

## Rights Protection Mechanisms

### Suggested new text to be included further to INTA Impact Study analysis

Draft 1 - 13 September 2017 D Taylor

Draft 2 - 19 September 2017 D Taylor v1 text with added suggested modifications from L. Kaplin, J. Hedlund, A. Mangiacotti

Draft 3 - 19 September 2017 post Safeguards call of the same day

#### Modifications to version 1 in red

#### Ongoing Action List:

- Review INTA Impact Study and discuss on CCTRT INTA Subgroup calls
- Prepare Takeaways and Clarification list
- Seek input from INTA
- Seek input from CCTRT INTA Sub Group
- Call with Nielsen
- Seek objective input from Nielsen
- Seek final input on each Takeaways and Clarification list from the CCTRT INTA Subgroup in order to prioritise in drafting the RPM section update
- Prepare initial draft of RPM text further to INTA Impact Study
- Seek input from CCTRT INTA Sub Group on this text
- Seek input from CCTRT generally on this text
- Refine text as needed
- Integrate into RPM section of the CCTRT report
- Review the revised ICANN statistics section in the draft RPM section in light of updated data
- Integrate ICANN statistics into RPM section of the report
- Finalise the section

#### New Draft Wording

The results of the International Trademark Association (INTA) Impact Study **contain important information** that more fully informs the community on the impact of ICANN's New gTLD Program on the cost and effort required to protect trademarks in the Domain Name System. INTA members and intellectual property owners have expressed concern on multiple occasions about the New gTLDs on the basis that such expansion would likely create additional and increased costs in enforcing intellectual property rights. The survey **sought** ~~was carried out in order to seek~~ to assess what additional costs and efforts have been required to protect trademarks in the Domain Name System.

The INTA is a global organization of 6,600 trademark owners and professionals from over 190 countries. As such it was well placed to respond to a survey from Nielsen which was based on CCTRT input, and the INTA Members were asked to capture all costs over the past 2 years (2015 and 2016) and that their cost estimates include:

- Both in-house and outside legal fees,
- Filing fees,
- Investigation costs,

- The total costs, including benefits, of personnel responsible for these activities.

Respondents who completed this survey reported that compiling the data necessary to properly respond to the survey was a significant task. **There were 33 respondents in total including one not for profit.** Whilst the response rate for the survey is actually above the norm for a similar sample<sup>i</sup> and when considering the level of required effort in completing what was an onerous questionnaire, the sample size of completed interviews is small from a statistical standpoint and requires some caution in its interpretation. Nevertheless the results are indicative of key themes and trends<sup>ii</sup>.

Key Takeaways from the Impact Study:

1. While **one of the goals** of the new gTLD program is to increase choice, for brand owners, choice does not seem to be a prime consideration, **why brand owners elect to register new gTLDs.** Rather the principal reason overwhelmingly (90%) why trademark owners are registering domain names in the **new gTLDs** is for defensive purposes - to prevent someone else from registering.
2. Domain names registered by brand owners in new gTLDs are commonly parked and not creating value other than preventing unauthorized use by others.
3. The **new gTLD** program has increased the overall costs of trademark defense with internet monitoring and diversion actions being the largest expenditure. These costs have impacted small companies and big companies alike with the most relevant cost-driving factor being the number of brands.
4. **Respondents reported that** the average total enforcement costs related to TLDs generally (**both legacy and new**) per company is \$150,000 per year. **Having said this, the costs varied widely among the survey respondents<sup>iii</sup>. This is something that would benefit from further investigation in future surveys.**
5. Regarding Disputes, more than 75% of cases brought now involve privacy and proxy services and close to 2/3rds encounter some level of inaccurate/incomplete WHOIS information.
6. This is therefore an indication that whilst the new gTLDs account for a 6th of the enforcement costs they do not yet represent 1/6th of domain name registrations. Otherwise put, the cost of enforcement actions in new gTLDs is approximately 18%<sup>iv</sup> of overall TLD enforcement costs whilst the total numbers of new gTLD registrations compared to all TLDs is 10% so this data further indicates that there is a disproportionate cost associated with new gTLD enforcement actions compared to overall enforcement actions and thus we have a further indication that there may be proportionately more trademark infringement in new gTLDs than in the legacy gTLDs.<sup>v</sup>
7. RPMs are generally considered to have been helpful in mitigating the risks anticipated with new gTLDs. In response to the question: "Please tell us why you feel the Rights Protection Mechanisms listed above have or have not mitigated the risks involved with new TLDs?" the responses were varied but **provided** a useful insight into the mind set of brand owners responding<sup>vi</sup>. Two-thirds of the respondents surveyed feel that UDRPs and required sunrise

periods have helped mitigate risks with 90% of respondents registering new gTLD's during a Sunrise period. Of those who think that RPMs are effective the ranking is as follows:

- a. Sunrise 79%
- b. UDRP 73%
- c. Claims 66%
- d. URS 49%
- e. PDDRP/RRDRP/PICDRP 27%

There is nevertheless fairly substantial anecdotal evidence that brand owners are reluctant purchasers of Sunrise registrations and many see it as a cost that is overly expensive:

*"Sunrise Periods have quickly become more a money-making product than a protective tool"<sup>vii</sup>,*

*"Sunrise periods have only a minor effect because many registries target brand owners with discriminatory pricing while at the same time many offer the same domain name to non-brands at a much cheaper price"<sup>viii</sup>*

*"The .top registry raised the Sunrise fee by \$30,000 for [company].top. We refused to register"<sup>ix</sup>*

8. TMCH Registrations are used by a majority of the respondents. Looking at the data, the majority of respondents (approx. 9 in 10) registered at least 1 trademark in the TMCH, with 6 in 10 registering 1-10. With regard to associated costs these vary considerably across the respondents from less than \$1,000 to \$48,000 with the average being approximately \$7700.
9. The introduction of the URS process has provided an alternative to the UDRP but it is less used. **The most cited** reasons for why it is less popular include the inability to transfer the domain name after a successful decision and the higher burden of proof.
10. With regard to Premium Pricing, three-quarters of the respondents evaluate premium pricing for domain names on a case-by-case basis and two-thirds of their domain name registration decisions have been affected by premium pricing with .sucks being mentioned the most as a TLD that **respondents** did pay premium pricing. 15% of respondents refuse to pay premium pricing at all.

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<sup>i</sup> *This statement is based on Nielsen's general experience with samples of customers or members.*

<sup>ii</sup> *The total sample is sufficient to give directional information about those trends, according to Nielsen, but the exact numbers would still be subject to a high margin of error (the +/- percentage one regularly hears about with polls)*

<sup>iii</sup> *The range of total costs reported ran from zero to \$5.2 million*

<sup>iv</sup> Nielsen, INTA New gTLD Cost Impact Survey (April 2017), accessed 14 September 2017, <https://community.icann.org/download/attachments/56135378/INTA%20Cost%20Impact%20Report%20revised%204-13-17%20v2.1.pdf?version=1&modificationDate=1494419285000&api=v2> Average costs for all TLDs for 2 years = \$292,000. For new gTLDs for 2 years = \$53690 (Approx. 18%)

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v Nielsen, *New gTLD Cost Impact Survey (2017)*. "Nielsen explains that the figures for internet monitoring being one of the main costs should be qualified—these costs are general overall costs and not specific to new gTLDs. An entity will pay for monitoring across all TLDs. There is likely to be some incremental increase in monitoring costs given additional new gTLDs being in scope, and indeed there is anecdotal evidence that more brands have started monitoring since the introduction of new gTLDs. However these costs were not broken down in the questionnaire, monitoring was basically treated as a sunk cost. It would thus be reasonable to assume that these costs have gone up rather than down" Thus the total costs are likely to be above 18%.

vi In response to the question posed of "why you feel the Rights Protection Mechanisms listed have or have not mitigated the risks involved with new TLDs?" the following were the responses and whilst varied they provide a useful insight into the mind set of brand owners responding :

"Sunrise - often come with a major cost to the brand owner: Claims - the name is already registered before we are notified; URS - name does not get transferred; narrow criteria for action; PDDRP - criteria are so narrowly drawn that circumstances extremely unlikely to arise; UDRP - criteria are well-defined; there is now a body of helpful case law; transfer of the name is an option. However price is a deterrent for all but the most egregious cases.

Sunrise period and trademark claim periods are too short; companies need to implement additional measures to watch their portfolio in numerous gTLDs being published week per week.

Some we use and they work. Other not.

URS: it is costly only to suspend (and not transfer) the litigious domain; Post Delegation: very interesting, but difficult and heavy to put in place (joint actions from various TM holders almost required).

Sunrise periods have only a minor effect because many registries target brand owners with discriminatory pricing while at the same time many offer the same domain name to non-brands at a much cheaper price. Claims notices do not prevent squatters from registering domain names despite notice of existing rights, which means that the same problems as exist in the legacy TLDs persist in the new gTLDs after registration has occurred. The URS has a fairly high burden of proof compared to the less cost effective UDRP. The PDDRP, RRDRP, and PICDRP can be effective, but are not well understood as available options, leading them to have minor impacts on mitigating risks.

Most of what we have done is defensive registration.

These are good, but incomplete mechanisms. URS is faster than UDRP, but it is more than a matter of "days," - ineffective with really bad malware - and you don't get the domain. UDRP takes a few months. Both are costly. Businesses still need to register defensively at significant cost to protect our customers from misuse of our trusted brands.

We would prefer to have a blocking procedure for trademarks which would greatly mitigate the risks, but in the absence of blocking, the TMCH at least provides a mechanism for us to register domains with our marks before they are squatted. The TMCH claims procedure works only to a minor extent because it only captures filings for a very limited period of time. We find the URS of limited value because of the requirement for multiple domains. We use UDRP but only have done so with legacy TLDs because an overwhelming volume of infringing domains are in .com.

The Sunrise Period allows trademark owners to purchase a domain incorporating a key trademark before anyone else can. The other mechanisms, however, do not seem that effective and require a significant outlay of resources from trademark owners.

We've not had the opportunity to use.

Registrants are willing to risk a small registration fee to use a domain name with a famous trademark in it." (p. 59).

<sup>vii</sup> Nielsen, *New gTLD Cost Impact Survey (2017)*, p. 52.

<sup>viii</sup> *Ibid.* p. 59.

<sup>ix</sup> *Ibid.* p. 50