

Strategies for Brand Owners as the New Domain Name Era Dawns

Within the next couple of years there will be a substantial increase in the number of new generic top level domain names available. Andrew Clay, a solicitor with Hammonds, puts this development in context and explores what it may mean for brand owners.

Brands In the Pre-Internet Age

In the beginning buyers and sellers would often have known each other and the quality of produce would have been apparent. With industrialisation and the increasing internationalisation of trade, the connection between producer and the ultimate consumer was broken. Industrially produced items became more complex and their quality, fitness for purpose and durability became harder for the purchaser to determine prior to purchase. Enter the brand.

Brands initially signified trade source and the qualities associated with it but over time began to deliver other increasingly differentiated messages, such as value for money, luxury, exclusivity, reliability or good after-sales services. Businesses that were good at positioning their brands survived and prospered.

The end result of this process has been that for many businesses, as their products and services have become increasingly commoditised, their brands now represent their single biggest balance sheet asset as their attractive force is the single biggest barrier to competitor substitution in the market place.

The pre-eminence of the brand was achieved in the pre-Internet age, when large corporates substantially controlled (or at least influenced) practically everything that would be written, read or heard about their brands.

The Effect Of The Internet

The Internet has changed everything with incredible speed: the mass dissemination of information has become practically free. There has been an explosion of online retail outlets and auction sites.

The effects for large brand owners are everywhere the same: they have lost their near-monopoly control over their brands and have struggled to defend their supply chains.

Brand owners now routinely have to deal with and respond to the outpourings of a whole host of interest groups, commentators and assorted bloggers who feel strongly about what the brand owner does and don't mind telling the World about it. Brand owners have responded by listening to reasonable criticism, educating their customers and by occasionally using lawyers against those who are more interesting in giving offence than making a point.

Dealing with the supply chain has proved altogether more of a challenge for many brand owners as they have tried to deal with (a) the competing demands of those within their official distribution systems, (b) grey and counterfeit goods.

The Internet has helped small scale retailers and resellers sell to ever-more diverse and distant markets, thus upsetting traditional distribution models. The Court of Justice's recent decision in

the Google adwords case¹ will only make it more difficult for brand owners to control their distribution chains: bidding for third party trade marks as Google adwords to obtain a sponsored link listing will not amount to trade mark infringement providing that the products sold on the listed sites “originate from the proprietor of the trade mark or an undertaking economically connected to it”.

In relation to grey goods, *Silhouette* (international exhaustion) and *Davidoff* (inferred consent to EU marketing) have helped but as with the counterfeit goods², the problem for big brands is the sheer number of places where such goods can now be marketed. At the end of December 2009 there were in excess of 233m websites³. Google alone indexes well over a trillion webpages. The largest auction site have literally tens of millions of items posted for sale at any one time. The Internet is Big. It may be about to get a lot bigger and more diverse.

The Internet’s Big Bang

At present there are only 21 generic top level domain names (gTLDs), (such as .com, .edu, .gov, .museum and .jobs) and 250 country code top level domain names (such as .uk and .fr). However ICANN (the body that oversees the administration of the Internet’s addressing system) adopted a policy in 2008, which will, when implemented in 2011/12, turn the whole domain naming system on its head.

Rather than the current top down model in which ICANN proscribes what gTLDs are available, under the new proposals, a large range of qualifying entities will be able to propose new gTLDs and then, if they meet various qualifying criteria, operate registries for them.

Even though the detail of the proposals are still being worked out a number of organisations have already expressed an interest in the following:-

City gTLDs – e.g. .London, .Paris and .Vegas

Regional gTLDs – e.g. .africa⁴

Activity gTLDs – e.g. .bike, .film, .sport, .music and .phone

Brands gTLD - .deloitte

A whole host of other gTLDs (such as .gay and .radio, .GMBH and .eco) are also attracting interest.

How Big Will This Be?

Some predict that the arrival of these new gTLDs will see the demise of the traditional gTLDs such as .com and the fracturing of the Internet.

Such a radical shake up is unlikely. The present system works well: most users find what they are looking for. The costs of applying to become a registry operator (\$185,000) are also likely to

¹ Google SARL and Google Inc v Louis Vuitton Malletier SA (C-236/08), Google France SARL v Viaticum SA and Luteciel SARL (C-237/08) and Google France SARL v Centre national de recherche en relations humains (CNRRH) and Others (C-238/08).

² In relation to which brand owners now have considerable powers at their disposal - in particular the power to request customs authorities to seize goods at borders under the EU Customs Regulation 1383/2003 and under the criminal provisions of the Trade Marks Act 1994, which local weights and measures authorities are obliged to enforce.

³ Netcraft Web Server Survey.

⁴ Country names will not generally be available in the first round of allocations.

deter. The qualifying criteria⁵ will exclude all but “established corporations, organizations, or institutions in good standing” from becoming registry operators. Those who have registered domain names in bad faith are also excluded⁶. Registry operators will have to sign up to a raft of maintenance and reporting obligations. Such requirements give hope that the registry operators for the new gTLDs will mostly be substantial organisations with good reputations.

Concerns for Brand Owners

The new regime will however pose some problems for brand owners.

New gTLDs Infringe Brands

If a would-be registry operator proposes to adopt a gTLD which infringes existing legal rights the owner of those rights can oppose ICANN's acceptance of it through a dispute resolution procedure, to be administered by WIPO's Arbitration and Mediation Center.

More gTLDs Means More Abuse

More gTLDs means more second level domain names⁷: it is inevitable that there will be problems with domain name piracy and other disputes.

To help manage this, registry operators must either implement a Sunrise Period or a Trade Mark Claims Service during the start-up registration phase for their gTLD. The Sunrise Period will enable the owners of:

- (i) trade marks registered in a jurisdiction that conducts a substantive pre-registration examination to determine eligibility for registration;
- (ii) marks that have been validated by the Trademark Clearing House (see below);
- (iii) marks protected by a pre-existing statute or treaty

a period of exclusivity during which they alone will be able to register their trade marks as second level domains.

The Trade Mark Claims Service offers a notification system whereby potential registrants are notified of existing trade mark rights, validated by the Trade Mark Clearing House, and rights holders are notified of pending applications for registration.

Trade Mark Clearing House

Both the Sunrise period and the Trade Mark Claims Service will operate by reference to a database of rights, comprising:-

- (i) Nationally or multi-nationally registered “text mark” trade marks from all jurisdictions
- (ii) Any text mark that has been validated through a court of law or other judicial proceeding

⁵ Set out in ICANN's draft applicant guidebook, version 4 (“the Guidebook”), which was released in May 2010 a copy of which is viewable at <http://www.icann.org/en/topics/new-gtlds/dag-en.htm>.

⁶ See section 1.2.1 of the Guidebook on pages 1-16 – 1-17.

⁷ In the domain name hammonds.com, “hammonds” is the second level domain.

- (iii) Any text mark protected by a statute or treaty that was in effect on or before 26 June 2008.

Making A Complaint

Those notified of a potential infringement of their rights will be able to use either a standard uniform dispute resolution procedure, or a new Uniform Rapid Suspension (“URS”) Procedure.

The URS procedure has no discovery or hearing and the complaint/defence forms will be able to be completed online. Where there is clear and convincing evidence that the domain name is identical or confusingly similar to the complainant’s mark (validly registered in a jurisdiction that conducts a substantive pre-registration examination) then if the registrant has no legitimate right or interest to the domain and registered it and is using it in bad faith the complaint should lead to the domain name being suspended and redirected to an information page provided by the URS provider. The whole process should be over within a few weeks. Within 24 hours of receiving the complaint the registry operator has to lock the domain so that it cannot be transferred.

Finally there is also the Trade Mark Post-Delegation Dispute Resolution Procedure, (PDDRP). This can be used in the case of systematic trade mark infringement or use of a gTLD for an improper purpose by a registry operator.

And The Good News

It is quite likely that some of these new gTLDs will appeal to a whole range of diverse user groups. The websites that such new gTLDs point to may well become attractive places for many brands to target their products and advertising. Many businesses may also want to promote their support for particular regions or groups by the use of such domain names. Others will adopt them simply to promote their own businesses and brands.

Most (and perhaps the wisest) will simply watch from the sidelines as the drama unfolds, the dust settles and the public’s reaction to these new gTLDs becomes clearer. In short as always, the Internet will throw up many challenges but also many opportunities for those nimble enough to take them.

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