

# Internet and E-Commerce Law in Canada

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## • DOMAIN NAMES — A TYPE OF PROPERTY •

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Domain names have become as universal as telephone numbers or physical addresses. Virtually every entity, big or small, has staked a small portion of the World Wide Web by way of one or more domain names, as have many indi-

viduals. New domain names are “purchased” from a number of registrars for as low as a few dollars, and existing domain names can, in the right circumstances, fetch up to several million dollars.

Surprisingly, despite their ubiquity and commercial value, the legal identity of domain names has not been clear. Are they a contractual right or a form of property? Must disputes be adjudicated by mandatory arbitration or can a party chose legal proceedings instead? If legal proceedings are an option, which court has jurisdiction? These and other questions were recently answered by the Ontario Court of Appeal in a comprehensive and well-reasoned judgment in *Tucows.Com Co. v. Lojas Renner S.A.*, [2011] O.J. No. 3576, discussed below.

### ***Domain Names — Technically Speaking***

From a technological perspective, domain names are a relatively simple concept. Every computer connected to the internet is assigned a unique Internet Protocol (“IP”) address, which consists of four numbers from 1 to 255, separated by a dot. For example, a Facebook server

### • In This Issue •

#### DOMAIN NAMES — A TYPE OF PROPERTY

*Seva Batkin* ..... 77

#### CRTC RATTLES SABRE AT ISPs WHO BREACH INTERNET TRAFFIC MANAGEMENT RULES

*David Elder and Lindsay Gwyer* ..... 81

#### SOCIAL MEDIA RISK MANAGEMENT FOR CHARITIES: A POLICY IN 140 CHARACTERS

*Adrian Miedema*..... 82



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is assigned the IP address 69.63.189.16. Domain names are textual shortcuts to IP addresses, as street addresses may be to GPS co-ordinates. Each domain name corresponds to an IP address and the translation from a domain name (“facebook.com” for example) to its IP address is performed transparently to users.

Each domain name includes a “top level domain” (“TLD”) and a “second level domain”. The TLD is the .com, .ca, .net, and other generic and country code suffixes that the Internet standards-setting bodies have agreed on. Second level domains are picked by users and each one is unique for each TLD. There can be only one facebook.com, but there may also be a facebook.ca and a facebook.net. Each TLD is administered by its own registry and registrations for new domains are processed by registrars. The registry sets the eligibility criteria and acceptable use rules. For example, Verisign administers all .com domains and CIRA administers all .ca domains. Registration of .com domains is open to everyone, while .ca domains require a connection to Canada, such as a Canadian trademark registration, residency of the owner, or location of a business.

A domain name is not purchased outright. Rather, a user (“registrant”) enters into a renewable service contract with a registrar. Use of a domain name is subject to terms and conditions imposed by the applicable registry. For example, ICANN requires .com registrants to agree to submit disputes regarding ownership and trademark rights in domain names to the administrative proceedings under the Uniform Domain Name Dispute Resolution Policy (“UDRP”).

**Domain Names — Legally Speaking**

Law often lags behind technology, and the legal characterization of domain names has been the

subject of much academic and judicial debate. A complicating factor is the fact that although technical standards for domain names are international and universal for all internet users, applicable legal regimes remain domestic in scope. Nevertheless, over the past decade, academics, courts, and, in some countries, legislatures have converged on an idea that a domain name is a type of property. In a recent case of *Tucows.Com Co. v. Lojas Renner S.A.*, the Ontario Court of Appeal held that Canada subscribes to this consensus and explained that domain names are a form of “personal intangible property”. This case is discussed in detail below.

### **Domain Names — *Tucows v. Renner***

Renner is a Brazilian company that operates a series of department stores and owns, in Canada and elsewhere, the trademark “RENNER”. Tucows is a registrar for a number of different TLDs and operates out of Toronto. In this case, however, it was involved as the registrant of *renner.com*, which it acquired in 2006 from another registrant, along with 30,000 other surname domain names, and was using to provide personalized email services.

In 2009, Renner filed a UDRP complaint alleging that Tucows infringed its trademark and was using the domain name in bad faith. In response, Tucows brought a legal action in Ontario asking for a judicial declaration that it has legitimate rights in the domain name, which it is not using it in bad faith, and that Renner is not entitled to it. At Tucows’ request, the UDRP panel assigned to the dispute agreed to suspend the UDRP proceedings in favour of the court action. Renner then brought a motion in the Ontario court arguing that a domain name was not a form of property and/or was not located in Ontario, and thus the court had no jurisdiction

over the dispute. The lower court agreed with Renner and dismissed Tucow’s claim, referring it back to UDRP.

Tucows successfully appealed to the Ontario Court of Appeal, where Justice Weiler found that Ontario courts have jurisdiction over the dispute and made several important findings.

First, she held that a UDRP proceeding is “a fast, inexpensive and internet-friendly alternative to domestic legal systems and jurisdictions”, but is only an alternative, and not a substitute or replacement, for court litigation, which remains available to the parties. In complex situations such as the dispute between Renner and Tucows, the court was an appropriate venue to resolve the dispute.

Second, she held Tucows had a right to ask for the court’s declaration that it had a right to use the domain name and that Renner was not entitled to it. The declaration sought was similar to a declaration of non-infringement with respect to intellectual property rights, such as copyright, which declaration the courts have previously found to be a proper subject matter for a court action.

Third, after reviewing and analyzing international jurisprudence and academic commentary from various countries, including England, the United States, India and Australia, she found that the “emerging consensus appears to be that domain names are a form of property”, and that this view is consistent with Canadian law. In particular, she found that domain names satisfied the following notions of “property” found in Canadian law:

- they are “a set of relationships among people that concern claims to ... intangible items”;

- they “entail some exclusive right to make a claim against someone else”;
- they are a “collection of rights over things that can be enforced against others”;
- they are rights that are “definable, identifiable by third parties, capable in [their] nature of assumption by third parties, and have some degree of permanence or stability”; and
- they are “cashable rights” in the sense that “if the domain name were to be transferred to Renner, it would undoubtedly assist in unlocking the value of Renner’s business”.

Finally, she held that although domain names are a form of intangible personal property, in the sense that they are conceptual, rather than physical things, it is possible to determine whether they are located within the court’s jurisdiction. The court has to look at where the domain name has the “strongest contacts” and consider relevant “connecting factors”, including the location of the applicable infrastructure and the end users. In light of these factors, she concluded that since Tucows was operating as a registrar in Ontario, and thus was directly subject to the Ontario court’s jurisdiction, the domain name had its maximum contacts with Ontario and thus was within the court’s jurisdiction.

### **Conclusion**

The decision in *Tucows* is not particularly surprising but is important in that it affirms what was long suspected to be the legal status of domain names. However, coming from the Ontario Court of Appeal — a highly respected court and the highest appellate level in Canada’s largest province, this decision is likely to introduce a

degree of certainty to Canadian law that was previously lacking.

Arguably, now that this court has confirmed that it is willing and able to adjudicate disputes regarding domain name ownership, the volume of such litigation may increase across Canada. Depending on one’s point of view, this may be or may not be welcome news to registrants and trademark holders. Whatever the case may be, both sides should be mindful to remember the following:

- (1) a UDRP proceeding is an alternative, not a substitute for litigation, and one may end up in court irrespective of a UDRP proceeding;
- (2) courts may determine property and as well as trademark rights in a domain name; and
- (3) where you live or carry on business may be quite far from where you can get sued or sue in respect of a domain name.

[*Editor’s note:* Seva Batkin is an associate at Clark Wilson LLP’s Business Litigation and Intellectual Property Groups in Vancouver. His multifaceted legal experience covers many areas of business and intellectual property litigation, including trademarks, patents, confidential information and trade secrets, shareholder disputes and enforcement of judgments. Prior to becoming a lawyer, he was a Telecommunications Engineer with a focus on Research & Development and Project Management. Seva also publishes a business litigation blog at [www.bcblawg.com](http://www.bcblawg.com).]