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A Brief Excursus on the South African Online Alternative Dispute Resolution

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1. Introduction to Alternative Dispute Resolution (ADR)

Domain names have come to be recognised as property, an important part of the general body of intellectual property belonging to a company or individual, and conveying the brand by which that company or individual is recognised (Thornton & Edmunson, 2007). The registration of “offensive” and “abusive” domain names has become the order of the day. Lawyers, law enforcement and regulatory bodies and agencies around the world have rapidly found ways and means to try to deal with these “cyber pirates”¹ through dialectal actions and criminal sanctions. On 8th May 2007 the .za Domain Name Authority (.za DNA)² announced that it had approved a formal regulated process that is aimed to provide an inexpensive, fast and easy domain name dispute resolution³ without the need of a lawyer⁴.

The main purpose of this paper is to examine the different types of infringements possible of both commonly known and registered trademarks as well as trading names in the .co.za space since the promulgation of the Electronic Communication and Transactions Act⁵ and its Alternative Dispute Resolution (ADR)⁶ Regulations⁷ (hereafter referred to as “the Regulations”). In addition, I will examine the dispute resolution process as applied by the South African Institute for Intellectual Property (SAIPL)⁸ also known as Domain Disputes <www.domaindisputes.co.za> and the available remedies that “complainants” may have against mala fide “registrants” currently and/or intending to create abuse and/or offensive websites. I will also discuss the enforcement of an Adjudicator’s decision as well as the internal Appeal procedure that an aggrieved party may have regarding a finding of an Adjudicator. I will conclude by briefly looking at other remedies that are recognised in terms of the South African Law should a registrant or complainant not be satisfied with the outcome of the ADR process or opt to institute proceedings in a Court of Law.

2. Grounds for Filing a Dispute and Possible Defences

Prior to the ADR regulations, many South African domain name disputes were left unresolved. The reason for this was lack of funds; as such High Court litigation could go into thousands of Rands without even the guarantee of success. The possibility of a

¹ Term used by Mariette Viljoen, “In pursuit of the cyberpirates -The new ADR system for .co.za domain name complaints”, *De Rebus*, November 2007 (<<http://www.derebus.org.za/nxt/gateway.dll?f=templates&fn=default.htm&vid=derebus:10.1048/enu>> accessed on 7th November 2007)

² The organisation that oversees all South African .za top level domain (TLDs) names on the internet.

³ ZA DNA - Press Release: “New regulations aim to resolve South African name disputes” available at <www.zadna.org>.

⁴ The irony of it however, is that most, if not all matters referred to the ADR have been done so with the assistance of top South African IT and IP Law firms who in most likely probability charged their clients fees in line with their own standard litigation rates.

⁵ Act 25 of 2002

⁶ For a concise explanation of the term “ADR”, see Thornton, L. & Edmunson, K., “The alternative dispute resolution regulations applying to disputed over .za domain names in South Africa” in *BNA International*, September 2007

⁷ GN R11666 in Government Gazette No. 29405 of November 20, 2006

⁸ The SAIPL and the Arbitration Foundation of South Africa (AFSA) are presently the only two accredited service providers.

negative finding against the plaintiff could result in an adverse cost order. Now in terms of the new regulations a complainant may have its case referred to ADR if a registrant has registered an “abusive” and/or “offensive” domain name.

In terms of Regulation 3, in order to succeed in a domain name dispute based on an alleged Abusive registration, a Complainant is required to prove, on a balance of probabilities, to the Adjudicator, that the following three elements are present:

- a) that the Complainant has rights in respect of a name or mark;
- b) that the name or mark is identical or similar to the domain name; and
- c) that the domain name, in the hands of the Registrant, is an Abusive registration.

The recognised types of complaints regarding “Abusive Registrations” and “Offensive Registrations” in terms of the criteria stipulated by Regulation 4 of the Regulations are:

- when a person or company registers a commercial companies’ or natural person’s name either for financial gain (in other words attempts to sell, rent or otherwise transfer it to the *bona fide* owner for more than valuable consideration in excess of the registrant’s reasonable out of pocket expenses).⁹ In addition thereto attempting to and/or selling the said domain name to a competitor of the complainant in bad faith may also constitute an abusive registration;
- The registrant passing his own business off as being associated and/or affiliated with that of the complainant to channel business to his own business or mala fide commercial competition;¹⁰
- when a person or company registers a commercial companies’ or natural person’s name to unfairly disrupt the business of the Complainant;¹¹
- when a person or company registers a commercial companies’ or natural person’s name to prevent them from unfairly exercising or using their rights in the said name¹² or to simply intentionally block registration of a

⁹ *Booz-Allen & Hamilton Inc. v. Servability Ltd*, Case No. [D2001-0243] (WIPO Decision) as well as *Telkom SA Limited v. Cool Ideas 1290 CC* [ZA2007-0003] at p 19

¹⁰ *Telkom SA Limited v. Cool Ideas 1290 CC* [ZA2007-0003] pp 16 – 18 as well as *Telkom SA Limited v. Customer Care Solutions (Pty) Ltd* [ZA2007-0004] pp 20 -21

¹¹ *Telkom SA Limited v. Cool Ideas 1290 CC* [ZA2007-0003] at p15 as well as the decision of *Telkom SA Limited v. Customer Care Solutions (Pty) Ltd* [ZA2007-0004] at pp 20 -22

¹² *Fédération Internationale de Football Association (FIFA) v. X Yin* [ZA2007-0007] at pp 11-19 in which the Honourable Arbitrator referred to the SCA case of *Laugh It Off Promotions CC v. SAB International (Finance) BV*, 2005 (2) SA 46 SCA and the Constitutional Court decision in *Laugh It Off Promotions CC v. SAB International (Finance) BV & Another* 2006 (1) SA 144 CC as well as *Chivas Brothers Ltd v. David William Plenderleith* [DRS 00658] in interpreting the concept of “*unfair use and or advantage*”

name/mark in which the Complainant has rights (known as Cyber squatting);¹³

- when a person or company registers a series of intentionally incorrectly spelt domain names or known brand name and/or trade marks with the aim of picking up internet traffic (known as *typo-squatting*);¹⁴
- when a person is found to have been engaging in three or more abusive registrations within a time space of twelve months before a dispute has been filed, Regulation 4(3) of the Regulations creates a rebuttable presumption that the current dispute in question is also an abusive registration.
- In terms of Regulation 4(1) (d) a further factor that may indicate that the domain name is an Abusive registration is namely that false or incomplete contact details have been provided by the Registrant in the *WHOis* database.¹⁵

Where there is evidence that the domain name was registered as a result of a relationship between the complainant and the registrant, and the complainant has been using the domain name registration and paid for the registration or renewal of the domain name registration.

On the other hand, a domain name registration may be regarded as an “Offensive registration” if it advocates hatred based on race, ethnicity, gender or religion or constitutes incitement to cause harm – as contained in the Bill of rights section 16(2) of the Constitution, the right to equality¹⁶ or is *contra bonus mores* (Thornton & Edmunson, 2007).¹⁷

The registrant may be excused¹⁸ of an abusive registration if, before he becomes aware of the complaint’s cause of action, he had already done certain things including actually using the name in connection with a good faith¹⁹ offering of goods or services.²⁰ Another defence would be where the registrant has commonly been known

¹³ *Telkom SA Limited v. Cool Ideas 1290 CC* [ZA2007-0003] at pp 13-15 and the English Appeal Court decision of *Telecommunications plc v. One in a Million Ltd* [1999] FSR 1 (CA)

¹⁴ *Standard Bank of South Africa Limited v. Daniel Cox* [ZA2007-0006] at pp 5-8

¹⁵ *Telkom SA Limited v. Cool Ideas 1290 CC* [ZA2007-0003] pp 19-20; *Hunton & Williams v. American Distribution Systems, Inc. et al.* Case No [D2000-0501]

¹⁶ Regulation 4(3)

¹⁷ Also, *Homefront Trading 272 CC v. Ian Ward* [ZA2007-0008] p 17 where the Honourable Adjudicator C Job cited the well known decisions of *Schultz v. Butt* 1986 (3) SA 667 (A) and *Lorimar Productions Inc. and Others v. Dallas Restaurant and Others* 1981 (3) SA 1129 (T) in explaining what may or may not amount to an action that is *contra bonus mores*.

¹⁸ Regulation 5 of Regulations

¹⁹ *Telkom SA Limited and TDS Directory Operations (Pty) v. The Internet Corporation* [ZA2007-0005] (currently on appeal) at pp 20-24, where Pistorius explains the concept of “demonstrable preparations to use” as “real preparations that are calculated to result in deployment of an operational website address addressed by that name cited from the decisions of *Sydney Markets Ltd v. Shell Information* [D2001-0932] and *Treeforms Inc v. Cayne Industrial Sales Corp* [NAF 0095856]. It is also interesting to note from the Honourable Arbitrator decision that the said “use” must have taken place “before becoming aware of the Complainant’s cause of Complaint”.

²⁰ *Telkom SA Limited and TDS Directory Operations (Pty) v. The Internet Corporation* [ZA2007-0005] (currently on appeal) at p 24 where Pistorius further expands on the passive use which might in certain instances be an indication of *mala fide* use such as in the case of *Hexagon v. Xspect Solutions Inc*

by the name, or has made legitimate non-commercial or fair use of the domain name.²¹ He may also defend the complaint if the domain name is used generically or in a descriptive manner and the registrant is making fair use of it or if it is used as fair criticism of a person or business²².

3. The Dispute Resolution Procedure

Since the accreditation of the South African Institute of Intellectual Property Law (SAIPL) as an accredited service provider under the name Domain Disputes <www.domaindisputes.co.za> the dispute resolution procedure relating to domain disputes literally changed overnight (Viljoen, 2007). As mentioned earlier the ADR regulations now make it possible to lodge complaints in respect of .co.za domain names registered at any further either on the basis that it is an “abusive registration” or that it is an “offensive registration”. The procedure is simple, user-friendly and cost effective (Ibid). Model complaints, guidelines and model answers, with details of information that should be submitted are set out in the regulations and supplementary procedure of the SAIPL can be found on the Domain Disputes website <www.domaindisputes.co.za>.

The costs relating to referring a dispute for adjudication vary from R 10 000 (for a single adjudicator) and R 23 000 (for a panel of three adjudicators). The domain Authority may decide in special instances to fund a dispute, and 10 percent of each fee is deposited to the Authority for this purpose.²³ The complainant is *dominis litis* and must file his/her complaint in the prescribed manner with the Administrator in electronic form and/or a hardcopy version thereof (electronic version is preferred). Note that all service of documents whether in electronic or hardcopy form must be directly to the Administrator who then sends out all notices and pleadings to all relevant parties. Within twenty days of commencement of the dispute, the registrant is required to submit a response and thereafter the complainant has five days within which to submit a reply (Viljoen, 2007). Domain disputes will then appoint an adjudicator to resolve the dispute within fourteen days (although sometime due to the legal complexity of the dispute concerned an Adjudicator may apply for an extension).²⁴ Adjudicators are also required to take account of previous rulings made under the Regulations and to list the

[D2005-0472] where “failure to make *bona fide* use of a domain name during a two-year period following registration constitutes bad faith. It must however be noted that inaction alone might be insufficient to establish bad faith as discussed in the leading case regarding passive use *Telstra Corp v. Nuclear Marshmallows* [D2000-000] in which it was noted that an arbitrator must look all the circumstance of the case to determine whether Registration is *mala fide*.

²¹ *Mr Plastic Mining and Promotional Goods v. Mr Plastic cc* [ZA2007-0001] as well as the famous decision of *Policansky Bros. v. Hermann & Canard*, 1910 TPD 1265

²² *Mr Plastic Mining and Promotional Goods v. Mr Plastic cc* [ZA2007-0001] at pp 13-17 where it was decided that a claim of passing off will only succeed if the complainant’s trade marks are distinctive of it and that trade or the general public necessarily connect its trading activities to a particular mark. For a full discussion of the Mr plastic decision see, Mariette Viljoen, “In pursuit of the cyberpirates -The new ADR system for .co.za domain name complaints”, *De Rebus*, November 2007 (<<http://www.derebus.org.za/nxt/gateway.dll?f=templates&fn=default.htm&vid=derebus:10.1048/enu>> accessed on the 7th November 2007)

²³ For more information on how to get financial assistance from .ZADNA consult <<http://www.domaindisputes.co.za/content.php?tag=9> or www.zadna.org.za>.

²⁴ *Telkom SA Limited and TDS Directory Operations (Pty) v. The Internet Corporation* [ZA2007-0005] (currently on appeal) at p 2

local and international decisions they took into account in their decisions (Thornton & Edmunson, 2007).

4. Remedies Provided for by the ADR

The remedies for an abusive registration dispute are restricted to refusing the dispute²⁵ or transferring the domain name to the complainant²⁶. In the case of offensive registration disputes, the remedies are limited to refusing a dispute or deleting and prohibiting the domain name from future registration.²⁷ In both cases, the adjudicator may also refuse the dispute where it constitutes reverse domain name hijacking (an attempt to use the Regulations to prevent a registrant from using a domain name) (Thornton & Edmunson, 2007).²⁸

5. Other Remedies

In the instance where one of the parties is not satisfied with the outcome of a single adjudicator, three adjudicators may be appointed as an Appeal Board (an additional fee of R 24000-00 is payable to the SAIPL).²⁹ The Regulations do not prevent a party from going to court either in normal or urgent basis. The Regulations stipulates in Regulation 33 that Court proceedings would interrupt the dispute and the appointed adjudicator must suspend the dispute subject to the outcome of the Court proceedings. The UDRP suggests that parties can go to court either before or after mandatory administrative proceedings have begun (Thornton & Edmunson, 2007). In the case of the matter being referred to the High Court, the normal common law passing-off action may be applicable or the statutory passing off action and dilution as created by the Trade Marks Act may apply³⁰. A complainant may also bring an action in terms of unlawful competition and any other common law remedies recognised in law.

6. Conclusion

In short, it appears as if South Africa has finally moved a step ahead of its African counterparts to ensure that domain name dispute resolution is not a costly and lengthy exercise. The simple differentiation between “abusive” and “offensive” registration as well as the simple procedures implemented by the SAIPL is the dawn to the elimination of domain name “cyber piracy” as a whole in the .co.za domain. The few cases decided have also shown as to how effective the procedure is and that it is most desirable to follow this form of dispute resolution to avoid long and costly High court

²⁵ *Mr Plastic Mining and Promotional Goods v. Mr Plastic cc* [ZA2007-0001]; *Homefront Trading 272 CC v. Ian Ward* [ZA2007-0008] and *Telkom SA Limited and TDS Directory Operations (Pty) v. The Internet Corporation* [ZA2007-0005] (currently on appeal)

²⁶ *Standard Bank of South Africa Limited v. Daniel Cox* [ZA2007-0006] at pp 5-8.

²⁷ *Gateway, Inc. v. High Traffic Pro-Life Domains* [D2003-0261]

²⁸ Also see the case of *Telkom SA Limited and TDS Directory Operations (Pty) v. The Internet Corporation* [ZA2007-0005] (currently on appeal) in which the 1st ruling on “reverse domain name hijacking” was made.

²⁹ *Ibid*

³⁰ Section 34 of the Trade Marks Act, 194 of 1993

litigation. ADR in South Africa is definitely a right step in the direction and also conforms to the international norms and procedures as implemented by the international online community in various jurisdictions.

Endnote

Some parts (without the literature and footnotes) of this paper have been published in the February 2008 edition of *Without Prejudice* under the title "Alternative Dispute Resolution" (legal magazine - not an accredited journal), Vol. 8 No.1 (Used with permission)

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