Domain name disputes in .nz – a submission to the Dispute Resolution Service review  
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Introduction

I welcome the review of the .nz Dispute Resolution System and make this submission in my capacity as a researcher, not in my capacity as InternetNZ Vice President. I have recently completed a full review of the DRS, including a detailed statistical analysis and review of the published Expert decisions. An article outlining the findings of my detailed evaluation has been submitted to an international journal and I am not yet able to provide a full copy of it to the review. However, I would like to offer some insights from my research to assist the DRS review.

Domain name disputes present unique challenges: there is no single system for resolving disputes, diverse legal tests apply across jurisdictions and categories of disputes vary. These challenges are amplified in New Zealand by the DRS’ unique “unfair registration” test which contrasts with Nominet’s .uk dispute resolution policy on which the New Zealand system was so closely modelled. Despite this, I consider the DRS operates well and is fundamentally sound. However, this review provides an opportunity to improve the DRS to ensure DNCL continues to offer high quality, fit for purpose dispute resolution processes for the New Zealand context. This submission sets out some suggested improvements and my concern that recent case law has unduly narrowed the scope of the unfair registration test.

Alternative Dispute Resolution and the DRS

There is scope for the DRS to be updated to better reflect the modern nature of alternative dispute resolution. For example, the current DRS Policy is highly prescribed (almost at the level of a procedure manual). This leaves little flexibility for developing new processes or taking into account the circumstances of a particular case. There were good reasons for a detailed and technical approach when the DRS was first established. However, there is now scope to set the DRS at a level more commensurate with what might be described as a general policy. Doing so would also enable more operational flexibility.

For example, while it is highly desirable to have short time frames to encourage prompt resolution, the lack of flexibility in mediation times may have unintended effects such as creating perverse incentives against settlement. The time periods for mediation could also be re-considered.

More educative tools could also be used to support early resolution of disputes and to assist parties to resolve disputes themselves. More modern tools include digital knowledge bases such as chat bots to support FAQs and general enquires. Developing these kinds of tools would also free up the DNCL’s limited public facing human resources, enabling these to move away from email responses to enquires.
Comment on the DRS

Disputes represent a tiny fraction of total registered domain names. In New Zealand, the domain name registration system works well and in the vast majority of cases there are no difficulties. The number of complaints is evidence there is still a need for the DRS.

Analysis of Disputes

In 2010 I carried out a detailed review of the DRS and made a number of recommendations for improvement (a copy of that research was provided to the DNCL in 2011 and the full list of recommendations is attached as an appendix). I am delighted that the DRS decisions have recently been published on the New Zealand Legal Information Institute database – this is a really significant move that will increase access to this important jurisprudence.

My recent research on the DRS found that by the end of 2018 there had been 517 complaints since the DRS started (an average of 43 per year). My analysis of 188 Expert decisions shows a very wide variety of cases in which domain name disputes arise.

Cybersquatting remains a fairly constant theme but is only about a quarter of cases. More often than not, the parties know each other (whether through business or some other relationship) and use the DRS to have the dispute dealt with quickly by an easily accessed New Zealand service. There has been a recent small decrease in disputes related to first come first served registrations, but overall the proportion of these cases has remained fairly constant (15 per cent).

The nature of blocking registrations appears to have changed. Such registrations arise in a wide variety of circumstances and while the number of these disputes has remained fairly steady, two new types of disputes have more recently emerged. The first relates to consumer protection, particularly cases where evidence of consumer exploitation or unfair trade practices relating to the complainants rights in a name, has been relevant in determining whether a registration is unfair. The second relates to cases on the use of a domain name for tribute or criticism purposes and whether, in the circumstances, such uses may amount to an unfair registration (which is discussed in more detail below).

Just over half of complainants and respondents are from New Zealand. In cases involving overseas complainants, cybersquatting is the most common complaint, although there are a significant number of trans-Tasman business related disputes. The number of non-New Zealand parties would suggest the DRS does contribute to global trust in the DNS by enabling overseas parties to quickly and easily resolve complaints about unfair registration of .nz domain names.

Settlement and Transfer Rates

Since 1 April 2014 approximately 12% of complaints result in a mediated settlement of some kind. This rate seems low and may be explained by the relatively low number of responses filed to complaints. A complaint must be referred to an Expert for determination if there is no response because there is no summary judgment procedure allowing name transfer to happen by default.


2 Domain Name Commission, email to author 2 May 2019.
Experts ordered name transfer in 80% of cases, indicating that where an Expert is appointed there is usually a substantive issue of unfair registration (this compares to an annual 55% transfer rate in Nominet cases in 2017). The transfer rate suggests that this part of the process is being used for substantive complaints, rather than frivolous or vexatious ones. This also suggests that the dispute resolution process is being used for the right sorts of cases, namely, those where there are legitimate rights. This finding is verified by an analysis of those cases in which transfer was refused and the complaint dismissed. Almost all are in the categories of first come first served registration or business competition where there were competing rights and the unfair registration test was not satisfied.

The DNCL should consider the introduction of a summary judgment procedure. However, care is needed because Experts do not order transfer in all cases that are uncontested. In a small but significant number of cases the Expert found the complainant either did not prove rights in the domain name in New Zealand or had otherwise failed to meet the legal test needed for transfer.

Appeals

There have been three appeals, two upholding the Expert decision and all resulting in dismissal of the complaint. The lack of appeals most likely reflects the fact that the case law in New Zealand is well settled and the legal principles to be applied are clear. There have been some unreported cases relating to domain names since the introduction of the DRS, but these have been in contractual disputes where other legal issues were the primary causes of action or where domain name registration is adduced as evidence to support other legal claims. In addition, jurisprudence on domain name disputes has developed under the DRS and its scope is wider than statute and common law based causes of action.

One significant New Zealand court case involved fraudulent use of a domain name. In Chief Executive of the Ministry of Business, Innovation and Employment v Swastik Solution Ltd the Ministry successfully sought injunctive relief under fair trading laws and for breach of copyright to prevent the respondent from using the domain name www.immigration-govt.nz to facilitate the sale of fake New Zealand visas.

The test of unfair registration

InternetNZ expressly modelled its DRS on Nominet. However, InternetNZ did not copy the Nominet test of abusive registration, preferring to introduce a standard of unfair registration. An examination of DRS cases shows that in practice many New Zealand Experts consider the two tests to be substantively the same and will look closely at, and apply, the Nominet decisions.

The leading case for many years was Abortion Law Reform Association of New Zealand v Mybook (ALRANZ) in which the complainant sought transfer of alranz.org.nz after

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7 ibid [22-23].
the respondent registered the name and used it to promote anti-abortion messages. The site included a link to the complainant’s site and reproduced their logo and other images, but contained graphic images designed to disturb viewers. The Expert considered with approval the Nominet decision in Rayden Engineering v Diane Charlton and found in this case that the use was unfair because the respondent ‘has, in effect, masqueraded as the Complainant.’

More recently, in Teak Construction Group v Payback Limited the complainant sought transfer of teakconstructionauckland.co.nz. The respondent was a client of a former company of the complainant, which constructed a building that developed watertightness issues. A dispute about liability for those issues was unresolved, with the complainant business owners closing the previous company, establishing a new company and continuing to trade in the construction industry. The respondent registered the name and created a criticism website.

The Expert found the complainant had both unregistered and trade mark rights in the name. Considering whether the use of the name was ‘fair use’ in terms of the policy, the Expert reviewed Nominet and UDRP jurisprudence, previous DRS decisions and set out relevant legal principles on criticism sites.11

The Expert cited Nominet cases Rayden and Norton Peskett LLP v Hampson with approval and then turned to UDRP decisions by WIPO appointed panellists noting there are two views among WIPO panellists in relation to criticism sites: the first that the right to criticise does not necessarily extend to using a domain name that is identical or confusingly similar to a trademark but this will depend on the nature of the domain name used; the second view was that such use is permissible if the respondent has a legitimate interest in using the trademark as part of the domain name in a criticism site, if such use is fair and noncommercial. The Expert found the consensus view among Nominet experts align with that of first of WIPO panellists’ views:13

The UDRP policy framework bears some similarity to the .nz DRS Policy in this regard. In each case the wording “legitimate non-commercial fair use” is used. However, the test applicable under the UDRP on the one hand and the .nz DRS/Nominet Policy on the other are in fact different. It cannot be assumed that the results of a case under the UDRP will be the same as under the .nz DRS/Nominet Policy. In each case under the .nz DRS/Nominet Policy the key question will be whether the domain name in issue is registered or has been used “in a manner which has taken unfair advantage of or was unfairly detrimental to the Complainant’s Rights.”

Applying the principles, the Expert concluded the use of the name was unfair because the website was not used solely for criticism (the respondent had sought money from the complainant and appeared to be acting out of revenge). On the other hand, the Expert agreed with the respondent that the complainant’s approach was inconsistent because on the one hand it sought to rely on its industry reputation dating back to the years when the previous company existed, but on the other hand to deny any liability or association with that company or for the respondent’s problems with the building. As the Expert put it ‘The Complainant seeks to claim the benefit of the prior trading for the purposes of the Rights but none of the burden.’ The Expert ordered transfer of the name but commented that the respondent was ‘free to continue

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9 ibid 12. Rayden Engineering v Diane Charlton Nominet D06284. A similar approach was also taken by the New Zealand Expert in in Gillette Company v Braun GMBH (2010) DRS 459.
11 ibid 14 [6.19].
12 Norton Peskett LLP v Hampson Nominet D0122650
14 ibid 20 [6.38].
his criticism under a different domain name that more clearly draws attention to the fact that it is a criticism site.’\textsuperscript{15} \textit{Teak} has since been cited with approval in \textit{Regilait SAS v Pantelo}.\textsuperscript{16}

\textit{Comment}

In \textit{Teak} the Expert appears to have paid too much attention to the merits of the substantive, commercial dispute between the parties, rather than the merits of the parties’ respective arguments about the domain name itself and the principle of registration on a first come first served basis. There can have been no doubt that the site was a criticism one and the Expert makes it clear that no consumer could have been misled or deceived by the content into thinking that it belonged to the complainant company.

Following Nominet precedent offers the benefit of aligning .nz DRS with domain name jurisprudence in other jurisdictions, but it also represents a missed opportunity to develop concepts of fairness and fair use for criticism sites in the New Zealand context. However, there is no system of precedent in WIPO UDRP cases and experts do not consider themselves bound by earlier decisions. For this reason, adherence to a particular view of WIPO experts may be misplaced. While the Expert in \textit{Teak} expressly rejected taking WIPO decisions into account, he did make clear that Nominet and .nz DRS decisions aligned with one particular WIPO view, effectively narrowing the approach to be taken in cases of criticism sites.

Another concern in this case was the restrictive nature of the DRS Policy. Clause 5.4 states that in making their decision, the Expert “shall not take into account any evidence or acts of unfair registration or use which occurred more than three (3) years before the date of the Complaint”. In this case it appears to have created an injustice which the complainant was able to benefit from. This limitation has also been the subject of adverse comment by Experts in other cases and I would recommend the Policy be amended to provide some discretion.

\textit{Conclusion}

The DRS is operating effectively and while improvements can be made its fundamental tenets remain sound. The .nz DRS is a high quality, value for money alternative to litigation for domain name disputes, is efficient, transparent, appropriate for the nature of disputes falling within its scope, has process quality and rigour and is low cost and timely. The test of unfair registration is unique and enables diverse disputes to be resolved in ways which better balance a range of rights in domain names, including business competition, consumer protection and freedom of expression. However, recent case law is interpreting this test too narrowly and this should be revised. A number of other improvements could be made to simplify the Policy, improve educational tools, and consider changes to the evidential time limits.

\textsuperscript{15} ibid 22 [6.42].
\textsuperscript{16} \textit{Regilait SAS v Pantelo} (2015) DRS 1102.
APPENDIX: 2010 RECOMMENDATIONS TO THE REVIEW OF THE DISPUTE RESOLUTION SERVICE POLICY

Matters to be taken into account in the DRS review:

(a) Where no response is filed to a complaint consideration should be given to automatic transfer of the name after the period for a response has expired. Alternatively the DNC should have the discretion to transfer the domain name after proof of “final notice” to the respondent by the complainant.

(b) A purposive provision could usefully be added to the DRS to make clear the duty of the DNCL to deal with complaints promptly and manage cases in a timely manner.

(c) The DRS data should be published in a consistent style, with the raw data on the number of actual cases, not only percentages.

(d) The summary data published on the DNC website should have a consistent style so that years can be compared.

(e) A small but significant proportion of cases are withdrawn. The reasons for withdrawal should be monitored and may warrant further research.

(f) Expert decisions should be published according to The New Zealand Law Style Guide.

(g) The role of the DNC in mediations should be clarified.

(h) The reasons for invalidity (such as not within jurisdiction of the DRS, inadequate information, failure to comply with DRS form or other requirements) should be published.

(i) The DRS should be amended to clarify, for the avoidance of doubt, that the Arbitration Act does not apply.

(j) More research would be useful to examine New Zealand registrants with experience of UDRP processes in relation to gTLDs and how the DRS process compares.