

**IN THE MATTER OF A COMPLAINT PURSUANT TO THE
CANADIAN INTERNET REGISTRATION AUTHORITY
DOMAIN NAME DISPUTE RESOLUTION POLICY**

Domain Name: HAVAIANAS.CA

Complainant: SAO PAULO Alpargatas S/A
Registrant: Luca's World Inc.
Registrar: Webserve Canada(Canada Technology Enterprise Inc.)
Panelist: David Allsebrook , *B.B.A., M.B.A., LL.B., B.C.L.*
Service Provider: Resolution Canada

DECISION

A. The Parties

1. The Complainant is SAO PAULO Alpargatas S/A. Its legal status and domicile are not stated in the Complaint, but the Distributor Agreement dated as of January 1, 2003 between the parties describes it as a Brazilian corporation having its principal place of business in Sao Paulo, Brazil.

2. The Complainant is represented by Me. Cindy Bèlanger, of the law firm Heenan Blakie SRL/LLP in Montreal.

3. The Registrant is Luca's World Inc., with its registered address in Toronto, Ontario. Although described as a "Canadian Incorporated company" in the Distributor Agreement, the Complainant alleges that Luca's World Inc.'s is not a Canadian corporation.

4. The Registrant consented to the application of the CIRA Domain Name Dispute Resolution Policy ("CDRP") by entering the Registrant Agreement with CIRA to obtain the domain name HAVAIANAS.CA. (Registrant Agreement v. 1.9, a. 2.1). The Complainant agreed to be subject to the CDRP by filing the Complaint. (CDRP a. 1.9(a)) The Complainant is eligible to file a complaint under the CDRP because the complaint relates to a trade-mark registered in the Canadian Intellectual Property Office ("CIPO"), and the Complainant is the owner of the trade-mark. (CDRP, a.1.4)

5. The Distributor Agreement requires that "Any controversy or claim arising under or in relation to this agreement shall be settled by arbitration in Miami under the Laws of the State of Florida...", and that the Distributor Agreement shall be "governed, construed and interpreted in accordance with the laws of the State of Florida..." In the absence of any evidence as to the applicable laws of Florida, I shall assume that they are the same as those of Ontario.

6. As CIRA is not a party to the Distributor Agreement, but is a party to the Registrant Agreement, and the Registrant and Complainant have consented to the application of the CDRP as set out in paragraph 4 above, this proceeding is not precluded by the

Distributor Agreement and proceeds by mutual consent.

B. The Domain Name and Registrar

7. The domain name at issue is HAVAIANAS.CA. The Registrar is Websolve Canada (Canada Technology Enterprise Inc.). The Complaint states that the domain name is "currently parked", meaning, in this case, that accessing it with a web browser produces an error message that the name is not directed to any web site.

C. Procedural History

8. The Complainant submitted its undated Complaint to the Domain Name Dispute Resolution Provider, Resolution Canada. On April 9, 2009 Resolution Canada sent copies of the Complaint and schedules, divided into three emails, to the Registrant's and Registrar's email addresses as specified in a.2.1(b) of the CIRA Domain Name Dispute Resolution Rules ["Rules"]. Accordingly, the Registrant is deemed to have been served. (Rules, a.2.1(b)). Service took place on April 9, 2009, according to article 2.6(c) of the Rules. Notice of the Complaint was served the same day.

9. No response to the Complaint was received from the Registrant by April 29, or at all. The Provider selected the undersigned to serve as the single panelist requested in the Complaint, according to the process outlined in the Rules.

D. Panel Member's Impartiality and Independence Statement

10. As required by paragraph 7.2 of the Rules, the undersigned panelist has declared to the Provider that he can act impartially and independently in this matter as there are no circumstances known to him, which would prevent him from so acting.

E. Factual Background

11. The facts of this dispute are as follows.

12. The Complainant corporation, SAO PAULO Alpertagas S/A, is a Brazilian shoemaker with worldwide revenues of approximately US\$723 million per year for its HAVAIANAS branded footwear. In the year 2007, that amounted to 173 million pairs of sandals. HAVAIANAS is a registered trademark in 126 countries.

13. A design comprising the word "HAVAIANAS" within the outline of an ellipse, was registered by the Complainant in Canada as a trade mark in August 1999, for use in respect of in respect of "footwear, namely sandals", under registration number 998,983.

14. The Complainant and the Registrant entered into a "Distributor Agreement" as of January 1, 2003. The stated territory is Canada. Products listed for distribution by the Registrant include "HAVAIANAS rubber sandals" Complaint Annex 6, Distributor Agreement, Ex. 1(a) "HAVAIANAS" in 15 styles (Ex. 4.17) and "HAVAIANAS SANDALS" (ex. 10(b)(iii)). The

term of the agreement is three years, to continue in force thereafter until 60 days after either party gives the other written notice of its election to terminate the agreement.

15. Some of the terms of the Distributor Agreement are set out here. The agreement is sealed and initialed on each page and in some cases individual clauses are initialed as well. These graphics are not reproduced here.

DISTRIBUTOR AGREEMENT

1 Appointment of Distributor and Grant of License.

SPASA [The Complainant] hereby...

(b) grants Distributor during the Term the exclusive right in the Territory, subject to SPASA's prior approval, (i) to open and operate, for its own account, stores and shops; (ii) to grant subdistributors the right to open and operate shops.

(c) grants Distributor a non-transferable, limited and non-exclusive license during the Term to use the Marks (as defined in Section 4.11 of this Agreement) which SPASA may from time to time disclose to Distributor only for the limited purpose of Distributor's performance hereunder.

Except as set forth above, SPASA retains the right to engage in any business activity, including but not limited to the sale and distribution of any merchandise and services, in the Territory; provided, however, that during the term of this Agreement, SPASA hereby agrees that any direct distribution of the Products by SPASA into the Territory will only be through Distributor. Nothing in this Agreement shall (a) entitle the Distributor to any priority of supply in relation to Products being offered by SPASA to other distributors; or (b) be construed to provide any remedy to Distributor against SPASA if any of the Products are sold into the Territory by an entity outside the Territory (other than SPASA or one;/of its Affiliates)

2 Acceptance; Subdistributors. Distributor accepts the foregoing appointment and agrees to use its best efforts to promote the sale and distribution of the Products within the Territory in accordance with this Agreement.

4. Obligations Of Distributor.

4.1. Exclusive Purchasing. In accordance with business plans approved in writing by SPASA with Distributor (the "Business Plans"), which Business Plans may be in effect from time to time during the Term, Distributor shall purchase Products only from SPASA, a designated Affiliate of SPASA, or SPASA designated sources

4.2. Business Plans. No later than October 31st of each calendar year, Distributor shall establish a Business Plan for the subsequent year, which shall be subject to the written approval of SPASA in its reasonable discretion. Each Business Plan shall...

(c) provide detailed information on advertising, promotional, marketing and merchandising expenses to be incurred by the Distributor and by the SPASA during the applicable Year...

45. Competitive Products. Distributor shall not distribute or sell, either by itself or through an Affiliate, during the Term, goods or products for or on behalf of any of the brands or entities which, in the opinion of SPASA, may compete with the Products.

4.8. Promotion and Advertising.

(a) Distributor shall advertise and promote the Products in the Territory, provided, however, that Distributor shall submit its plans for marketing and promoting the Products and all advertising copy and designs ("Advertising Materials") to SPASA for review and written approval prior to using them: If not disapproved, SPASA's approval shall be deemed to be granted thirty (30) days following SPASA's receipt of the Advertising Materials.

(b) expenses incurred by the Distributor in connection with the promotion, advertising, marketing, and merchandising of the Products shall be shared equally with SPASA, or as otherwise specified on Exhibit 4.8 (b) or in that Exhibit as it may be amended from time to time. A revised Exhibit will be agreed to by the parties each year and will be made part of this Agreement.

[N.b. by panel -All underlining in the excerpts from the Distributor Agreement is from the original. The underlining within section 4.8(b) in the original is double underlining.]

4.11. Use of Marks. Distributor shall at all times comply with SPASA's instructions and guidelines for the use of such service marks, trademarks and other intellectual property (the "Marks") as from time to time may be provided by SPASA or one of its Affiliates to Distributor. In its promotion of the Products and in all literature relating thereto and on the labels and packaging material, Distributor shall: (a) at all times use the Marks only in accordance with SPASA's policies and instructions *to be provided to Distributor by SPASA* and only in connection with the sale of the Products; and (b) shall acknowledge with appropriate (as determined by SPASA) trademark notices that each of the Marks are registered trademarks of SPASA or one of its Affiliates. Distributor shall not use any of the Marks or any other confusingly similar word(s), phrase(s) or symbol(s) for or in connection with any products or activities except pursuant to this Agreement.

4.15. Monthly Reporting. Distributor shall furnish to SPASA monthly information on selling prices, marketing and sales of the Products within the Territory including, but not limited, to reports on outstanding due accounts. Distributor agrees to allow SPASA to conduct no more than twice a year audits (the "Audits") of the Distributor's accounting records for the purpose of verifying the accuracy of monthly information provided by the Distributor. The Audits shall be conducted no more frequently than once per month. SPASA shall provide Distributor with notice at least one week prior to the date on which an

Audit will begin.

10. Early Termination.

(a) In addition to any other termination rights provided in this Agreement, either party may terminate this Agreement immediately upon giving written notice of termination to the other party if:

- (i) The other party breaches any provision of this Agreement or fails to perform its obligations under this Agreement, and, in the case of any breach other than the failure to make timely payment or a breach of Section 4 of this Agreement, such breach or failure is not rectified within thirty (30) calendar days following the date when a written request for rectifying said breach or failure is sent to said other party;

(b) SPASA may terminate this Agreement immediately upon written notice to Distributor if:

- (ii) If Distributor engages in conduct which damages or threatens to damage the reputation, image or goodwill of SPASA or the Products;

13. Discontinuance of Use of Names. Upon termination or expiration of this Agreement, Distributor will immediately discontinue every use of any Mark and the use of any language stating or suggesting that Distributor is a distributor of SPASA or affiliated in any way with SPASA. On-hand inventory should be sold or transfer to new distributor within 30 (thirty) days of termination or expiration date.

24. Headings. The headings in this Agreement are inserted only as a matter of convenience and for reference and in no way define, affect, limit, or describe the scope or intent of this Agreement.

EXHIBIT 1(a)

Territory and Products

TERRITORY - CANADA

PRODUCTS:

HAVAIANAS RUBBER SANDALS

SAMOA EVA SANDALS

CONGA CANVAS SHOES

SEA CLUB RUBBER SANDALS

EXHIBIT 4.8 (b)

Budget for Promotional and Publicity

The number set forth below mean the total amount in U.S. Dollars ("USD") that will be spent during the year 2003, between January 1st and December 31st of that year, pursuant to Section 4.8(b) of the Agreement.

PUBLICITY AND PROMOTIONAL BUDGET FOR 2003 — USD 11,000.00 -

SPASA'S SHARE: USD 7,000.00

-DISTRIBUTOR'S SHARE: USD 4,000.00

Budget:

- Trade shows USD 0,00 Magazine
- Ads USD 0,00 Sponsorings
- USD 5,000.00 Promotional liens
- USD 0,00 Displays and POP USD
- 1,000.00 Publicity Agency USD
- 0,00
- Expenses with Public Relations USD 0,00
- Marketing Expenses USD 5,000,00
- Public Relations USD 0.00
- Marketing/AD Supervisor USD 0,00

(end of excerpts from Distributor Agreement)

16. The disputed domain name HAVAIANAS.CA was registered by the Registrant on 11 June 2004, 18 months into the three-year initial term of the distributor agreement. The Complainant says the registration was without its prior knowledge or consent, and denies that such registration is authorized by the Distributor Agreement.

17. Through the use of the Internet "waybackmachine" the Complainant has produced a portion of the web site posted at havaianas.ca, apparently during 2004. The excerpt consists of two pages, each having at the top in large letters "Havaianas Canada", and a row of four buttons underneath, labeled "Styles", "The Havaianas Story", "In the News" and "Where to Buy". The first page consists of pictures of sandals of named styles (e.g., "Surf Bamboo", divided into Men's, Women's and Kids' styles. The second page has contact information for the Registrant. The Complaint makes no comment on the contents of the web site.

18. The Distributor Agreement was terminated by notice from the Complainant to the Respondent dated July 31, 2006, six months after the Complainant's earliest opportunity to terminate the Distributor Agreement without cause. Together with the two month notice period, the extension amounted to 22 percent of the term of the contract, to September 30, 2006. The Distributor Agreement recognizes in article 13 (quoted above) the Registrant's right to liquidate its inventory upon termination, and suggests rather than imposes a 30 day time period for doing so.

According to the Complaint the trade mark is "closely associated with the goods, being marked on them or their packaging."

19. The Complaint is drafted to permit the panel to infer, but to avoid saying, that the Complainant first learned of the HAVAIAINAS.CA domain name, and its request for the transfer of it in October, 2006, was the first communication between the parties on the subject. I decline to draw those inferences. These facts are key to resolving the allegations of bad faith by the Registrant, and the onus is on the Complainant to set them out clearly. We are not told the Registrant's response, but the request was made during its permitted inventory sell off period.

20. Complainant's counsel, Me. Bèlanger, pursued months of sporadic communications with the Registrant seeking the transfer of the domain name from the Registrant to the Complainant. The Registrant was generally agreeable but was inattentive and produced excuses involving trouble using its email. In May 2007 Complainant's counsel, Me. Bèlanger persuaded the Registrar to forego requiring that the domain name transfer take place by email and to accept it by letter. She drafted a letter to make the transfer and sent it to Vice President Denton of the Registrant, requesting that he sign it and return it to her. Interestingly, it requests a change in ownership of the name to the Complainant, while naming the Registrant as the administrative, billing and technical contact. No explanation is provided for the parties' continued involvement.

21. On August 13 counsel followed up with Mr. Denton by email, with another copy of the letter. He signed it and faxed it back to her on August 16, 2007.

22. No explanation is given as to why Me. Bèlanger's transfer scheme was unsuccessful. Even though Mr. Denton followed Me. Bèlanger's scheme, the Complaint attempts to blame him for its failure by virtue of his not replying to a confirming email to him from the Registrar. Me. Bèlanger had twice previously assured Mr. Denton in writing that the transfer would be done without email, and she was aware that email was not his strong suit. The onus is on the Complainant to explain what went wrong. Instead, we are told of a further two years of negotiations (without mentioning their substance), culminating with "...the Registrant categorically refused to transfer the domain name on January 30, 2009".

F. CIRA Domain Name Dispute Resolution Policy Requirements

23. The CDRP sets out at paragraph 4.1 what the Complainant must establish in order to succeed:

"4.1 Onus. To succeed in the Proceeding, the Complainant must prove, on a balance of probabilities, that:

(a) the Registrant's dot-ca domain name is Confusingly Similar to a Mark in which the Complainant had Rights prior to the date of registration of the domain name and continues to have such Rights; and

(b) the Registrant has registered the domain name in bad faith as described in paragraph 3.7;

and the Complainant must provide some evidence that:

(c) the Registrant has no legitimate interest in the domain name as described in paragraph 3.6.

"Even if the Complainant proves (a) and (b) and provides some evidence of (c), the Registrant will succeed in the Proceeding if the Registrant proves, on a balance of probabilities, that the Registrant has a legitimate interest in the domain name as described in paragraph 3.6."

G. Is the Registrant's Domain Name Confusingly Similar to the Complainant's Mark?

1) The Complainant's Mark

24. Paragraph 3.2 of the Policy includes the following in the definition of what constitutes a "mark" for the purposes of the Policy:

"A "Mark" is:

- (a) a trade-mark . . . or a trade name that has been used in Canada . . . for the purpose of distinguishing the wares, services or business of that person . . . from the wares, services or business of another person; [and]
- (c) a trade-mark, including word elements of a design mark, that is registered in CIPO."

25. The Complainant has shown evidence of its current ownership of the registered mark HAVAIANAS.CA in Canada.

2) "Confusingly Similar"

a) "Confusingly Similar"

26. Paragraph 3.4 of the Policy defines "confusingly similar" in the following terms:

A domain name is "Confusingly Similar" to a Mark if the domain name so nearly resembles the Mark in appearance, sound or the ideas suggested by the Mark as to be likely to be mistaken for the Mark.

27. This is a comparison test rather than a confusion test. Regarding HAVAIANAS.CA, discounting as required the .ca portion of the domain name and the design element (pursuant to ss. 32(c) of the CDRP), the HAVAIANAS and Design mark is identical to disputed domain name. The domain name HAVAIANAS.CA is "confusingly similar" to the trade mark HAVAIANAS and design pursuant to the test of paragraph 3.4.

H. Was the Registration of the Domain Name Made in Bad Faith?

28. In order to succeed, the Complainant must show, on the balance of probabilities, that the Registrant registered the domain name in bad faith. The Policy confines the definition of bad faith to three restricted definitions. Paragraph 3.7 of the Policy states that the Registrant will be considered to have registered the domain name in bad faith, if and only if, one of the following three conditions is met:

(a) the Registrant registered the domain name . . . primarily for the purpose of selling, renting, licensing or otherwise transferring the Registration to the Complainant [or others related to or competing with the Complainant] for valuable consideration in excess of the Registrant's actual costs in registering the domain name . . . ;

(b) the Registrant registered the domain name . . . in order to prevent the Complainant [or others related to the Complainant] from registering the Mark as a domain name, provided that the Registrant, alone or in concert with one or more additional persons has engaged in a pattern of registering domain names in order to prevent persons who have Rights in Marks from registering the Marks as domain names; or

(c) the Registrant registered the domain name . . . primarily for the purpose of disrupting the business of the Complainant, or the Complainant's licensor or licensee of the Mark, who is a competitor of the Registrant.

29. There is no evidence to support ground (a). There is no suggestion that the Registrant offered the domain name to anyone but the Complainant, or sought "valuable consideration" for transferring it.

30. There is no evidence to support ground (b). Nothing shows that the Registrant has any pattern of registering domain names or that the Complainant wanted to register it.

31. There is no evidence to support ground (c). Under section 8 of the Trade-Marks Act, the vendor of goods bearing a trade mark warrants to the buyer, that the buyer may lawfully use that trade mark in association with those wares. That warranty applies here. Nothing in the Distribution Agreement displaces it, and the Registrant's only use of the domain name in evidence is two web pages which promote the Complainant's products.

32. The Complainant denies having granted authority to register the domain name, but leaving aside s. 8 of the Trade Marks Act, the Distributor Agreement appears to grant that authority. Paragraph 1(c) of the Distribution Agreement grants a license "...to use the Marks (as defined in section 4.11 of this Agreement) which SPASA may from time to time disclose to Distributor...". As quoted above, section 4.11 refers to trade marks "provided" by SPASA. The trade mark "HAVAIANAS" is 'disclosed' and 'provided' in the three schedules to the Distribution Agreement quoted in paragraph 14 above.

33. The agreement contemplates close and frequent coordination and reporting of marketing plans, with advance approval and cost sharing by the Complainant. The Complainant

provides absolutely no detail of how these arrangements were carried out in practice. There is no complaint that the Registrant failed to file its monthly marketing reports, for example, or that it sold goods other than the Complainant's.

34. In addition to the license granted in paragraph 1, the Registrant was required to use its "best efforts" to promote Havaianas rubber sandals in Canada (paragraph 2). Operating a Canadian web site referring only to the brand being sold, including using it in the domain name, would be consistent with that obligation.

35. The Complainant's allegations of bad faith ring hollow. Given the close coordination and advance approval requirements in the agreement, the Complainant's failure to terminate the agreement at the earliest opportunity, and the ongoing relationship between the parties which persisted even after termination of the Distributor Agreement, and the discovery of the HAVAIANAS.CA registration by the Complainant, the Complainant's silence raises a strong inference that the Registrant's conduct was not taken as bad faith by the Complainant. The Complaint alleges that the May 17 2007 transfer letter constitutes an admission that the Registrant never had any rights to the domain name and constitutes an admission of bad faith. The letter admits neither fact, and signing and returning it as requested was a bona fide attempt to cooperate.

36. The Complaint alleges that "The Registrant started exploiting the domain name not long after its registration to redirect Internet traffic towards its own internet site on which the Havaianas products were advertised, thus potentially increasing its sales to the detriment of the Complainant, its competitor in the online world. " "The Registrant knew all too well at the time it registered the domain name that such registration would divert internet users from the Complainant's website and would disrupt its business."

37. At the time of the registration, June 2004, the parties were bound by a Distributor Agreement which prohibited the Registrant from selling outside Canada and prohibited the Complainant from selling into Canada (except to the Registrant). The Registrant's web site was not set up to sell goods, beyond giving its name and address- it had no order taking facilities or prices, for example. The use of a .CA domain suggests the Registrant's web site was targeted within Canada, its assigned territory. If anything, these allegations suggest that the Complainant was violating the agreement, not the Registrant. They also again raise the question of when the Complainant knew of the Registrant's web site.

I. Does the Registrant Have a "Legitimate Interest" In the Domain Name?

38. The final element of the three part test set out in s. 4.1 of the Policy is to determine whether or not the Registrant has a legitimate interest in the domain name. Paragraph 3.6(a) of the Policy specifies that "legitimate interest" is determined at a particular point in time:

"The Registrant has a legitimate interest in a domain name if, and only if, before the receipt by the Registrant of notice from or on behalf of the Complainant that a

Complaint was submitted

(a) the domain name was a Mark, the Registrant used the Mark in good faith and the Registrant had Rights in the Mark;"

39. Paragraph 3.3 defines "Rights" in a Mark:

"3.3 Rights. A person has 'Rights' in a Mark if:

(a) in the case of paragraphs 3.2 (a) and 3.2(b), the Mark has been used in Canada by that person, that person's predecessor in title or a licensor of that person or predecessor;"

(b) in the case of paragraph 3.2 (c), the Mark is registered in CIPO in the name of that person, that person's predecessor in title, or a licensor of that person;"

40. As described in paragraphs 34 and 35 above, the Registrant used the mark in good faith and as a licensee of the Mark. The operation of the web site HAVAIANAS.CA in 2004 by the Registrant to promote the sale of the Complainant's Havaianas footwear was use of the Mark in good faith with Rights in the Mark.

J. Failure to Respond

41. The Rules provide that: "5.1 Response. Within twenty (20) days of the Date of Commencement of the Proceeding, the Registrant shall respond to the Complaint by filing with the Provider a Response in accordance with the Policy and the Resolution Rules." "5.8 No Response. If a Registrant does not submit a Response ...the Panel shall decide the Proceeding on the basis of the Complaint..." The Registrant has not responded to the Complaint, although its silence is mitigated by its having previously signed and delivered a direction to the Registrar to transfer the domain name to the Complainant. In the absence of submissions by the Registrant, the Panel is not required to accept the Complaint uncritically.

42. The Registrant has not made any use of HAVAIANAS.CA to which it was not entitled. It has not threatened to make any other use or disposition of HAVAIANAS.CA. It has carried out its part of the Complainant's request for the transfer of the domain name. The reason it did not go through is within the knowledge of the Complainant, who chose not to disclose it.

43. There is clearly more going on between the parties than is revealed by the Complainant. This procedure is not suited to inquire into lengthy or conflicting evidence. Any findings made here are made based upon the carefully expurgated submissions of one party, silence from the other, and unsworn submissions, untested by cross-examination. Care should be taken in placing any reliance on findings made under those constraints.

44. This panel cannot impose the transfer of the domain name on the Registrant because the Complaint has not shown the necessary criteria of bad faith registration and lack of

legitimate interest. Havaianas and design is a trade mark used for footwear. HAVAIANAS.CA has not been abused or held hostage by the Registrant. It is possible, although I make no finding on this point, that HAVAIANAS.CA may be used for other purposes than footwear without infringing any rights of the Complainant.

K. Conclusion and Decision

45. The Complainant has established on the balance of probabilities that the Registrant's domain name HAVAIANAS.CA is confusingly similar to the Complainant's Mark, according to the test used in the CDRP.

46. I find on the balance of probabilities that the Registrant registered the domain name HAVAIANAS.CA in good faith.

47. I find on the balance of probabilities that the Registrant had a legitimate interest in the domain name HAVAIANAS.CA at the dates of registration and use.

48. The Complainant has not established two of the three criteria necessary for this Complaint to succeed. For the reasons set out above, the Complaint seeking the transfer of the domain name HAVAIANAS.CA is dismissed.

Dated 25 May 2009,

A handwritten signature in blue ink that reads "David Allsebrook". The signature is written in a cursive, flowing style.

David Allsebrook,
Sole Panelist