

Domain names and the Canadian presence requirements

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In Canada, the Canadian Internet Registration Authority (« CIRA ») is the entity in charge of operating and managing the «.CA » country code top level domain name. It has enacted registration and dispute policies governing the .CA domain name, both based upon the fundamental concept of a «Canadian Presence Requirement» («CPR»).

This concept stems from the mandate entrusted to CIRA, to the effect that .CA domain space should be developed as a key public resource for the social and economic development of all Canadians. Accordingly, any person who wishes to register a .CA domain name or sub-domain name on and after November 8, 2000 must meet certain Canadian Presence Requirements enabling a connection with Canada.

Plainly said by its supporters, if .CA shall mean « Canada » to the rest of the world, then the registration of .CA domain name ought to involve some ties with the country.

The latest version of CPR was enacted in June 2003 and since then CPR has not undergone any modification. At that time, there were only 333,000 .CA registrations as compared to the 1,5 millions .CA domain names currently registered in 2010. No major modification is currently expected, though some have criticized such Policy as being outdated and scaring foreign investments. What is required to obtain a strong national identity is a question left open for much discussion in the future.

Registration by a foreign party

In order to qualify for registration of a .CA domain name, a Registrant must satisfy one of Canadian Presence Requirements, as set out in the *CIRA Policies, Rules, and Procedures - General Registration Rules*, which sets out various conditions, all of which requiring a connection with Canada. A Canadian citizen, a permanent resident of Canada, a Canadian corporation whether incorporated under the laws of Canada or any Canadian province or territory are, among others, qualifying for a .CA domain name registration.

A non-Canadian party under such Policy qualifies to hold a .CA domain name if it is the owner of a corresponding registered trade-mark in Canada, but only to the extent that the domain name consists or includes the exact word component of its registered trade-mark. A shortened version of the trade-mark would most likely not satisfy the conditions,

but a longer version, with some additions, should be acceptable. A pending trade-mark application or common law rights are not sufficient to qualify for registration.

Apart from owing a Canadian registered trade-mark, a foreign party who wishes to register a .CA domain name is left with the option of incorporating a company in Canada and having that Canadian-based entity then register the .CA domain name.

CIRA Policy prohibits a Canadian party to circumvent the CPR in favor a foreign party and to register or hold in trust a domain name on behalf of a party that does not qualify to register the domain name. Thus, Canadian law firms may not offer to acquire or to register domain names on behalf of foreign-based parties who are not otherwise eligible to hold the domain name.

CPR and Dispute Resolution Policy

As expressed, CPR is also an important criterion when one elects to dispute a bad faith registration of a .CA domain name under *CIRA Domain Name Dispute Resolution Policy* (“*CDRP*”). The purpose of said Policy is to provide a forum where bad faith registrations can be dealt with relatively inexpensively and quickly, as opposed to legal recourses before Canadian courts.

Eligibility of complainants is defined at section 1.4 of the Policy and requires that the person initiating a proceeding must, at the time of submitting a complaint, satisfy the CPR for Registrants in respect of the domain name that is the subject of the proceeding unless the complaint relates to a trade-mark registered in the Canadian Intellectual Property Office (“CIPO”) and the complainant is the owner of the trade-mark.

A recent decision has enlightened a more opened approach, taken by arbitrators in view of contested complainant’s eligibility. In the case of *Shopnchek.ca*, (July 27, 2009), the arbitrator had to decide whether the complainant, a US company, was complying with CPR before proceeding with the remainder of the complaint. The complainant was not the owner of a Canadian trade-mark, which rather belonged to its U.S. based subsidiary.

The arbitrator noted that, in general, in cases involving wholly owned subsidiaries and their parent companies, the companies that own the registered trade-marks have been the complainants.

In order to assess initial compliance with CPR, the arbitrator referred to a 2005 decision of *Canadadrugs.com*, where it was held that the CPR and its ownership requirement of a registered trade-mark in Canada « should not be construed in a technical fashion » and allowed a licensee of a Canadian registered trade-mark to act as an eligible complainant.

In the case at bar, the parent company had not however provided any proof that it was a licensee of the Canadian trade-mark registration but only that it was the owner of the

foreign subsidiary owning the trade-mark. The arbitrator decided that a literal reading of the CPR results in a finding that these requirements were not met in this case. However, the arbitrator then noted his reluctance « to defeat the purpose of CDR through an overly technical interpretation of the Policy » and went to consider the remainder of the complaint « for the sake of argument that the requirements were met ».

In the end, the complainant failed to provide any evidence as to the lack of legitimate interest of the Registrant, one of the criteria to be met to succeed in such proceedings with a relatively low threshold, and also failed to prove that initial registration was done in bad faith, which onus must be demonstrated based on a balance of probabilities.

Canadian market strategy

Considering present CIRA policies and CPR, a foreign company that wants to do online business in Canada should plan carefully its efforts to obtain its .CA domain name.

Delay of one year or so must be expected before obtaining a registered trade-mark, after filing of an application at the Canadian Intellectual Property Office, or rather constitute a Canadian or provincial company, after having considered all legal, administrative and tax implications.

As for using CIRA's dispute resolution in case of bad faith registrations, the Canadian-based company should apply as complainant in such proceedings. If none exist, make sure that the foreign parent company has been granted a license to use the Canadian registered trade-mark by the registered foreign owner, more likely its subsidiary.

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IT law, intellectual property and international trade law are predominant in Benoit's practice. He acquired a solid experience as a litigator in civil and commercial matters, including intellectual property litigations. Having developed a specialized expertise in electronic trade, online services agreements and technology license drafting, he is called upon to represent technology firms, research centers and public businesses for the negotiation of strategic partnerships, technological product development, license agreements and international distribution agreements.