

5 Oggi Advertising Ltd v McKenzie

10 High Court Auckland
2 June 1998
Baragwanath J

Injunction – Mandatory injunction – Whether a mandatory injunction could be granted on an interlocutory application – Whether the balance of convenience indicated that a mandatory injunction should be made.

15

Tort – Passing off – Whether there was an arguable case in personam – Whether there was a passing-off action.

This was an interlocutory application by the plaintiff, Oggi Advertising Ltd, an outdoor advertising company, for interim relief in respect of a registration by
20 the first defendant of a domain name “oggi.co.nz”. The plaintiff asserted that the first, second and third defendants participated in a joint venture to take advantage of the plaintiff’s non-registration of itself under the domain name in question by seeking financial benefit as the price of relinquishing it.

The plaintiff alleged that it had planned to open a home page on the
25 Internet in late 1997, and that it had spent some \$10,000 in preparatory work. The plaintiff was engaged in major competition with the biggest outdoor advertising company which at the time of proceedings was lodging an on-line booking system.

The first defendant alleged that he met a Mr Elliott Oggi from Canada
30 through the Internet. The first defendant further alleges that Mr Oggi instructed him to register the domain name “oggi.co.nz”, and that accordingly the first defendant employed the second defendant, a computing services consultant, to do the registration. As such, the first defendant asserted that he could not return the name as he was not the registered owner and did not have any power or
35 control over the name.

The fourth defendant, the Internet Society of New Zealand Inc, undertook the registration. Their rules provided that the listing of names within the “.nz” delegated name space was “first come-first served” and the acceptance of the listing entry by the fourth defendant did not confer any rights regarding the
40 legitimacy or otherwise of the association of the name of the applicant. The third and fourth defendants resisted the making of any order against them on the ground that they had acted reasonably and in good faith on the instructions of the first defendant, but indicated that they would abide with any order made by the Court.

The plaintiff alleged that Mr Oggi did not exist. When the domain name
45 was registered, the holder contact was noted as “Ron Towitt” and the homepage referred to outdoor advertising. The holder contact registration details were changed from “Ron Towitt” to “Elliott Oggi”, four days after the service of proceedings, on 21 April 1998. Evidence existed that after the

plaintiff had contacted the first defendant and the third defendant, the director of the Internet Society of New Zealand Inc, the site details on the “oggi.co.nz” site were deleted. As a result, but for one page, the plaintiff could not provide the Court with the information that was recorded on the homepage.

Held: 1 It was not the function of the Court on an interlocutory application to make findings on matters of disputed fact. Rather, it was the responsibility of the Court to take into account the apparent overall strength of the parties’ cases – the balance of convenience (see p 637 line 11). 5

Series 5 Software Ltd v Clarke [1996] 1 All ER 853 and *United Pukekohe Ltd v Grantley* [1996] 3 NZLR 762 applied. 10

2 The Court could grant a mandatory injunction on interlocutory applications, and it was appropriate to do so in this case (see p 637 line 18).

3 An arguable case in personam did exist, the cause of action being the tort of passing off. The five elements of this tort existed in this case. Firstly, a misrepresentation was made (associating the first defendant with the plaintiff’s name Oggi and with the homepage referring to the business of outdoor advertising). Secondly, this misrepresentation was made by a trader in the course of trade (the first defendant). Thirdly, the misrepresentation was made to prospective customers of the ultimate consumers of the goods and services supplied (the New Zealand users of the web). Fourthly, the misrepresentation was calculated to injure the business of goodwill of another trader, the plaintiff (the business intended to go to the plaintiff was diverted). The Court held that this conduct was calculated to injure the plaintiff’s goodwill. Lastly, the misrepresentation caused actual damage to the business of the plaintiff. In particular the Court held it would probably cause damage to the business competition with the plaintiff’s major competitor (see p 638 line 14). 15 20 25

American Cyanamid Co v Ethicon Ltd [1975] AC 396; [1975] 1 All ER 504, *Erven Warnink BV v J Townend & Sons (Hull) Ltd* [1979] AC 731; [1979] 2 All ER 927 at pp 742/932 and *Series 5 Software Ltd v Clarke* [1996] 1 All ER 853 applied. 30

4 The Court, on the balance of convenience, could not support the defendants’ registration of the domain name, when the plaintiff had the goodwill in that name and the defendants demanded a price for handing over the name to the plaintiff (see p 638 line 40).

Marks & Spencer Plc v One in a Million Ltd [1998] FSR 265 applied. 35
Orders accordingly.

Observation: The Court doubted that a proceeding in rem could be brought in respect of the domain name where there had been no antecedent relationship between the plaintiff and the defendant (see p 637 line 45).

Star Industrial Co Ltd v Yap Kwee Kor (trading as New Star Industrial Co) [1976] FSR 256 (PC) considered. 40

Other cases mentioned in judgment

Lange v Atkinson [1998] 3 NZLR 424 (CA).

Panavision International, LP v Toeppen 1998 US App LEXIS 7557 (Court of Appeals, 9th Circuit). 45

Injunction

This was an application for an interim injunction restraining the defendants' registration of the plaintiff's name as a domain name on the Internet.

Clive Elliot and Gervais Laird for the plaintiff.

5 *Grant Illingworth* for the second and third defendants.

No appearance for the first and fourth defendants.

BARAGWANATH J. For the reasons that follow, I have today made an order in the terms recorded at the conclusion of this judgment.

I The application

10 The plaintiff (Oggi Advertising Ltd) asserts that it is the second largest outdoor advertising company in New Zealand, operating outdoor advertising sites throughout the country. It is said to be well known and possessing an established national reputation and goodwill. It alleges that in late 1997 it had planned to open a home page on the Internet and had spent some \$10,000 in
15 preparatory work. It is engaged in intense competition with the biggest outdoor advertising company which, in April 1998, was in the process of launching an on-line booking system. In a published media interview the chief executive of that company recorded an intention to "drive the market" and to "bulk-up", conveying an intention to increase its business within New Zealand.

20 In December 1997 the first defendant (Mr McKenzie) applied to the fourth defendant (which will be called "domainz" by which it and a related company – the New Zealand Internet Registry Ltd – are known) to register the "domain name" "oggi.co.nz". It proceeded to do so. No copy of Mr McKenzie's application was in evidence; the reply effectively from domainz addressed to
25 the second defendant (Internet Marketing Ltd (IML), a computing services consultant retained by Mr McKenzie) recorded the registration and included the following particulars:

"Domain name:	oggi.co.nz
Holder name:	Combined Concepts
30 Holder contact:	Ron Towitt
Tech contact:	Chris Miller
Tech e-mail:	chrism@kiwilink.co.nz
Applicant name:	Internet Marketing Limited
Applicant e-mail:	bev.netmarket.co.nz"

35 On 21 April 1998 the "holder contact", more fully "holder's representative contact name", was changed from "Ron Towitt" to "Elliott Oggi" with Canadian telephone, fax, e-mail and physical addresses. The technical contact remained Chris Miller and the technical e-mail "chrism@kiwilink.co.nz". That is the name which appears when the domain
40 name "oggi.co.nz" is typed into a computer terminal linked to the Internet.

The plaintiff asserts and the first, second and third defendants deny that the latter participated in a joint venture to take advantage of the plaintiff's non-registration of itself under the domain name in question by seeking financial benefit as the price of relinquishing it.

45 Today Mr McKenzie, who had filed an affidavit in opposition to the claim, did not appear. Mr Illingworth advises that he was duly informed of the fixture.

In point of form, there is no notice of opposition by Mr McKenzie to the plaintiff's interlocutory application for interim relief, but my decision does not turn upon that technicality.

The position of IML and its director the third defendant (Mr Dwyer) is that they did no more than act on the instructions of Mr McKenzie. They abide whatever order against Mr McKenzie may be considered appropriate, but resist the making of any order against them premised upon their having acted otherwise than reasonably and in good faith. I do not do so.

domainz and its related company, the New Zealand Internet Registry Ltd, have advised the plaintiff that they do not require any order to be made against them; they will give effect to any order made against other parties.

II The Internet

The following synopsis draws upon the valuable account of the Internet and its operation contained in the report of *Panavision International, LP v Toepfen* 1998 US App LEXIS 7557, a judgment of the United States Court of Appeals for the 9th Circuit of 17 April 1998. It draws also on the affidavit of Mr D A Moskavitz, the technical director of the plaintiff's computer consultant and on the draft of a Law Commission report on Electronic Commerce prepared by Paul Heath QC and Nicholas Russell which relies in turn on Gringras, *The Laws of the Internet* (Butterworths, London, 1997).

The Internet is a worldwide network of computers that enables various individuals and organisations to share information. It was originally developed by the United States Defense Department in the early 1970s. It was designed to provide communications which would not be disrupted even in the event of a major emergency. Computers are interconnected so that each computer in the network is connected to each other computer. Electronic messages can be sent from one computer terminal to another directly or indirectly via the computer network. If part of the network became unoperational, the message would arrive at its destination regardless via an alternative route. The messages are not sent as a single stream of data. Rather they are divided into discrete "packets" that are sent separately and reassembled by the recipient computer. Each packet may take a different route to the destination in order to avoid congestion. The Internet allows computer users to access millions of Web sites and Web pages.

The webpage is a computer data file that can include names, words, messages, pictures, sounds, and links to other information. Every webpage has its own website, which is its address, similar to a telephone number or a street address. Every website on the Internet has an identifier called a "domain name". The domain name often consists of a person's name or a company's name or trademark. New Zealand domain names typically consist of a word followed by ".co" for commercial entities, "govt" for government entities and so on, followed by a country code. Accordingly, a typical New Zealand domain is "[company name].co.nz".

A domain is the simplest way of locating a website. If a computer user does not know a domain name, an Internet "search engine" may be employed. To do this, the user types in a keyword search, and the search will locate all of the websites containing the keyword. Such keyword searches can yield hundreds of websites. To make it easier for customers to find a website immediately, individuals and companies prefer that theirs have a recognisable domain name.

The rapidly increasing importance of the Internet within New Zealand commerce was illustrated by a graph showing the number of companies registered on the Internet in New Zealand as virtually nil at 1 September 1995,

increasing to over 14,000 at the beginning of 1998. The New Zealand worldwide Web domains increased from just under 4000 as at 1 February 1997 to nearly 9000 in March 1998. The great majority of these were commercial.

5 There is no international convention relating to the use of the Internet nor, it seems, domestic legislation in the three jurisdictions of which evidence was given – the USA, Australia and New Zealand.

10 It appears that the international scientific community has engaged in disinterested fashion in furnishing to the world community an invaluable facility which has, to an extraordinary extent, the effect of promoting a major principle of the International Covenant on Civil and Political Rights 1966 to which New Zealand and many other states are party. Article 19(2) provides:

15 (2) Everyone shall have the right to freedom of expression; this right shall include freedom to seek, receive and impart information and ideas of all kinds, regardless of frontiers, either orally, in writing or in print, in the form of art, or through any other media of his choice.

Those values have received statutory expression in s 14 of the New Zealand Bill of Rights Act 1990 and further recognition in the judgment of the Court of Appeal in *Lange v Atkinson* [1998] 3 NZLR 424.

20 The Information Sciences Institute of the University of Southern California has established the Internet Assigned Numbers Authority (IANA) as the central coordinator for the assignment of unique parameter values for Internet protocols. The IANA is chartered by the (International) Internet Society (ISOC) and the (US) Federal Network Council (FNC) to act as the clearing house to assign and coordinate the use of numerous Internet protocol parameters. The IANA has for many years been supported by the United States Defense
25 Advanced Research Projects Agency (DARPA).

In New Zealand the IANA function is now performed by the New Zealand Internet Registry Ltd, which is associated with the University of Waikato. At the time of recording of the domain name in December 1997 the function had
30 been performed by domainz whose functions and abbreviated name appear to have devolved upon the New Zealand Internet Registry Ltd.

The rules of domainz appear to have been prepared in simple form and (unlike the rules of the equivalent Australian and US bodies) in plain language without attempt to provide in detail for the consequences of legal disputes. The
35 New Zealand rules stipulate, as to “third level domain names” such as that at present in issue:

“ *The listing service of names within any domain in the .nz delegated name space is open on a “First-Come-First-Served” basis.*”

40 [domainz] does not trade-in or license in any way any entity (including the entity requested for listing) to trade in the requested name . . . [domainz] will accept instructions to change the name or identity of a holder of a listed domain name if, and only if, a written instruction is provided to [domainz] designated authority. The instruction must:

- 45 1.b Be duly authorised by the current holder;
 . . .
 4. Release [domainz] from any further obligation to the first holder after the allocation has been completed *No adjudication is made by [domainz] and its agents as to whether the applicant has a legitimate right to a name.* The applicant, in lodging the

request for a name, informs the Registry that they are entitled to use the name as requested.

Acceptance of the listing entry by [domainz] and its agents confers no rights to the applicant regarding the legitimacy or otherwise of the association of the name of the applicant, nor does it confer to the applicant any other rights associated with ownership of the name, or any rights to its use . . . All registration information will be considered as information within the public domain, and will be accessible using the Internet as the publication vehicle . . . [domainz] wishes to offer this service at a reasonable cost. (Emphasis added.)

While the eventuality of a registration in breach of some legal duty is not dealt with explicitly, it is to be inferred that domainz, which is serving a major public interest and acting in the public good, will facilitate any Court-ordered rectification that is consistent with the first come first served policy. The letter from its solicitors to which I have referred, makes that position quite plain.

Given the responsible attitude taken by domainz it is, in my view, the responsibility of the Court to devise procedures for any necessary rectification as may most efficiently permit correction without imposing cost or unnecessary burden on domainz.

III This case

In his affidavit of 25 May 1998 Mr McKenzie asserts that he acted as agent “for Mr Elliott Oggi a person I met through the Internet . . . The content of the temporarily loaded web-site was done under instructions from my client Mr Elliott Oggi . . . I was instructed to apply for the domain name oggi.co.nz in New Zealand because the name oggi.con had already been reserved elsewhere . . . Mr Oggi has not settled my bill . . .”. He exhibits an invoice addressed to “Combined Concepts, care of Mr Elliott Oggi, Department of Physics, University of Western Ontario, London, Canada n6a-3kt”. The invoice is described as “application for domain name oggi.co.nz and associated matters \$NZ325”. He asserts that he is unable to “return” the oggi.co.nz domain name to the plaintiff because he is not the registered holder of the domain name, nor does he have any power or control over the name. He asserts that he has written to his client “Elliott Oggi” at his address in Canada advising him of the problems relating to oggi.co.nz, seeking his guidance and asking for settlement of his bill for applying for the name, but has not received any response from him.

The plaintiff roundly asserts that “Elliott Oggi” is fictional. Elaborate inquiry made of the University of Western Ontario has established that no such person exists there.

The plaintiff observes that the registration details were changed to “Elliott Oggi” just four days after service of the proceeding. The former registration details of “Ron Towitt” are acknowledged by Mr Dwyer, the director of the second defendant, as a pun which I take to connote “We’re On To It”. In the invoice to Combined Concepts under Mr McKenzie’s name appears what seems to be his motto “On to it”.

A further piece of evidence is that at the very stage the plaintiff had been in contact with Mr McKenzie, and also with Mr Dwyer, the site details on the “oggi.co.nz” site were deleted. It is therefore not been possible for the plaintiff to put before the Court all the information that had been recorded on the homepage. But by chance, as the deletion was being effected (the evidence did

not establish by whom), the plaintiff's advisers were able to download one page, which has been produced as an exhibit. It reads as follows, in four different colours:

“OPEN YOUR EYES

5 **\$80 Million people can drive past**

EVERY DAY

THE CHANGING FACE OF ADVERTISING”

No explanation was given by Mr McKenzie in his affidavit and nor was he here to inform me orally why the page, for which “Mr Oggi” had been
10 invoiced, should suddenly be removed.

It is not my function today to make findings on matters of disputed fact. I have refrained from rehearsing the different accounts given by the witnesses for the plaintiff and for the second and third defendants concerning an alleged meeting. But in considering what order I should make today I conceive myself
15 entitled to take into account the apparent overall strength of the respective parties' cases: *Series 5 Software Ltd v Clarke* [1996] 1 All ER 853 applied in *United Pukekohe Ltd v Grantley* [1996] 3 NZLR 762.

Spry, *The Principles of Equitable Remedies* (5th ed) pp 556 – 557 records the reluctance of Courts of equity to grant mandatory interlocutory injunctions.
20 The learned author, however, observes:

“Yet in principle there is no reason why interlocutory mandatory injunctions, or indeed interim mandatory injunctions, should not issue in a proper case. So it was said by Fry LJ:

25 ‘I have no doubt of the jurisdiction of the Court to grant a mandatory injunction on interlocutory applications as well as the hearing’; *Bonner v The Great Western Railway Company* (1883) ChD 1 at page 10.”

The learned author observes:

30 “An apparent objection in cases of this nature has been that an interlocutory injunction is calculated to preserve the status quo and that the granting of a mandatory injunction is necessarily inconsistent with this purpose. This objection is not, however, sound. The general purpose of an interlocutory injunction is to preserve the interests of both parties, in as just a manner as the particular circumstances admit, until the time of the final
35 determination of their rights. Doubtless in many cases this is achieved by preservation of the status quo as at the time of the making of the interlocutory application in question. In other circumstances, however, it is more just that the position to be maintained be the position existing before the acts that are alleged to be unlawful took place, and a mandatory
40 injunction directed to that purpose accordingly issues.”

Here I am invited to go further still. Although no question of trade mark arises, as was the case in *Panavision*, Mr Elliott submits that the plaintiff possesses a proprietary interest in the name “oggi.co.nz” and that that property ought, at least pending trial, to be restored to his client.

45 An oral interlocutory application is not the occasion to pronounce on such a submission, where there is no opposing argument, if that can be avoided. I

simply record my doubt whether a proceeding in rem can be brought in respect of such a domain name where there has been no antecedent relationship between the plaintiff and the defendant. I add that after delivery of this judgment, Mr Elliott very properly put before me the observation of Lord Diplock in *Star Industrial Co Ltd v Yap Kwee Kor (trading as New Star Industrial Co)* [1976] FSR 256 at p 269: 5

“A passing-off action is a remedy for the invasion of a right of property not in the mark, name or get-up improperly used, but in the business or goodwill likely to be injured by the misrepresentation made by passing-off one person’s goods as the goods of another. Goodwill, as the subject of proprietary rights, is incapable of subsisting by itself. It has no independent existence apart from the business to which it is attached.” 10

It confirms my doubt that any property right exists.

In terms of the *American Cyanamid* principles [*American Cyanamid Co v Ethicon Ltd* [1975] 1 All ER 504] as explained in *Series 5 Software Ltd v Clarke* there is however a powerfully arguable case in personam for the plaintiff against Mr McKenzie. Of the causes of action alleged I find it necessary to consider only the first – the tort of passing off. Its elements were definitively recorded by Lord Diplock in *Erven Warnink BV v J Townend & Sons (Hull) Ltd* [1979] AC 731 at p 742: 15 20

“... five characteristics . . . must be present in order to create a valid cause of action for passing off: (1) a misrepresentation (2) made by a trader in the course of trade, (3) to prospective customers of his or ultimate consumers of goods or services supplied by him, (4) which is calculated to injure the business or goodwill of another trader (in the sense that this is a reasonably foreseeable consequence) and (5) which causes actual damage to a business or goodwill of a trader by whom the action is brought or (in a quia timet action) will probably do so.” 25

I am satisfied that each of those elements has been established:

- (1) There has been floated into cyberspace a misrepresentation associating Mr McKenzie and his alias “Ron Towitt” with the plaintiff’s name “Oggi” and a homepage referable to its business of outdoor advertising. 30
- (2) There was accordingly a clear business implication.
- (3) New Zealand users of the web are prospective customers. 35
- (4) By diverting business intended to go to the plaintiff, the conduct is calculated to injure its goodwill.
- (5) The conduct will probably cause actual damage, not least in the competition with the plaintiff’s major competitor.

As to balance of convenience, in *Marks & Spencer Plc v One in a Million Ltd* [1998] FSR 265 Jonathan Sumption QC, sitting as a Deputy Judge of the High Court, at p 271 cited earlier authority that: 40

“... ‘the court will not countenance any . . . pre-emptive strike of registering companies with names where others have the goodwill in those names and the registering party demands a price for changing the names.’ ” 45

Here, while I do not propose to attempt to resolve the dispute, there is evidence, denied by Mr McKenzie, of an attempt to extract money from the

plaintiff as the price of handing over the name to it. Mr Sumption QC's observations at p 271 in the *Marks & Spencer* case have direct application here:

5 "There is only one possible reason why anyone who was not part of the Marks & Spencer Plc group should wish to use [the] domain address, [Marks & Spencer.co.uk], and that is to pass himself off as part of that group or his products off as theirs. . . . As a matter of common sense, these names were registered and are available for sale for eventual use. Someone seeking or coming upon [the] website . . . would naturally assume that it was that of the plaintiffs."

10 The Deputy Judge concluded at p 274:

15 "I accept that an order . . . (which requires the defendants to take steps to have the disputed names assigned to the plaintiffs) goes rather further than the negative form of injunctions normally appropriate *quia timet*. But it seems to me to be the most completely effective remedy, and one which does no injustice to the defendants, for these names are of no value to them otherwise than as a means of threatening unlawful acts. It is the equivalent, in this rather arcane context, of the delivery up of infringing goods."

20 If there be a Mr Oggi and he or Mr McKenzie suffers loss as a result of the order I have made, that loss can undoubtedly be recovered from the plaintiff which is substantial and has filed the conventional undertaking as to damages.

Mr McKenzie, on the other hand, deposes that has no legal advice because he lacks means.

25 Mr McKenzie's assertions about "Mr Oggi" lack circumstantial detail and appear far-fetched. Not only does the plaintiff have a substantially arguable case, but the balance of convenience points to the grant of an interlocutory mandatory injunction requiring passing of registration in the domain name "oggi.co.nz" to the plaintiff.

30 I record finally that there can be no doubt as to my jurisdiction against Mr McKenzie in personam, whatever the position in rem. The defendants are resident in New Zealand and the conduct complained of and its consequences have a predominantly New Zealand nexus.

35 I have been influenced, in making an order for assignment against Mr McKenzie rather than the more conventional order to withdraw the registration, by the possible intervention of a third party, during any interval between deletion of the domain name and an attempt by the plaintiff to re-enter it.

It is likewise appropriate in this interlocutory order to protect the reciprocal interests of any Mr Oggi. It will therefore be a term of the order that the plaintiff maintain that registration in its own name until further order.

40 It is implicit in this judgment that all the interests arising from the activity of the first, second and third defendants, including Ron Towitt, Combined Concepts and Elliott Oggi together with the references to Chris Miller, kiwilink.co.nz and anything else in the registration that is inconsistent with the plaintiff's claims, are to be replaced as subordinate to them.

45 *IV The orders*

1 Restraining the first, second and third defendants, including their officers, agents, servants and employees, and those persons in cooperation or participation with the defendants from directly or indirectly using the word OGGI or the Internet domain name

“oggi.co.nz” or any similar name or domain name which is likely to dilute the value of the plaintiff’s OGGI trade name/trade mark in connection with the advertising, operation or maintenance of any Internet site in New Zealand.

- 2 Directing the first defendant immediately to take affirmative steps to assign the said domain name to the plaintiff and forthwith to remove any link or referral notice whereby Internet users access the first defendant’s website by use of the OGGI domain name. 5
- 3 That the plaintiff has leave to apply by telephone for further relief.
- 4 Reserving costs. 10
- 5 The time for filing statements of defence is extended to 15 June 1998.

Orders accordingly.

Solicitors for the plaintiff: *Baldwin Shelston Waters* (Auckland).

Solicitors for the second and third defendants: *Burns Hart & Co* (Auckland). 15

Reported by: Miriam Hanepen, Solicitor