Brand owners brace for new gTLDs

With the prospect of ICANN opening the domain space to an untold number of generic top-level domain names, brand owners and representatives of WIPO and ICANN sat down with **Eileen McDermott** to discuss some of their key concerns in a roundtable sponsored by Finnegan

EM: J Scott, what are the main concerns with new gTLDs from a brand owner's perspective?

JE: The main concern of most brand owners is the fact that there is widespread abuse of trade marks in the present environment, which consists of 21 gTLDs and approximately 250 country code top level domains (ccTLDs). While we do have some tools, through national laws and through the uniform domain name dispute resolution policy (UDRP), none of those tools seem to be able to keep up with the level of nefarious activities that take place. Since the inception of the UDRP, the bad actors have become far more creative in gaming the system. And in an environment that seems to be teetering on offering no adequate solutions to address the majority of these problems, ICANN is looking to expand the amount of real estate that someone can use to increase this activity. So I think brand owners are afraid if we create an unlimited expansion of that environment, you are going to create an unlimited expansion of the bad activities, when the tools we have today are just barely – and some would argue aren't – keeping up with the level of bad activity.

EM: And as part of ICANN's response to some of those concerns, they established the Implementation Recommendation Team (IRT), which I know that you were active on. What was the role of the IRT?

JE: The IRT was given a very clear mandate by the ICANN board of directors, and that was to try to come up with possible solutions for some of the problems that have been identified, and to use the public comments received by ICANN as the starting point for the development of those solutions. We suggested a centralised database that all registries and registrars would use to gain validated information with regard to third party rights, for instance. The number one comment received during both periods was that there should be some sort of reserved list of trade marks that would have a default block to the registration. So the IRT came up with the idea of a globally protected marks list, which would define some objective criteria that a mark would have to meet in order to make the list. Then, at both the top and second levels, there would be a default block and the applicant would have the ability to come forward and demonstrate that it had legitimate rights to use particular terms. Those are examples of the solutions that we put forward in our report.

One-minute read

In 2008, ICANN approved plans to open the domain name system to an unlimited number of generic top-level domains. Trade mark owners strongly opposed the plan from the start, but when it became clear that the internet body would forge ahead, their focus turned to implementing effective rights mechanisms to help mitigate the damage. Their efforts ultimately gave rise to the formation of the Implementation Recommendation Team (IRT). In June, the IRT released its final report, which included having a centralised database of IP rights; establishing a faster, cheaper complement to the UDRP; creating a globally protected trade marks list; making registry operators liable for contributory infringement; and having a comprehensive, centralised Whois database. Last month, Finnegan and *Managing IP* brought together brand owners and representatives of ICANN and WIPO to discuss.

EM: Kurt, that report was finalised in late May and I know that ICANN is now considering those recommendations. What is your response to J Scott's assertion that abuse is already out of control in the domain name system and this is only going to aggravate the situation?

KP: I want to agree with J Scott on many levels, first starting with the work of the IRT in the timeframe given by the board. The IRT did spectacular work developing seven really cogent and well-defined recommendations to mitigate abuse. While I am not a trade mark expert, I understand what J Scott is asserting. There is substantial abuse now. When you make a change what you want to do is create a better environment, and I think there is an opportunity here to make the new gTLD landscape a lot "greener" than the existing landscape. Some of that I think will happen naturally. An executive from a multinational fortune 100 stated that her brand will be a lot easier to protect when dot-company is available, because she can create customer awareness about dot-company. Users will come to know that if it's dot-company, that it's a legitimate site. So I think as the top-level of the DNS spreads out, there might be less malicious activity.

"Since the inception of the UDRP, the bad actors have become far more creative in gaming the system" J Scott Evans

But I think the more important work are the things that J Scott is talking about, and that is – measures to mitigate malicious behaviour. The recommendations of the IRT are being taken into account with all seriousness. I also think many of the comments made in response to the IRT report were genuine and thoughtful.

EM: And what is the timeline right now in terms of analysing all of the comments and coming out with the final guidebook?

KP: There was a special comment forum set up after the IRT report that ran for 52 days. And then we had three public consutation meetings in Sydney, London and New York specifically to talk about this topic. So we have those four sources of comments plus other letters we have received. ICANN will publish two things: a revised version of the applicant guidebook and a proposed registry agreement. But the more difficult question is "how did you get to those answers from the input?", and so ICANN will also publish a set of explanatory memoranda that are analyses of comments. The analyses document will explain the reasoning and balancing of all the comments to explain how all the comment and the report of the IRT were developed into concrete suggestions in the Guidebook. That set of documents will be delivered right around the first of October.

EM: Erik, where does WIPO stand following the IRT recommendations?

EW: I would like to emphasise from our perspective at this stage two policy proposals. First, since early 2008 we have rather strenuously emphasised the wisdom of creating an effective post-delegation mechanism, by which registries may be held accountable for behaviour that may be either attributed to them or that they should have stopped once it became known to them. It would not be realistic to rely exclusively on ICANN to police the domain name system.

The second is a rights protection mechanism that would be in essence a lighter form of the URDP for default cases that look quite obvious. This also has received much support from the IRT, which has added its own insights. We have some comments on both of these proposals on the IRT reports. But those are questions of final design and the relationship to UDRP, and I am pretty sure that those things could be ironed out.

EM: Elisabeth, what are Marriott's major concerns with the proposed expansion?

EE: Our primary concern is less that someone will get dot-Marriott or dot-RitzCarlton as a top level domain, and more that a slew of non-proprietary top level domains will be unleashed, providing even greater opportunities for cybersquatters. It doesn't seem to me that the cost to brand owners and consumers of having all of these new gTLDs has been adequately studied.

Brand owners are not opposed to new top-level domains. But, what we are seeing is not a measured approach in which ICANN would look at a proposal for a new gTLD and say, "Okay, what new advantage does this proposed gTLD add to the equation, what benefit does this bring to the domain name space, given that there are costs to people, in particular to brand owners and to internet security, when each new gTLD is introduced?" I don't think that kind of review is envisioned under ICANN's rollout plans [for new gTLDs]. Basically, if you can show ICANN that you can afford to do it, they will let you do it, and I think that is a mistake. More is not necessarily better, and that's part of what is missing in the current ICANN approach.

EM: What do you think of Kurt's assertion that some of these concerns will be ironed out naturally as dot-com loses market share?

EE: So far there are 22 gTLDs. Several of them are restricted, but many aren't, including dot-net, dot-biz and dot-info. Our experience with the launch of the existing unrestricted gTLDs has already shown that there isn't much of an appetite in the marketplace to use domain names in gTLDs other than .com. Domain names in the other gTLDs have been registered primarily as a defensive measure by brand owners like Marriott, who feel that they have no choice but to capture at least the most obvious candidates in each new gTLD to keep them off the market. But none of the other gTLDs has effectively cut into dot-com's market share yet, and I don't see any reason why additional gTLDs would make any difference.

JE: Looking in the rear view mirror, I think Elisabeth makes a very good point. You have close to 90 million domains under administration by the dot-com registry and, combined, no more that 9 million by the two most open TLDs that have been added today, dot-info and dot-biz. The current planned expansion not being done in an experimental fashion to answer a problem. There has always been an argument that if there are 1,000 TLDs, the real estate is not as scarce, so people won't be scrambling to register domain names. Well, we certainly have seen and Elisabeth can verify that there is not as much abuse, because the traffic is not as high, but certainly enough abuse that it requires our focus and attention to protect our consumers.

EM: Dave, what are going to be the major enforcement issues with the expansion?

DK: On the enforcement front, even before the economy started turning sour, I have seen more and more reluctance on the part of clients to engage in wholesale domain name enforcement. It was always impossible to go after every one because of the volume of the infringement, especially if you had a famous brand. But in the last few years, I have seen more and more of a push to prioritise the enforcement efforts.

The other thing that I have seen as very interesting is that, through all these enforcement efforts brand owners have accumulated quite a portfolio of infringing domain names. And with the management cost going up, clients are even more reluctant to take on new names. I have had between 20 and 40 situations in the last year and a half where we objected to cybersquatters that owned a lot of domain names and the end resolution was that the client wanted four or five of them transferred and 10 of them cancelled. They didn't want the other 10 names, and they didn't want them even knowing the possibility that somebody else might go out there and pick them up. So I think given those concerns and realities we need to have ways for trade mark owners to deal with these at the front-end in a much more economical way.

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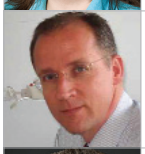

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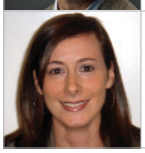

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EM: Speaking of economics, J Scott, one of the criticisms the IRT has received is that the burden of the costs for all of the recommendations are still on the trade mark owner. Did the IRT address that?

JE: You have the Catch 22: do you offer a solution that you have to pay for or do you offer no solution at all? It's difficult, but I do believe if we have upfront mechanisms where we are more in control, and where by paying the cost once you have got a solution that is much more applicable in many different instances, then the cost is more effectively spent. If you have one validation service, you pay once and whether you use it once or five times, if you don't have to gather all of the paper

work, the administrative cost is only borne once. So there were some considerations built in, but I think it's difficult to build up a system where there is no cost with the trade mark owner.

EE: I want to commend the folks on the IRT. They had a very difficult job to do in very little time and I think that the ideas that they came up with, given the parameters they were working within, are really quite valuable. I am very much hoping that their recommendations don't wind up getting picked apart. But I have to challenge the notion that once again trade mark owners are being called upon to bear the cost of doing business in the brand new marketplace that each additional gTLD will represent. Each of the IRT's recommendations has a cost, and it calls for trade mark owners to pay that cost in every case. None of these measures would be needed but for the new gTLDs. Since registrars and registries will profit greatly in the market for each new gTLD, I don't see why they shouldn't bear the cost of doing business in that market.

"What we are seeing is not a measured approach"

Elisabeth Escobar

EW: The reality is that if these domains open up, some of them will be successful and some of them will be occupied by entities that will engage in or tolerate practices that infringe. How can you expand the domain name system on the one hand and of course reap the benefits from that, and on the other hand leave enforcement to the trade mark owners, who are already frustrated by the practices they see, and pressure them into paying for it?

When it comes specifically to our proposal on a post-delegation accountability of registries, and hopefully also for registrars, we have noted that ICANN has come a long way so far in trying to see what it can do in order to contribute to that cost or even take over that cost where the case itself is a reasonable one. And I think the justification for that is what you are really doing with these mechanisms is you are looking at ICANN outsourcing compliance efforts in relation to its own contracts. So I think that there is not only the question of is it fair for trade mark owners, but there is also the reality that these are outsiders and not ICANN itself that would be policing practices that really are included in ICANN's own contract.

EM: Kurt, do you want to respond to that?

KP: New gTLDs have been discussed for 10 years. Their introduction was part of the reason for ICANN's formation, described in the white paper in 1998, and in hearings that were held in Washington DC at that time. The indication for introducing new TLDs has been in every Memorandum of Understanding with the Department of Commerce that ICANN has signed since its inception. I am not an economist, but I can almost guarantee that 21 is not the right number of gTLDs that we should have. By not having more, the market is driving people who would use them to ccTLDs that have now been commercialised, or URLs with Twitter or Facebook where ICANN has little sway with regard to compliance with technical standards or consensus policy. To a certain extent, an environment with a greater number of TLDs is going to, I think, facilitate the ability of trade mark holders to protect themselves. But that that needs to be augmented with the recommendations along the lines of those described by the IRT. Those recommendations have in them aspects of cost sharing that have been discussed here.

The development of the sunrise process has to be developed by registries and costs of the IP clearinghouse will be shared. Postdelegation disputes will be funded by those who lose the dispute. The Uniform Rapid Suspension System (URS) [see box] will be funded by either those who lose the disputes or will at least operate at a much lower cost. On another point, ICANN is not outsourcing compliance. ICANN operates the compliance program and is strictly responsible for it and has complete ownership of the responsibility to ensure that contracted parties are acting in conformance with their agreement. In order to grow the compliance function successfully, some of those tasks may be performed by independent contractors, especially those with particular areas of expertise. So if there is a dispute around some post-delegation activity, it's necessary to have an independent party decide whether there is a contractual violation or not. But ICANN is fully responsible for enforcing the contract terms. So I don't think use of independent dispute resolution providers is synonymous with outsourcing compliance.

EM: Jon, is it simply a matter of finding different strategies to help brand owners to navigate the new domain name space?

JG: I think that the key for private practitioners in helping their clients through this is going to be really to help them understand the different systems that will be coming into play and prioritising their enforcement

IRT recommendations

The IRT was tasked by the ICANN Board in March this year with suggesting solutions to deal with trade mark problems that might arise from the launch of new gTLDs. These could include conflicts with prior rights in the new gTLDs themselves, as well as the means they use to resolve disputes over IP rights.

On April 24, the IRT published its draft proposals, which included having a centralised database of IP rights, establishing a faster, cheaper mechanism for dealing with clearly abusive registrations, creating a globally protected trade marks list, making registry operators liable for contributory infringement and having a comprehensive, centralised Whois database. The final report was published on May 29.

The most significant change from the draft report is to the proposed post-delegation mechanism, which now calls for a more active role on the part of trade mark owners. This change is a result of comments from WIPO, whose initial proposal the IRT had adapted.

The IRT calls for "a more active and clearly defined role in any post-delegation dispute mechanism by having the ability to trigger a proceeding against the Registry Operator" and sets out the terms for such proceedings. These require that a complainant pre-pay a fee to ICANN to initiate a complaint and also pre-pay a further filing fee to the dispute resolution provider "should the trade mark owner choose to pursue its complaint independent of ICANN".

The Team also received a number of comments regarding the so-called Thick Whois proposal. The term "Whois" refers to the procedure used to determine the owner of a domain name.

As defined by the IRT, a Thick Whois is "the central, registry-level provision of Whois information for all domain names registered within the registry. This model is in contrast to the 'Thin Whois' model whereby the registry-level information is very limited and Internet users must rely on the registrar-level for the submission of robust Whois data".

Other differences from the draft report include clarification of the IP Clearinghouse model, and a more fleshed out Uniform Rapid Suspension System (URS) – a faster mechanism for dealing with clearly abusive registrations – and clarification of the IP Clearinghouse model. The IRT's URS design differs from WIPO's earlier proposal in that the IRT would require panel appointment even in default cases.

In the IRT's introductory letter to its final report, the Team noted the scale of the online infringement problem by calling attention to the fact that "each one of the five brand owners on the IRT expects to face at least one new domain name infringement somewhere in the world every day of the year".

efforts so that there is the right balance between overreacting and under reacting to it. Through my own discussions with a number of brand owners who are smaller companies that don't have a lot of resources for enforcement and defensive measures, I found that it's going to be important to help these companies understand what the different systems are and how they might make the most efficient use of them. The IRT proposes a number of different mechanisms. It remains to be seen what will ultimately be implemented, but I think it's critical that private practitioners and even in-house counsel educate themselves about the different systems and be able to determine what might work best in relation to their particular brands.

"I have seen more and more reluctance on the part of clients to engage in wholesale domain name enforcement" David Kelly

EM: J Scott, are there any benefits to the expansion in your view?

JE: We like innovation on the internet. We believe that we create a lot of innovation on the internet, and we also have been the recipients of the benefits of other people's innovation on the internet, and we are very happy for that. We like a free market system. I think it breaks down when there is nowhere in the draft applicant guidebook where innovation comes in. It doesn't weigh into the factors for application at least, and it's not been objectively laid out that it will be considered at all. When something is not clearly identified to those of us who believe we have suffered in the current environment, that brings us a tremendous deal of heartburn and concern. I hear all this talk about innovation, and about how the marketplace didn't hold back innovators in other areas, but the reality is that

they didn't have problems that were so clearly identified. Even if they don't like the IRT solutions, the majority of people will admit there is a problem.

EW: I would like to support that. I think everybody understands the fact that you cannot really hold back technology. And, I think trade mark owners are not trying that. From an IP perspective, technology is actually IP positive. So, I think trade mark owners in the world at large probably can live with an expansion of the internet if it is technology based primarily, which is really a synonym for innovation. However, the perception I think that exists today – and I think it's not a naive perception if you look at practices you see in UDRP cases – is that this expansion process is not technology driven, but registration-business driven. And as long as that perception remains, I think that ICANN has an uphill battle, and that's why you see the likes of Alan Drewsen of INTA writing his comments recently to ICANN's Rod Beckstrom, this is why you see WIPO's Francis Gurry cautioning very early on that if you don't do this in a controlled way you are facing a major uphill battle. So the combination of a perception that this is registration-business driven and the fact that there is this insistence on a large expansion as opposed to starting in a smaller way, I think makes for a blockage that may continue unless those two factors are honestly addressed.

"ICANN is not outsourcing compliance" Kurt Pritz

EM: Kurt, do you want to respond?

KP: Erik is right, this is business driven, but I think just about everything is business driven. Advances in technology are business driven, and it's natural that in a business environment where there are only 16 players allowed right now, that more should come in. However, costs should be mitigated in every way reasonable way - that's where the IRT recommendations come in.

EM: How certain is it that ICANN will take all of the IRT recommendations into account? Is there any chance that these recommendations might not show up at all in the final draft?

KP: I am not sure they will all be part of the final process, but I am sure that the last assertion, that they won't show up at all, is untrue. The issues and recommendations that came out of reports by the Anti-Phishing Working Groups and certain banking groups were, in a way, very close to those suggested by the IRT. Those statements also seek to put safeguards into the process, identify bad players, and keep them out. I think it's fairly certain that you will see many IRT recommendations put into the guidebook in some way.