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M.J.B. Enterprises Ltd. v. Defence Construction (1951), [1999] 1 S.C.R. 619 and
Double N Earthmovers Ltd. v. Edmonton (City), 2007 SCC3, [2007] 1 S.C.R. 116-2007-01-25 Supreme Court of Canada

Should A Court Or An Arbitral Tribunal Resolve Domain Name Disputes?

The Court of Appeal for Ontario has just released its decision in *Tucows.Com Co. v. Lojas Renner S.A.* This decision *i*s a legal landmark in relation to Internet domain names. The Court held that domain names are personal property and may be the subject matter of an action which may be served on a defendant outside Ontario.

This aspect of the decision has been widely reported. But there is another aspect of the decision which is important to the law of arbitration. That issue relates to the proper response

by courts when an arbitral tribunal decides not to hear a dispute. Should the court nevertheless hold that arbitration is preferable to court proceedings and send the dispute back to arbitration?

Tucows is a Canadian company which purchased the domain name "renner.com" from Mailbank Inc., the registrant of that domain name, with the International Corporation for Assigned Names and Numbers (ICANN). Renner is a Brazilian company which carries on business under that name in Brazil and owns the trade mark in that name in Brazil and other countries.

Renner commenced a claim against Tucows under the Uniform Names Dispute Resolution Policy ("UDRP") maintained by ICANN. Under the UDRP Rules, Renner selected arbitration through the World Intellectual Property Organization ("WIPO"). Instead of responding to the arbitration, Tucows commenced an action in the Ontario Superior Court claiming a declaration of its rights in the domain name and that Renner was not entitled to a transfer of the domain name.

Tucows asked the WIPO Administrative Panel to suspend or terminate its proceedings in light of the Ontario action. That Panel decided to do so. It ruled that the issues in the Ontario action were substantially identical to the WIPO proceeding. The Panel cited prior decisions in which WIPO panels had deferred to courts. It noted that there was some conflict in the decisions of past WIPO panels on the issues raised in the proceeding. It held that a court could better deal with the factual issues and that an "authoritative court decision" on the legal issues would be of assistance.

Renner then brought a motion to stay the Ontario action. The Superior Court stayed the action, holding that the WIPO proceeding was more suited to the resolution of the dispute and that if the Court accepted jurisdiction it would undermine the administrative process for resolving disputes over domain names.

The Court of Appeal allowed the appeal and permitted the Ontario action to proceed. The Appeal Court observed that the UDRP Rules do not establish the UDRP procedures as the sole means to resolve disputes over domain names. Those Rules expressly contemplate parties resolving their dispute in court proceedings. The Court also noted that ICANN had stated that UDRP procedures are particularly suited to "abusive registration" cases, and not to legitimate trade mark or trade name disputes which are relegated by the UDRP Rules to the courts. The Court of Appeal held that the reasons of the WIPO Administrative panel for declining jurisdiction were reasonable and should be accorded deference.

The Court of Appeal held that Tucows' claim for a declaration was a sufficient "cause of action" to fall within the Ontario Rules of Civil Procedure allowing service of the Statement of Claim outside Ontario. The Court also held that the rights to a domain name are personal property because the rights holder "can enforce those rights against all others."

Besides being a landmark decision relating to the Internet, this decision is also important for arbitration law. It reminds us to ask two important questions:

First, what is the true nature and purpose of the jurisdiction of the arbitration regime? Is that regime intended to be exclusive or not? In the present case, the Court of Appeal was impressed by the ICANN policy that the UDRP Rules and procedures are not intended to be exclusive and are not intended to apply to legitimate trade mark disputes.

The same issue may arise under any contract, including a construction contract. The first question is not necessarily: Does this dispute fall within the arbitration clause? The first question may be: Was this dispute intended to be within the exclusive jurisdiction of the arbitration tribunal?

The second question raised by this decision is: What is the role of the arbitral tribunal in declining jurisdiction, and what is the appropriate response of the court to such a decision by an arbitral tribunal?

This case was not about whether one of the parties could decline to participate in the arbitration. This case was about whether the arbitral tribunal could allow a party to do so.

The Supreme Court of Canada has recently adopted the *competence-competence* principle in relation to the determination of the jurisdiction of an arbitral tribunal: *Seidel v. TELUS Communications Inc. 2011 SCC 15; Dell Computer Corp. v. Union des consummateurs* (2007), 2 S.C.R. 801. Under that principle, the arbitral tribunal is competent to rule on its own competence. Accordingly, that tribunal and not the court should first decide on the jurisdiction of the arbitral tribunal unless the jurisdictional issue is essentially a legal one.

In the present case the Court of Appeal held that the arbitral tribunal had the jurisdiction to make a decision to decline jurisdiction. Having done so, the same *competence-competence* principle required the court to respect that decision and allow the Ontario action to proceed.

This decision raises two further questions:

First, if the arbitration agreement gives no discretion on the matter, can the arbitral tribunal nevertheless exercise a discretion to decline jurisdiction in favour of the court? Likely not, since the arbitral tribunal's declining of jurisdiction would itself amount to a jurisdictional error.

Second, if the WIPO tribunal had decided to the contrary, and insisted on dealing with the dispute, would the Ontario court have respected that decision or would it have allowed the action to proceed? The likely answer is as follows:

If, after giving full deference to that arbitral decision, the Ontario court had concluded that the tribunal had acted within its jurisdiction, then the court would have upheld it and stayed the Ontario action.

If, on the other hand, the Ontario court had concluded that, having regard to the ICANN regime and the UDRP Rules, the WIPO tribunal had erred in jurisdiction by proceeding with the substantive dispute over trade names, then the Ontario court would likely have held that the Ontario action could proceed alongside the WIPO proceeding.

The same result could occur in any contractual dispute. If a Canadian court concludes that the arbitral tribunal made a jurisdictional error in accepting jurisdiction over the dispute, then the court might well allow an action to proceed alongside the arbitration.

All of these issues are a consequence of the *competence-competence* policy adopted by Canadian courts. Except in instances of pure legal controversy, that policy allows arbitrators, and not the courts, to initially decide the jurisdiction of the arbitral tribunal. That policy also requires that the courts accord deference to the arbitrators' jurisdictional decision, whether that decision is to accept or decline jurisdiction. Implementing that policy, the Court of Appeal held that the decision of the WIPO tribunal to decline jurisdiction in favour of court proceedings should be respected and implemented.

Arbitration – Stay of court proceedings - Exclusive jurisdiction - Competence-Competence

Tucows.Com Co. v. Lojas Renner S.A., 2011 ONCA 548

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