

## **.nz Dispute Resolution Service**

**DRS Reference: 744**

**Rotating Machinery Supplies Limited v CEG NZ LTD**

### **Final Decision**

Key words -

Registered mark - unregistered mark

Unfair use – likely to confuse, mislead or deceive – prior relationships between the parties – unfairly disrupting the business of the complainant – blocking registration

Evidence – admissibility – relevance – materiality – weight – false evidence – remedies – transfer

### **1. Parties**

#### **First Complainant:**

Rotating Machinery Supplies Limited  
6 Devon Road  
Hamilton  
New Zealand

Represented by: Mr Ben Cain, James & Wells, Intellectual Property, Auckland

#### **Second Complainant:**

Motor Technologies Ltd  
62 Sir William Avenue  
East Tamaki  
Auckland  
New Zealand

Represented by: Mr Ben Cain, James & Wells, Intellectual Property, Auckland

#### **Respondent:**

CEG (NZ) Limited  
76 - 86 Cuba Street  
Palmerston North  
New Zealand

Represented by: Mr Jeremy Hunter, Hunter & Co, Wellington

### **2. Domain Name/s**

ceg.co.nz ("the Domain Name")

### **3. Procedural history**

- 3.1. The Complaint was lodged on 28/11/2011 and Domain Name Commission (DNC), notified the Respondent of the validated Complaint on 1/12/2011. The domain/s were locked on 8/12/2011, preventing any changes to the record until the conclusion of these proceedings.
- 3.2. The Respondent filed a Response to the Complaint on 24/01/2012 and the DNC so informed the Complainants on 27/01/2012. The Complainants filed a Reply to the Response on 15/02/2012. The DNC informed the parties on 9/03/2012 that informal mediation had failed to achieve a resolution to the dispute.
- 3.3. The Complainants paid Domain Name Commission Limited the appropriate fee on 26/03/2012 for a decision of an Expert, pursuant to Paragraph 9 of the .nz Dispute Resolution Service Policy (“the Policy”).
- 3.4. Mr Clive Elliott, the undersigned, (“the Expert”) confirmed to the DNC on 28/03/2012 that he knew of no reason why he could not properly accept the invitation to act as expert in this case and that he knew of no matters which ought to be drawn to the attention of the parties, which might appear to call into question his independence and/or impartiality.
- 3.5. From this point on the matter did not proceed in standard fashion. It soon became apparent that the issues raised were not straightforward. As a result, a preliminary decision was provided to the parties, but without any conclusion as to remedy. That part of the process is set out in paragraphs 4 - 12 below. The parties then sought and were given time within which to attempt to resolve their various differences. A series of Procedural Directions were given by the Expert. This process is set out in paragraph 13 below. The parties then provided submissions as to remedy - paragraphs 14 to 16 below, the Decision concluding with a discussion and finding as to remedy - paragraph 17.

### **4. Factual background**

- 4.1. According to WHOis, the Domain Name was registered on 10 November 1999.

### **Parties’ contentions**

#### **5. Complainant**

- 5.1. The Complainants assert that they and the following associated companies comprise the CEG group of companies in New Zealand (“the CEG Group”):
  - 5.1.1. Rotating Machinery Supplies Limited (“the First Complainant”), being a New Zealand company incorporated on 18 June 1982, with David Kenyon as its director;

- 5.1.2. Keith R Norling Limited (“KRNL”), being a New Zealand company incorporated on 24 May 1971, with Keith Norling as its director; and
- 5.1.3. Motor Technologies Limited (“the Second Complainant”), being a New Zealand company incorporated on 13 May 1991. The Second Complainant was incorporated as a joint venture trading partnership between the First Complainant and KRNL and its two directors are David Kenyon of the First Complainant and Keith Norling of KRNL.
- 5.2. When not referred to separately, the First and Second Complainants are hereafter collectively referred to as “the Complainants”.
- 5.3. The Complainants assert that prior to May 1998, the companies comprising the CEG Group traded as separate identities. The Complainants state that the CEG Group registered the CEG trade mark on 5 June 1998, in class 35 for wholesale and retail services for selling electric motors and equipment incorporating electric motors (“the CEG Trade Mark”).
- 5.4. The Complainants assert that in or about May 1998 David Kenyon of the First Complainant, Brent Wray of the Second Complainant and Keith Norling of KRNL together devised the name ‘CEG’ on a business trip to China. The name ‘CEG’ denotes the Combined Electrical Group. The Complainants contend that by adopting the name CEG, the members of the CEG Group intended that each member would equally benefit from using the name CEG in connection with their businesses in New Zealand.
- 5.5. To form a logo, the name ‘CEG’ was enclosed in a triangle, the three sides of which represented the three companies. The internal star (an inverted ‘Y’) was symbolic of the star-winding configuration of an electric motor. The Complainants advise that this is the logo that the CEG Group subsequently registered as the CEG Trade Mark in 1998.
- 5.6. The Complainants assert that since at least May 1998, they have continuously traded and promoted their goods and services under and by reference to the name CEG in New Zealand, including using the logo on letterhead, labelling, advertising, sponsorship and building and vehicle signage. The First Complainant also asserts that it was using the logo on its website <rotatingmachinery.co.nz> prior to the transfer of the Domain Name by KRNL to the Respondent in or around September 2011.
- 5.7. The Complainants assert that they have used and promoted the name CEG and the CEG Trade Mark in New Zealand in connection with the supply of, inter alia, electric motors since at least 1998. The Complainants also state that in 1992 they and KRNL imported and sold goods from CEG Italy under and by reference to the letters ‘CEG’. The Complainants submit that as a result of the Complainants’ extensive trading and promotional activities using

the name CEG and the CEG Trade Mark, the Complainants have developed substantial reputation and goodwill in the name CEG and the CEG Trade Mark in New Zealand such that they are exclusively associated with the Complainants in the minds of relevant New Zealand purchasers.

- 5.8. The Complainants assert that the Domain Name is identical to a name in which they have rights and that it is not a term which is wholly descriptive of the Complainants' business activities.
- 5.9. The Complainants contend that the Respondent is a New Zealand company based in Palmerston North, incorporated on 18 May 2010, with one of its directors being Keith Norling, the aforesaid director of KRNL, together with his son, Tyrone Norling, as the other director.
- 5.10. The Complainants assert that the Respondent has no statutory or Common Law rights to the name CEG or the CEG Trade Mark in New Zealand and that Tyrone Norling is not an officer or shareholder of any company that has statutory or Common Law rights in the name CEG and/or the CEG Trade Mark in New Zealand.
- 5.11. The Complainants contend that the Domain Name was first registered by KRNL on 10 November 1999 and that KRNL owned and controlled the Domain Name 'in trust' on behalf of both it and the other Complainants as member companies of the CEG Group. The Complainants indicate that until April 2011, all emails to the Complainants with the suffix "ceg.co.nz" were sent to a central server located at KRNL's premises in Palmerston North and then re-directed to the Complainants as appropriate.
- 5.12. The Complainants indicate that in or around late August/September 2011 the Complainants discovered that KRNL had transferred ownership and control of the Domain Name to the Respondent without the Complainants' consent or authorisation. The Complainants contend that this action qualifies as an unfair registration whereby the Respondent took unfair advantage of or was unfairly detrimental to the Complainants' rights which were well-established in the name CEG and the CEG Trade Mark and such rights had existed for many years in New Zealand.
- 5.13. The Complainants assert that since the Respondent transferred ownership of the Domain Name all email accounts operated under the Domain Name were transferred to the control of the Respondent without the Complainants' consent. Despite repeated requests by the Complainants to KRNL and the Respondent, the Respondent has failed to forward to the Complainants emails which lawfully belong to the Complainants.
- 5.14. The Complainants contend that since the Domain Name was transferred to the Respondent, the Complainants have had no input into how the Domain Name is used or managed and the Respondent has diverted all Internet visitors away from the Domain Name by resolving visits to this URL to the Respondent's website hosted under <ceg.co.nz>. As a direct consequence

of the Respondent's actions, the Complainants submit that the Complainants are being, or are likely to be, deprived of the commercial benefits that flow from having an interest in and receiving the emails from the Domain Name and further, that if unrestrained in its activities, the Respondent is, or is likely to, cause damage to the Complainants' reputation and goodwill and divert trade from the Complainants.

- 5.15. The Complainants contend that the Domain Name was registered by the Respondent for the purpose of unfairly disrupting the businesses of the Complainants in an attempt to wrestle control of the name CEG and the future development of the CEG Group in New Zealand from the CEG Group. The Complainants assert that the First and Second Complainants make this assertion notwithstanding that they are currently identified without their consent or authorisation as CEG Hamilton and CEG Auckland on the Respondent's website.
- 5.16. The Complainants assert that the Respondent is using the Domain Name in a way that is likely to confuse, mislead or deceive consumers or businesses into believing that the Domain Name is registered to, operated or authorised by, or otherwise connected with the Complainants. The Complainants state that the Respondent offers on its website <ceg.co.nz> exactly the same and/or very similar goods and services to those traded and promoted by the Complainants but without the Complainants' consent or authorisation.
- 5.17. The Complainants assert that the Respondent has engaged in a pattern of registrations where it is the registrant of other domain names which correspond to the well known name CEG in which the Respondent has no rights, and the Domain Name is part of that pattern. By way of example the Complainants note that the Respondent has registered the following domain names incorporating the name CEG: cegbrook.co.nz, ceg-brook.co.nz, ceg.co, cegbrook.com, and cegbrook.co.
- 5.18. The Complainants claim that as well as the potential for lost sales, the Respondent's registration is preventing the Complainants from using the well-known name CEG for the legitimate promotion of the CEG Group. The Complainants submit that the Respondent's unfair registration and use of the Domain Name also amounts to a breach of the Fair Trading Act 1986 and passing off.

## **6. Respondent**

- 6.1. The Respondent filed a joint Response covering Complaint nos. 744 and 745.
- 6.2. The Respondent replies to the complaints laid by the Complainants and claims that they essentially relate to rights in the trade mark CEG as between the parties and claims that they should be addressed together. The Respondent contends that the dispute between the parties is the subject of an opposition to Trade Mark application number 831053 for the mark (i.e.

the “CEG Trade Mark” referred to above) before the Commissioner of Trade Marks. It suggests that that forum is the more appropriate to determine rights in a trade mark. It argues that the Domain Name Commissioner (DNC) should decline to consider the complaint.

- 6.3. The Respondent advises that Keith R Norling Limited (“KRNL”) is a New Zealand company, incorporated on 24 May 1971, with Keith Norling being a director of KRNL. The Respondent also advises that CEG (NZ) Limited (“the Respondent”) is a New Zealand company incorporated on 18 May 2010 and is a wholly owned subsidiary of KRNL. Keith Norling is one director and Tyrone Norling the other director.
- 6.4. The Respondent asserts that Keith Norling developed the mark CEG by reversing GEC (being the well known acronym for the then General Electric Company) for whom Keith Norling had been working as a distributor, and that he wanted a three letter acronym because of the need to make branding of equipment easy and such acronyms were and remain the usual form of brand in the industry.
- 6.5. The Respondent states that KRNL has used the trade mark CEG continuously since 1997 and that, as KRNL was the first user of the name and has had more than 13 years of use of the trade mark CEG, allegations of misleading and deceptive conduct by KRNL or its wholly owned subsidiary cannot have a valid foundation.
- 6.6. The Respondent agrees that New Zealand Trade Mark Registration No. 293576 is owned by the three companies (Rotating Machinery Supplies Limited, Keith R Norling Limited (KRNL) and Motor Technologies Limited), but notes that whilst KRNL consented to the use and registration of the triangle logo, including the words CEG, it did not transfer any rights in the trade mark CEG.
- 6.7. The Respondent disputes the allegation that there is a “CEG Group”, and asserts that use of the trade mark by the Complainants has always been with the consent of KRNL but there has never been a transfer of rights in the trade mark CEG to the Complainants.
- 6.8. The Respondent points out that there is an on-going dispute with the Complainants involving broader considerations than rights to the Domain Names, and that informal mediation of various disputes has been proposed by the Complainants and agreed to by the Respondent for some date in March 2012. The Respondent states that it does not accept many of the alleged facts set out in support of the Complaint but asserts that it does not need to address them in the context of rights in the Domain Name.
- 6.9. The Respondent further states that the Complainants have no rights in KRNL and whether rights are held by KRNL or a wholly owned, subsidiary of KRNL, such as the Respondent, does not alter the Complainants’ position in relation to the rights held by KRNL in the trade mark or domains.

- 6.10. The Respondent suggests that the registration of the Domain Name by it is consistent with the rights held by KRNL in the CEG Trade Mark, and that registration of the Domain Name was connected with an internal decision associated with compartmentalisation of business activity that has since been altered. The Respondent claims that the rationale behind such decisions is commercially sensitive.
- 6.11. The Respondent suggests that the complaints are motivated by personality clashes. It rejects the allegation that it or KRNL holds rights in the CEG Trade Mark or the Domain Names on trust for the Complainants and notes that the Complainants have never paid for maintaining the Domain Names. The Respondent also advises that to the best of its knowledge, no email or other such communication have been diverted from the Complainants.
- 6.12. The Respondent contends that for the Domain Name to be used in an unfair manner, the Complainants would have to have rights to the name CEG and the Respondent would need to be taking action that would preclude the Complainants continued use of the Domain Name, which it says has not occurred.
- 6.13. Finally, the Respondent submits that there can be no prejudice to the Complainants because they do not have the rights claimed and there has been no change to the Complainants' use of the CEG Trade Mark. The Respondent therefore denies that registration of the Domain Name is an unfair registration.

## **7. Complainants' further submissions**

- 7.1. The Complainants assert that there is no evidence that the Respondent used or made demonstrable preparations to use the Domain Name in connection with a genuine offering of goods or services and contends that the Domain Name is being used without the Complainants' consent or authorisation and consequently the offering of identical and/or similar goods and services by the Respondent under the Domain Name is not genuine.
- 7.2. The Complainants also asserts that they, in conjunction with KRNL, have been collectively using the name CEG in connection with their goods since at least May 1998, which collective uses precedes the Respondent's use by at least 12 years.
- 7.3. The Complainants state that they have not entered into any written agreement with the Respondent, consented or otherwise authorised the Respondent to be able to use the name CEG in its company name, in the Domain Name or in any trading activities.
- 7.4. The Complainants deny the Respondent's assertion that the Complaint relates to rights in the CEG Trade Mark and say further that the complaint relates to rights in the Domain Name which incorporates the CEG Trade

Mark. The Complainants assert their rights in the CEG Trade Mark to demonstrate their rights in the Domain Name. The Complainants say that the Complaint does not relate to rights in the CEG Trade Mark per se.

- 7.5. The Complainants assert that the appropriate forum to decide the Complaint is the Commission, as the Commissioner of Trade Marks has no jurisdiction to determine disputes involving domain name registrations.
- 7.6. The Complainants point out that the Respondent is CEG (NZ) Limited, not KRNL and consequently, evidence of use by KRNL as set out in the Respondent's response is irrelevant to determination of the Complaint. The Complainants also point out that the CEG Trade Mark cannot have been used continuously since 1997 by KRNL as submitted by the Respondent as it was not developed until in or about May 1998.
- 7.7. The Complainants deny the Respondent's submissions that KRNL was the first user of the name CEG and states that the Complainants and KRNL were jointly first users of the name in New Zealand. The Complainants suggest that evidence given in the Norling Declaration appears to be false and/or misleading as to the Respondent's use of the name CEG (as distinct from KRNL's use of the name CEG).
- 7.8. The Complainants accept that they have no rights in KRNL, and do not assert that they have rights in KRNL and say further that they do have rights, and assert those rights, in the name CEG. They say that they share these rights with KRNL, not the Respondent, which has no rights in the name CEG.
- 7.9. The Complainants contend that those rights are being abused unlawfully by the Respondent on its website hosted under <ceg.co.nz> and in its refusal to transfer ownership of the Domain Name to the Second Complainant.
- 7.10. The Complainants assert that the Complaint is motivated by genuine concerns in relation to ownership of their intellectual property to which the Respondent has no rights and consequently they do not accept the Respondent's allegation that the Complaint is motivated by personality clashes.

## 8. Decision

- 8.1. The dispute is governed by the Policy issued by the office of the Domain Name Commissioner on behalf of DNC. The relevant portions of the Policy for present purposes are as follows:

### "3. Definitions ...

**Unfair Registration** means a Domain Name which 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, or is likely to be used in a manner which took unfair advantage of or was unfairly detrimental to the Complainant's Rights.

#### **4. Dispute Resolution Service**

4.1 This Policy and Procedure applies to Respondents when a Complainant asserts to the DNC according to the Procedure that:

4.1.1 The Complainant has Rights in respect of a name or mark which is identical or similar to the Domain Name; and

4.1.1 The Domain Name, in the hands of the Respondent, is an Unfair Registration.

#### **5. Evidence of Unfair Registration**

5.1 A non-exhaustive list of factors which may be evidence that the Domain Name is an Unfair Registration is set out in paragraphs 5.1.1 - 5.1.5:

5.1.1 Circumstances indicating 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; or

5.1.2 Circumstances demonstrating that the Respondent is using the Domain Name in a way which is likely to confuse, mislead or deceive people or businesses into believing that the Domain Name is registered to, operated or authorised by, or otherwise connected with the Complainant;

5.1.3 The Complainant can demonstrate that the Respondent is engaged in a pattern of registrations where the Respondent is the registrant of domain names (under.nz or otherwise) which correspond to well known names or trade marks in which the Respondent has no apparent rights, and the Domain Name is part of that pattern;

5.1.4 The Complainant can demonstrate that the Respondent has knowingly given false contact details to a Registrar and/or to the DNC; or

5.1.5 The Domain Name was registered arising out of a relationship between the Complainant and the Respondent, and the circumstances indicate that it was intended by both the Complainant and the Respondent that the Complainant would be entered in the Register as the Registrant of the Domain Name;"

8.2. In order to support a complaint of this kind the Complainants must satisfy three elements:

8.2.1. Rights in respect of a name or mark (para 4.1.1);

8.2.2. Identity or similarity between that name or mark and the Domain Name (para 4.1.1); and

8.2.3. Unfair registration in the hands of the Respondent (para 4.1.2).

### **Procedural Issues**

#### **9. Jurisdiction and Scope**

- 9.1. The Dispute Resolution Service Policy issued by the Domain Name Commission provides the sole source of jurisdiction for determining this Complaint. The Expert is required to determine the admissibility, relevance, materiality and weight of the evidence (paragraph B11.2) and decide the Complaint on the basis of the parties' submissions, the Policy and the Procedure (paragraph B15.1).
- 9.2. Importantly, these powers must be exercised in accordance with the statement of purpose of the Dispute Resolution Service ("DRS"), namely "an alternative to the Courts in situations where two parties are in dispute over who the registrant of a .nz domain name should be" (paragraph 1.1).
- 9.3. The parties to this dispute have filed lengthy submissions and evidence, some of which is formally deposed in statutory declarations. Wide ranging allegations are made. A number of disputed facts arise. The parties allege that one or another has provided misleading or untrue evidence.
- 9.4. The parties and their associates have strongly differing views as to what commercial arrangements were made between them, what consent and authorisation was provided and who is at fault for the apparent breakdown in their relationship. Likewise, the parties seek inferences to be drawn as to the true motivation for the Complaint.
- 9.5. These issues are difficult to deal with, leave alone resolve, in a summary procedure such as this. It is difficult for the Expert to draw reliable conclusions from such heavily disputed evidence or to attempt to make any findings as to credibility. This is not the right venue for such determinations to be made. It is regrettable that the parties have seen fit to litigate a complex commercial dispute, involving a clear breakdown in both commercial and personal relationships, in a forum designed and expressly restricted to determining who the registrant of a .nz domain name should be.
- 9.6. Accordingly, the Expert is not in a position to address allegations as to the existence of a trust arrangement between certain parties, arrangements as to entitlement to and the manner of use of certain trade marks and other domain names, entitlement to register other domain names in other registries, albeit containing the "CEG" element, the wider commercial relationship between the parties and the reasons for the breakdown of that relationship, or indeed matters relating to the trade mark opposition proceedings before the Intellectual Property Office of New Zealand. In this Expert's view, these are all outside the legitimate purview of the DRS.
- 9.7. All of these issues have been debated between the parties at considerable length and they have unduly complicated the process. Notwithstanding this, the Expert must determine whether there is in fact a dispute properly falling within the scope of the Policy and which is capable of resolution according to its Rules and Procedure.

## **10. Discussion**

10.1. The Expert was of the view that notwithstanding the above difficulties there was still a basis to assess whether legal rights, of the requisite type, exist. Further, it was possible to assess whether the conduct of the parties was consistent with those legal rights and any reliable evidence put forward. The decision (albeit preliminary) that follows was based solely on such evidence and submissions and in no way on the heavily disputed facts and competing contentions as to credit or fault.

10.2. In assessing whether relief should be granted pursuant to the Policy, a number of questions need to be asked. In the Expert's view, in the present case, these can be approached as follows:

10.2.1. *Do the Complainants have rights in the CEG Trade Mark?*

Clearly they do, as joint registrants of trade mark registration number 293576. It is equally clear that the abbreviation or acronym CEG is the central and dominant part of that trade mark registration. The Complainants have also used the CEG Trade Mark in the course of trade. They thus have rights pursuant to paragraph 4.1.1 of the Policy. The answer is therefore, yes.

10.2.2. *Does KRNL in turn have rights in the CEG Trade Mark?*

The answer again is yes. KRNL is a joint registrant of trade mark registration no. 293576 and has also used the mark in the course of trade. It has rights broadly equivalent or similar to those of the Complainants.

10.2.3. *Does the CEG Trade Mark have sufficient identity or similarity with the Domain Name pursuant to paragraph 4.1.1 to the Policy?*

The answer is clearly yes.

10.2.4. *Does the Respondent have rights in, or some other legitimate entitlement to, the CEG Trade Mark or the Domain Name?*

In the Expert's view, the answer is no. The Respondent is a separate legal entity and notwithstanding the fact that Mr Norling is a director of both KRNL and the Respondent, that does not mean that the Respondent has rights in the CEG Trade Mark.

10.2.5. *If that is the case, are the Complainants entitled to a transfer of the Domain Name?*

In the Expert's view, this issue is difficult to resolve. It is common ground that the Domain Name was registered by KRNL with the consent or acquiescence of the Complainants.

Relevantly however they acceded to the registration and use of the Domain Name by KRNL. No difficulties arose initially. Difficulties only arose once the Domain Name was transferred to the Respondent or when KRNL starting to use the Domain Name in a manner which was different to what had been the case before. That is where the dispute between the parties arises and the relationship broke down. That however is where the Expert is constrained to venture.

10.2.6. *Can, and should, the Expert try to determine whether KRNL's conduct is justified?*

For example KRNL asserts that the Domain Name was transferred to the Respondent in error. In the Expert's view, on balance, the answer to the above question is no. What KRNL has done depends on an arrangement between the joint venturers, the Complainants and KRNL. It also depends on whether KRNL's explanations, for example, as to transfer of the Domain Name, are accepted. The Expert is simply not equipped, to properly weigh up this disputed evidence and to resolve this aspect of the dispute.

10.3. The difficulty that this creates is that the Complainants have sought a transfer of the Domain Name to the Complainants. This is the outcome that KRNL tried to pre-empt by having the Domain Name transferred back to KRNL, which steps were prevented by the DNC.

10.4. In the Expert's view, the practical effect of this is that even though the Domain Name in the hands of the Respondent is an Unfair Registration pursuant to paragraph 4.1.2 of the Policy that did not necessarily mean that the relief sought by the Complainants was appropriate. To accede to the Complainants' request would be to transfer the Domain Name from the Respondent to the Complainants, when that was not an outcome which was contemplated by the joint venture or the earlier arrangement for KRNL to hold the Domain Name on behalf of the venture. The relief sought would thus be contrary to what the Complainants and KRNL had agreed.

10.5. The Expert therefore asked whether it would be a just and fair outcome on the basis of what appeared to be common ground between the Complainants and KRNL and the matters then before the Expert.

## **11. Preliminary Decision**

11.1. On 11 April 2012 the Expert issued a preliminary decision. The Expert's preliminary view was that it would be inappropriate to grant the Complainants' request for transfer. No other remedy was sought. The Expert noted that pursuant to paragraph 13.1 of the Policy the Expert has the power to direct that the Domain Name be "cancelled, transferred, suspended or otherwise amended". The Expert indicated it was not minded

to cancel the Domain Name because that would solve little. For the reasons set out above, the Expert stated that transfer was regarded as inappropriate *at that time*.

- 11.2. The other remedies (amendment and suspension) were also seen as inappropriate.

## **12. Further Submissions as to Relief**

- 12.1. Given that the preliminary finding referred to in paragraphs 11.1 – 11.2 above did not fully determine or resolve the dispute between the parties with regard to the Domain Name, the Expert stated that the decision should be treated as preliminary in nature. The parties were given 14 days to either resolve their differences or make submissions as to final remedy, such submissions being restricted solely to the issue of relief.

## **13. Procedural Issues**

- 13.1. As noted above in paragraph 3.5, this dispute has had an unusual procedural history. It is necessary to set this out in some detail.
- 13.2. As also noted above, in paragraph 11.1, on 11 April 2012 the Expert rendered a *preliminary* decision. That decision (with paragraphs now numbered and with some amendments made) is set out in paragraphs 1 – 12 above.
- 13.3. The preliminary decision was provided on the basis that further submissions as to relief were required and that the preliminary findings did not fully determine or resolve the dispute between the parties with regard to the Domain Name. Accordingly, the parties were informed that the decision should be treated as preliminary in nature. The parties were provided with 14 days to either resolve their differences or make submissions as to final remedy.
- 13.4. On 26 April 2012 the parties submitted a joint submission, indicating that they were in discussions and were endeavouring to settle all issues between them and that if such discussions were successful it would resolve the dispute over how the Domain Name should be held. While both parties made submissions on various issues they informed the Expert that they had agreed that the status quo should be maintained pending the outcome of those discussions.
- 13.5. The Complainants asked for the suspension of the proceeding to continue for a further two months, to allow for the parties/other interested parties discussions to continue. The Respondent was agreeable to a suspension of the proceeding for two months.
- 13.6. On 2 May 2012 the Expert made a procedural direction. The basis for that direction is as follows. Pursuant to Rule B15.1 the Expert is required to

decide a Complaint on the basis of the Parties' submissions, the Policy and the Procedure. Rule B12.1 permits the Expert to request further statements or documents from the parties. The request for further submissions as to relief referred to at paragraph 12.1 above and the joint submission referred to at paragraph 13.4 above is a further statement pursuant to this rule. Rule B15.2 states that "unless exceptional circumstances apply, an expert shall forward his or her Decision to the DNC within ten (10) Days of his or her appointment".

- 13.7. The term Decision is defined in paragraph 3 as meaning "the decision reached by an Expert". In the Expert's view this means a final, not interim or preliminary, decision. As noted above in paragraph 12.1 the Expert made it clear that its earlier "finding does not fully determine or resolve the dispute between the parties with regard to the Domain Name" and that it should be "treated as preliminary in nature". Having not determined or resolved the dispute and having specifically called for further submissions on relief, the preliminary decision is not the Decision as contemplated in paragraph 3 of the Policy, namely a final decision which determines the Complaint and thereby resolves the domain name dispute between the parties.
- 13.8. Further, the parties clearly accepted that the Complaint remained unresolved, hence their joint and separate submissions as to relief as referred to in paragraph 13.4 above. The parties also accepted that the dispute remained unresolved; hence their proposal for what was effectively a two-month extension of time before the Decision i.e. a final decision was made.
- 13.9. In the Expert's view the present dispute is exceptional and the circumstances unusual, thereby warranting reliance on Rules B11.1; B12.1 and B15.2 to extend time and thereby try and reach a final result which is in accordance with the Policy and achieves a just, fair and appropriate result.
- 13.10. Given that the parties jointly sought a two-month extension of time the question was whether the Expert had the power to extend the time period within which the Decision could be made?
- 13.11. Rule B15.2 states that "unless *exceptional circumstances* apply, an expert shall forward his or her Decision to the DNC within ten (10) Days of his or her appointment" (emphasis added by Expert). The request for and provision of further submissions had meant that the 10 day time period had not been met in this case. However, for the reasons set out in the preliminary decision of 11 April 2012 (including, but not limited to the length of the submissions, the wide ranging nature of the allegations, the number of disputed facts, the strongly differing views as to commercial arrangements, the disagreement as to fault and finally the true motivation for the Complaint) the Expert considered this case to be exceptional and for such delay to be acceptable under the circumstances.

- 13.12. Rule B11.1 states that the Expert “may in *exceptional circumstances* extend any period of time in proceedings under the Dispute Resolution Service”. (Emphasis again added by Expert) The circumstances are not defined in the Policy and the period of time under which any step in the proceeding may be extended is not circumscribed in any way. This is clearly left to the Expert to assess and decide, depending on the particular circumstances.
- 13.13. In the present case the circumstances are certainly unusual. In addition to the matters referred to in paragraph 13.11 above, a further relevant circumstance is that the parties both sought a two-month extension. While the parties might disagree as to what should occur after that two-month period, they were agreed that an extension should be granted before a Decision was made and that in the meantime the Domain Name should remain incapable of transfer or other dealing. That situation in itself was seen as an exceptional circumstance warranting an extension of two months.
- 13.14. Accordingly, the Expert directed that the parties had two months from the date of their joint submission, namely until 26 June 2012 to resolve their differences.
- 13.15. The Expert also informed the parties that in the event that a Decision was necessary it would comprise the contents of the preliminary decision of 11 April 2012, the contents of the Procedural Direction of 2 May 2012 and a discussion as to final remedy accompanied by a specific direction pursuant to Rule 13.1. The Expert also advised the parties that apart from the notification and/or advice referred to in paragraph 12.1 above, no further statement/s or submission/s were sought and that the Decision would in all respects be final and determine the Complaint under the Policy.
- 13.16. That however was not the end of the matter. On 25 June 2012 the Expert received a further joint submission from the parties in response to the Expert’s Procedural Direction of 2 May 2012. The parties advised that they had nearly resolved the dispute between them with a Heads of Agreement settling matters, including both ownership of the Domain Name and the Complaint.
- 13.17. The parties further advised that they had agreed that the status quo should be maintained to allow Heads of Agreement to be finalised. Reasons were provided as to why settlement had taken longer than anticipated, including that if the Heads of Agreement was completed as anticipated that a further comprehensive agreement and supporting documentation would be required. Both parties contended that exceptional circumstances continued to exist which warranted a direction that a final Decision be stayed pending completion of the final agreement.
- 13.18. Accordingly, on 29 June 2012 the Expert made a further procedural direction and allowed a further period of time, until 29 July 2012, for the parties to settle their differences. The Expert also indicated that, in the meantime,

either party could notify the Expert that the settlement process had broken down and request that a final Decision be made.

- 13.19. On 26 July 2012 the Expert received a further joint submission from the parties in response to the Expert's Procedural Direction of 29 June 2012. The parties advised that they had now concluded Heads of Agreement settling in principle the issues between them, but that there were a number of steps that needed to be taken to give effect to that Agreement. The parties also indicated that it was a condition of the Heads of Agreement that the status quo be maintained. The parties submitted that it was appropriate that the status quo be further maintained to allow the Heads of Agreement to be finalised. Reasons for the additional delay were provided, including absence of key people overseas.
- 13.20. The parties noted that in the Expert's Procedural Direction of 29 June 2012 the time to conclude settlement was stated to be a final period. They however submitted that in light of the settlement reached and its terms that exceptional circumstances existed under the Rules. In particular, they contended that pursuant to Rule B11.1, where the parties had reached agreement on a way forward, exceptional circumstances existed to warrant delaying a final decision under Rule B15.2.
- 13.21. The Expert accepted that exceptional circumstances still existed and that further time should be allowed to enable the parties to complete their settlement. That is, on the basis that it is an object of the Policy to bring finality to disputes brought under the Policy. The Expert did however caution that the process could not continue indefinitely and that under Rule B18.2 the position may soon be reached that it was either "unnecessary or impossible" to continue the proceeding under the Dispute Resolution Service. Nevertheless, the Expert concluded that the parties, through their joint submission, had raised "justifiable grounds for objection" to such termination.
- 13.22. However, the Expert cautioned the parties that if they had reached an *in principle* settlement, it was in their hands to bring the settlement to a full and final conclusion and any submission that they needed yet more time to do so would not be viewed with sympathy.
- 13.23. Accordingly, on 31 July 2012 time was extended pursuant to Rule B11.1 until 25 September 2012 to formally conclude their settlement, provided that at any time prior to 25 September 2012, one or both of the parties could notify the Expert that the settlement process had broken down and request a final Decision.
- 13.24. However, notwithstanding having received a number of representations from the parties that the dispute was on the verge of settlement, this was still not the end of the matter.



- 13.25. On 25 September 2012 the Complainants' solicitors Messrs Hazel and Cane filed and served a further submission. The Complainants advised that the situation was largely unchanged since the issue of the 31 July 2012 Procedural Direction. They stated that this was principally due to the existence of ongoing communications regarding settlement and delays on Keith R Norling Limited (owner of CEG (NZ) Ltd) (KRNL) and its director, Mr Norling's part.
- 13.26. The Complainants indicated that notwithstanding this, the parties remained committed to settlement and were still hopeful that the matter with respect to the Domain Name (and broader issues) would be resolved in the near future. They indicated that the preferred outcome would be to continue to maintain the status quo, namely that the Domain Name remained suspended for a further period of two months and a further Procedural Direction be issued giving effect to this preference pursuant to Rule B11.1 of the Policy.
- 13.27. The Complainants submitted that in the alternative the Domain Name should be transferred to the Second Complainant (Motor Technologies Limited). The Complainants contended, in support of this stance, that since the Expert's interim decision on 11 April 2012 KRNL and the Respondent had continued to use the Domain Name without the Complainants' consent and continued to mislead and deceive the relevant public as to the nature of the relationship between the companies in the CEG Group.
- 13.28. The Complainants also asserted that there was no incentive for KRNL and the Respondent to settle the dispute between the parties as there had been no tangible detriment to KRNL or the Respondent for their actions.
- 13.29. On the following day, 26 September 2012, the Respondent's solicitor Mr Hunter filed a response. The Respondent agreed that maintaining the status quo was the preferable option, noting that settlement of the dispute remained close. Indeed, the Respondent indicated that settlement (if any) was likely to be achieved in the next few weeks. The Respondent submitted that the delays in settlement had not solely been the responsibility of the Respondent and that the Complainants had themselves taken some time to provide a draft substantive agreement, it being their responsibility to do so pursuant to the Heads of Agreement between the parties.
- 13.30. The Respondent also asserted that the draft agreement had required substantial revision and that Mr Norling had been overseas, which had made it difficult for it to address these issues but that on his return to New Zealand (evidently in the week of the 25th of September 2012) it was his intent to resolve matters promptly.
- 13.31. Accordingly, the Respondent indicated that it believed the matter was likely to be resolved in a shorter time-frame than the two additional months sought by the Complainants.

- 13.32. The Expert considered these additional submissions in the light of the overall circumstances, noting that the parties had advised that they had been and remained close to settlement; to the point of having signed Heads of Agreement. The Expert also noted that the Respondent suggested that final resolution may be only weeks away and that given final settlement may be that close it may prove to be unnecessary for the Expert to provide a Decision.
- 13.33. Notwithstanding this, the Expert indicated that the parties had had more than enough time to resolve their differences, assuming they were capable of resolution and there was some merit in the Complainants' submission that there seemed to be little or no incentive for the Respondent to settle the dispute as there had, so far, been no tangible detriment to KRNL or the Respondent for their actions.
- 13.34. The Expert said that the parties had been given sufficient opportunity to bring this matter to a conclusion and that this process could not continue indefinitely. The parties were also put on notice that while the Expert had endeavoured to provide a procedural mechanism for them to bring this matter to a sensible resolution, the overriding objective of the Policy is to provide an outcome which is not only fair and just but also proportionate, efficient and expedited in nature.
- 13.35. For these reasons the parties were given one month from 25 September 2012, namely until 25 October 2012, to fully conclude their settlement. The Expert also stated that in the event that he was *not* advised on or before 5 pm on 25 October 2012 that final settlement had been reached it would be assumed that settlement had not been achieved and was unlikely to be achieved within a reasonable timeframe in the current circumstances.
- 13.36. The parties were advised that a Decision, (namely a decision as defined in paragraph 3 of the Policy, being a final decision), would be issued forthwith. As at 5 pm on 25 October 2012 no advice as to settlement was received by the parties. However, at 7:24 pm on the same day the parties purported to lodge yet a further joint submission which simply stated: "The parties ask that the domain ceg.co.nz be suspended pending completion of the settlement between the parties or order of the Court."
- 13.37. The above submission is out of time and simply repeats what the parties have been saying for the past five months. The Expert is now firmly of the view that the parties have been given more than enough time to resolve their differences and having failed to do so within a reasonable timeframe that this situation cannot continue. It is unfortunate that having given the parties a number of opportunities to resolve their differences they have failed to do so. It is thus clear that it is incumbent on the Expert and necessary to make some sort of determination according to the Policy.

#### **14. Remedy**

14.1. In paragraph 11.1 of the preliminary decision of 11 April 2012 the Expert indicated that at the time the Expert's interim view was that it would be inappropriate to grant the Complainants' request for transfer. The Expert also noted that no other remedy was sought and that the other possible remedies were also inappropriate.

14.2. Both parties have since made submissions as to remedy.

## **15. Complainants' Submissions on Remedy**

15.1. On 25 September 2012 the Complainants submitted that in the alternative to maintaining the interim status quo that the Domain Name should be transferred to the Second Complainant (Motor Technologies Limited). The Complainants pointed out that in its preliminary decision the Expert had found that:

15.1.1. The Complainants have rights in the CEG trade mark and therefore in the Domain Name: refer paragraph 10.2.1 above;

15.1.2. KRNL has rights in the CEG trade mark and therefore in the Domain Name: refer paragraph 10.2.2 above;

15.1.3. The Respondent, CEG (NZ) Limited (a subsidiary of KRNL), does not have any rights in the Domain Name: refer paragraph 10.2.4 above;

15.1.4. The Domain Name was not transferred by KRNL to the respondent in error: refer paragraph 10.2.6 above; and

15.1.5. The registration in the hands of the Respondent is an unfair registration: refer paragraph 10.4 above.

15.2. The Complainants also submitted that since the preliminary decision:

15.2.1. KRNL and the Respondent have continued to use the Domain Name without the Complainants' consent (who together represent the majority of the owners of the CEG trade mark in New Zealand);

15.2.2. KRNL and the Respondent continue to mislead and deceive the relevant public as to the nature of the relationship between the companies in the CEG Group;

15.2.3. The Complainants are not subsidiaries of the Respondent or KRNL as inferred on the Respondent's website. Similarly KRNL is not 'CEG Head Office'; and

15.2.4. The trading names of the First and Second Complainants are not CEG Hamilton and CEG Auckland respectively.

- 15.3. The Complainants asserted that KRNL's and the Respondent's conduct is damaging to the Complainants on an international not just local scale. The website they operate under the Domain Name has a reach beyond New Zealand. It can be seen by the Complainants' international contacts and suppliers.
- 15.4. The Complainants further asserted that KRNL and the Respondent had not taken any action to mitigate the effects of the registration of the Domain Name being unfair. Despite having the opportunity to do so, they had not taken down the website operating under the Domain Name or altered the content of the website under the Domain Name in any way to correct their misleading and deceptive conduct.
- 15.5. The Complainants submitted that KRNL and the Respondent have in these ways shown they cannot maintain the Domain Name for the benefit of **all** the current owners of the CEG trade mark.
- 15.6. The Complainants contended that Motor Technologies Limited, (the Second Complainant) is the most appropriate legal entity in which to vest ownership of the Domain Name. The two directors of this company (Mr David Kenyon and Mr Keith Norling) are also directors of the First Complainant (Mr David Kenyon) and KRNL (Mr Keith Norling). It is asserted that while ownership of the Domain Name is vested in the Second Complainant, the Domain Name will not be vested into the First Complainant's ownership or KRNL's ownership until settlement is concluded.
- 15.7. The Complainants went on to submit that while the Domain Name remains in suspension:
  - 15.7.1. It is in effect still in the hands of the Respondent despite being found to be an unfair registration by the Expert.
  - 15.7.2. The Complainants are powerless to remedy the ongoing breaches of their rights and New Zealand fair trading law (amongst other things) by KRNL, the Respondent and, potentially, Mr Norling personally.
- 15.8. Finally, the Complainants submit that there is no incentive for KRNL and the Respondent to settle the dispute between the parties as there has been no tangible detriment to KRNL or the Respondent for their actions.

## **16. Respondent's Submissions on Remedy**

- 16.1. The Respondent notes that while dealing in the Domain Name has been suspended, the Domain Name itself has not been. The Respondent submits that the only alternative outcome is full suspension of the Domain Name pending the outcome of the settlement or failing settlement, orders from the High Court, noting that the issues in question cannot be resolved in any

other forum. The Respondent submits that the Expert's findings are consistent with that submission.

- 16.2. The Respondent refers to the lengthy extract from the 11 April 2012 preliminary decision noting that to take the Expert's words out of context could be misleading.
- 16.3. The Respondent contends that "they" (sic) have simply maintained the status quo as required by the Heads of Agreement between the parties and consistently with the view of the Expert and that inherently that allows continued use of the Domain Name and continuation of the parties' activities as they were at the time of the Heads of Agreement. The Respondent also asserts that the Domain Name serves and continues to serve all parties to the dispute.
- 16.4. The Respondent asserts that the Complainants since the Heads of Agreement have made no complaint regarding the continued use of the Domain Name or any of the Respondent's other activities.
- 16.5. The Respondent submits that while settlement remains the probable outcome, if the matter does not settle then the commencement of proceedings in the High Court is almost an inevitability, noting that the Complainants have stated that is their intent. The Respondent points out that it recognises that the assistance of the Court will be required to resolve the matters between the parties and to terminate the parties' relationship in the absence of settlement.
- 16.6. The Respondent goes on to contend that any decision that vests the Domain Name in the Complainants will almost certainly be appealed in order to maintain the status quo and in which event the prospects of the settlement being concluded as currently framed reduce.
- 16.7. The Respondent goes on to argue that the Expert has recognised that not only is the evidence inadequate to determine rights in the Domain Name but that the DRS is not the appropriate forum to address the issues between the parties and which issues cloud determination of rights in the Domain Name.
- 16.8. The Respondent contends that the Complainants have not identified any prejudice from the arrangement the parties have settled on but if that cannot be achieved that the correct result is for the position to be restored to the position as it has existed for many years prior to the dispute, namely that the Domain Name be held by Keith R Norling Ltd.
- 16.9. Accordingly, the Respondent submits that if the status quo cannot be maintained that the only appropriate outcomes are full suspension of the Domain Name or transfer to Keith R Norling Ltd.

## **17. Discussion**

- 17.1. The Complainants identify in paragraphs 15.1 and 15.3 – 15.5 reasons why the Domain Name should be transferred to the Second Complainant. They also identify in paragraph 15.2 above reasons why since the preliminary decision of 11 April 2012 the Respondent has acted in a manner inconsistent with the Complainants' rights and interests and in a manner which is unfair to them. These submissions have merit. They certainly require a substantive response from the Respondent.
- 17.2. Rather than addressing these issues the Respondent continues to focus on the on-going discussions between the parties, the benefits of suspending the Domain Name and the unsuitability of the present forum for resolving the dispute between the parties. While these arguments are relevant, none of them address the fundamental propositions put forward by the Complainants.
- 17.3. The Respondent contends that the appropriate outcome is for the Domain Name to be returned to Keith R Norling Ltd and failing that for it to be fully suspended. However, that submission ignores the fact that Keith Norling was instrumental in transferring the Domain Name to the Respondent in the first place. Further, there is no evidence before the Expert that Mr Norling has taken adequate steps to ensure that the Domain Name, in the hands of the Respondent, is not likely to lead to confusion and deception in the manner identified in paragraph 15.2 and elsewhere above.
- 17.4. In answer to the submission that the DRS is not the appropriate forum, in paragraph 9.7 above the view was expressed that even though the parties had unduly complicated the process that it was still necessary to determine whether there is a dispute properly falling within the scope of the Policy and which is capable of resolution according to its Rules and Procedure. In paragraph 10.1 the point was made that notwithstanding the above difficulties (which it needs to be observed are partly of the Respondent's making) there was still a basis to assess the parties' legal rights and to assess their conduct.
- 17.5. In paragraph 10.2.4 above it was noted that the Respondent does not have rights in the CEG Trade Mark. Equally, it has no entitlement to the Domain Name. Ultimately, that issue must inform the outcome. In paragraph 10.2.5 above it was noted that difficulties arose between the parties only once the Domain Name was transferred to the Respondent and was used in a manner inconsistent with the agreement between the parties. The fact that the parties (at least to date) cannot resolve their differences does not mean that the Domain Name should remain in the hands of the Respondent, if it is not entitled to the Domain Name in the first-place. The Expert accepts that a transfer to one or both of the Complainants may not be what the joint-venture contemplated (see comments above in paragraph 10.4) or necessarily ideal.
- 17.6. However, the Expert is satisfied that KRNL and the Respondent were given adequate opportunity to address the situation that had arisen and have failed

to do so. Further, the Respondent has continued to use the Domain Name in a manner which is likely to compromise the commercial interests of the Complainants and to confuse and mislead consumers. Accordingly, at the end of the day, the Domain Name was and remains an unfair registration in the hands of the Respondent pursuant to paragraph 4.1.2 of the Policy.

- 17.7. The Expert infers that the Respondent and Mr Norling have used the promise of imminent settlement as a justification for maintaining the status quo and in order to delay or attempt to avoid a Decision being made. The Expert regards this as an abuse of process of the Domain Name Resolution Service. It has resulted in unacceptable and avoidable delay in rendering this Decision. The Complainants have, at least until recently, participated in this process. However, arguably they have not been the main beneficiaries of the delay (see paragraphs 15.4 and 15.8 above).
- 17.8. In the result, while on 11 April 2012 the Expert expressed some doubt as to whether it would be appropriate to grant the Complainants' request for transfer for the Domain Name, for the reasons set out above it now considers that transfer of the Domain Name to the Second Complainant (as requested by the Complainants) is both appropriate and necessary under the circumstances.
- 17.9. Accordingly, it is ordered that the Domain Name be transferred to the Second Complainant.

**Place of decision** Auckland

**Date** 29 October 2012

**Expert Name** Mr Clive Elliott

**Signature**

