

From: James & Wells Intellectual Property, Ben Cain  
Received: 11 March 2014

Dear Sir/Madam

We refer to your invitation of 14 February 2014 to provide submissions in relation to the proposal to permit .nz domain name registrations at the second level. We note that significant – and positive – changes have been made to the Second Round proposal; however we remain concerned about several aspects of the latest proposal. Our concerns are set out below.

## **Eligibility**

In our July 2013 response (a copy of which is [attached](#) for convenience) to the second round of consultation we expressed concerns around the issue of eligibility, namely the ability of anyone to register a domain name without "proof of right". We proposed that the eligibility criteria for registering a .nz domain name be tightened up, for example, along the lines of the system for registering .com.au domain names in Australia. The purpose of tightening up the eligibility criteria was to minimise the potential for unfair registrations and costs to New Zealand businesses in recovering unfairly registered domain names.

The latest proposal does nothing to address this concern. We accept that "proof of right" is not usually required of an applicant when applying to register a trade mark under the Trade Marks Act 2002 (NZ) (refer section 32(1) of the Act: "a person claiming to be the owner of a trade mark..."). "Proof of right" is required, however, when an applicant seeks to rely on honest and concurrent use of a mark, or needs to prove that a descriptive mark has acquired distinctiveness, in order to obtain registration.

If the wording of section 32(1) is the Commission's rationale for not adopting tighter eligibility criteria then we accept the Commission's rationale. It is not, however, then we respectfully request the Commission clarify its rationale.

As a matter of consistency, the term "eligible Registrant" is used frequently throughout the proposed amendments. However, the term "eligible Registrant" is never defined. We can only assume therefore that "eligible Registrant" means the definition provided in paragraph 3.7 of Consultation Paper 3, namely "Registrants will be identifiable individuals over 18 years of age or properly constituted organisations". If this is the case, we recommend for the sake of clarity that the following be added at the end of paragraph 3.7: ("**eligible Registrant**").

We note that paragraph 8.7 of the proposal provides that "To assist with implementation, a mechanism will be provided to ensure that the eligibility status of names is available to the Registrar, and to the public through WHOIS". It is unclear what the Commission means exactly by this, in particular the meaning of "the eligibility status of names". We request the Commission clarify what the purpose and meaning of paragraph 8.7 is, and how it is intended to benefit

domain name registrants, trade mark owners and members of the public.

## **Reservation of Equivalent Names**

Paragraph 8 of Consultation Paper 3 permits Registrants who have Preferential Registration Eligibility to reserve the Equivalent Name.

As we highlighted in our submissions in July 2013, the proposal contains no provision or process for "un-reserving" or cancelling a domain name reservation in case of abuse. A person who has registered a domain name unfairly and who, as a consequence and without further checking, qualifies for Preferential Registration Eligibility can therefore reserve the Equivalent Name thereby preventing the lawful owner from applying to register or reserve the Equivalent Name. Paragraph 9.4 of Consultation Paper 3, however, states that "If the third level name is *cancelled*, goes through the pending release period and is subsequently released, the reservation ceases" (italics added). Is this specifically referring to cancellation by the potential registrant, or is there another way in which the Commission envisages a reservation may be cancelled? We therefore request that the proposal is amended to address how and in what circumstances a reserved domain name can be "un-reserved".

## **Recovery of costs/sharing the cost burden**

The other major issue that our July 2013 submission addressed was costs. Consultation Paper 2 and 3 both contain provision for the Commission to claim costs back, but both fail to address the more fundamental question of how the complaint procedure can be fairer on a complainant's pocket.

We are aware that under the Nominet procedure in the UK, on which the DRSP was based, there is no provision for a successful complainant (or respondent) to recover costs. Similarly, under the UDRP and the auDRP in Australia. This does mean, however, that New Zealand cannot take the lead on this issue and introduce a system which addresses costs in a manner which is fair to both a complainant and a respondent. Such a system was outlined in our **attached** July 2013 correspondence (on page 2).

As stated above, we are aware that the Nominet procedure in the UK has no provision for awarding costs or compensation. What it *does* have, however, is a "summary decision" option for complainants: in the event a registrant does not file a response to a complaint, the complainant can pay £200 plus VAT for a summary decision instead of £750 plus VAT for a full decision. If a full decision has been paid for, the expert provides a full-length written decision which sets out their reasoning in detail. Summary decisions, on the other hand, do not generally contain any detailed reasoning, and just confirm whether or not the complainant has succeeded (see: <http://www.nominet.org.uk/disputes/resolving-domain-disputes/how-it-works>).

If the Commission is determined not to entertain the proposal put forward by us in

our July 2013 submission, we respectfully request that it consider introducing a "summary decision" option for complainants in proceedings under the NZ DRSP. An analysis of DRSP decision statistics over the last five years supports the introduction of a lower cost determination option:

Between 17 February 2009 and 17 February 2014, 73 decisions were issued by experts under the DRSP. In 64 (87.7%) of the decisions the expert ordered the domain name registration be transferred to the complainant; in only 9 (12.3%) of decisions did the expert dismiss the complaint. Responses were only filed however in 35 (47.9%) of the decisions. In 38 (52.1%) of the decisions, therefore, the expert only had to consider the complainant's complaint and supporting evidence but the complainant paid the full expert determination fee. If a "summary decision" option was available, for say \$750 plus GST (instead of \$2000 plus GST) the cost burden on approximately 50% of complainants for a decision would be considerably less.

If we look further at the statistics, within the 35 decisions where responses were filed the expert ordered the registration be transferred to the complainant on 27 (77.1%) occasions. In the 38 decisions where no responses were filed, the expert ordered the domain name registration be transferred on 37 (97.4%) occasions. These statistics clearly indicate that in the vast majority of instances the complaints filed are justified, and yet complainants receive no compensation for the expense they incur in the process.

It should also be noted that if a respondent files a response it shows a clear intention to defend the registration. In addition it means the playing field in respect of costs will be level for both the complainant and the respondent at least until the end of the informal mediation stage. If the informal mediation is unsuccessful, however, the scales tip firmly against the complainant as it is the complainant who shoulders the burden of paying the expert's fee; the respondent is burden-free. This is inherently unfair. It is also in complete contrast to proceedings before the Commissioner of Trade Marks where a successful party list can be awarded at least a small sum of costs. Hence our proposal in our July 2013 submission.

At the very least, a respondent who defends a complaint should be required to pay half the expert termination fee, even if no cost award is ultimately made to the successful party. If a party fails to pay its 50% share of the expert determination fee the other party (who has paid) should be allowed to apply for a summary decision and a partial refund of the determination fee, being the difference between the summary decision fee and the full decision fee.

This concludes our submissions in relation to Consultation Paper 3.

Yours sincerely

**James & Wells**

**Ben Cain**  
Associate

## **James & Wells Intellectual Property**