

Sports and More Sports, Inc.  
Claimant

v.

Vis Water Sports Co.  
Respondent

Procedural Order No. 1

The Provisional Timetable for this arbitration attached to the Terms of Reference provided that Requests for Clarification of the file would be submitted by 27 October 2000 and that the Answers to those Requests would be distributed by 3 November 2000. The following Requests have been submitted and the Answers immediately follow them.

Counsel  
Secretariat of the ICC International Court of Arbitration

October 31, 2000

**Legal Rules**

**1. Have either Danubia or Equatoriana made any reservations to the United Nations Convention on Contracts for the International Sale of Goods?**

No.

**2. Have either Danubia or Equatoriana adopted any law pertaining to electronic commerce?**

Both have adopted the UNCITRAL Model Law on Electronic Commerce. It is available from the UNCITRAL web site, <http://www.uncitral.org/>.

**3. Is either Danubia or Equatoriana a member of the European Union?**

No.

**Trademark**

**4. Are Danubia and Equatoriana parties to any convention regarding trademarks as intellectual property?**

Danubia and Equatoriana are both parties to the following conventions that relate to trade marks:

Paris Convention for the Protection of Industrial Property  
Madrid Agreement Concerning the International Registration of Marks  
Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks  
Nice Agreement Concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks  
Trademark Law Treaty  
Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS)

All of the agreements with the exception of TRIPS are available on the web site of the World Intellectual Property Organization <http://www.wipo.int/>. TRIPS is Annex 1C to the Uruguay Round Final Act and is administered by and to be found on the web site of the World Trade Organization <http://www.wto.org/>.

### **5. What is the nature of the law regarding trademarks in Danubia?**

The relevant provision, article 23 of the Trademark Law, provides:

The owner of a registered trademark shall have the exclusive right to prevent all third parties not having the owner's consent from using in the course of trade identical or similar signs for goods or services which are identical or similar to those in respect of which the trademark is registered where such use would result in a likelihood of confusion.

### **6. Does registration give notice to all of the existence of the trademark?**

The relevant provision is article 23 of the Trademark Law quoted above. There is nothing in the statute or any of the known decisions applying the law that uses the word "notice". However, there have been successful infringement actions against parties who did not actually know of the trademark that they had infringed.

### **7. In which classes of the Nice Agreement Concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks has the Vis Fish Company trademark been registered?**

The trademark has been registered in classes 22, 28 and 29. At the present time the Vis Fish Company sells only edible fish and other seafood products under the Vis trademark. They are in class 29. Until January 1996 it also sold under the Vis trademark sports fishing equipment, which is in class 28, and fishing nets, which are in class 22.

Class 22        Ropes, string, nets tents, awnings, tarpaulins, tarpaulins, sails, sacks. Padding and stuffing materials (hair, kapok, feathers, seaweed, etc.), raw fibrous textile materials.

Class 28        Games and playthings; gymnastic and sporting articles not included in other classes; decorations for Christmas trees.

Class 29 Meat, fish, poultry and game; meat extracts; preserved, dried and cooked fruits and vegetables; jellies, jams, fruit sauces; eggs, milk and milk products; edible oils and fats.

**8. Does Danubia permit broad trademarks even though the owner is using it in only a restricted way?**

Under the law of Danubia it was permissible to use the term “all water related products” in the trademark application so long as the categories were indicated in which the trademark was being used. When renewing the trademark, the owner has to certify as to the categories in which the trademark is continuing to be used. The trademark does not lapse as to products for which it is not being used until the expiration of the registration. The owner of the trademark could bring an action for trademark infringement during the period of registration in regard to products which had carried the trademark if it could show that it intended to use the mark in connection with the product during the remaining period of registration.

**9. Is there a public register in which the name “Vis” for the Vis Fish Company was registered?**

Yes. All registered trademarks are in a registry that can be consulted freely by the public. The registry is not on the Internet. Registry searches are normally undertaken by lawyers or other professional specialists, especially for clients outside of the capitol city where it is located. Registrations are also published in a journal.

**10. When did the Vis Fish Company register its trademark and for how long is it valid?**

The trademark was first registered on 25 September 1972. A registration is valid for ten years and can be renewed for an additional period of ten years. The last renewal was in 1992.

**11. Does the trademark law of Danubia permit a court to prohibit the sale of the product allegedly infringing a trademark pending final resolution of the claim?**

Yes, it is possible, but rarely ordered by the court.

**12. When did Sports and More Sports make its inquiry at the offices of Howard & Heward?**

21 October 1999.

**13. When did Sports and More Sports cease selling the Vis Water Sports equipment?**

3 November 1999, the same day on which it sent the letters set out in Claimant’s Exhibits Nos. 11 and 12.

**14. What was the nature of the earlier case in which the Vis Fish Company had aggressively defended its trademark?**

No cases have gone to trial. There have been two cases in which an infringement action was begun but the defendant company agreed to stop using the name “Vis” prior to any decision by the court. In one case the goods concerned were stuffing material made from seaweed and in the other playground equipment. There is no public information as to why the two companies decided to stop using the name “Vis”.

**15. Did Vis Fish Company take legal action against Sports and More Sports within one week after its threat of legal action?**

No.

**16. Is the Vis Fish Company a well-known Company?**

It is well known throughout Danubia for its fish and related food products. It does not conduct business outside of Danubia.

**17. Does the word “Vis” have any significance in Danubia other than as it may be associated with the products of particular companies?**

No, in Danubia the word in itself has no association with fish or any geographical or other association. The word is known as a name only through the promotion of the Vis Fish Company and more recently of the Vis Water Sports equipment by Sports and More Sports.

**18. Did Sports and More Sports know of the Vis Fish Company?**

Since the company was well known in Danubia for its fish and other water-related products, the relevant personnel in Sports and More Sports were aware of it.

**19. Did Vis Water Sports know of the Vis Fish Company prior to 31 March 1999?**

They had no actual knowledge of its existence.

**20. Did Vis Water Sports conduct an Internet search under the word “Vis” before selling their goods to Sports and More Sports?**

No, but they would not have found the Vis Fish Company if they had since at that time the Vis Fish Company did not have a web site.

**21. Did Vis Water Sports perform a trademark search in Danubia before they contracted with Sports and More Sports?**

No. If they had they would easily have found the registration.

**22. Who created the slogan “like a fish in water”?**

It is the slogan used by Vis Water Sports Co. to advertise its products. It encourages retailers selling its products to advertise using the slogan. It is not registered in any country.

**23. Was the name “Vis” removable from the goods without damaging the equipment?**

No.

**24. Is the name Vis Water Sports registered as a trademark?**

It is registered in Equatoriana and in several other countries where the equipment is sold. It is not registered in Danubia.

**25. Is the name Vis Water Sports a well known name?**

It is well known in Equatoriana. It began to export only in 1995 and to date sells in only seven other countries. In those countries it is reasonably well known. It is not well known in other countries, but it is known to firms like Sports and More Sports that are in the trade. It was not well known in Danubia until Sports and More Sports began to advertise and sell the products, and even now it is only somewhat better known.

**26. Could Sports and More Sports have asked Vis Water Sports to conduct the trademark infringement litigation on behalf of Sports and More Sports?**

Under the procedural law of Danubia Sports and More Sports could not have required Vis Water Sports to participate in the litigation. The most it could have done was request Vis Water Sports to aid Sports and More Sports in the litigation and to pay for it.

**27. What did Vis Water Sports mean when it offered to pay “reasonable” legal costs of Sports and More Sports should those costs not be recoverable from Vis Fish Company?**

See United Nations Convention on Contracts for the International Sale of Goods, Article 8. Remember that Vis Water Sports and Sports and More Sports are from different countries where the system and amount of lawyers’ fees may be quite different. It should not be assumed that either knew the practice in the other country for determining the level of compensation for a lawyer’s services.

**28. What is standard practice in Danubia for dealing with goods subject to a claim of trademark infringement?**

There is no standard practice. It depends on the circumstances of the individual case.

**29. Has Vis Water Sports taken any steps to contact Vis Fish Company or vice versa?**

No.

**30. When did Sports and More Sports withdraw the Vis Water Sports equipment from sale?**

On 3 November 1999, the same day on which it sent the letters to the Vis Fish Company and to Vis Water Sports Co. (Claimant's Exhibits Nos. 11 and 12).

**Communications**

**31. How long did it take for the various communications to arrive at their destination?**

E-mail messages arrived essentially instantaneously. Domestic letters arrived on the second business day. International letters arrived on the third business day.

**Contract of Sale**

**32. Was it normal practice for Vis Water Sports or Sports and More Sports to contract by exchange of e-mails?**

It had not been several years ago, but both companies were beginning to do so.

**33. Can a binding legal contract be concluded by e-mail in Equatoriana or Danubia?**

The relevant text is the United Nations Convention on Contracts for the International Sale of Goods.

**34. What is the location of the servers that Vis Water Sports and Sports and More Sports used for their e-mail correspondence?**

The Internet Service Providers and their servers were located in Equatoriana and Danubia respectively.

**35. Neither the Conditions of Sale nor the Conditions of Purchase are reproduced. Do they contain any provisions that might be relevant to the dispute?**

In both sets of General Conditions the only provision that might be relevant to the case is the dispute settlement provision, i.e., clause 14 of the Conditions of Purchase quoted in paragraph 18 of the Request for Arbitration and clause 23 of the General Conditions of Sale quoted in paragraph 13 of the Answer to the Request for Arbitration. Specifically, neither set of General Conditions provided that the General Conditions would prevail in case of conflict or that no contract could be entered into unless the other party accepted all of the terms of the General Conditions and neither provided for a choice of law.

In both cases the arbitration clause and the choice of forum clause were reasonably conspicuous. In both cases the General Conditions were in English.

**36. Were the Sports and More Sports' Conditions of Purchase in the same e-mail attachment as Purchase Order No. 6839 (Claimant's Exhibit No. 3)?**

There were two separate attachments to the e-mail message. One contained the purchase order and the other contained the General Conditions of Purchase. Vis Water Sports opened both attachments.

**37. Were the Vis Water Sports General Conditions of Sale easily available?**

The web page on which it was possible to see what goods were offered for sale and the list price contained a link to the General Conditions of Sale. It was easy to open the link. It was not necessary to do so in order to place an order from the web site and obviously it was not necessary to do so if placing an order by e-mail. The links in the e-mails from Jonathon Singer, Sales Manager, Vis Water Sports Co., dated 2 April 1999 and 6 April 1999 (Claimant's Exhibits Nos. 2 and 4) went directly to the General Conditions.

**38. Is it correct, as stated in the e-mail of 6 April 1999 (Claimant's Exhibit No. 4), that Vis Water Sports includes its General Conditions of Sale in all its sales contracts?**

Yes, as to first contracts with a customer. Of course, as in this case, the buyer may send his General Conditions as well. When a purchaser becomes a regular customer a negotiated contract is often concluded.

**39. Are forum selection clauses valid in Equatoriana and Danubia?**

Yes, with certain restrictions, none of which are relevant in this case.

**40. Was Vis Water Sports aware of the discrepancy between the dispute resolution clauses contained in each party's General Conditions?**

As so often happens, neither party read the other party's General Conditions. As experienced businesses, both were aware as a general matter that the general conditions of their trading partners, and especially those from another country, were never identical to their own in one respect or another.

**41. Was the Vis Water Sports web site only for business-to-business purposes or could consumers also order from it?**

The site was only for business-to-business sales. Vis Water Sports does not sell directly to consumers.

**42. Does Vis Water Sports sell to other business by means other than the Internet?**

Yes. The web site is relatively new and most of its business is still conducted by mail, fax and the telephone.

**43. Did Vis Water Sports send its advertisement that first told Sports and More Sports about the web site to any other retailers in Danubia?**

Yes, but no others responded to it.

**44. Does Vis Water Sports normally combine multiple orders into one order solely for the purpose of providing a discount?**

It has done so before, especially with a new customer. Once the customer is established a discount is usually given on the basis of the yearly total sales.

**Goods Sold**

**45. Were the \$200,000 worth of goods sold from the first delivery, from the second delivery or some from both?**

\$50,000 worth of the goods were from the first delivery and \$150,000 were from the second delivery.

**46. What kinds of water sports equipment were purchased?**

There were surfboards, wind surfboards, water skis, scuba diving equipment, water slides for installation by a pool and other items of similar nature. There was no fishing equipment of any type.

**Letter of Credit and payment mechanisms**

**47. Why was the letter of credit mentioned in Claimant's Exhibit No. 4 required to be for \$112,200 when the pro forma invoice showed the total price to be \$102,000?**

It is normal business practice for the letter of credit to be for an amount 10 percent higher than the pro forma invoice. It is not unusual that there are additional charges to those set out in the pro forma invoice for which the buyer will be responsible. An easy example is in a contract for the sale of a commodity, e.g., wheat. The contract price will usually be measured by a quantity of volume, weight or the like. It is often impossible to load an exact amount. Therefore, the letter of credit is larger than the anticipated payment to be able to cover any extra amounts or charges.

**48. Did Sports and More Sports pay for the two shipments by one payment or by two?**

Sports and More Sports made two separate payments. The first for \$102,000 was paid through the letter of credit. The second for \$483,000 was also paid through a letter of credit, not otherwise mentioned in the record. The bills of exchange drawn under the letters of credit were paid by the opening bank, and the account of Sports and More Sports was charged, on 10 May 1999 and 25 June 1999 respectively.

**Expenses-Damages**

**49. Did the sale of Vis Water Sports goods increase the general selling and administrative costs for Sports and More Sports?**

There are no specific additional expenses associated with the purchase or sale of the Vis Water Sports goods that could be isolated other than the cost of the letters of credit. They totaled \$620. The \$40,000 of general selling and administrative costs allocated to the Vis Water Sports goods sold was calculated by dividing the total amount of such costs by the total sales and applying that percentage to the amount of Vis Water Sports goods sold. The advertising of the Vis Water Sports equipment was in general newspaper advertisements for the stores and did not constitute expenses that would not otherwise have been incurred. Of course, if the Visa Water Sports Goods had not been advertised, other goods would have been advertised in their place.

**50. What was the amount paid to Howard & Heward for its legal opinion in regard to the claim of trademark infringement?**

It was paid \$2,000.

**51. Is the statement in paragraph 10 of the Answer that the normal retail mark-up on Vis Water Sports products is 70 percent of delivered purchase cost accurate?**

Yes, the statement is accurate. At this stage of the proceedings only Sports and More Sports knows if the mark-up it took was at this rate or at some other. If it were to become relevant, it would have to come out in any evidentiary proceedings that would take place subsequently. However, for the purposes of this case, you may assume that Sports and More Sports did take a 70 percent mark-up on the goods sold and would in all probability have taken a 70 percent mark-up on the remaining goods were it not for the claim by Vis Fish Company.

**52. Did the unsold goods stored by Sports and More Sports decline in value while being stored? Were they seasonal goods?**

No, the goods were not seasonal and they did not decline in value while being stored.

**53. In what currency was the purchase price expressed and in what currency have the claimed damages been expressed?**

Everything is expressed in U.S. dollars. There is no dispute about the exchange rate of the Danubian currency into dollars.

**54. What is the prevailing rate of interest in Danubia and Equatoriana?**

In the following table the commercial and interbank rates are for U.S. dollars.

- Equatoriana
  - 7% Short term commercial lending rate
  - 4% Official discount rate
  - 6% Legal rate on unpaid judgments

- London
  - 6% Short term commercial lending rate
  - 6.7% Interbank rate (LIBOR)
- Danubia
  - 5% Short term commercial lending rate
  - 3% Official discount rate
  - 4% Legal rate unpaid judgments

**55. What is the amount of the legal fees paid to the counsel for Sports and More Sports and for Vis Water Sports?**

The amount will be known and assessed by the Arbitral Tribunal under ICC Arbitration Rules, Article 31 at the conclusion of the arbitration.

**56. Did Sports and More Sports ever sell outside of Danubia?**

No.

**57. Would it be possible for Sports and More Sports to sell the Vis Water Sports equipment in another country?**

It may be possible. However, since it has never done so, it would not have any easy way to find a buyer and it has no experience in selling either at wholesale or for export.

**58. Was the Vis Water Sports line of equipment well-known in Danubia prior to the advertising campaign conducted by Sports and More Sports?**

No. As indicated in Claimant's Exhibit No. 1 the Vis Water Sports line of equipment had not been previously sold in Danubia.

**59. Did Sports and More Sports suffer a loss in total sales by virtue of not selling the entire amount of Vis Water Sports equipment that had been purchased?**

Perhaps, but it would be difficult to substantiate. As noted in the letter of 16 November 1999 to Vis Water Sports (Claimant's Exhibit No. 14), they are able to sell similar equipment from other suppliers.

**60. Can new claims or counterclaims be made?**

The question is governed by the ICC Arbitration Rules.