

**Advisory Committee Panel
For the Internet Society of Israel**

The Petitioners: 1. Mr. Avraham Meirovitz
 2. Habitat. Ltd.
 Represented by Advocates Guy Eyal and Tommy
 Manor of Hermann, Peled, Winder, Ben-Israel, Manor
 & Co

The Respondent: Mr. Amir Hadad

The domain name: **habitat.co.il**

DECISION

A. Procedural Background

The Internet Society of Israel allocated the domain name “habitat.co.il” (hereinafter: the domain name) to the Respondent on July 1, 1999. On March 28, 2000, Petitioners, through their attorneys, petitioned the Internet Society of Israel (ISOC-IL) to transfer the domain name to Petitioner No. 2.

ISOC-IL forwarded the petition to this Advisory Committee Panel (ACP) upon its creation on April 10, 2000. The Petitioners completed documentation requested by the ACP on May 4, 2000, at which time, the petition was sent to the Respondent for his response. The response was submitted on June 6, 2000, within the time frame of an extension granted to the Respondent at his request. In consideration of the content of

the response, we allowed the Petitioners 15 days to address the issues raised in it. The Petitioner's submitted their reply within the stated time limit, on June 26.

This dispute has been submitted in accordance with the current ISOC-IL "Rules for the Allocation of Domain Names under the .il (Israel) Top Level Domain ("Rules")" (hereinafter: the Rules), which came into force on January 1, 1999. The Rules are posted at <http://www.isoc.org.il/domains/il-domain-rules.htm>.

B. Factual Background

The trademark "Habitat" (hereinafter: the trademark) has been registered with the Israel Registrar of Trademarks since 1979 under Petitioner No. 1's name. The trademark is registered for the following classes:

- Class 11 – apparatuses and instruments for heating, lighting and cooking
- Class 20 – furniture
- Class 21 – small domestic utensils (not of precious metal or coated therewith)
- Class 27 – carpets, rugs (floor covering, mats).

Petitioner makes the following statements, none of which are disputed by the Respondent:

- Petitioner No. 1 has granted Petitioner No. 2 the use of the trademark.
- Petitioner No. 2 has been conducting in Israel since 1975 the business of retail selling and distributing of kitchens, furniture, various housing tools and equipment and related products. This business is operated throughout Israel through Petitioner No. 2's branches.
- Petitioner No. 2 has earned an outstanding reputation, local recognition and goodwill for the quality of its products and services, all to the extent that its products are well recognized with its name and trademarks. In addition, Petitioners state that Petitioner No. 2 has invested vast resources in promoting and

advertising the company and its products, enhancing their quality and establishing it as a brand name.

Through ISOC-IL, this ACP has learned the following facts.

- The Respondent registered the domain name on July 1, 1999, with ISOC-IL. As of July 10, 2000, no use is being made of the name. The domain name points to a DNS Server, but the DNS Server has not been configured to serve the domain.
- The Respondent has been allocated, in addition to the domain name, the following domain names by ISOC-IL:
 1. matka.co.il (allocated on 23.2.00)
 2. optimi.co.il (allocated on 4.3.00)
 3. wahoo.co.il (allocated on 28.6.99)
 4. zaz.co.il (allocated on 23.2.00)
- As of the beginning of July, 2000, these additional domain names are not associated with any functional web sites, nor do they appear to be associated with any other functional Internet services such as email or FTP. Only “wahoo.co.il” has a DNS Server designation, but the designated server has not been configured to serve the domain.

On January 19th, 2000, Petitioner No. 2 sent a formal letter to the Respondent, demanding, among other things, the transfer of the domain name to Petitioner No. 2. The Respondent has refrained from doing so.

The Respondent is not doing business under the name “Habitat”.

We have found that at least one other business uses the name “Habitat” in Israel: Habitat Real Estate, located at 9 Diskin St., Jerusalem. This business is not affiliated with the Respondent.

C. Petitioners' Claims

The Petitioners make the following claims in their Petition:

1. The allocation of the domain name to the Respondent constitutes an unlawful act that breaches Petitioner No. 2's rights according to Israeli law.
2. Specifically, allocation of the domain name to the Respondent:
 - a. Constitutes a breach of Petitioner's trademark and causes its dilution;
 - b. Constitutes an illegal act according to the Commercial Torts Act of 1999, by unlawfully using and exploiting the trademark and Petitioner No. 2's reputation, while misleading the public to believe in the existence of a connection between Petitioner No. 2 and the Respondent or Respondent's business;
 - c. Constitutes an act of unlawful enrichment;
 - d. Has been made in violation of Rule 3.1 (d) of the Rules which bars allocation of "names that Otherwise do not comply with the Laws of Israel."
3. Further, Petitioner's contend that the Respondent registered the domain name in order to conduct business using it while benefiting unlawfully from Petitioner No. 2's reputation; and/or to unlawfully demand payment from Petitioner No. 2 as a condition for transfer of the domain name to Petitioner No. 2 or to waive the Respondent's rights in the domain name.

D. Respondent's Response

The Respondent states that the domain name was registered with the best of integrity, without any intention of making use of Petitioner No. 2's reputation or of making a quick profit.

The Respondent further states that the domain name was registered for the purpose of establishing a publishing house that will translate and distribute literature in various subjects, such as design, architecture and lifestyle. To this end, the Respondent states

that he contacted some leading international publishers, and that he negotiated and received the rights for Hebrew translations of their publications.

The Respondent states that he has never had, nor does he have today, any intention of going into the furniture business.

The Respondent argues that the name “Habitat” is a generic name, used in a wide range of contexts by a wide variety of companies and organizations. By way of example, he states that the domain “habitat.com” belongs to a real estate management company.

E. Petitioners’ Reply to Respondent’s Response

In their reply to the Respondent’s response, Petitioners held that the Respondent’s factual assertions as to his own intentions and actions were unsupported and they reiterated their initial claims regarding trademark infringement and violation of the Commercial Tort Law.

F. Scope of ACP Inquiry

The scope of the ACP’s authority to examine a domain name dispute under the rules was discussed at length in the ACP decision regarding the domain name “waltdisney.co.il”.¹ In that decision, three areas were defined as within the scope of the ACP inquiry. These are: 1) was the domain name allocated in accordance with the Rules themselves; 2) does the use made by the holder violate a specific Israeli law; and 3) did the holder make a bad faith use of a right in registering and using the domain name.² We shall follow the principles set in the above waltdisney.co.il decision regarding the current dispute.

¹ The decision is published on the ISOC-IL site at <http://www.isoc.org.il/domains/acp.html>

² As for the third area of inquiry, the ACP in the waltdisney.co.il decision relied on Articles 39 and 61(b) of the Contracts Law (General Section), 1973 regarding the obligation to use rights in good faith. To learn what might constitute a bad faith use of rights in the context of domain name registration and use, the waltdisney.co.il ACP sought guidance from the international standards codified in the ICANN

G. Discussion

Most of the Petitioners' claims can be dismissed outright, either as not being supported by fact or by law.

The Petitioners argue, inter alia, that the allocation was made in violation of Rule 3.1 (d) of the Rules, which bars allocation of "names that Otherwise do not comply with the Laws of Israel." The question of the applicability of Rule 3.1 to a domain name dispute was discussed in the waltdisney.co.il decision. The ACP decided there that Rule 3.1 applies only to domain names which, in and of themselves, are illegal, and not to legal names which have the potential for being used in an illegal manner. The name "habitat" is not an illegal name, and its allocation was not made in violation of Rule 3.1 (d) of the Rules. We therefore reject the Petitioners' claim on this count.

The Petitioners argue that allocation of the domain name constitutes trademark infringement and dilution; that it constitutes an illegal use of the trademark according to the Commercial Torts Act of 1999; and/or that it constitutes an act of unjust enrichment. A similar argument was rejected in the waltdisney.co.il decision on legal grounds- mere allocation of a domain name cannot constitute trademark infringement or dilution or the other illegal acts contended by the Petitioners. We therefore reject the Petitioners' claim on this count

In addition, the Petitioners have failed to establish a factual basis for claims that the Respondent is using the domain name in a manner that infringes Petitioners' trademark or dilutes it, or in a manner which constitutes unjust enrichment. In fact, the Respondent is currently making absolutely no use whatsoever of the domain name. Furthermore, the Respondent can potentially make legal use of the domain name for business ventures totally unrelated to Respondent No. 2, such as in publishing or real estate. We therefore reject the Petitioners' claims on this count.

Uniform Dispute Resolution Policy and in the United States of America Anti-Cybersquatting Consumer Protection Act. It should be noted that ISOC-IL is not bound by the UDRP or the US law.

Petitioners also claim that the Respondent registered the domain name in order to conduct business using it while benefiting unlawfully from Petitioner No. 2's reputation, and/or to unlawfully demand payment from Petitioner No. 2 as a condition for transfer of the domain name or to waive the Respondent's rights in the domain name. No factual basis has been established for this claim, and we therefore dismiss it.

We now turn to the question if the Respondent registered and is making use of the domain name in good faith.

The Israeli concept of "good faith," as embodied in Articles 39³ and 61(b)⁴ of the Contracts Law (General Section), 1972, cuts across all areas of Israeli law, and requires that all legal rights be exercised in good faith.⁵ The Justices of the Supreme Court of Israel have differing opinions as to whether Israeli "good faith" is subjective or normative, as can be seen in the latest definitive case on the matter in **Roker v. Solomon**.⁶ Justice Cheshin, for example, holds that the words "good faith" in Article 39 refer to the subjective motivation of a party (which might be deduced by using external, objective criterion). But he also holds that the words "in an acceptable manner" in Article 39, establish a normative standard of behavior determined by the courts. Each of these aspects of Article 39 stands alone. It is enough that only one be lacking to be in breach of Article 39.

³ Article 39 states: "In carrying out an obligation pursuant to a contract, one must act in an acceptable manner and in good faith; such is also the case in using a right deriving from a contract."

⁴ Article 61(b) states: "This law shall apply, insofar as circumstances are fitting and with relevant changes, to legal actions which are not in their nature contractual and on obligations which do not derive from a contract."

⁵ High Court of Justice 59/80 **Public Transportation Services Beer-Sheva v. The National Labor Court**, Decisions of the Supreme Court, Volume 35(1), p. 828; Request for Civil Appeal 5103/95 **Deshet et al v. Eliahu et al**, not published (given on 16.5.99) but available in Hebrew on the Supreme Court web site at <http://www.court.gov.il>; Civil Appeal 2825/97 **Abu Zeid v. Baruch**, not published (given on 3.2. 99) but available in Hebrew on the Supreme Court web site; Permitted Civil Appeal 6339/97 **Roker et al v. Solomon et al**, not yet published (given on 23.12.99) but available in Hebrew on the Supreme Court web site.

⁶ See footnote 5 above.

On the other hand, Chief Justice Barak and Justices Terkil and Englard hold to the line established in **Public Transportation Services Beer-Sheva v. The National Labor Court**,⁷ that Article 39 sets only a normative standard of behavior.⁸ Our determination in this case rests on both a subjective and normative test of good faith on the part of the Respondent in utilizing his rights to the domain name “habitat.co.il.” Following is a discussion of the circumstances we find relevant to this issue.

The current dispute concerns two competing rights, and the question is, which of them should prevail. The first right is that of the Respondent, who has received allocation of the domain name “habitat.co.il” in a legal manner according to the principle of “first come, first serve” set out in Rule 3 of the Rules. The Respondent beat the Petitioners in the race of time, and received the domain name first. No evidence has been brought to indicate that he has used the name, or is presently using the name, in a manner which infringes the Petitioners’ trademark, or which exploits in an illegal manner the Petitioner No. 2’s business reputation.

The second right is that of the Petitioners, who have a trademark in the name “Habitat.” The Petitioners would like to exploit their rights in the trademark in a domain name reflecting the very same trademark.

These rights come into conflict because the domain name in question is a scarce resource, which can not be allocated to both the Petitioners and the Respondent at the same time. Its allocation to the Respondent prevents the Petitioners from making use

⁷ See Footnote 5 above.

⁸ Chief Justice Barak expressed the concept in Section 7 of his opinion in the **Roker** decision in these words: “The concept of good faith establishes the standards of behavior regarding people whom the realities of life have thrust together. It establishes that such behavior must be honest and fair as demanded by the Israeli society’s sense of justice. In its essence, the concept of good faith constitutes an “open” standard, which reflects the underlying principles of the Israeli society regarding what should constitute acceptable behavior between people. The categories of good faith are never closed; they are never rigid and they are never passive. Good faith injects into our system an element of flexibility, which enables our system to adjust itself to the changing necessities of life.”

of it. If the domain should be transferred to the Petitioners, the Respondent would be prevented from using it. Who should prevail in this conflict?

None of the above rights are absolute. The Respondent's rights in the domain name are contractual⁹ and limited in their scope by the conditions of the service contract with the registrar. The Petitioners' rights in the trademark do not exclude the rights of others to use the name in contexts permitted by the Trademarks Ordinance [New Version], 1972.¹⁰

Respondent's contractual rights are set out in the ISOC-IL Rules. The heart and soul of the Rules is that domain names under the ccTLD "il" are intended to be used on the Internet, either as addresses for web sites or as addresses for other Internet services, such as email or FTP. The ISOC-IL Rules in their entirety reflect this purpose. But it is also reflected specifically in Rule 9.2.1(b), which states that a domain name may be removed from the Allocation Register "due to failure to provide at least one active DNS name server within one year from allocation of the Domain Name." We understand "active" in this case to mean that the DNS name server is configured to serve the domain name, and that use is being made of the domain.

At the time this dispute was brought before this ACP, the one year time period set in Rule 9.2 had not passed. In the interim, it has passed, and still no active use is being made of the domain name. In addition, there is no "active" DNS name server providing access to a site or services associated with the domain name. ISOC-IL could conceivably rely on Rule 9.2 and cancel the allocation in according to the procedure set out in the Rules. In the present dispute, however, we only rely on Rule 9.2 to demonstrate the underlying theme of the Rules, which is that domain names must be used to provide legitimate Internet services. When assessing the good faith of a respondent in a domain name dispute, this underlying principle need be taken into

⁹ "A domain name registration is the product of a contract for services between the registrar and registrant" – **Network solutions, Inc. v. Umbro International, Inc**, Circuit Court of Fairfax County, April 21, 2000, available at <<http://www.courts.state.va.us/txtops/19991168.tx>>

consideration in reference to the whole of the circumstances regarding the dispute. In assessing all of the relevant factors, it is conceivable to find lack of good faith even in circumstances where no use was made of the domain name for a period shorter than one year.

Respondent held the domain name “habitat.co.il” for over six months without making use of it when the Petitioners requested, on January 19, 2000, that he transfer to them the domain name. The Respondent did not agree to the Petitioners’ demand. By May 4, 2000, when the Petitioners’ Petition was sent to the Respondent, still no use had been made of the domain name. This was 10 months after allocation of the name. As of today, over one year after the allocation, no use has been made of the name, and the domain is still not associated with a DNS name configured to provide Internet services via the domain.

The Respondent has stated that he has a legitimate, non-infringing, legal business plan for the domain name. Prima facie, his plan could be non-infringing and legal, since the name “habitat” is fairly generic and the Petitioners’ trademark is limited to certain classes of business activity, leaving others open to the Respondent. However, as far as we can see, this business plan has not, over the last year, been implemented through the use of the domain name “habitat.co.il.”

In addition, we note that three of the four additional names allocated to the Respondent¹¹ have no DNS Server designation (as of the beginning of July, 2000). The remaining domain name allocated to the Respondent, “wahoo.co.il” has a DNS Server designation as of the beginning of July 2000, but the designated server is not set up for the Domain. In other words, the Respondent is not using any of the domain

¹⁰ See, for example, the definition of “infringement” in Article 1 of the Ordinance. For non-famous marks, non-infringing use can be made for classes of business not covered by the trademark registration.

¹¹ The four additional names allocated to the Respondent, and their dates of allocation are as follows: matka.co.il (allocated on 23.2.00); optimi.co.il (allocated on 4.3.00); wahoo.co.il (allocated on 28.6.99); zaz.co.il (allocated on 23.2.00).

names allocated to run web sites or to provide other Internet related services, such as email or FTP. The collection of domain names (including “habitat.co.il”) and the holding of them for extended periods of time without making use of them for legitimate Internet activities or services, raises questions about their intended use.

While we do not rule out the potentially legitimate use of the domain name “habitat.co.il” by the Respondent, the fact that this domain name (and others) is not being used in any manner leaves open potential misuse of the domain. For example, the Petitioner could potentially attempt to sell the name to the Petitioners for an exorbitant sum (cybersquatting). He could potentially establish a web site that does infringe the Petitioners’ trademark. He could potentially sell the domain name to a competitor of the Petitioners to be used in an illegal manner. We can not look into the heart of the Respondent and know if he has any of these intentions. We, do, however, point out that under the existing circumstances, we can not exclude the existence of such potential for bad faith exploitation of the domain name.

Petitioner No. 2 has been in business using the name Habitat for more than 20 years. The name “Habitat” regarding Petitioner No. 2’s business is widely known in Israel, as the Respondent himself attests in Paragraph 4 of his Response (“Habitat Israel’s conduct ... is publicly known: Habitat Israel built its commercial success ...”). The trademark “habitat” has been registered under Petitioner No. 1’s name for over 20 years, and the information regarding trademark registrations in Israel is publicly available. Today it is even possible to search the trademark database via the Internet at <http://www.justice.gov.il/db/db1.htm>. The Respondent either knew or should have known that the trademark “habitat” belonged to the Petitioners.

One final factor to consider is that the Respondent, by holding and not making use of the domain name “habitat.co.il”, is preventing the Petitioners from making legitimate business use of the domain to attract customers via the Internet. In this context, it is relevant that the Israeli legislator has made it a civil tort for one business to unreasonably prevent or make difficult access of customers, employees or agents to another business (Article 3 of the Commercial Torts Law, 1999). In our opinion, the various circumstances described above indicate that the Respondent is unreasonably making it difficult for customers, employees or agents of Petitioner No. 2 to access

Petitioner No. 2's business via the Internet through a domain name based on Petitioners business name and trademark.

H. Decision

The Petitioners have not shown that the Respondent is infringing their trademark or diluting it. They have not demonstrated that the Respondent is benefiting from unjust enrichment by holding the domain name, which incorporates their trademark. In fact, the Petitioners have not provided any evidence of any use being made of the domain name "habitat.co.il".

The latter point is exactly the crux of the matter. Domain names are allocated under the ISOC-IL Rules to be used within a reasonable time for legitimate Internet activities, such as providing access to web pages or email services. The Respondent has been holding and making no use of, for over one year, the Israeli commercial domain name, "habitat.co.il." Said domain uses the Petitioners' Israeli 20 year old trademark and business name, "Habitat." The Respondent has no clear business interest in the name "Habitat." He could, potentially, make legal use of the domain name, but he could also, potentially, use the domain name in an infringing or otherwise illegal manner. The Respondent knew, or should have known, of Petitioner No.1's trademark in the name "Habitat" at the time of allocation. He knew that the Petitioners carry on a successful business in Israel under the name "Habitat." The Respondent is unreasonably making it difficult for customers, employees or agents to access the Petitioners' business via the Internet through a domain name based on Petitioners' business name and trademark.

We believe, in the balance, that under these circumstances, the Respondent has not made good faith use of his rights in the domain name "habitat.co.il" in accordance with the Rules.

We therefore hold that the allocation of the domain name "habitat.co.il" to the Respondent be cancelled, and that said domain name be transferred to Petitioner No. 2 as requested.

Brian Negin, Chair

Danny Dolev, Member

Moshe Bar Niv, Member

Date: 31 July 2000