, D2001-0217 (WIPO May 7, 2001) (finding that the Policy does not require that the mark be registered in the country in which the respondent operates; therefore it is sufficient that the complainant can demonstrate a mark in some jurisdiction).

Further, panels have found that trade mark-based rights date back to the day the registration application was filed. See *Hershey Co. v. Reaves*, FA 967818 (Nat. Arb. Forum June 8, 2007) (finding that the complainant's rights in the KISSES trade mark through registration of the mark with the USPTO "date back to the filing date of the trade mark application and predate [the] respondent's registration"). Therefore, the Panel finds that Complainant has trade mark rights in the SEX TOYS 247 mark dating back to January 14, 2013 pursuant to Policy ¶ 4(a)(i).

Complainant next alleges that the Domain Name is identical to Complainant's mark, as it merely eliminates spacing and adds the gTLD ".com." These types of changes are irrelevant to a Policy ¶ 4(a)(i) analysis. See *Bond & Co. Jewelers, Inc. v. Tex. Int'l Prop. Assocs.*, FA 937650 (Nat. Arb. Forum Apr. 30, 2007) (finding that the elimination of spaces between terms and the addition of a gTLD do not establish distinctiveness from the complainant's mark under Policy ¶ 4(a)(i)). Therefore, the Panel finds that the Domain Name identical to the SEX TOYS 247 mark under Policy ¶ 4(a)(i).

Rights or Legitimate Interests

It is well established that Complainant must first make out a prima facie case

that Respondent lacks rights and legitimate interests in the Domain Name under Policy ¶ 4(a)(ii), and then the burden shifts to Respondent to show it does have rights or legitimate interests. Complainant asserts that Respondent is not commonly known by the Domain Name or any name containing the SEX TOYS 247 mark. Complainant argues that Respondent appears to be nothing more than a front man for Adultshop Pty Ltd. who is not commonly known by the Domain Name.

The Panel observes that the WHOIS record lists "David Gregory" as the registrant of the Domain Name. Accordingly, whether or not Respondent is in cahoots with a previous owner of the Domain Name, it is open to the Panel to infer that Respondent is not commonly known by the <sextoys247.com> domain name, thus demonstrating a lack of rights and legitimate interests under Policy ¶ 4(c)(ii). See *Braun Corp. v. Loney*, FA 699652 (Nat. Arb. Forum July 7, 2006) (concluding that the respondent was not commonly known by the disputed domain names where the WHOIS information, as well as all other information in the record, gave no indication that the respondent was commonly known by the disputed domain names, and the complainant had not authorized the respondent to register a domain name containing its registered mark).

Complainant next alleges that, previously, the Domain Name, after having been registered by Adultshop Pty Ltd., resolved to <adultshop.com>, the website for a competitor of Complainant's in the adult oriented products market. Complainant argues that, because Complainant is merely a front man for Adultshop Pty Ltd. to escape UDRP sanction, this use may be attributed to Respondent.

The Panel is effectively being asked to draw an inference that Adultshop and Respondent have worked together to defeat Complainant's interests. In making an assessment the Panel takes into account the assertion that the earlier use made of the Domain Name was likely to be misleading. If that assertion has merit it could support a finding of a lack of rights or legitimate interests. See *Florists' Transworld Delivery v. Malek*, FA 676433 (Nat. Arb. Forum June 6, 2006) (holding that the respondent's use of the <ftdflowers4less.com> domain name to sell flowers in competition with the complainant did not give rise to any legitimate interest in the domain name). Taking the above considerations into account and weighing up all the circumstances it is found that the previous use

of the Domain Name was neither a bona fide offering of goods or services nor a legitimate noncommercial or fair use under Policy ¶¶ 4(c)(i) and 4(c)(iii).

Further, the Panel considers that, apart from a range of denials, Respondent offers no plausible explanation as to why it acquired the Domain Name and why in addition he demanded \$25,000.00 from Complainant for the Domain Name. Complainant suggests that this confirms that his sole purpose in registering the Domain Name was to sell it to Complainant.

The Panel concludes that whether or not it was the sole purpose, it did appear to be at least a consideration and that conduct was not consistent with legitimate noncommercial or fair use.

Registration and Use in Bad Faith

Complainant contends that the Domain Name was registered and is used in bad faith. Complainant notes that, on April 8, 2013, Complainant received a "very urgent message" via the Complainant's website message from a person named Al Perkins which noted that Mr. Perkins was selling the Domain Name which he owned and that he was approached by one of Complainant's competitors in Australia about purchasing the Domain Name. Complainant states that Mr. Perkins noted that the competitor was AdultShop Pty Ltd. and that in order for Complainant to buy the Domain Name it would have to quickly make an offer exceeding AdultShop Pty Ltd.'s \$9,000 offer. Thereafter various negotiations took place all of which were unsuccessful. Ultimately, the Domain Name came to be held by Respondent.

Reference has been made above to the offer made by Respondent to sell the Domain Name. Complainant argues that Respondent is not an independent party, but rather a former employee working in concert with Complainant. Complainant argues that this was all a big scheme of former respondents working in cahoots with Respondent.

What is relevant is that, on the face of it, Respondent made an exorbitant demand for the purchase of the Domain Name, a practice which has been found to demonstrate bad faith. See *Dynojet Research, Inc. v. Norman*, AF-0316 (eResolution Sept. 26, 2000) (finding that the respondent demonstrated bad faith when he requested monetary compensation beyond out-of-pocket costs in exchange for the registered domain name). Therefore, the Panel finds that Respondent registered and is using the Domain Name in bad

faith under Policy ¶ 4(b)(i), intending upon registration to sell the domain for an excessive fee.

Complainant argues that Respondent is colluding with Adultshop and Al Perkins to evade liability under the UDRP. Complainant has explained in detail the connections between the three entities, and Complainant suggests that it is no coincidence that a former employee such as Respondent, a man who is Facebook friends with Adultshop's director, acquired the Domain Name almost immediately after Complainant informed Adultshop of Complainant's UDRP rights. In *Universal Protein Supplements Corp. d/b/a Universal Nutrition v. PrivacyProtect.org / Domain Admin / ID#10760*, FA 1458550 (Nat. Arb. Forum Sept. 17, 2012) Panelist Houston Putnam Lowry found that "Respondent shifted the WHOIS registration for the disputed domain name...repeatedly. Respondent also appears to have changed registrars for this domain name after being contacted by Complainant. This is commonly called "cyberflight" and raises the rebuttable presumption of bad faith registration and use."

On balance the Panel infers that Respondent has failed to adequately rebut this presumption, and thus finds that conduct undertaken by Respondent in conjunction with third-parties provides a presumption of Policy ¶ 4(a)(iii) bad faith.

Lastly, Complainant asserts that Respondent registered the Domain Name with full knowledge of Complainant's rights in the SEX TOYS 247 mark. Again, Respondent has done little to rebut the allegations made, particularly as the parties are involved in the same industry and the Domain Name is for all intents and purposes identical.

For these reasons Complaint has made out its complaint and is entitled to relief.

DECISION

Having established all three elements required under the ICANN Policy, the Panel concludes that relief shall be GRANTED.

Accordingly, it is Ordered that the <sextoys247.com> domain name be TRANSFERRED from Respondent to Complainant.

Clive Elliott QC, Panelist
Dated: March 20, 2014