

DISPUTE RESOLUTION SERVICE

D00013531

Decision of Independent Expert

Knauf Insulation GmbH

and

Skanda UK Ltd

1. The Parties:

Lead Complainant: Knauf Insulation GmbH
Industriestrasse 18
Fuernitz
A-9586
Austria

Respondent: Skanda UK Ltd
64-65 Clywedog Road North, Sarnau
Wrexham Industrial Estate
Wrexham
LL13 9XN
United Kingdom

2. The Domain Name:

heraklith.co.uk

3. Procedural History:

I can confirm that I am independent of each of the parties. To the best of my knowledge and belief, there are no facts or circumstances, past or present, or that could arise in the foreseeable future, that need be disclosed as they might be of such a nature as to call into question my independence in the eyes of one or both of the parties.

The Complaint under the Nominet UK Dispute Resolution Service Policy (the "Policy") and the Nominet Dispute Resolution Service Procedure (the "Procedure") was received on November 14, 2013.

Notification of the Complaint was sent to the Parties on November 15, 2013, and the Respondent was advised how to provide a Response. A reminder was sent to the Respondent on December 4, 2013. The Response was received on December 9, 2013 and notified to the Parties. After a reminder was sent on December 12, 2013, the Complainant sent a Reply to the Response on December 17, 2013, which was notified to the Parties.

A Mediator was appointed on December 17, 2013, and mediation was terminated on January 20, 2014.

On February 7, 2014, Clive N. A. Trotman was appointed Independent Expert to decide the dispute in accordance with the Policy and the Procedure. The Expert confirmed his independence and impartiality in the terms of paragraph 9(a) of the Procedure.

On February 7, 2014, the Expert, through the Dispute Resolution Service in accordance with paragraph 13(a) of the Procedure, requested the Complainant to produce documentation concerning its trademark, which was received through the Dispute Resolution Service on February 14, 2014.

On February 13, 2014, the Respondent sought leave to make a non-standard submission and provided a brief explanation in accordance with paragraph 13(b) of the Procedure. The Expert agreed to receive the non-standard submission and it was made available to the Complainant on February 14, 2014.

4. Factual Background

The Complainant manufactures, among other products, insulation panels containing a fibrous material made from sustainable spruce wood, known as wood wool, with bonding agents and other constituents. The panels are used for insulation in buildings and for sound insulation. They are marketed under the HERAKLITH trademark.

The Complainant's company is descended in title from Heraklith AG, which became Heraklith GmbH and then Knauf Insulation GmbH. An associated company, Knauf Information Services, is the registrant of the domain name www.heraklith.com, created on September 24, 1996, which is used by the Complainant in connection with its wood wool panels. It will generally be convenient to refer to these companies, according to context, as the Complainant.

Knauf Insulation GmbH is recorded as the registrant of the following trademark:

HERAKLITH, United Kingdom Intellectual Property Office, registration granted November 27, 1992, registration number UK00001449874, international classes 6, 19.

The Respondent was incorporated on February 5, 1997, and is associated with another company, Skanda Acoustics Limited. For some years the Respondent was a distributor of the Complainant's wood wool panels. A formal Distributor Agreement (the "Agreement") in the names of Heraklith AG and Skanda (UK) Limited was entered into on October 4, 2004, whereby Skanda (UK) Limited was granted a licence to sell the Complainant's products in the United Kingdom. The Respondent registered the disputed Domain Name heraklith.co.uk on December 22, 2004.

On December 19, 2006, the Complainant gave notice of termination of the Agreement with effect from December 31, 2007. A term of the Agreement required the Respondent to refrain from all use of the Complainant's intellectual property after termination.

After the termination of the Agreement, and until a date in 2012, the Complainant continued to supply product trademarked HERAKLITH to the Respondent for sale in the United Kingdom.

From May, 2011, emails about the ownership of the Domain Name began to be exchanged and in September 2011, the Complainant formally requested its transfer. The Respondent replied the next day, asking for various costs amounting to £127,000. These terms were unacceptable to the Complainant but no immediate action followed.

In May 2013 an issue arose over an allegation by the Complainant that the Domain Name was in use by the Respondent for the provision of links leading to products available in competition with the Complainant.

5. Parties' Contentions

Complainant

Complainant's Rights

The Complainant states that it has rights in the trademark HERAKLITH, which it states later is an invented term, and that the Domain Name heraklith.co.uk is identical or very similar to that trademark.

Abusive Registration

The Complainant contends that its written Agreement whereby the Respondent was authorised to distribute the Complainant's goods, was formally terminated with effect from December 31, 2007, after written due notice had been sent on December 19, 2006. In accordance with the Agreement, the Respondent was required to cease to use any of the Complainant's intellectual property after termination of the Agreement took effect.

The Complainant states it knew that the Respondent continued to sell the Complainant's product in the United Kingdom after termination of the Agreement and the Complainant continued to supply product to the Respondent until 2012.

The Complainant states that on September 27, 2011, it requested the Respondent to agree to the transfer of the Domain Name to the Complainant at the latter's expense. In reply on September 28, 2011, the Respondent indicated that it would not transfer the Domain Name unless paid £100,000 in compensation for loss of future profits, £25,500 for stock in hand, and £1,500 for an indemnity. The Complainant's reply on December 9, 2011 rejected the Respondent's terms and offered as a goodwill gesture a contribution of £1,500 in return for timely transfer of the Domain Name. On January 13, 2012, the Respondent again wrote to the Complainant refusing to transfer the Domain Name.

It is contended that the amount asked for by the Respondent is more than the out of pocket expenses involved in the acquisition of the Domain Name.

The Complainant states that in May 2013, the website of the Domain Name was inspected and found to activate a pop-up window advertising the product SKANDA SAVOLIT. A link was provided that led to the website savolit.co.uk, which displayed the message, "Welcome to Skanda Acoustics Limited, natural building boards for sustainable construction". The savolit.co.uk home page continued with a claim that Skanda Acoustics Limited was a leading supplier of wood wool boards and acoustic panels, and other claims.

The Complainant states that after minimization of the pop-up window, the Respondent's website referred to other products having registered trademarks owned by the Complainant, namely HERAKLITH BM, TEKTALAN and HERATEKTA, but says that purported links to these products were inoperative.

The Complainant contends that its trademark HERAKLITH is an invented and distinctive term, is not descriptive and refers only to the Complainant's products. Searchers for the Complainant's website who guess the URL or use a search engine are likely to be led to the Respondent's website instead. Visitors to the Domain Name are likely to be confused by its

references to the Complainant's products into thinking, at least initially, that it is authorised by the Complainant. The Respondent's purpose in using the Complainant's trademark is to divert potential customers of the Complainant in the expectation that some may buy alternative products in which the Respondent has a commercial interest. The Respondent is not making any fair or noncommercial use of the Domain Name.

The Complainant further contends that the diversion of business from the Complainant to the Respondent is happening and it has produced an email of complaint from another distributor to this effect, dated September 18, 2013.

The Complainant requests the transfer of the disputed Domain Name.

Respondent

The Respondent denies the Complaint. Many of the factual matters stated in the Complaint are uncontested.

The Respondent contends that when the formal Agreement came to an end on December 31, 2007, the Respondent continued to be a non-exclusive distributor of the Complainant's goods. Notwithstanding some negotiations, no further written agreement was entered into. On March 15, 2010, however, following discussion between the Parties, the Complainant agreed to continue to supply its goods to the Respondent as before, and on March 22, 2010 a representative of the Complainant agreed that the Complainant would henceforth trade in the United Kingdom exclusively through Skanda Acoustics Limited. The Respondent has produced in evidence several emails between the Parties over the period June 22, 2009 and March 22, 2010.

The Respondent says it and Skanda Acoustics Limited hold about of £7,000 worth of the Complainant's stock.

The Respondent states that it and Skanda Acoustics Limited have openly sold SAVOLIT products since December 31, 2007, in addition to the Complainant's products. SAVOLIT products are similar to the Complainant's products and customers have a choice. The Complainant knew that the Respondent was doing this after December 31, 2007.

The Respondent produces in evidence a file of emails commencing August 13, 2010, in the general run of business. The Respondent states that emails between May 25, 2011 and June 20, 2011 acknowledge the Respondent's use of and right to the Domain Name and reveal the Complainant's requests and open offers of compensation. Only recently did the Complainant assert that the Domain Name was an Abusive Registration.

The Respondent denies that customers visiting the website at the Domain Name would be confused into believing it to be registered to the Complainant or would naturally assume that the Respondent's own branded goods were those of the Complainant. The website makes clear reference to the Respondent in a manner that cannot sensibly be confused with the Complainant and clearly states that the Respondent is a mere seller, clearly referencing the origin of HERAKLITH goods.

The Respondent says the website at the domain name savolit.co.uk also clearly references the Respondent and refers to the fact that it works with many manufacturers.

The Respondent denies that discussions that have occurred as to a price for the Domain Name are evidence of abuse by the Respondent.

Complainant's Reply to the Response

The matters covered in the Reply partly reiterate the Complainant and may be summarised briefly as follows:

The Respondent had continued to sell the Complainant's trademarked products but the amount of the Respondent's stock held is questioned.

The use of the Complainant's trademark in the Domain Name and its website is likely to cause confusion as to the origin of third party goods.

The Complainant does not object in principle to the Respondent's trade in other goods, but objects to the attraction of customers by way of the Domain Name. Orders from the Respondent ended almost three years ago and there is no ongoing business relationship between the Parties.

It is incorrect, and there has been no evidence, that the Complainant acknowledged the Respondent's right to the Domain Name.

The Complainant refutes the Respondent's assertions that the Domain Name would not be confused with the Complainant's trademark.

It is reasserted that the Respondent's asking price for the Domain Name amounted to Abusive Registration.

Respondent's Non-Standard Submission

The non-standard submission was partly reiterative and may be summarised briefly as follows:

The Respondent's £7000 worth Heraklith of stock had been properly stored in accordance with data sheets appended in evidence.

With respect to confusion between the Parties' products, Heraklith products sold through the Respondent were Magnesite bound. The Respondent's own Savolit boards are cement bound. Knauf technical data sheets are produced in support of the distinction.

The business relationship between the parties ended when the Complainant threatened court action and ceased to supply the Respondent with product.

6. Discussions and Findings

Identities of the Parties

Emails and letters signed variously as from Knauf Insulation or Heradesign Ceiling Systems, "A business unit of Knauf Insulation GmbH", of the same address, will be taken as being from the Complainant. Similarly communications over the names of Skanda, Skanda (UK) Limited, Skanda Acoustics and Skanda Acoustics Limited, all of the same respective address, are taken as being from the Respondent. A discrepancy in the Respondent's address, being 64-65 Clywedog Road in the registration of the Domain Name and 67 Clywedog Road in communications, appears not to be an issue since invoices from the Complainant were sent to Skanda (UK) Limited at the latter address.

Paragraphs 2(a) and 2(b) of the Policy require the Complainant to prove, on the balance of probabilities, that:

- i. The Complainant has Rights in respect of a name or mark which is identical or similar to the Domain Name; and
- ii. The Domain Name, in the hands of the Respondent, is an Abusive Registration."

Complainant's Rights

The Expert is satisfied by the documentary evidence that the Complainant has rights in the registered trademark HERAKLITH.

The disputed Domain Name is heraklith.co.uk of which the domain designation “.co.uk” may be disregarded in the determination of similarity in this instance. The remaining term of the Domain Name, “heraklith”, is identical to the Complainant's distinctive and invented trademark HERAKLITH. Accordingly the Domain Name is found to be similar to a name or mark in which the Complainant has rights, within the meaning of paragraph 2(a)(i) of the Policy.

Abusive Registration

Under paragraph 1 of the Policy, Abusive Registration means a Domain Name that either:

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

Paragraph 3 of the Policy sets out a selection of circumstances that may be evidence that the Domain Name is an Abusive Registration. Paragraph 3 of the Policy reads in part:

“3. Evidence of Abusive Registration

- a. A non-exhaustive list of factors which may be evidence that the Domain Name is an Abusive Registration is as follows:
 - i. Circumstances indicating that the Respondent has registered or otherwise acquired the Domain Name primarily:
 - A. for the purposes of selling, renting or otherwise transferring the Domain Name to the Complainant or to a competitor of the Complainant, for valuable consideration in excess of the Respondent's documented out-of-pocket costs directly associated with acquiring or using the Domain Name;
 - B. as a blocking registration against a name or mark in which the Complainant has Rights; or
 - C. for the purpose of unfairly disrupting the business of the Complainant;
 - ii. Circumstances indicating that the Respondent is using or threatening to use the Domain Name in a way which has confused or is likely to confuse people or businesses into believing that the Domain Name is registered to, operated or authorised by, or otherwise connected with the Complainant;
- (...)”

It is for the Complainant to prove its case on the balance of probabilities. Paragraph 4 of the Policy, however, provides a non-exhaustive list of factors whereby the Respondent may seek to demonstrate that the Domain Name is not an Abusive Registration. Paragraph 4 of the Policy reads in part:

- “a. A non-exhaustive list of factors which may be evidence that the Domain Name is not an Abusive Registration is as follows:
 - i. Before being aware of the Complainant's cause for complaint (not necessarily the 'complaint' under the DRS), the Respondent has:

A. used or made demonstrable preparations to use the Domain Name or a domain name which is similar to the Domain Name in connection with a genuine offering of goods or services;

B. been commonly known by the name or legitimately connected with a mark which is identical or similar to the Domain Name;

C. made legitimate non-commercial or fair use of the Domain Name; or

ii. The Domain Name is generic or descriptive and the Respondent is making fair use of it;

(...)

e. Sale of traffic (i.e. connecting domain names to parking pages and earning click-per-view revenue) is not of itself objectionable under the Policy. However, the Expert will take into account:

i. the nature of the Domain Name;

ii. the nature of the advertising links on any parking page associated with the Domain Name; and

iii. that the use of the Domain Name is ultimately the Respondent's responsibility."

The Distributor Agreement

A number of facts in this dispute are not reasonably in contention. For some years the Respondent acted as a distributor of the Complainant's wood wool insulation panels sold under the HERAKLITH trademark. The arrangement endured as a formal Agreement from October 2004 until the end of 2007 when, after a year of notice, it was terminated.

The termination of the Agreement seems not to have been acrimonious at the time as the Respondent continued to be supplied with the Complainant's products for distribution, the last such transaction being invoiced on March 7, 2012. Emails produced in evidence portray an active and constructive business arrangement between the Respondent and the Complainant until at least as late as May 20, 2011, when transfer of the Domain Name was under discussion. The relationship had become strained by September 2011 over the Domain Name issue.

A copy of the Agreement has been produced in evidence. The Agreement may provide some background to the position of each of the Parties but any dispute over the interpretation of the terms of the Agreement is a matter for another forum. The Expert notes that the Complainant's right to terminate the agreement is set out in paragraph 2, as follows (slightly edited):

"2. TERM:

2.1 The Agreement is concluded for a period of 1 (one) year and enters into force on: 1st of October, 2004 and will end on 31st of December, 2005 being renewed subsequently by tacit agreement for periods of one year, unless terminated by decision of either one of the parties by registered letter three months before the expiry of any particular period. Notice of termination must be given by registered letter."

Whatever the reason for the termination, which does not concern this proceeding, the Respondent appears to be bound by paragraph 12 of the Agreement to deal with the Complainant's intellectual property in the following terms:

“12. CONSEQUENCES OF THE TERMINATION:

12.1. After the termination of this Agreement for whatever reasons, e.g. by expiry, earlier termination or assignment, the Distributor shall have the following obligations:

(...)

12.3. The Distributor shall immediately refrain from use of the intellectual property of the Supplier; the Distributor shall immediately take all necessary steps e.g. to have deleted any insertions in trade registers or telephone books, which refer to them, remove all business signs and destroy all objects related to the Supplier except the books of the Distributor and the objects mentioned under subclause no. [probably 12.4].”

It would have been impractical for the Respondent to continue to distribute the Complainant's products for the next four years after termination, as evidently happened with the Complainant's cooperation, without at least the generally assumed limited licence to refer to a trademark when selling items. Any such limited licence would not normally extend to the right to use another's trademark as the equivalent of a shopfront name, such as a domain name, without permission.

Registration of the Domain Name

The Complainant is required to demonstrate Abusive Registration under the Policy. Paragraph 1(i) of the Policy concerns the events surrounding the act of registration or acquisition of the Domain Name. Nothing in the evidence leads the Expert to conclude that the Domain Name was initially registered or acquired by the Respondent otherwise than in good faith and with the intention of advancing the shared interests in the Complainant's and the Respondent's businesses.

Initial Usage of the Domain Name

Paragraph 1(ii) of the Policy concerns the usage of the Domain Name subsequent to its registration or acquisition, and may focus on specific periods of time. Nothing in the evidence leads the Expert to conclude that usage amounting to possible Abusive Registration occurred any earlier than about September, 2011.

By September 27, 2011, the Complainant's request for the Domain Name had become formal and on September 28, 2011, the Respondent asked for a total of £127,000 for its transfer. The Respondent wrote to the Complainant with expanded matters of discontent on January 13, 2012. The Expert has no reason to doubt the sincerity of the Respondent's perceived position to the effect that it had worked to sell the Complainant's product over a number of years, to their mutual advantage, and would suffer loss of business through loss of the ability to control the content of the website. £127,000 was the Respondent's estimate of its losses.

Any claim of damages in the course of business dealings is a matter outside the scope of the Policy. In terms of paragraph 3(a)(i)(A) of the Policy, the Complainant has interpreted the Respondent's monetary claim as an attempt to obtain more for the transfer of the Domain Name than the out of pocket expenses involved in its registration.

In order for Abusive Registration to be found in the terms of paragraph 3(a)(i) of the Policy, the Complaint would need to prove that the primary purpose of the registration of the Domain Name had been, for example, to sell it profitably, or to block the Complainant from registering it, or to disrupt the business of the Complainant. There is no evidence from the usage of the Domain Name that these or any other nefarious intentions had been the primary purpose of its acquisition by the Respondent.

Usage of the Domain Name after May 2013

By May 2013, when the Complainant again reviewed the usage of the Domain Name, the situation had changed. The Domain Name, incorporating solely the trademark HERAKLITH, was found to be in use partly to advertise the product SKANDA SAVOLIT. Visitors were offered a link to the Internet presence of the Respondent as Skanda Acoustics Limited. In the terms of paragraph 3(a)(ii) of the Policy, Abusive Registration includes use of the Domain Name in a way that is likely to confuse people into believing it to be connected with the Complainant.

The Respondent has made much of the technical differences between the Heraklith product for which it acted as sales agent, being a product containing Magnesite, and its own Savolit product, which contains cement. In effect the Respondent says it was not misusing the Domain Name but was selling two non-competing products. The point is well taken that customers may have preferences in balancing various qualities, purpose, cost, durability and other factors in making their choice between Magnesite-bound and cement-bound boards. The Respondent's point is not taken, however, that no confusion exists if the Respondent's Domain Name, comprising the Complainant's trademark, is in use to offer a different or even a non-competing product.

Evidence of confusion has been produced by the Complainant. An email to the Complainant dated September 18, 2013, from another Heraklith distributor, stated that it was handling 6-8 calls per month from customers asking for advice on product they had bought through the website of the Domain Name in the mistaken belief they were buying from Heraklith. The distributor said it and the Complainant had lost several thousand pounds through such lost sales and the distributor was "no longer going to do any promotion of your product as we feel that it is a complete waste of our money and is just benefitting Skanda".

The Respondent's defence is in part to the effect that as a reseller of the Complainant's products it has the right to use the Domain Name for that purpose. Whilst it is not entirely clear whether the business relationship between the Complainant and the Respondent might have any future, the Respondent states that it is now also a seller of Skanda products, and that the Complainant has been aware for some years that the Respondent's sale of Heraklith products was not exclusive of other products. In other words, the Respondent says the Complainant acquiesced in the way in which the Respondent used the Domain Name.

The use of a trademark in a domain name by a reseller is not new in the realm of domain name disputes. The Appeal Panel reviewed earlier related DRS cases and appeals in the 2010 case of *Toshiba Corporation v. Power Battery Inc.*, DRS 07991, concerning the domain name *toshiba-laptop-battery.co.uk*. The decision of the three Experts set out certain guidance criteria, without limitation, as follows:

- “1. It is not automatically unfair for a reseller to incorporate a trade mark into a domain name and the question of abusive registration will depend on the facts of each particular case.
2. A registration will be abusive if the effect of the respondent's use of the domain name is falsely to imply a commercial connection with the complainant.
3. Such an implication may be the result of “initial interest confusion” and is not dictated only by the content of the website.
4. Whether or not a commercial connection is implied, there may be other reasons why the reseller's incorporation of the domain name is unfair. One such reason is the offering of competitive goods on the respondent's website.”

The Dispute Resolution Service Experts' Overview of November 2013, in commenting on paragraph (4) immediately above, said:

“This last point envisages a finding of Abusive Registration in circumstances where there may be no likelihood of any confusion. The use of the domain name for the sale of competing goods was the basis for the finding of Abusive Registration in the *Toshiba* case, even though a majority of the panel found no likelihood of any confusion (“initial interest confusion” or otherwise).”

Having studied all of the evidence including the screenshots of the Respondent’s website, the Expert concludes as follows:

- the Domain Name expresses solely and in unqualified form the invented and distinctive trademark HERAKLITH and as such is likely to cause Internet users initially, before visiting the website, to expect it to belong to or have the endorsement of the Complainant;
- on arrival at the website, visitors are more likely than not to believe, at least initially, that it belongs to the Complainant;
- even after seeing the contact details of Skanda on the website, it is more likely than not that visitors will believe that the website has the endorsement of the Complainant;
- the Respondent’s website provides the name and information about a competitor of the Complainant;
- Skanda Savolit is an alternative to and competitive with certain Heraklith products;
- actual confusion between the Respondent’s website and the Complainant has happened causing commercial loss to the Complainant through one of its distributors.

In the circumstances, the Expert does not accept that the Respondent can come close to establishing any right to the use of the Domain Name through a claim to be a reseller of the Complainant’s products, irrespective of whether or not the Respondent has been or may be a reseller.

The email dated March 22, 2010 from the Regional Sales Manager of Heradesign Ceiling Systems to the Respondent did indeed include the reference “... we’re going to do business exclusively through Skanda Acoustics”. Nothing in that or related messages projected any reference to the Domain Name or implied any authority for the Respondent to use the trademark HERAKLITH in the Domain Name, or negated the Complainant’s rights in seeking its eventual transfer.

The earliest reference in the evidence to the question of the ownership and use of the Domain Name is an email from the Complainant to the Respondent dated May 20, 2011, which refers to there having been earlier contact on the matter. An email of May 26, 2011 to the Respondent was unequivocal as to the Complainant’s intention to own the Domain Name and its reasons. No support has been found in the evidence for the Respondent’s assertion, denied by the Complainant, that “the Complainant has acknowledged the Respondent’s use and right to the Domain”.

The Complainant says it knew of the Respondent’s continued use of the Domain Name into 2012. The Respondent implies that the Complainant knew, or should have known, that the Respondent was selling other than Heraklith products during this period, after December 31, 2007. How much the Complainant knew of the Respondent’s activities is not of consequence in this instance. The Policy does not incorporate any period of limitations or doctrine of laches, other than the principles of natural justice. The Complainant may have moved slowly on the matter in the interests of the business relationship, but has never lost the right to pursue the ownership of its intellectual property or shown any intention to abandon its rights.

In the terms of paragraph 3(a)(ii) of the Policy the Respondent’s use of the Domain Name is found to be likely to confuse people or businesses into believing it has the endorsement of the Complainant. In the terms of paragraph 1(ii) of the Policy the Domain Name is found to have

been used, at least since a date in May 2013, in a manner that has taken unfair advantage of or has been unfairly detrimental to the Complainant's rights.

7. Decision

The Expert finds that the Complainant has Rights in respect of the registered trademark HERAKLITH; that the disputed Domain Name heraklith.co.uk is effectively identical to the Complainant's trademark; and that the disputed Domain Name, in the hands of the Respondent, is an Abusive Registration. The Domain Name heraklith.co.uk is ordered to be transferred to the Complainant.

Signed Clive Trotman

Dated February 19, 2014