

CITATION: Tucows.Com Co. v. Lojas Renner S.A., 2011 ONCA 548
DATE: 20110805
DOCKET: C52972

COURT OF APPEAL FOR ONTARIO

Weiler, Simmons and Epstein JJ.A.

BETWEEN

Tucows.Com Co.

Plaintiff (Appellant)

and

Lojas Renner S.A.

Defendant (Respondent)

P. John Brunner and Mario E. Delgado, for the appellant

Patrick Cotter, for the respondent

Heard: April 8, 2011

On appeal from the order of Justice Sandra Chapnik of the Superior Court of Justice dated October 28, 2010, with reasons reported at 2010 ONSC 5851.

Weiler J.A.:

I. OVERVIEW

[1] Tucows.com Co. (“Tucows”) and Lojas Renner S.A. (“Renner”) are having a dispute about Tucows’s right to keep the domain name <renner.com> in the face of Renner’s registered trademark “Renner”.

[2] Tucows is a technology corporation incorporated in Nova Scotia whose principal office is located in Toronto, Ontario. On June 15, 2006, Tucows purchased the domain name <renner.com> from Mailbank Inc., along with over 30,000 other surname domain names, and it is the registrant of that domain name with the internationally-recognized non-profit organization, the Internet Corporation for Assigned Names and Numbers (ICANN).

[3] Renner is a Brazilian company operating a series of retail department stores in Brazil¹ and is the registered owner in Brazil and other countries of the trademark “Renner”.

[4] The issue in this appeal is whether their dispute should be heard in Ontario. More specifically, the question is whether service of Tucows’s statement of claim on Renner outside the jurisdiction of Ontario is valid or should be validated.

¹ Renner is a subsidiary of JC Penney, a leading US retailer.

II. THE DOMAIN NAME SYSTEM AND THE HISTORY OF THE PROCEEDINGS

[5] Domain names are allocated by domain name registries and the accredited registrars use one, shared, central registry: Robert Howell, *Canadian Telecommunications Law*, 5th ed. (Toronto: Irwin Law Inc., 2011), at pp. 153 and 157. Tucows is an accredited registrar.

[6] The domain name system is overseen by ICANN. ICANN has adopted a private Uniform Domain Name Dispute Resolution Policy (the “UDRP”) and related Rules (the “UDRP Rules”).

[7] Under the UDRP, a trademark holder who believes that a domain name registration infringes on its trademark may initiate a dispute resolution proceeding and select who will resolve the dispute from a list of dispute resolution service providers approved by ICANN.

[8] Renner selected the World Intellectual Property Organization (“WIPO”) Arbitration and Mediation Center from the list and submitted a complaint by email to it and to Tucows on May 12, 2009. WIPO formally notified Tucows of Renner’s complaint that it was using the domain name <renner.com> in bad faith and the WIPO proceeding was commenced on May 22, 2009.

[9] Where, as here, a trademark owner initiates a complaint, the UDRP requires the domain name holder to submit to mandatory administrative proceedings before an

approved dispute resolution service provider such as WIPO. Renner's complaint alleged the required elements of a dispute by stating: (1) the domain name <renner.com> is identical to Renner's trademark "RENNER"; (2) Tucows has no rights or legitimate interests in respect of the domain name; and (3) the domain name was registered and is being used in bad faith.

[10] If Renner's complaint was validated, the administrative panel could order Tucows, in its capacity as the registrar of the domain name, to de-register the domain name <renner.com> and Renner would then be allowed to register that domain name.

[11] The due date for a response from Tucows to Renner's complaint was June 11, 2009. Tucows did not respond to the substantive merits of the complaint. On June 10, 2009, Tucows commenced an action in the Ontario Superior Court of Justice by issuing a statement of claim for a series of declarations including:

- (a) that Tucows has rights or legitimate interests in respect of the domain name <renner.com>;
- (b) that the domain name <renner.com> has neither been registered nor is it being used in bad faith by Tucows; and
- (c) that Renner is not entitled to the transfer of the domain name <renner.com>.

[12] On June 11, 2009, Tucows asked WIPO to exercise its jurisdiction to suspend or terminate the proceeding so that the issues could be resolved by the Ontario Superior Court of Justice.

[13] On July 25, 2009, the WIPO Administrative Panel ordered that the proceeding be terminated. The Panel observed that the issues in the Superior Court action were “seemingly identical” to those in the dispute before it. It held, “The Panel therefore has a discretion to suspend or terminate this proceeding in accordance with paragraph 18 of the Rules.”

[14] Paragraph 18(a) of the UDRP Rules provides:

18. Effect of Court Proceedings

(a) In the event of any legal proceedings initiated prior to *or during* an administrative proceeding in respect of a domain-name dispute that is the subject of the complaint, the Panel shall have the discretion to decide whether to suspend or terminate the administrative proceeding, or to proceed to a decision. [Emphasis added.]

[15] The Panel decided to exercise its discretion to terminate the proceeding before it for a number of reasons. They include:

(1) The circumstances were almost indistinguishable from another case involving Tucows where the panel had decided to terminate the proceeding, and although prior UDRP decisions are not binding, conformity was desirable;

(2) The parties could afford the cost of litigating the dispute in court and had sufficient interest in doing so;

(3) There was no apparently great urgency to have the dispute resolved;

(4) The issues in dispute were not straightforward – Tucows had acquired the domain name <renner.com> along

with other domain names from another company, Mailbank Inc., different Panels had reached different decisions in cases relating to domain names registered by Mailbank Inc. and acquired by Tucows and "...there does appear to be some disparity in approach which might be resolved by an authoritative court decision"; and

(5) The submissions of Renner had not focused on the critical issue of whether the domain name was originally registered by Mailbank Inc. or acquired by Tucows in bad faith:

"If this proceeding is not terminated, the Panel would have either to find that the Complaint had not been proved or to invite the parties to make further submissions. In these circumstances, this proceeding could be said to be no further advanced than the claim commenced by the Respondent [Tucows]. Furthermore, a court will be in a better position to establish the facts on these critical issues."

The termination of the complaint did not prevent Renner from filing a fresh complaint if there was a change of circumstances, including a termination or abandonment of Tucows's claim in the Ontario Superior Court of Justice without resolution of the dispute.

[16] Renner then brought a motion pursuant to rule 17.06(1) of the *Rules of Civil Procedure*, R.R.O. 1990, Reg. 194, to set aside service of Tucows's statement of claim on it and to permanently stay Tucows's action for want of jurisdiction or to dismiss it. Tucows responded that it was entitled to serve the statement of claim outside Ontario without leave, relying primarily on rule 17.02(a).

[17] Rule 17.02(a) permits service outside Ontario without a court order in respect of real or personal property in Ontario. In such cases, a rebuttable presumption arises that a real and substantial connection to Ontario exists on the ground that the case falls within a connection specified in rule 17.02: see *Van Breda v. Village Resorts Ltd., sub nom. Charron Estate v. Village Resorts Ltd.* (2010), 98 O.R. (3d) 721 (C.A.), at para. 109. In the event leave was required, Tucows brought a cross-motion pursuant to rule 17.06(3) seeking to have service validated on the basis of a real and substantial connection with Ontario.

[18] For ease of reference, the relevant portions of rule 17.02, which deals with service outside Ontario without leave, and rule 17.03, which provides for service outside Ontario with leave, state:

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[.]

17.03 (1) In any case to which rule 17.02 does not apply, the court may grant leave to serve an originating process ... outside Ontario.

[19] The relevant portions of rule 17.06, which deals with a motion to set aside service outside Ontario, state:

17.06 (1) A party who has been served with an originating process outside Ontario may move, before delivering a defence, notice of intent to defend or notice of appearance,

(a) for an order setting aside the service and any order that authorized the service; or

(b) for an order staying the proceeding.

(3) Where on a motion under subrule (1) the court concludes that service outside Ontario is not authorized by these rules, but the case is one in which it would have been appropriate to grant leave to serve outside Ontario under rule 17.03, the court may make an order validating the service.

III. THE MOTIONS JUDGE'S REASONS AND THE ISSUES IN THIS APPEAL

[20] The motions judge set aside the service of the statement of claim and stayed this action on the grounds that there was no real and substantial connection between the defendant and Ontario and as such rule 17.02 was not engaged. In particular, the motions judge held that a domain name was not “personal property” within the meaning of rule 17.02(a), and that, being intangible, it was not “located in Ontario”. Thus, she held that there was no presumption of a “real and substantial connection”, and that Tucows had failed to establish that such a connection existed in the circumstances of the case.

[21] In the course of her analysis of whether Tucows had demonstrated that the real and substantial connection test was met, the motions judge addressed Tucows’s assertion that “by submitting the complaint with respect to the validity of the domain name, Renner set into motion a process which by necessity could only be finally determined by the Ontario

Superior Court of Justice”. By way of rebuttal, Renner submitted that Tucows had failed to discharge the onus upon it of showing a good arguable case for the assumption of jurisdiction, and furthermore that it would be unfair for the registered trademark owner to be forced to litigate in Ontario rather than having the matter resolved by the UDRP process.

[22] The motions judge rejected Tucows’s assertion and appears to have accepted Renner’s argument. She commented that: (1) Tucows’s claims for declaratory relief did not assert a cause of action and the claim was therefore “ill-founded”; and (2) the acceptance of jurisdiction by the Ontario Superior Court before a final decision from the WIPO panel would allow Tucows to undermine the administrative process established to resolve such disputes. The motions judge thus concluded that there was “no proper basis” upon which Tucows sought jurisdiction from the Ontario Superior Court, and that the “real and substantial connection” test was not satisfied.

[23] The question in this appeal, whether service of Tucows’s statement of claim outside Ontario is valid or should be validated, raises the following issues:

1. Whether the domain name dispute should have remained with the WIPO administrative panel;
2. Whether Tucows’s claim can benefit from a presumption of a “real and substantial connection” with Ontario pursuant to rule 17.02(a). This issue involves three sub-issues:
 - a. Whether a claim for declaratory relief is a “proceeding” “consisting of a claim” within the

meaning of rule 17.02(a);

b. Whether a domain name is “personal property” within the meaning of rule 17.02(a); and

c. Whether the domain name <renner.com> is located in Ontario for the purposes of rule 17.02(a);

3. Whether a “real and substantial connection” with Ontario exists, permitting service outside Ontario without leave of the court; and

4. In the alternative, whether the motions judge erred in failing to consider Tucows’s cross-motion under rule 17.06(3), seeking an order validating service of the statement of claim.

[24] I first address the issue of whether the domain name dispute should have remained with the WIPO administrative panel. This issue was not directly before the motions judge as the panel’s decision to terminate its proceedings was not the subject of judicial review. However, given the argument on this issue in the context of whether jurisdiction should be assumed both at first instance and before us on appeal, I must address it as well. I conclude that the UDRP and the UDRP Rules contemplate the possibility of litigation before domestic courts and that the assumption of jurisdiction by the Ontario courts would therefore not undermine the administrative process. Jurisdiction need not be declined on this basis.

[25] I then deal with the issue of whether Tucows was entitled to serve its statement of claim without leave pursuant to rule 17.02(a). I conclude that a claim for a declaration

that Tucows owns the domain name <renner.com> is a “proceeding” in respect of “personal property in Ontario” within the meaning of rule 17.02(a). Accordingly, there is a presumption that the dispute has a real and substantial connection with Ontario. I would hold that that presumption has not been rebutted. Therefore, Tucows is entitled to seek a declaration as to whether or not it owns the domain name <renner.com> and I would accordingly allow the appeal.

IV. ANALYSIS

1. **The motions judge’s review of the administrative tribunal’s decision to defer jurisdiction to the courts**

[26] The motions judge correctly observed that, while an administrative tribunal might well decide to defer to the jurisdiction of a court, this did not mean WIPO’s decision could vest the court with jurisdiction. At the same time, the jurisdiction of the Ontario Superior Court of Justice is unlimited and unrestricted in civil law matters unless specifically excluded by statute or by the ambit of a comprehensive arbitration agreement that governs the relationship of the parties: see *TeleZone Inc. v. Canada (Attorney General)* (2008), 94 O.R. (3d) 19 (C.A.), at paras. 4-5, 92.

[27] The essence of the motions judge’s reasons for holding that the dispute should remain with WIPO were: Tucows’s claim was already the subject of the UDRP complaint; to allow Tucows’s claim to proceed “would undermine a process that has been established specifically to deal with the issues raised here”; Tucows was bound by its

agreement with ICANN for accreditation as a registrar and thus by the UDRP and the UDRP Rules to submit to WIPO's jurisdiction once a complaint was filed against it; and WIPO was akin to a specialized tribunal with expertise and/or experience in a particular area. In addition, the motions judge was aware that if Tucows's proceeding against Renner was not determined on the merits, Renner could file a fresh complaint before an administrative panel such as WIPO. If, as a result, WIPO ordered Tucows to transfer the domain name to Renner, the application of the UDRP rules permitted Tucows to challenge the administrative panel's decision in the Ontario Superior Court of Justice and Renner would be obliged to submit to the jurisdiction of the Ontario courts. After outlining this process, the motions judge commented that it appeared to be balanced, well-thought out and fair. She held that the jurisdiction of the Ontario Superior Court of Justice could only be embraced, if at all, in a challenge of a WIPO decision once one had been made.

[28] I respectfully disagree with the motions judge's conclusion that Tucows's issuance of a statement of claim was an attempt to undermine the UDRP administrative process. The purpose of the UDRP Rules is to provide a fast, inexpensive and internet-friendly alternative to domestic legal systems and jurisdictions. However, unlike the usual rules governing arbitration procedures, the UDRP Rules are an alternative, and not a substitute, for court litigation, which remains open to the parties. Even in the context of claims of bad faith/abusive domain name registration, for which the administrative process is "mandatory", the UDRP does not attempt to preclude litigation as an option. The drafters

of the UDRP and the UDRP Rules were careful to ensure that a party could choose to litigate a dispute even if a mandatory proceeding had already been commenced. Rule 18(a) specifically provides that in such instances it is up to the administrative tribunal to decide whether or not to terminate or stay its proceedings. The *Second Staff Report on Implementation Documents for the Uniform Dispute Resolution Policy* submitted to the ICANN Board of Directors states:

The adopted policy establishes a streamlined, inexpensive administrative dispute-resolution procedure intended only for the relatively narrow class of cases of “abusive registrations.” Thus, the fact that the policy’s administrative dispute-resolution procedure does not extend to cases where a registered domain name is subject to a legitimate dispute (and may ultimately be found to violate the challenger’s trademark) is a feature of the policy, not a flaw. The policy relegates all “legitimate” disputes—such as those where both disputants had longstanding trademark rights in the name when it was registered as a domain name—to the courts; only cases of abusive registrations are intended to be subject to the streamlined administrative dispute-resolution procedure.

[29] Where, as here, the administrative tribunal considers the dispute to be a “legitimate” dispute, the policy of the UDRP is to refer the dispute to the courts. The reasons given by the administrative tribunal for terminating the proceeding were in accordance with the UDRP. They were not unreasonable. I respectfully disagree with the motions judge’s conclusion that the domain name dispute should be left with the administrative panel.

[30] My conclusion is supported by the decision in *Dluhos v. Strasberg*, 321 F.3d 365 (3rd Cir. 2003), which holds, at pp. 371-372, that UDRP proceedings were never intended to replace formal litigation, but merely to provide an additional forum for dispute resolution. It is an ‘online’ procedure that does not permit discovery, or, in the absence of exceptional circumstances, the presentation of live testimony. The only remedy it can grant is the transfer or cancellation of the domain name in question. See also *Barcelona.com, Inc. v. Excelentisimo Ayuntamiento De Barcelona*, 330 F.3d 617 (4th Cir. 2003), which holds at p. 624, “Because the administrative process prescribed by the UDRP is ‘adjudication lite’ as a result of its streamlined nature and its loose rules regarding applicable law, the UDRP itself contemplates judicial intervention, which can occur before, during, or after the UDRP’s dispute-resolution process is invoked.” Further, at p. 625 the court states:

In sum, domain names are issued pursuant to contractual arrangements under which the registrant agrees to a dispute resolution process, the UDRP, which is designed to resolve a large number of disputes involving domain names, but this process is not intended to interfere with or modify any ‘independent resolution’ by a court of competent jurisdiction.

[31] Tucows did not breach the spirit of the UDRP or the UDRP Rules in instituting its action. Thus, the acceptance of jurisdiction by the Ontario Superior Court would not in any way undermine the UDRP process.

2. **The domain name <renner.com> is personal property in Ontario within the meaning of rule 17.02(a)**
 - a) **A claim for declaratory relief is a proceeding consisting of a claim within the meaning of rule 17.02(a)**

[32] The motions judge held at para. 43 of her reasons:

In this particular case, the statement of claim does not assert a cause of action against the defendant. Indeed, in the ICANN reports and working papers, the working group expressly noted “the absence of a cause of action in contract, tort, regulation, statute or constitutional right”. There is no proper basis upon which the plaintiff has sought relief from this court. Currently, the complaint filed by the respondent is non-existent. The plaintiff’s claim commenced in Ontario is, in my view, ill-founded.

[33] Regard must be had to the *Rules of Civil Procedure* in deciding whether the originating process used by Tucows to invoke the jurisdiction of the Ontario Superior Court of Justice asserts a cause of action. The reference by the motions judge to the *Working Group-A Final Report to the Names Council* regarding the absence of a cause of action was made in the context of the need to address the imbalance in appeal rights of domain name registrants and complainants. The report noted that an unsuccessful domain name registrant may be effectively prevented from “appealing” the result in a court due to the absence of a cause of action. A suggested solution was a requirement that as a pre-condition to initiating a dispute resolution process, the complainant consent to be sued in the jurisdiction where the domain name registrant is ordinarily resident and the jurisdiction where the registrar is located. This suggestion was adopted in the final

UDRP. Here, because the dispute resolution proceedings were not concluded, the provision respecting consent to being sued does not apply. However, the report adopted by the UDRP cannot, nor does it purport to, govern whether in fact a cause of action in respect of a domain name exists in any jurisdiction, including Ontario.

[34] Renner submits that a claim for a declaration is not a cause of action. Rule 17.02 requires service of “an originating process” “where the proceeding against the party consists of a claim or claims”. Renner’s submission presumes that an action must be based on an allegation of breach of contract, a tort or the like; it cannot consist of a claim for a declaration. I would reject this submission. I begin by noting that nothing in rule 17 excludes an action for a declaration.² In *Masson v. Kelly* (1991), 5 O.R. (3d) 786 (C.A.), the court granted a declaration in an action on the basis that the section of the *Municipal Elections Act*, R.S.O. 1980, c. 308, in issue did not obviously prohibit the commencement of an action for a declaration and made no distinction between elections pursuant to a poll and elections by acclamation. So, too, in rule 17.02 a statement of claim may consist of a claim for a declaration of rights pursuant to s. 97 of the *Courts of Justice Act*.

² Rule 1.03 of the *Rules of Civil Procedure* defines an “originating process” as “a document whose issuing commences a proceeding under these rules, and includes, (a) a statement of claim”. Similarly an “action” is defined as “a proceeding that is not an application and includes a proceeding commenced by, (a) a statement of claim”. Rule 14.02 requires that every proceeding be by action unless a statute or the Rules provide otherwise. Nothing in the *Courts of Justice Act*, R.S.O. 1990, c. C.43, “provides otherwise”. Rule 14.03 provides that the originating process for the commencement of an action is a statement of claim, with certain exceptions that are not relevant to this case.

[35] My conclusion that a statement of claim for a declaration of rights complies with the formal requirements of rule 17.02(a) is reinforced by the *Uniform Law Conference of Canada Model Court Jurisdiction and Proceedings Transfer Act* (the “*Model Act*”), attached as Appendix A to the reasons in *Van Breda*. Section 10 states that a real and substantial connection is presumed to exist where *a proceeding* “(a) is brought to enforce, assert, *declare* or determine proprietary or possessory rights or a security interest in immovable or movable property in [enacting province or territory]” (emphasis added). The *Model Act* also defines a proceeding as including an action. Thus, the *Model Act* specifically contemplates the issuance of originating process outside the jurisdiction in the form of an action to obtain a declaration of rights. The *Model Act* makes explicit what is implicit in Ontario’s Rule 17.02. I would hold that Tu cows’s claim qualifies as an originating process and this satisfies the formal requirement of rule 17.02(a).

[36] In addition to satisfying the requirement of being an originating process in form, Renner submits that the substance of Tu cows’s claim must contain a “good arguable case” for an assumption of jurisdiction. The phrase a “good arguable case” is not a high threshold and means no more than a “serious question to be tried” or a “genuine issue” or that the case has “some chance of success”: see *Ecolab Ltd. v. Greenspace Services Ltd.* (1998), 38 O.R. (3d) 145 (Div. Ct.), at p. 153. In that case, Steele J. traced the history of this jurisprudential requirement under the pre-1975 rules for service outside the jurisdiction and noted that in *Singh v. Howden Petroleum Ltd.* (1979), 24 O.R. (2d) 769 (C.A.), the Court of Appeal held at p. 780 that the same principles governing scrutiny of

process by the court under the old rules applied to the new rules. The requirement continues to be accepted: see e.g. *Schreiber v. Mulroney* (2007), 88 O.R. (3d) 605, at para. 18; *Cannon v. Funds for Canada Foundation*, 2010 ONSC 4517, at para. 43, aff'd 2011 ONCA 185.

[37] Renner submits that in order to satisfy this test Tucows must plead a cause of action and that the statement of claim does not disclose a cause of action because it claims declaratory relief that is not founded on any right. In support of its position, Renner relies on *Patel v. Allos Therapeutics Inc.*, 2008 WL 2442985 (Ch. D.), wherein the High Court of Justice, Chancery Division in England, noted that the UDRP cannot vest jurisdiction in the court and that the plaintiff must demonstrate some independent right of action justiciable in the court. In that case, in the face of a decision against him by WIPO, the plaintiff asserted a series of rambling claims under the *Human Rights Act, 1998*, the *Unfair Contract Terms Act 1977*, and claims of defamation and malicious falsehood with no particulars. The court held that the fact that a corporation had exercised its rights under the domain name arbitration procedure to obtain a decision against a domain name registrant did not give rise to a cause of action and that it was for the complainant to plead a cause of action in relation to the domain name at issue. That is not this case. The statement of claim in this case asserts facts that, if proven, would entitle Tucows to a declaratory judgment.

[38] Renner's argument that a claim for a declaration should be struck because it discloses no cause of action has already been rejected in two cases involving a motion to strike pursuant to rule 21.01(1)(b). The first is *Canada (Attorney General) v. Giacomelli* (2010), 317 D.L.R. (4th) 528 (Div. Ct.), where Karakatsanis J., on behalf of the court, in the context of a motion to strike out a statement of claim as disclosing no reasonable cause of action pursuant to rule 21.01(1)(b), held that on the subject of the claims in the statement of claim for various declarations, the issue was, "whether it is plain and obvious that the Court would not grant declaratory relief."

[39] The second case is *Research in Motion Ltd. v. Atari Inc.* (2007), 61 C.P.R. (4th) 193 (Ont. S.C.), leave to appeal refused, 2007 CanLii 46717 (Ont. Div. Ct.). In his text on *Intellectual Property Law*, 2d ed. (Toronto: Irwin Law Inc., 2011), David Vaver observes at p. 611, that although the Federal Court lacks power to adjudicate any foreign IP right, and that adjudicating foreign Internet Protocol (IP) cases is nevertheless contentious, an Ontario court, "allowed a local corporation threatened with worldwide proceedings for copyright infringement to sue in Ontario for a declaration that it was not infringing either Canadian or foreign copyrights." In *Research in Motion*, in addition to dismissing arguments that the court lacked jurisdiction, and that Ontario was not the *forum conveniens*, Spiegel J. dismissed Atari's motion to strike Research in Motion's statement of claim for a declaration of non-infringement on the grounds that it disclosed no reasonable cause of action. In doing so, he relied on *CCH Canadian Ltd. v. Law Society of Upper Canada*, [2004] 1 S.C.R. 339, a case in which the Law Society

responded to CCH's claim of copyright infringement by issuing a counterclaim for a declaration of non-infringement. The Supreme Court upheld the Law Society's position that no copyright was infringed when a single copy of a reported decision, case summary, statute, regulation or limited selection of text from a treatise was made by the Great Library and granted the declaration.

[40] The mere fact that the claim is for declaratory relief affords no basis for asserting that Tucows does not have a "good arguable case" or action.

b) A domain name is personal property within the meaning of rule 17.02(a)

[41] One of the key issues in this appeal is whether a domain name constitutes personal property within the meaning of rule 17.02(a). For this part of the analysis, first I will provide some relevant background information on the nature of a domain name. Then I will canvass judicial and academic consideration of whether a domain name constitutes property. Finally, I will consider the specific issue in this appeal: the attributes of "personal property" under rule 17.02(a) and whether a domain name satisfies those attributes such that a proceeding regarding a domain name may be captured by the rule.

3. The nature of a domain name

[42] A domain name has two parts. The first part is the Internet Protocol (IP) number or the numerical technical layer used to make communication between computers possible. IP numbers are allocated through regional internet registries and are

independent of individual users. The second part of the domain name is the distinctive readable address in Uniform Resource Locators (URLs) and is what we usually think of as a domain name. Both parts are functionally necessary. An internet user wishing to access a web page does so by entering the domain name URL into a browser, or software program used for viewing information on the internet, and the underlying corresponding IP numbers take a person to that web page: see Howell, at p. 153.

[43] The domain name <renner.com> has two levels. The top level domain “.com” is a generic suffix used by commercial entities (Howell, at p. 154). The second level domain is the surname “renner”. It is this second level domain name that is at issue.

[44] The original role of a domain name was to provide an address for computers on the internet. As the internet’s role in facilitating the carrying on of commercial activity evolved and grew, a domain name, which is easy to remember, came to be used to identify and distinguish a business itself as well as to facilitate the ability of consumers to navigate the internet. A domain name must, of necessity, be unique and, where a domain name is used in connection with business, the value of maintaining an exclusive identity has become critical: *Satyam Infoway Ltd. v. Siffynet Solutions Pvt. Ltd.*, A.I.R. 2004 S.C. 3540, [2005] 2 L.R.C. 97 (India S.C.), at para. 12. Because of this, domain names have value on the secondary market.

[45] The registrant of a domain name has a service contract with a registrar. A domain name, however, can infringe upon trademarks or copyrights in a way that other service

contracts cannot: Daniel Hancock, “You Can Have It, But Can You Hold It? Treating Domain Names as Tangible Property” (2011) 99 Ky. L.J. 185, at pp. 193-94.

(a) Selected jurisprudence and commentary respecting whether domain names constitute property

[46] The legal status of domain names in Canada at the appellate level is undetermined to date: Howell, at p. 162. In the absence of legislation dealing with the relatively new innovation of domain names, courts are forced to grapple with whether existing property concepts can be applied to them. Vaver says at p. 513, “Some American courts say they can [be treated as property] but British and Canadian courts are more sceptical.”

[47] Other types of intellectual property, such as patents, have been held to be property within the meaning of rule 17.02(a), although in most of the cases there is little or no analysis as to what constitutes property: see e.g. *Nobosoft Corp. v. No Borders Inc.*, 2006 CarswellOnt 6213 (S.C.), additional reasons at 2006 CarswellOnt 8449 (S.C.), reversed in part on other grounds, 2007 ONCA 444; *SRU Biosystems Inc. v. Hobbs*, 2006 CarswellOnt 1500 (S.C.).

[48] An Ontario Superior Court case that has explicitly considered whether a domain name is property is *Easthaven Ltd. v. Nutrisystem.com Inc.* (2001), 55 O.R. (3d) 334 (S.C.). Nordheimer J. stated at para. 24:

It does seem to me to be difficult to characterize a domain name as property. When I say property, I refer to either real or personal property. I appreciate that a domain name, like a

copyright or a trademark, could be properly characterized as intangible property.

[49] He concluded, however, that because a domain name lacks a physical existence it was not property in Ontario and the mere fact the domain name was registered through a corporation that happened to carry on business in Ontario (the domain name Registrar) did not give it a physical presence here. It should be noted that in *Easthaven*, the court was being asked to exercise jurisdiction over a Pennsylvania corporation at the behest of a Barbados corporation. The only connection with Ontario was Tucows, the registrar of the domain name in issue; however, the plaintiff had discontinued the action against Tucows as a co-defendant and Tucows was prepared to abide by any court order regardless of jurisdiction. Therefore, the circumstances before Nordheimer J. may be distinguished from those in the case under appeal. Suffice it to say, that for now, there is little guidance in Canadian jurisprudence on the issue of whether a domain name constitutes property.

[50] The dominant view emerging from international jurisprudence and academic commentary appears to be that domain names are a new type of intangible property. American jurisprudence treating domain names as intangible property includes *Kremen v. Cohen*, 337 F.3d 1024 (9th Cir. 2003), where the United States Court of Appeals, Ninth Circuit held at p. 1030 that a domain name is intangible property because it satisfies a three-part test for the existence of a property right: it is an interest capable of precise definition; it is capable of exclusive possession or control; and it is capable of giving rise

to a legitimate claim for exclusivity.³ See also *Office Depot Inc. v. Zuccarini*, 596 F.3d 696 (9th Cir. 2010), at pp. 701-02; and *CRS Recovery, Inc. v. Laxton*, 600 F.3d 1138 (9th Cir. 2010), at p. 1144.

[51] Renner argues that the treatment of domain names in the United States is not germane because it derives from the *Anticybersquatting Consumer Protection Act*, 15 U.S.C. § 1125(d) (2006) (the “ACPA”), which allows the court to take jurisdiction against cybersquatters⁴ who cannot be located and to pronounce an *in rem* judgment.⁵ The fact that Congress enacted legislation which provides for granting an *in rem* judgment has been cited by courts as evidence that Congress intended domain names to be treated as a type of property (Hancock, at p. 205). In *Kremen*, however, the Ninth Circuit held that a domain name constituted intangible property *not* because the *ACPA* indicated that Congress intended domain names to be treated as property, but rather because a domain name met the three-part test for whether a property right exists. Thus, the case cannot be distinguished on this basis.

[52] Outside the United States, other common law jurisdictions have also treated domain names as intangible property. In *OBG Ltd. v. Allan*, [2008] 1 A.C. 1 (H.L.), Lord Hoffman for the majority observed at para. 101, “I have no difficulty with the proposition

³ *Kremen*, *supra*, also holds that an action for the tort of conversion can be brought in respect of a domain name.

⁴ “Cybersquatters” are those who gain domain names with a second-level name of a well-known entity and refuse to release that domain name until well remunerated by that entity: see Hancock, at p. 156.

⁵ The *in rem* proceeding is proprietary, determining rights in the item itself, rather than the position between the parties. The *ACPA* allows an *in rem* proceeding to be brought under stipulated conditions in the judicial district in which the domain name registrar, registry or other authority is located: see Hancock, at p. 161.

that a domain name may be intangible property, like a copyright or trademark”.⁶ In *Satyam Infoway*, the principal question raised on appeal before India’s Supreme Court was whether, in the absence of specific legislation, internet domain names were subject to the legal norms applicable to other intellectual properties such as trademarks. It answered this question in the affirmative. In doing so the court held, at paras. 11-12, that a domain name can be said to be a word or name which is capable of distinguishing the subject of trade or service made available to potential users of the internet. Goodwill can be built up in connection with a domain name: para. 31. See also *Hoath v. Connect Internet Services Pty. Ltd.* (2006), 229 A.L.R. 566 (N.S.W.S.C.), at pp. 594-95, where the court presumed a domain name was intangible property.

[53] For the most part, academic commentators also agree that domain names should be considered a form of property.⁷ As an example, in “Bad Faith in Cyberspace: Grounding Domain Name Theory in Trademark, Property, and Restitution” (2010) 23 *Harv. J.L. & Tech.* 447, Jacqueline D. Lipton comments at p. 473, “The attraction of the

⁶ The majority held that an action for conversion cannot be brought in respect of intangible contractual property. The minority thought intangible contractual property could be the subject of an action in conversion. That issue is not relevant to this appeal.

⁷ A contrary view is expressed by Sheldon Burshtein in, “Is A Domain Name Property?” (2005) 4 *C.J.L.T.* 195, at p. 197. His view appears to partly be based on reading *Network Solutions, Inc. v. Umbro Int’l, Inc.*, 529 S.E. 2d 80 (Va. 2000) as standing for the proposition that a domain name is not property. In “You Can Have It, But Can You Hold It? Treating Domain Names as Tangible Property”, Hancock, above, acknowledges that *Umbro* is often cited for the proposition that a domain name is not property but he submits that this is a misreading of the case. Rather, he says that at p. 86 of its reasons, the court purposely did not consider whether a domain name should be considered a type of property and simply declared that a domain name contract was not a “liability” under the garnishment statute it was interpreting. Burshtein does, however, acknowledge that domain names have become increasingly valuable assets (p.195) and that in the United States, the current but not uniform view at the time of the article appeared to be that a domain name was a form of intangible property (p. 197).

property theory is that it fits the way people routinely think about domain names.” She suggests at p. 474 that a property model may be the preferable basis on which to ground domain name theory:

[A property model] best accords with the way market participants relate to domain names. Even though a domain name is a form of contractual license from a registrar to a registrant, it results in a valuable asset that is freely traded on the open market and that is occasionally stolen by a bad faith actor. Even though a transfer of a domain name is, in reality, a de-registration from the original registrant and re-registration to the new registrant, it is now treated routinely as a seamless transfer, as if the name was being handed directly from the original registrant to the new registrant. Further, the acceptance of a property rights rationale for regulating generic domain names could take advantage of existing property-based laws such as theft and conversion, and simply extend them judicially to virtual property.

See also Hancock, at pp. 191 and 205, in which the author acknowledges that in the United States domain names are generally treated as intangible property, but argues that domain names, although incorporeal, should be treated as tangible property with which they have more in common.⁸

[54] Two Swedish authors, Michael Bogdan and Ulf Maunsbach, in “Domain Names as Jurisdiction-Creating Property in Sweden” (2009) 3 Masaryk U. J.L. & Tech 175, have specifically considered the issue of whether domain names should be considered property for the purposes of establishing jurisdiction over extra-territorial defendants. They argue

⁸ Hancock notes that the United States Bankruptcy Court in Utah concluded in *Jubber v. Search Mkt. Direct, Inc. (In re Paige)*, 413 B.R. 882 (Bankr. D. Utah 2009), aff’d, 443 B.R. 878 (D. Utah 2011), that a domain name is a form of *tangible* property. Hancock agrees with the conclusion, but for different reasons.

not only that domain names satisfy the criteria for property under the applicable Swedish procedural rule, but also that domain names should be considered as property located in Sweden that can form the basis of jurisdiction so that these valuable assets will not be insulated from judgment.

[55] From this brief survey, it can be seen that the emerging consensus appears to be that domain names are a form of property. However, most of the jurisprudence to which I have referred does not consider the attributes of property in any depth. In order to properly determine whether a domain name constitutes personal property within the meaning of rule 17.02(a), it is necessary to consider the attributes of property for the purposes of the rule and whether a domain name has those attributes.

b) The attributes of property for purposes of rule 17.02(a)

[56] The term “personal property” is not defined in the *Rules of Civil Procedure*. The fact that this term is not defined leads me to the common law attributes of property.

[57] There is no agreed list of required attributes of “property” at common law. One academic author, Professor Ziff, in *Principles of Property Law*, 5th ed. (Toronto: Carswell, 2010), describes property in this way at p. 2:

From an intuitive perspective the idea of property is perfectly straightforward: the term refers to those things one can own. Although it is both sensible and common to use such language, the law offers a different slant, one that tends to dwell more on the owning element. Property is sometimes referred to as a bundle of rights. That characterization means

that property is not in fact a thing, but rather a right, or better, a collection of rights (over things) enforceable against others. Likewise, it has been said that “[t]he concept of ownership is no more than a convenient global description of different collections of rights held by persons over physical and other things”. Explained another way, the term property signifies a set of relationships among people that concern claims to tangible and intangible items.

[58] The version of this passage that appeared in the third edition of Professor Ziff’s book was cited with approval by Sharlow J.A. in *Manrell v. Canada*, [2003] F.C. 727 (C.A.), at para. 24. From this passage, Sharlow J.A. concluded at para. 25 that “[i]t is implicit in this notion of ‘property’ that ‘property’ must have or entail some exclusive right to make a claim against someone else. A general right to do something that anyone can do, or a right that belongs to everyone, is not the ‘property’ of anyone.”

[59] Another well-respected academic author, J.W. Harris, in *Property and Justice* (Oxford: Clarendon Press, 1996) states at p. 139:

‘Property’ designates those items which are points of reference within ... the rules of a property institution, viz., trespassory, property-limitation, expropriation and appropriation rules. Such items are either the subject of direct trespassory protection or else separately assignable as parts of private wealth.

Therefore, ‘property’ comprises (1) ownership and quasi-ownership interests in things (tangible or ideational); (2) other rights over such things which are enforceable against all-comers (non-ownership proprietary interests); (3) money; and (4) cashable rights. That is what ‘property’ is.

[60] Ziff summarizes his description of property as signifying, “a set of relationships among people that concern claims to tangible and intangible items”. Harris refers to property as comprising an ownership interest in something that is “ideational”, which I understand to mean something intangible that has been conceived by the mind. Of note, Harris and Ziff both emphasize that property is a collection of rights over things that can be enforced against others. Such a concept can be seen in the jurisprudence as well. In *Saulnier v. Royal Bank of Canada*, [2008] 3 S.C.R. 166, Binnie J. considered whether a fishing licence constituted “property” under the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3 (“*BIA*”), and the Nova Scotia *Personal Property and Security Act*, S.N.S. 1995-96, c. 13 (“*PPSA*”). He concluded that while a simple licence was likely not property at common law, the bundle of rights attached to the fishing licence was sufficient to qualify it as property for the purposes of the *BIA* and the *PPSA*. In particular, the holder of such a licence had a right to engage in an exclusive fishery under the conditions imposed by the licence, and a proprietary right in the fish harvested and the earnings from their sale. Binnie J. further commented that the licence unlocked the value in the fisherman’s other marine assets. The subject matter of the licence, coupled with a proprietary interest in the fish caught pursuant to its terms, bore a reasonable analogy to a common law *profit à prendre* which was undeniably a property right: see paras. 14, 16, 23, 28, 34 and 43.

[61] In giving a purposive interpretation to the legislation in issue in *Saulnier*, Binnie J. rejected the traditional common law approach that was followed in *Re National Trust Co.*

and Bouckhuys (1987), 61 O.R. (2d) 640 (C.A.). In *Bouckhuys*, Cory J.A. held at p. 648: “The notion of ‘property’ imports the right to exclude others from the enjoyment of, interference with or appropriation of a specific legal right. This is distinct from a revocable licence, which simply enables a person to do lawfully what he could not otherwise do”. Cory J. went on to hold that the tobacco quota in issue did not qualify as “intangible personal property” under Ontario’s *Personal Property Security Act*, R.S.O. 1990, c. P.10, as renewal of the quota was subject to the “unfettered discretion” of the Tobacco Board and the quota itself was “transitory and ephemeral”.

[62] The bundle of rights associated with the domain name <renner.com> that Tucows has (as purchaser and registrant) satisfies the attributes of property as described by Harris and Ziff in that at present Tucows can enforce those rights against all others.

[63] As in *Saulnier*, Tucows derives income from being the holder of the rights in the domain name <renner.com>.⁹ It has fourteen clients who subscribe to personal e-mail services using the domain name. If the domain name were to be transferred to Renner, it would undoubtedly assist in unlocking the value of Renner’s business. The registered owner of the domain name has the right to exclusively direct traffic to the domain name’s corresponding website and to exclude anyone else from using the same name. The ability to exclude others from the enjoyment of, interference with or appropriation of a specific

⁹ A registrant of a domain name “owns” the right to use and have the enjoyment of the name during the period of validity of the registration agreement with the registrar (Bogdan and Maunsbach, at p. 180). That right is exclusive because no one else can register the same domain name during that period. As indicated, Tucows is not only a registrant but an accredited registrar.

legal right was held by Cory J. in *Bouckhuys*, as a necessary incident of property. Unlike the situation of the tobacco quota in *Bouckhuys*, renewal of the registration of a domain name at the end of any term for which it has been licensed is not subject to an unfettered discretion but to the UDRP and the UDRP Rules.

[64] While the decisions in *Kremner*, *Saulnier*, and *Bouckhuys* and the academic commentators all emphasize exclusivity of a right as an essential aspect of property, other judicial decisions, such as *National Provincial Bank Ltd. v. Ainsworth*, [1965] A.C. 1175 (H.L.), hold that other requirements must also be met. In *National Provincial Bank*, Lord Wilberforce stated at pp. 1247-48 that, “[b]efore a right or an interest can be admitted into the category of property, or of a right affecting property, it must be definable, identifiable by third parties, capable in its nature of assumption by third parties, and have some degree of permanence or stability.” A domain name also satisfies this definition of property.

[65] I have already discussed what a domain name is. To summarize, a domain name is an intangible or ideational thing consisting of two parts, one being numerical and the other being a distinctive readable address, that enables an internet user to access a web page. The rights that Tucows has in the domain name <renner.com> have been identified by Renner. Before the WIPO tribunal, Renner sought to have Tucows’s registration set aside and to assume it. Tucows’s ownership of the domain name has a degree of permanency; it has owned the domain name since 2006.

[66] Thus, based on the above definitions from Canadian and other common law jurisprudence, Tucows has a bundle of rights in the domain name <renner.com> that constitutes “personal property” within the meaning of rule 17.02(a).

c) A domain name can be considered to be property in Ontario for the purposes of rule 17.02(a)

[67] In order to ground jurisdiction pursuant to rule 17.02(a) a domain name must not only be property, it must also be property in Ontario. Renner argued that the intangible nature of a domain name makes it impossible for it to be located “in Ontario”. Simply because a domain name is intangible property does not mean that it cannot have a location that allows a court to ground jurisdiction: see e.g. *SRU Biosystems*, in which Morin J. held at para. 32 that the plaintiffs had made out “a very arguable case” that the Canadian patent application filed by the defendants was personal property in Ontario.

[68] Rule 17.02(a) gives the court jurisdiction to settle controversies with regard to rights or claims against personal property. Personal property consists of both tangible and intangible property: see Brian A. Garner, ed., *Black’s Law Dictionary*, 8th ed (St. Paul: West, 2004), at p. 1254. See also *Metlakatla Ferry Service Ltd. v. British Columbia* (1987), 37 D.L.R. (4th) 322 (B.C.C.A.), in which the court held at p. 325 that the term “personal property” in s. 87 of the *Indian Act*, R.S.C. 1985, c. I-5, included intangible property, in this case a lease and the debt owing under it. Intangible property refers to personal property that cannot actually be moved, touched or felt, but instead

represents something of value such as good will. In *Manitoba Fisheries Ltd. v. R.*, [1979] 1 S.C.R. 101, the Supreme Court held that although good will is intangible in character, it is part of the property of a business just as much as the premises, machinery and equipment employed in the production of the product whose quality engendered it. As such, there is a presumption of compensation for the regulatory taking of this property.

[69] It seems to me, as well, that for purposes of jurisdiction, a domain name is part of the intangible property of Tucows's business. 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,¹⁰ in which the situs of intangible property is determined by where it has the strongest contacts: see *Canada v. Folster*, [1997] 3 F.C. 269 (C.A.), at paras. 15-18. In this case, the domain name <renner.com>, as a business asset of Tucows and a form of intangible property, has its maximum contacts with Ontario.

[70] More recently, in *Society of Composers, Authors and Music Publishers of Canada v. Canadian Assn. of Internet Providers*, [2004] 2 S.C.R. 427, the Supreme Court held at para. 57 that the applicability of the *Copyright Act*, R.S.C. 1985, c. C-42, to communications that have international participants depends on whether, when the real and substantial connection test is applied, there is a sufficient connection between this country and the communication in question for Canada to apply its laws consistent with

¹⁰ The "connecting factors" test was developed in the context of determining whether unemployment insurance benefits are "personal property ... situated on a reserve" for the purpose of exemption from taxation under s. 87 of the *Indian Act*.

the principles of order and fairness. Binnie J., writing for the court with the exception of Lebel J., analyzed the appropriate test for determining the location of an internet communication and held at para. 61, “In terms of the Internet, relevant connecting factors would include the *situs* of the content provider, the host server, the intermediaries and the end user. The weight to be given to any particular factor will vary with the circumstances and the nature of the dispute.”

[71] By analogy, in this case the connecting factors favouring location of the domain name in Ontario are the location of the registrant of the domain name, as well as the location of the registrar and the servers as intermediaries. The evidence concerning the location of Tucows’s target audience is insufficient for me to draw any conclusion based on it. The location of the registrar is an important consideration because, as Bogdan and Maunsbach point out at p. 182, without the domain name registrar/ administrator being subject to the court’s jurisdiction, questions of the enforceability of the order could arise.

[72] I would hold that for purposes of rule 17.02(a), the domain name <renner.com> is intangible personal property located in Ontario.

4. There is a real and substantial connection to Ontario

[73] Pursuant to *Van Breda*, if a case falls within rule 17.02(a), a real and substantial connection for the purposes of assuming jurisdiction against the defendant will be

presumed to exist. That presumption has not been rebutted by Renner. Accordingly, I would hold that Tucows's service of its statement of claim on Renner is valid.

5. The appellant's cross-motion respecting rule 17.06(3)

[74] Having regard to these reasons, it is unnecessary for me to address Tucows's submissions respecting validation of service after the fact pursuant to rule 17.06(3).

V. DISPOSITION

[75] For the reasons I have given, I would allow the appeal and set aside the order of the motions judge. I would substitute an order that service on Renner outside Ontario is valid and that Ontario has jurisdiction over the dispute between Tucows and Renner. Tucows is entitled to its costs before the motions court judge which the parties have agreed to round off at \$15,000. In addition, Tucows is entitled to its costs of this appeal. Having regard to the submissions made, I would fix those costs on a partial indemnity basis at \$24,000. Both sets of costs are inclusive of all taxes and disbursements.

RELEASED: Aug. 5, 2011
"KMW"

"Karen M. Weiler J.A."
"I agree Janet Simmons J.A."
"I agree G.J. Epstein J.A."