
COURT OF APPEAL SAYS DOMAIN NAMES ARE “PERSONAL PROPERTY”

*By Colin J. Thurston**

A. INTRODUCTION

On August 5, 2011, the Ontario Court of Appeal released its judgment in *Tucows.Com Co. v. Lojas Renner S. A.*,¹ in which Weiler J.A., writing for the Court, held that a domain name constituted “personal property in Ontario.” For the purposes of the case, the ruling meant that the dispute was within the jurisdiction of the Ontario Superior Court. However, the decision may have further implications which may affect charities and not-for-profit organizations. The recognition of a domain name as personal property, to which various rights attach, means that domain names may now be regarded as valuable assets belonging to an organization which must be treated accordingly. In particular, directors of charities should take notice, as the responsibility of directors to identify, protect and apply the assets of a charity to its charitable objects may now be extended to a charity’s domain names.

B. BACKGROUND

The *Tucows* case arose out of a dispute over the domain name Renner.com. Tucows.Com Co. (“Tucows”) is a technology corporation whose principal office is located in Toronto. Tucows is the registrant of Renner.com with the Internet Corporation for Assigned Names and Numbers (ICANN). Loljas Renner S. A. (“Renner”) is a Brazilian company which operates retail department stores, and owns the registered trademark RENNER in Brazil and several other countries.

* Colin J. Thurston, B.A., J.D. is an associate of Carters Professional Corporation and practices at our Orangeville office in the area of intellectual property law.

¹ 2011 ONCA 548 [*Tucows*].

To resolve disputes where a trade-mark holder believes that a domain name registration infringes on its trade-mark, ICANN has adopted the Uniform Domain Name Dispute Resolution Policy (the “UDRP”). Under the UDRP, a complaint against a domain name will give rise to mandatory administrative proceedings in which the domain name owner must answer the complaint or else lose its domain name registration. Renner brought a complaint against Tucows under the UDRP rules, alleging that Tucows had no right or legitimate interests in respect of the domain name Renner.com, and that the domain was registered and is being used in bad faith.

Rather than responding to the allegations set out in Renner’s complaint, Tucows commenced an action against Renner in the Ontario Superior Court of Justice. After the statement of claim had been issued, Tucows asked the dispute resolution panel acting pursuant to the UDRP to exercise its discretion to suspend or terminate the proceeding to allow the issues to be resolved by the Ontario Superior Court of Justice. The panel granted this request and terminated the proceedings. On a motion before the Ontario Superior Court of Justice, Renner argued that Tucows’ service of the statement of claim should be set aside and that the Court did not have jurisdiction to hear the case.

C. THE ONTARIO SUPERIOR COURT DECISION

Tucows argued that it was entitled to serve the statement of claim outside Ontario without leave pursuant to rule 17.02(a) of the *Rules of Civil Procedure*², which states:

17.02 A party to a proceeding may, without a court order, be served outside Ontario with an originating process or notice of a reference where the proceeding against the party consists of a claim or claims,

(a) in respect of ... personal property in Ontario[.]

The motions judge of the Ontario Superior Court held that a domain name was not “personal property” within the meaning of the rule and that it was not “located in Ontario” Therefore, she concluded, there was no presumption of a “real and substantial connection” to Ontario. On these grounds, she set aside the service of Tucows’ statement of claim and stayed the action. The motions judge further pointed out that the acceptance of jurisdiction by the Ontario Superior Court would have allowed Tucows to undermine the administrative process under the UDRP.

² R.R.O. 1990, Reg. 194.

D. THE ONTARIO COURT OF APPEAL DECISION

In the Court of Appeal's decision, Weiler J.A. dismissed the motions judge's concerns about undermining the UDRP process, concluding that "the UDRP and the UDRP Rules contemplate the possibility of litigation before domestic courts and ... the assumption of jurisdiction by the Ontario courts would therefore not undermine the administrative process." The Court continued in its reasons to allow Tucows' appeal, ruling that a domain name is personal property within the definition of rule 17.02(a), and that because the presumption of a real and substantial connection to Ontario therefore exists, the dispute is within the jurisdiction of the Ontario Superior Court.

In determining that a domain name meets the definition of personal property, the Court of Appeal considered the nature of a domain name as compared to other forms of so-called "intangible property", such as a copyright or trade-mark. Key to the determination that a domain name constituted property, was the finding that registration of a domain name confers upon the registrant a "bundle of rights" enforceable against others. With a domain name, those rights include the right to direct traffic to the domain name's corresponding website and to exclude anyone else from using the same name. The Court also determined that the domain name was personal property "in Ontario", such that the definition in rule 17.02(a) was met. Weiler J.A. commented that "Simply because a domain name is intangible property does not mean that it cannot have a location that allows a court to ground jurisdiction ... in *Williams v. Canada*, [1992] 1 S.C.R. 877, at pp. 891-93, the Supreme Court developed what is now referred to as the 'connecting factors' test, in which the situs of intangible property is determined by where it has the strongest contacts." The Court went on to conclude that the domain name Renner.com, as a business asset of Tucows, has its maximum contacts with Ontario. In this case, the connecting factors which favoured the determination that the domain was located in Ontario were "the location of the registrant of the domain name, as well as the location of the registrar and the servers as intermediaries." Particular emphasis was given to the fact that the registrar, being in Ontario, was subject to the court's jurisdiction. As Weiler J.A. pointed out, if the registrar were not in Ontario, questions of the enforceability of the order could arise.

E. DISCUSSION

With respect to future disputes over the rights to domain names, the *Tucows* decision confirms that there is an alternative to ICANN's UDRP process. Benefits of proceeding by way of a court proceeding as opposed to an administrative proceeding under the UDRP rules include the advantage of discovery process, greater

opportunity to challenge the testimony of live witnesses, and a deeper exploration of the facts of a case. However, a significant downside to bringing a court action rather than an administrative proceeding is that a court proceeding may be prohibitively expensive for some complainants. In this regard, some complainants who would have a reasonable chance of succeeding at a UDRP dispute resolution panel may be unwilling or unable to pay for their case to be heard in court. The Court's finding that the location of the registrar was a key factor in determining whether a domain was personal property "in Ontario" may encourage some organizations to register their domains with an Ontario registrar, in order to strengthen the connection between their domain name and the jurisdiction of the Ontario Courts.

Aside from dispute resolution implications, the decision of the Ontario Court of Appeal that a domain name is personal property is likely to impact other areas of law as well. For instance, it is arguable that a creditor could enforce its security against a domain name under Ontario's *Personal Property Security Act*. Further, some domain names may be considered to be valuable assets for the purposes of bankruptcy, tax, corporate or even family law, and would need to be dealt with appropriately. As mentioned above, directors of charities have an obligation to identify, protect and apply the assets of a charity to its charitable objects. In this regard, steps should be taken to protect and maintain a charity's domain names. This should include ensuring that the organization is monitoring domain name renewals, and registering confusing domain names which may otherwise be used by third parties in a way that diminishes the good will associated with the domain names belonging to the charity. Charities and not-for-profits should also carefully monitor further developments in the law pertaining to the treatment of domain names, as well as the policies and guidance documents of provincial and federal authorities.