

Risks and opportunities in the domain name world of tomorrow

By
David Taylor, Partner
Hogan Lovells International LLP
6 Avenue Kléber, 75116 Paris, France
Tel:+33 (0) 1 53 67 47 47
Fax:+33 (0) 1 53 67 47 48
Email:drd@hoganlovells.com
www.hoganlovells.com

INTRODUCTION

2010 has seen a plethora of developments in the domain name industry, reflecting the diversity and innovation in this area.

One of the key ongoing developments is the progress being made in shaping the new gTLD initiative. This has major implications for brand owners across the globe, not least with regard to defining a suitable strategy to protect brands at the second level under potential new gTLDs such as .PARIS, .LONDON, .BERLIN, .BUD and .BLOG for instance. The Internet Corporation for Assigned Names and Numbers (ICANN) themselves are of course leading the new gTLD process itself with many different stakeholders and organisations involved. For instance WIPO has been contributing significantly to trade mark-DNS policy input over many years and in 2009 we saw the Implementation Recommendation Team (IRT) created by ICANN specifically to develop and propose solutions to the overarching issue of trade mark protection in new gTLDs. The recommendations made by the IRT were hotly debated in many quarters and went through a number of discussions and iterations before being included to varying extents in the subsequent draft applicant guidebooks. After a number of iterations over the last 18 months, the New gTLD Proposed Final Applicant Guidebook, was published on 12 November 2010, and we now have public comment period of 30 days, which will just overrun the ICANN Board Meeting in Cartagena, Colombia on 10 December 2010, where the ICANN Board will review public feedback on the New gTLD Proposed Final Applicant Guidebook and decide whether it can be finalized for a possible launch of the new gTLD process in the 2nd quarter of 2011.

In addition to this fertile new virtual space which may provide abundant opportunities for cybersquatters, the new gTLD initiative could nevertheless be an opportunity for certain brand owners to register their key brand such as .BRAND or even areas of their business, such as .SHOP, .SPORTS, or .BANK. However, planning and running a new gTLD is a significant task in itself and brand owners considering it need to ensure that they are well advised since it requires technical, financial, marketing, legal and policy expertise together with a solid understanding of ICANN and the domain name industry. Without these essential elements, there is a risk of making critical mistakes and having the application opposed or even rejected.

Many interested parties, not least ICANN itself, are very interested to know how many new gTLD applications will be made. This was one objective of the EOI or Expression Of Interest

programme which was proposed and which was finally dropped during 2010. One could perhaps look to a recently published ICANN document called "Delegation Rate Scenarios for new gTLDs"¹ (October 2010) which seeks to project how many new gTLD applications will be received, how long it will take to process them, and what proportion will ultimately be "delegated." The conclusion seems to be that the demand in the initial round will be in the 400-500 range.

On a more general subject, the number of domain name registrations continued to increase to another all time high and at the mid point of the year there were some 196 million domain names registered across the globe.

Of this 196 million, 39% or 76 million of these were country code top level domains (ccTLDs). Interestingly, 2009 saw Germany and China vying for the top slot in the world among ccTLD registries with Germany having long been the largest ccTLD finding itself overtaken by China. Near the end of the year it seemed to be a tie with both China and Germany having a little over 13 million domain name registrations. However a change in the registration requirements in China have seen the number of registrations fall dramatically to the 6 million mark, whilst Germany has continued to grow and at the time of writing have over 13.8 million. How things can change in a year! The United Kingdom and .UK is the second most popular ccTLD with 8.8 million registrations.

As for the number of domain name disputes these had stabilised to an extent after steady growth in the previous years since the low point of 2003. Taking the World Intellectual Property Organization (WIPO) as an example, in 2003 a little over 1000 cases were decided, and this increased year on year to double and reach over 2000 cases in each of the last three years, 2007, 2008 and 2009, though with a slight drop off in 2009 over the high point of 2008. However, 2010 looks set to be a record year with 2200 cases filed at the time of writing. Of course many disputes do not reach a decision stage, and thus the number of disputes filed with dispute resolution service providers is only the tip of the iceberg and cybersquatting remains a significant issue for rights owners who need to have a clear policy in place to deal with this issue.

One problem such statistics fail to highlight is the prevalence of cybersquatting in the numerous countries which have not adopted the UDRP or a variation thereof for disputes involving domain names registered under their respective ccTLDs. With no central database to refer to, we can only consider anecdotal evidence, but based on the number of cases we are bringing for clients it is clear that there is an ever-increasing number of disputes for brand owners across the ccTLDs.

2010 has also seen the rapid development of IDNs. Internationalized Domain Names (IDNs) are domain names represented by local language characters. Such domain names could contain letters or characters from non-ASCII scripts (Arabic or Chinese for example). The ICANN Board approved the IDN ccTLD fast track Process which was launched on 16 November 2009. The IDN ccTLD Fast Track Process is currently under its first annual review but in the meantime over the last year we have seen a total of 33 requests in 22 different languages being made to ICANN. The total number of IDN ccTLDs in the DNS root zone are currently 16, represented by 13 different countries/territories.

WHOIS policy is also something that is firmly in the crosshair of the GNSO Council and ICANN this year and we can expect to see some policy decisions in 2011 in this area - hopefully in time for new gTLD launches. The prevalence of Privacy/Proxy services and their abuse by bad actors is a serious issue, and can only be exasperated by a raft of new gTLDs if it is not dealt with appropriately. WHOIS has been hotly debated for many years and there are many competing interests with valid viewpoints which make it a rather complex area. The GNSO Council is

¹ <http://www.icann.org/en/topics/new-gtlds/delegation-rate-scenarios-new-gtlds-06oct10-en.pdf>

currently looking at initiating four separate studies which reflect key policy concerns which will hopefully provide objective data that will enable a solid factual basis for future policy making.

2010 has been an interesting year, 2011 could well prove even more so.

I have considered in a little more detail below the proposed Rights Protection Mechanisms in the new gTLD environment, still subject to the publication of the Final Applicant Guidebook, as well as the recent launch of the top level ccTLD for Colombia, .CO, which took on board many of the IRT recommendations with regard to trademark protection designed for new gTLDs rather than ccTLDs.

ICANN RESOLVES TO MOVE FORWARD WITH NEW GTLDS

The process for the launch of new generic Top Level Domains (gTLDs) has been ongoing since June 2008 when the Board of the Internet Corporation for Assigned Names and Numbers (ICANN) gave their approval to the proposal to introduce new gTLDs.

Since this time there have been four iterations of the Draft Applicant Guidebook (DAG) which has attempted to define the process for submitting applications to operate a new gTLD. Each version of the DAG has been followed by an extensive public comment period and vigorous debate from the ICANN community.

In addition to the many public comment periods, the launch of the new gTLDs has been a focal point for each of the ICANN meetings that have taken place since June 2008 as various groups have lobbied to make their voices heard in the ICANN policy making process.

Following on from the 38th ICANN meeting which was held in Brussels in June 2010, the ICANN Board convened in Norway on 24 - 25 September to discuss the new gTLD program and to review key areas prior to the implementation of the program.

In what is being interpreted by many observers as a concerted effort to push forward with the launch of new gTLDs, the ICANN Board made a number of resolutions with regard to the new gTLD program and gave some direction on several key points for the next version of the DAG. However, there are still some serious issues that need to be resolved by the ICANN Board.

Substantive Review Substantiated

Of interest to the intellectual property community was the mention made in the ICANN Board resolutions with regard to the proposed Rights Protection Mechanisms (RPMs) for trade mark holders under the new gTLD program. The current version of the DAG and the proposed RPMs were considered far from ideal or complete from the perspective of the intellectual property community.

One of the sources of this dissatisfaction was the distinction made in the DAGv4 with regard to how the new gTLD program's RPMs would apply to trade marks that had not undergone substantive review before their registration.

It was stated in the DAGv4 that all trade marks will be accepted in the Trade Mark Clearinghouse (TM Clearinghouse) whether they come from a jurisdiction conducting a substantive review or not.

DAGv4 also made it clear that all new gTLD Registries will have to implement a pre-launch RPM and they have the choice between a Trade Mark Claims service (where rights holders may object to registrations by third parties) or a Sunrise process (where rights holders may register in

priority). In each case the Registry will be obliged, as a minimum, to use the data held in the TM Clearinghouse to support these pre-launch RPMs.

However, the manner in which this data is to be used for each of the RPMs differs significantly based on the distinction of substantive review, and this was the bone of contention for trade mark holders.

For new gTLD Registries that elect to implement a Trade Marks Claims service as a pre-launch RPM, they must recognise all trade marks in the TM Clearinghouse *"regardless of whether the country of registration conducts a substantive review"*.

However, for those new gTLD Registries that choose to implement a Sunrise service as a pre-launch RPM, the DAGv4 states that they must *"recognize all text marks: (i) nationally or multinationally registered in a jurisdiction that conducts a substantive examination of trademark applications prior to registration; or (ii) that have been court- or Trademark Clearinghouse validated"*.

The rationale behind this distinction apparently relates to the fact that Sunrise processes are designed to enable trade mark holders to secure domain names corresponding to their trade marks, rather than just allowing them to object (as for the Trade Mark Claims service). It was thus felt appropriate that there should be a higher burden of proof on trade mark holders wishing to participate in Sunrise processes.

The DAGv4 also made reference to substantive review in the section covering the Uniform Rapid Suspension System (URS). The URS is the post launch RPM which will be applicable to all domain name registrations in the new gTLD domain name space alongside the Uniform Domain Name Dispute Resolution Policy (UDRP).

In almost identical wording the DAGv4 stated that in order to succeed under the URS the complainant must demonstrate that the domain name is identical or confusingly similar to a trade mark that the complainant holds in a jurisdiction that conducts substantial review, or a trade mark that has been validated through a court proceeding or the TM Clearinghouse.

The use of the term "substantive review" as employed by ICANN has been viewed as problematic by the intellectual property community, primarily because ICANN had previously not sought to define their use of the term and thus it remained open to interpretation. This led to uncertainty as to what the accepted standard would be for "substantive review" from the national and regional trade mark Registries around the world.

In response to this the ICANN Board resolutions made specific mention of the substantive review issue and appear to address the concerns of the intellectual property community. The resolution states that the next version of the DAG will provide a definition of what is meant by substantive review in relation to the use of the data from the TM Clearinghouse with regard to any Sunrise process and the URS.

Specifically the ICANN Board resolution defines substantive evaluation of a trade mark registration as having three requirements:

- "(i) evaluation on absolute grounds - to ensure that the applied for mark can in fact serve as a trade mark;*
- (ii) evaluation on relative grounds - to determine if previously filed marks preclude the registration;*
- and*
- (iii) evaluation of use - to ensure that the applied for mark is in current use."*

However the ICANN Board resolution also states that substantive evaluation, either at registration or by a validation service provider, is only required on absolute grounds, together with use of the mark. Evaluation on relative grounds would therefore appear not to be necessary.

On this basis it seems that a broader base of national and regional trade mark registrations will be considered a suitable basis to enable their holders to take full benefit from the proposed new gTLD RPMs, both pre and post launch.

The New gTLD Proposed Final Applicant Guidebook as published on 12 November 2010 sets out to define "substantive review" upon registration of the trade mark on the one hand and by Trademark Clearinghouse validation service provider on the other hand:

In essence, there are three requirements for substantial evaluation upon registration of the trade mark: (i) evaluation on absolute grounds, (ii) evaluation on relative grounds and (iii) evaluation of use (to ensure that the mark applied for is in current use). Countries conducting such evaluation upon registration will be listed by the Trademark Clearinghouse.

On the other hand, where a trade mark is not in said list, it may still qualify for inclusion in the Trademark Clearinghouse if it meets substantive evaluation requirements of the Trademark Clearinghouse validation service provider which are: (i) evaluation on absolute grounds; and (ii) evaluation of use.

It thus seems that owners of Community Trade Marks for instance will need to pay a fee to seek validation by the Trademark Clearinghouse validation service provider for inclusion of their trade marks which is problematic and an increased cost to brand owners.

The Uniform Rapid Suspension System

The ICANN Board resolutions also made a commitment to ensure that the URS remained a swifter option for the take down of infringing domain name registrations in the new gTLD domain name space.

The proposed URS as it was described in the DAGv4 was heavily criticised for no longer being the rapid solution as first put forward by the Implementation Recommendation Team (IRT). When compared with the eUDRP as recently introduced by the World Intellectual Property Organisation (WIPO) under which the first complaint took only 37 days to complete from the moment of filing to the issuing of a decision, the URS did not compare particularly favourably as a rapid takedown procedure.

The ICANN Board resolution attempted to remedy this situation by reducing the response time to a complaint under the URS to 14 days as opposed to the originally proposed 20 days. However, this comes with the caveat that the respondent will have the opportunity to request an extension of seven days "*if there is a good faith basis for such an extension.*" This would appear to be open to abuse by potential respondents seeking to delay any actions under the URS and will likely need some refinement if the URS is to remain a viable and quicker alternative to the UDRP.

In addition to concerns over speed, which begs the question whether the "R" in URS stands for Rapid or Redundant, it has also morphed into something which it was not designed for. The size of the complaint has expanded to a 5,000 word limit rather than a short pro-forma complaint as suggested by the IRT. With the response also at a 5,000 word limit, it is perhaps rather a lot to expect of the panelist to have to decide such a case for potentially only \$300. In addition the IRT recommended that all panelists should be experienced in IP whereas DAGv4 only requires a legal background, thus such panelists may have no experience of trade mark law. According to DAGv4 if there is any open question of fact and if no defence has been filed, then it is up to the

panelist to dismiss the case if he/she thinks a defence would have been possible. These are significant flaws in the process, and also overly burdensome on the panelist who may have a lot of information to review already but apparently should also consider and assess possible defences where the respondent has declined to even submit one himself!

Other Issues

Mention was also made of the Globally Protected Marks List (GPML) and some clarification was provided on the reasons behind the ICANN Board originally rejecting the GPML as a viable RPM in 2009. According to the ICANN Board resolutions, the GPML was rejected as it was perceived as bringing limited benefit to a small group of trade marks. This was in addition to the previous criticisms of the GPML in that it would confer new rights on the holders of such trade marks and that the definition of objective criteria for inclusion on the GPML would be difficult to establish.

The ICANN Board resolutions on RPMs concluded that additional protection for trade mark holders in the new gTLDs could be introduced via the Generic Names Supporting Organization Council (GNSO). Thus it appears that at some point in the future the current proposed RPMs could be enhanced or even replaced depending on the result of policy development from the GNSO.

The issue of Vertical Integration (VI) and the prohibition of cross ownership between domain name registrars and domain name Registries was also mentioned in the ICANN Board resolutions. However, no clear direction was provided by the ICANN Board on this topic as they were at that point waiting for the VI Working Group of the GNSO to confirm whether or not they could reach consensus on the issue of VI. The ICANN Board made it clear that if no consensus was reached on VI they would *"make determinations around these issues as necessary"*.

Indeed this is exactly what the ICANN Board has done and in what many people see as a radical shift, the ICANN Board has directed that registrar cross-ownership be possible. This is probably the most significant change introduced by the New gTLD Proposed Final Applicant Guidebook the AGB since the previous version denied ICANN accredited registrars the possibility to apply for a gTLD. The latest version eliminates this restriction which means that ICANN accredited registrars are now eligible to apply for a new gTLD.

The ICANN Board resolutions also covered the issue of objections to proposed new gTLD strings on the grounds of morality and public order. This issue, often referred to as MAPO, was the subject of a working group to focus on this issue and improve the procedure as outlined in DAGv4. The issue of MAPO objections to new gTLD strings was questioned by representatives of the Government Advisory Committee (GAC) as they pointed out that the current wording in the DAGv4 seemed to imply that there is an internationally agreed definition of morality and public order, which is not the case.

On this basis the working group looked into alternatives to address the points made by the GAC and presented their findings to the ICANN Board in time for the Trondheim meeting.

In response to this the ICANN Board said that they would accept the recommendations of the working group that were *"not inconsistent with the existing process"*. On this basis it is not clear what direction the ICANN Board will take with regard to the MAPO issue, but it is likely to generate much discussion and is a likely candidate for potentially delaying the launch of the new gTLD program.

Now that we have had the publication of the New gTLD Proposed Final Applicant Guidebook, we will then likely have a communication period of 4 months in 2011 leaving us with a possible application opening date of 30 May 2011. Applicants will then have a 45 day period to apply in,

closing on or around 15 July 2011, itself followed by the evaluation procedure and delegation to the root, possibly near the end of 2011.

IP and RPMs Generally

Whilst we are in a situation which has considerably more RPMs than was in the first version of the Applicant Guidebook - which in fact only had the UDRP - it seems a great pity that the RPMs in their latest and almost final incarnation are not as I would have liked to see.

Indeed, it was the ICANN Board that asked the Intellectual Property Constituency (IPC) to form the Implementation Recommendation Team (IRT) in an effort to address the overarching issue of trademark protection. The IRT produced a robust set of compromise solutions based on public comments, yet many of these have been altered or weakened and others discarded over the 18 months since then. Other comments/recommendations received directly from the IP community have not been adopted. ICANN published further iterations of the Guidebook and the IPC and many of its member organizations submitted public comments that the overarching issue of trademark protection has not been adequately addressed. Even the Governmental Advisory Committee (GAC) submitted comments calling for a limited introduction of new gTLDs and for further improvements on the IP issues and for outreach to the business community. The Board held a retreat meeting and adopted a series of resolutions calling for minimal changes on the trademark protection issue, and that it is planning to move forward with the current plans (subject to the GAC comments). So this may be as good as we can get, but you can expect a final flurry of comments before the 30 day comment period is over!

.CO HITS A MILESTONE

On 15 September 2010 .CO Internet S.A.S., the Colombian domain name Registry, announced that the number of registered .CO domain names had reached over half a million. Domain name registrations directly under .CO were launched on 1 March 2010 and gradually opened following a phased schedule to allow brand owners to secure their domain names, with the opening to the general public without any restrictions taking place in the summer on 20 July 2010. Previously registrations were only possible under second level extensions, such as .COM.CO.

It is thus rather impressive to note that less than two months after the general availability launch of .CO, the milestone of 500,000 domain name registrations had already been reached, placing .CO in the top 25 country code Top Level Domains (ccTLDs) in terms of volume of domain name registrations and making it one of the fastest growing extensions so far. According to .CO Internet S.A.S, most .CO domain names have been registered by entities based in the United States. The top five countries of residence of .CO domain name holders are thus the United States with 37% of .CO registrations, the United Kingdom with 17%, Colombia with 12%, and Australia and Canada with 4% each.

Thanks notably to a strong marketing campaign which promoted .CO as the new extension of reference for everything related to .COmpanies, .COmmunities, .COnnexions, .COntents etc, as well as ingenious events such as the auction of <e.co> via the registrar GoDaddy (it sold for US\$81,000), the Registry has undoubtedly managed to raise interest in the new extension. This, coupled with the fact that many see .CO as a great typosquat for .COM, to rival that of the ccTLD for Cameroon, .CM, means that it is not surprising that registrations have taken off.

However despite the buzz around the launch of .CO, some companies seem to have missed the boat and did not secure their .CO domain names when they had the chance, letting cybersquatters and typosquatters grab many brand-related domain names. Luckily, brand owners can defend their intellectual property rights as .CO domain names are subject to the Uniform Domain Name Dispute Resolution Procedure (UDRP).

We are thus witnessing the filing of the first UDRP complaints for .CO domain names. So far over 30 complaints have been filed, including for example <voyages-sncf.co> and <tgw.co> by the French railway company SNCF, <cointreau.co> by the French alcohol producer CLS Rémy Cointreau and <dreamhost.co> by the American web hosting provider and registrar New Dream Network LLC. There is little doubt that more will follow. However, .CO stands out as an example of a "new TLD" that has embraced the RPMs proposed by the IRT, the million dollar question remains even in this test bed, will they be sufficient in the domain name world of tomorrow....?