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Domain names are ‘property’: Ont. CA

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While the Internet may constitute a borderless medium, the location of the registrar, registrant and server of a website helps determine who has rightful ownership of a domain name, now considered property, according to a recent [Ontario Court of Appeal](#) decision.

In *Tucows.com Co. v. Lojas Renner S.A.*, [2011] O.J. No. 3576, a three-member panel of Ontario’s top court held that a domain name, or URL, owned by an Ontario-based company is considered “intangible personal property” in the province.



The Aug. 5 ruling followed an appeal by Toronto-based wholesale domain name registrar, Tucows Inc., of a decision by Ontario Superior Court Justice Sandra Chapnik (*Tucows.com Co. v. Lojas Renner S.A.*, [2010] O.J. No. 6074) regarding a dispute with Renner, which operates department stores in Brazil, over Tucows’ right to retain the domain name, Renner.com, in light of the Brazilian company’s registered trade-mark, Renner.

(Renner’s website is at Lojavirtual.LojasRenner.com.br.)

Tucows purchased Renner.com, along with over 30,000 other surname domain names, from its subsidiary, Mailbank Inc., in 2006 and is its registrant with the [Internet Corporation for Assigned Names and Numbers](#) (ICANN), making Tucows both the registrar and registrant of Renner.com.

Tucows uses Renner.com as a vanity email service through which people can pay to have a personalized email address.

The Canadian company sought an endorsement from the Ontario Superior Court of Justice after Renner submitted a complaint to the World Intellectual Property Organization (WIPO) under the Uniform Domain Name Dispute Resolution Policy (UDRP) that Renner.com is “identical” to the Renner trademark, and that Tucows had no right to use the domain name and was using it in bad faith. When Tucows went to court

to challenge Renner's claims, it asked WIPO to terminate the administrative proceeding, which it did.

However, citing case law, the Superior Court held that "a domain name is not 'personal property' within the meaning of rule 17.02" of the Ontario *Rules of Civil Procedure*. "Moreover, being intangible property, it is not property 'located in Ontario,'" and thus, the court had no jurisdiction over the action, wrote Justice Chapnik in her decision. The appellate court disagreed.

In setting aside the order of the motions judge, it stated that Rule 17.02(a) "gives the court jurisdiction to settle controversies with regard to rights or claims against personal property" — and, "for the purposes of jurisdiction, a domain name is part of the intangible property of Tucows' business." The Ontario Court of Appeal said that Tucows has a "bundle of rights" in Renner.com "that constitutes 'personal property'" within the meaning of Rule 17.02(a), and held that Tucows' service of its statement of claim on Renner is valid.

It's a landmark decision, says Toronto litigator Christopher Caruana.

He believes it will create a "knee-jerk reaction" in moving parties involved in dot-com disputes to try to circumvent the UDRP arbitration and mediation process and seek a resolution from the courts.

Another Toronto lawyer agrees.

"The teeth in the UDRP process has been defanged in favour of court proceedings now seen as a viable alternative," says Yuri Chumak, a partner with the intellectual property law firm, Cameron MacKendrick LLP, whose practice focuses on patents, trade-marks and domain names.

Caruana says that beyond litigation, identifying domain names as property and as "bundles of rights," raises the issues of determining "what is the bundle and how do you unbundle it, and can that be something that you can use as security?"

He explains that under Ontario's *Personal Property Security Act* (PPSA), personal property includes intangibles and domain names have now been defined as intangible property. "So if I'm a creditor going after a debtor and enforcing my security, can I enforce against a domain name? Arguably, I could. By the same token, can I now, as a debtor, include that as one of my assets?"

"If you've got a more generic domain name, it may actually be worth something to some lenders" — or in his case, to other lawyers in the province given the fact that Caruana owns the domain name, Ontariolegal.com.

"You could now have people becoming valuers of domain names in the future."

Chumak, who blogs about Canadian IP law issues at ipatents.ca, says *Tucows* could also extend to other types of cases, such as those involving family law where a couple seeking a divorce may fight over a domain name.

He says *Tucows* is also important because it states that the location of a domain name's registrar — in this case, Ontario — helps determine which court (Ontario) has jurisdiction to entertain a dispute involving a party outside that jurisdiction.

“The location of the registrar is an important consideration because without the domain name registrar/administrator being subject to the court's jurisdiction, questions of the enforceability of the order could arise,” wrote Justice Karen Weiler on behalf of the Ontario Court of Appeal.

As a result, people may, if they have the option, register domain names in Ontario or at least have the website's servers located there, in light of the appellate court's favourable ruling for *Tucows*, says Chumak.

However, he adds that such disputes, normally handled through UDRP proceedings involving IP experts, could now take longer and cost a lot more money to resolve.

“If there's an action, it may involve full discovery and a trial. If there's an application, it could involve collecting affidavits and a hearing. But in both cases, the process would be a much more involved procedure than the UDRP one.”