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Kaitiaki

IN THE HIGH COURT OF NEW ZEALAND
AUCKLAND REGISTRY

CP NO 147/98

98/1717

BETWEEN OGGI ADVERTISING LIMITED

Plaintiff

AND CAMERON BRUCE MCKENZIE

First Defendant

AND INTERNET MARKETING LIMITED

Second Defendant

AND ANDREW RUSSELL DWYER

Third Defendant

AND THE INTERNET SOCIETY OF NEW ZEALAND INCORPORATED

Fourth Defendant

Judgment: 11th November 1998

JUDGMENT OF BARAGWANATH J AS TO COSTS

**Solicitors
and counsel:**

Baldwin Shelston Waters, DX CP 24055, Auckland, for Plaintiff
Cameron B McKenzie, 71 St Marys Bay Road, Ponsonby, Auckland, in person
GM Illingworth, DX CP 24141, Auckland, counsel for Second and Third Defendants
Burns Hart & Co, DX CP 24137, Auckland, solicitors for Second Defendant
Dengate Thrush (Peter C), DX SP 26514, Wellington, counsel for Fourth Defendant
G Adlam, Internet Society of New Zealand Inc. P 0 Box 10 532, Wellington, solicitor for Fourth Defendant

Following the oral judgment of 2 June 1998 the Second and Third Defendants, represented by Mr Illingworth, and the Fourth and Intended Fifth Defendants (“domainz”), represented by Mr Dengate Thrush, apply by memorandum for costs against the Plaintiff, which having secured registration in its name of the domain name “oggi.co.nz” has agreed to discontinue against all parties. They make no application against the First Defendant. Both applications are resisted by the Plaintiff, which has settled with the First Defendant on terms that no costs are payable. The Plaintiff does not seek costs.

The normal principles as to costs are as stated in ***North Shore CC v Local Government Commission*** (1995) 9 PRNZ 182, namely:

- (1) in terms of R 476 there is a presumption that a discontinuing plaintiff will be liable for costs;
- (2) where, as is the usual case, the Court is unable to determine what would have been the outcome of the trial that never took place, it will not strive to speculate as to the answer as determining costs;
- (3) the presumption is, nonetheless, rebuttable in the exceptional case where the merits are clear

but subject always to the overriding provision of R 46 that

“... all matters relating to the costs of or incidental to any proceeding or any step therein shall be in the discretion of the Court. ”

Nevertheless care must be taken to conform with the general principles developed by the Courts. In particular, as observed in the ***North Shore*** CC case, it is appropriate to determine whether the plaintiff acted reasonably in commencing the proceedings and whether a particular defendant acted reasonably in defending them.

In a minute dated 27 October 1998 indicating provisional views, to which I invited the parties' response, I stated:

“It was my impression at the time of judgment that probably no “Mr Oggi” existed. Nothing has occurred to suggest otherwise. On that basis the First Defendant deceived both the Second and Third Defendants who applied for the domain name and the Fourth and Intended Fifth Defendants who registered it.”

In his response the First Defendant offered no challenge to that impression. Nor did any other party. I think it reasonable to approach the question of costs on the factual basis, expressed by Mr Dengate Thrush, of

“the apparent invention of a Mr Elliott Oggi to act as the nameholder contact.”

On that basis, whether the merits are clear begins with an appraisal, necessarily in the most general terms, of the legal position as against the First Defendant. As to that both Mr Illingworth and Mr Dengate Thrush submit that it was not clear that the plaintiff was going to succeed substantially against the First Defendant.

Mr Dengate Thrush in particular argued:

- (1) that the Plaintiff had rights (if any) only to “Oggi Advertising” and not to the word “oggi”, which is the Italian noun for “today”; that there were 300,000 hits on the worldwide web responding to that word, including a different company registered in the “Oggi.com” domain. That is the US based registry where the greatest concentration of commercial entities are. At the least, he submitted, the Plaintiff shared the word “oggi” with a wide range of other players, particularly in cyberspace;
- (2) that one should not confuse use of the word “oggi” on a web site with use as a domain name. A web page bearing the word “oggi” in a misleading way could as well be hosted on a site not incorporating “oggi” in its domain name.

Equally, use of a domain name in an **email** address would not necessarily be revealed by a web browser searching for a web page with “oggi” on it;

- (3) there is no evidence that anyone had visited this site, The use (if any) may have been below the threshold level for invoking the Fair Trading Act;
- (4) the infringing conduct had ceased long before the hearing of the application;
- (5) neither of the different responses by the law of the USA and the law of England to the problem may be followed in New Zealand;
- (6) ***the marksandspencer*** name is well-known and unique; that of the plaintiff is not. Accordingly the decisions of the English High Court and Court of Appeal concerning that name are distinguishable;
- (7) the Plaintiff has no sufficient interest in the name “oggi” to be able to sue.

I do not propose, in the course of a costs judgment, to attempt a definitive analysis of these issues. The proper course is to make a broad assessment of them, for that limited purpose. It may be observed that the usual reticence about attempting prediction of the result is appropriate especially for reasons of natural justice when issues of fact are involved; at this stage it is necessary only to consider matters of law.

- (1) As to the first submission, the Plaintiff’s rights were in the goodwill of its business. It can claim no monopoly in a word of common usage; it does not however follow that it is disentitled from proving and claiming in respect of apprehended damage to its goodwill. There has been no evidence to dispute its claim to such goodwill; on the contrary the selection of its name by the First Defendant assists the Plaintiff’s claim to the existence of such goodwill. I did not accept the Plaintiff’s claim in rem; but to secure relief against the First Defendant the claim in **personam** was sufficient.

- (2) A similar response may be made to the second submission. Here employing the domain name **oggi.co.nz** was calculated to lead searchers to conclude, in the New Zealand context, that those associated with the home page revealed via the domain name were associated with the Plaintiff.
- (3) As to the third submission, the lack of evidence that anyone had visited this site is immaterial. The nature of *quia timet* relief is to prevent apprehended loss.
- (4) As to the fourth, the infringing conduct, which had led to the registration of the domain name in association with persons other than the Plaintiff, resulted in its retention until the order of 2 June was complied with.
- (5) As to the fifth, I do not find it necessary to refer to the US “dilution” principle alluded to in **Lockheed Martin Corporation v Network Solutions Inc 985 F. Supp. 949; 1997 U.S. Dist. LEXIS 19273; 44 U.S.P.Q. 2D (BNA) 1865 (1997)**. No reason was advanced why the common law of New Zealand should differ from that of England stated in the **Marks & Spencer** case cited in the June judgment and since upheld by the Court of Appeal on 23 July 1998.
- (6) While the *marksandspencer* name has international recognition, the sixth argument is met by the answer to the first.
- (7) No evidence, as distinct from submission, was advanced in support of the proposition that the Plaintiff has no sufficient interest in the name “oggi” to be able to sue. I do not accept the seventh submission.

From these necessarily tentative conclusions I am satisfied that for the present purpose - of considering costs - there is good reason to do so on the basis that the Plaintiff's case against the First Defendant was a strong one. I do not propose to speculate whether there could be anything in a submission advanced by the First Defendant,

without evidence and after settling with the Plaintiff, that might have led to the exercise of the Court's discretion to decline relief.

It follows that the Plaintiff had good reason to bring its proceeding, at least as against the First Defendant.

The next question is whether it was justified in doing so as against the other Defendants or any of them, and as to their respective positions.

As between the Plaintiff and the Second and Third Defendants there was a major conflict of evidence which I did not have to resolve at the hearing and which I do not propose to attempt to determine now. There are competing pointers. The first is the presumption that the discontinuing Plaintiff is liable for costs. The second is that, while I treat the Second and Third Defendants as personally innocent, not only were they the agents by whom the First Defendant acted in committing the assumed breach of legal duty that forced the Plaintiff to go to Court to secure relief, but on 30 April 1998 they wrote to the Plaintiff's solicitors a letter which they later recognised could have been better expressed. It stated

“... let me clarify a factual error in your letter. We acted on behalf of a client, in this case a Mr Towitt, in applying for the oggi domain name quite some months ago, not a Mr CB McKenzie as your letter refers.

Although we have not heard from Mr Towitt for some time, I understand that it was his intention to dispose of the name and that it was to be offered for sale through a US domain name trading company. I would not be surprised if it is no longer owned by Mr Towitt. I guess this is something you or your client will need to pursue. ”

The “pursuit” of the matter could only be by litigation. Had the Second and Third Defendants at that point

- (1) stated plainly the facts within their knowledge, namely that “Mr Towitt” and Mr McKenzie were synonymous;

- (2) refrained from the assertion about the intent of the second fictitious character (the other being "Elliott Oggi"), and
- (3) given a categorical undertaking that they would abide the Court's decision,

I would have been attracted to an argument that they could be relied upon to perform such undertaking and it was unnecessary to join them as parties. But by writing such a letter they raised suspicions which made it inevitable that they would be joined. Had this unhelpful position been maintained I would have considered an award to the Plaintiff of costs against them.

Their position is substantially mollified by the responsible position taken after Mr Illingworth was briefed. Both in Mr Dwyer's affidavit and in Mr Illingworth's submissions no resistance was offered to the Plaintiff's application. Had that position been adopted earlier I would have been minded to award costs to his clients; his argument was of assistance to me and went far to dispel the unhelpful consequences of the letter. As it is however I am not prepared to visit costs upon the Plaintiff. I make no order for or against the Second and Third Defendants.

The position of domainz is quite different. First, as I recorded at pages 7-8 of the June judgment, the provision in disinterested fashion by them and their colleagues within the international scientific community of the invaluable facility of the World Wide Web is of inestimable public good. Secondly, they have made plain that they will facilitate any Court ordered rectification consistent with the First Come-First Served policy that is the only sensible practice if elaborate legislation, with its attendant cost, is to be avoided. Thirdly, prior to the hearing they adopted the position as to the disposal of the present litigation which led to my remark at page 9

"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. "

The present application by domainz and supporting affidavit are dated 3 September 1998. At the time the proceedings were issued the position and status of domainz had not been elucidated. Given their crucial role in the process it was in my view reasonable for the Plaintiff to join them, just as is the practice where statutory officials are joined when their conduct in registering (or failing to register a company) name is challenged: *see Flight Centre (NZ) Ltd v Registrar of Companies* (1994) 6 TCLR 287. In such cases no costs will be awarded to or against an official against whom only formal relief is sought and who takes the position of simply abiding the Court's decision. Had that course been followed I would not have been prepared in what was in various respects a test case, of some value to domainz in defining their status, to order costs against the Plaintiff up to the stage of the order of 2 June 1998 which vindicated its position. That is not to say that it would in future be reasonable for a plaintiff to join domainz. Even if the allegations made required them to do more than file a formal address for service, intimating an intention to abide, there may be grounds for an order indemnifying them against the costs of doing so. Their public interest function should in my view be recognised and supported by the Court.

Here however the pleading against domainz was not simply formal, limited to relief consequential upon breaches of duty by other parties, but sought damages or account as well as injunction. Moreover the letter from the solicitors for domainz dated 17 June 1998, following confirmation that the oggi domain name had been allocated to the Plaintiff, was not met by a categorical undertaking by the Plaintiff to discontinue the litigation. Rather the Plaintiff, by its solicitors' letter of 25 June 1998, maintained the threat of continuing its pecuniary claim.

By letter dated the following day, which crossed with the Plaintiffs' letter, the solicitors for domainz proposed settlement on terms that the Plaintiff would pay domainz costs of \$6,400, being 40 % of its costs to that point. Their position was confirmed on 8 July following receipt of the Plaintiffs' letter.

A counter offer by the Plaintiff to settle on the basis of its paying no costs was rejected by domainz on 17 July which prepared and **despatched** request for further particulars. Settlement was offered at \$8,000, with the intimation that if attendance at settlement conference were required the price would increase to some \$9,000. After some further correspondence, on 12 August the Plaintiff served notice of discontinuance against domainz. Their response was to offer to accept \$10,000 in settlement of costs of **\$25,026.75**, which offer was declined.

domainz claim solicitor and client costs, on the basis that the Plaintiff had no grounds for claim against them. They cite the **Lockheed Martin** decision, in which the registrar of domain names applied successfully for summary judgment in its favour as defendant, under the US procedure which we have recently adopted.

I agree that there is no basis for the pleading that domainz committed some breach of a legal duty. It was not in any way party to the conduct of the First Defendant; on the contrary it has acted, as one would expect, honestly, efficiently, moderately and in conformity with its role as disinterested gatekeeper to the domain names system. The present exercise of discretion must take into account these factors and the overall desirability of the Courts' encouraging what **Lockheed Martin** shows will be a rapidly developing public service.

Balancing the factors to which I have referred, I have concluded:

- (1) it was reasonable for the Plaintiff at this stage of the evolution of the system to join domainz in the same way as a Registrar of Companies might be joined, to have it formally bound by the result;
- (2) there was no basis for the damages or account claim against domainz;
- (3) the Plaintiff erred in failing to discontinue promptly against domainz once it had secured its own registration of the domain name.

I consider it premature to award indemnity costs in this case; although that result may be appropriate in future now that the role and status of domainz has become apparent. The award in favour of domainz against the Plaintiff will be on a party and party basis in respect of the burden imposed on domainz resulting from the unnecessary allegations of breach of duty and claim for damages or account and for the protraction of domainz' involvement after 2 June 1998. A figure of \$10,000 is appropriate.

W.D. Brunning J