The challenge of the new gTLDs

Karen Fong, partner at specialist IP law firm Rouse, offers practical guidance for brand owners preparing for the launch of new internet domain names

The face of the internet is about to change dramatically, with the introduction of hundreds of new top-level domains. The familiar world of .com, .org and their close relatives will be a thing of the past as we confront a daunting array of new top-level domains, from .book to .bible, .cash to .credit.

That much most people will already know, but despite the lengthy negotiations that have taken place, and the considerable publicity the issue has attracted, there is still widespread confusion and uncertainty, both as to exactly what is happening and, particularly for brand owners, what the implications will be. The misuse of trademarks on the internet has created major problems in the past: with a host of new global top-level domains (gTLDs) the problems seem set to multiply.

The new system

After more than six years of policy development and detailed industry consultation, ICANN launched its new gTLD programme in June 2011, paving the way for the introduction of new gTLDs. Currently, there are just over 20; under the new system there could, ultimately, be thousands.

From the outset, the programme generated a great deal of controversy and concern, but also enormous interest from those with sufficiently deep pockets to apply for a new gTLD. By the 30 May 2012 closing date, almost 2,000 new applications had been received. On 13 June 2012, ICANN revealed a list of applications, which can be inspected online, under the new system there could, ultimately, be thousands.

Trademark Clearing House

Very early on in the establishment process, trademark owners expressed concerns that the new gTLDs would be a bonanza for cybersquatters. As a result, a number of protection mechanisms were introduced into the system. These included a centralised trademark database, the first of its kind to be introduced into the domain name system, known as the Trademark Clearinghouse (TMCH). Every new gTLD operator will be required to utilise the TMCH in support of both a sunrise period and a trademark claims service. The gTLD operators may choose to provide additional protection mechanisms, and some have already indicated their intention to do so, but a sunrise period and trademark claims service will be obligatory. It is not yet clear how effective the TMCH will be in practice. This, in brief, is how it is to work.

Trademark owners will be able to record with the TMCH details of their registered trademarks and any court-validated common law marks. ICANN has recently announced that it plans that, for a small additional fee, they will be able to include up to 50 versions of the mark, such as misspellings, that have been found to be the subject of abusive registration, eg in proceedings under the UDRP or national laws (abusive version recordals). The official fee for registration of one mark is $150 for one year, $435 for three years and $725 for five years, with discounted fees for large-volume filings. It is important to note that registration itself does not create any additional rights: the TMCH is merely a global repository for verified trademark data, supporting the other protection mechanisms.

Sunrise and trademark claims periods

Having registered in the TMCH, the trademark owner will be entitled to benefit from the sunrise period (provided it has submitted proof of use of the mark to the TMCH) and the trademark claims service, in all relevant new gTLDs ie those in which they are eligible to register a second-level domain.

Sunrise period – During this period (30 days before the new top-level domain is open to the public), the trademark owner will have the right to apply for a domain name that exactly matches the mark recorded in the TMCH. ICANN has recently indicated that gTLD operators will be obliged to give at least 30 days’ notice of the opening of the sunrise period.

Trademark claims service – During the trademark claims period (which was originally at least 60 days from the date the domain opens to the public, but which ICANN has indicated will be extended to at least 90 days), an applicant for a domain name that exactly matches the TMCH recorded mark, or any of the abusive version recordals, will be notified of the prior right. The applicant can continue with its application provided it warrants that (i) it has received and understood the notice and (ii) to the best of its knowledge, the registration and use of the requested domain name will not infringe the trademark rights listed in the notice. If it does proceed, the trademark owner will be notified so that it can take appropriate action.

Implications for brand owners

It seems likely that, for many brand owners, the opportunities presented by the new gTLDs will be outweighed by the risks. For some, the opportunity to register one or more trademarks or trade names as a second level domain in one or more of the new gTLDs eg brand.credit and/or .brand.creditcharge, will, no doubt, be attractive. Most, however, are likely to be more concerned at the increased potential for misuse of their brands.

One of the major concerns is that cybersquatters and ‘phishers’ will now be able to register brands, sub-brands or company names in countless new domains. While the new protection mechanisms go some way towards addressing these concerns, they have their limitations.

A TMCH recordal is valuable in that it gives the trademark owner a priority right to register their mark as a second-level domain during the sunrise period in any of the new domains, thereby pre-empting potential cybersquatters. Where there is more than one ‘legitimate’ owner of a mark, however, (eg owners of the mark registered in relation to different goods or in different countries), all will be entitled to register the mark in the TMCH. The right to the domain name will ultimately be determined by the gTLD operator, which, in some cases, could be by way of auction.

TMCH recordal will also make it easier
for brand owners to object to the attempted registration of second-level domains that match their trademarks, or any abusive version recordals. Once the TMCH recordal is in place, the trademark owner will be notified, for a while, of conflicting registrations. It is, however, important to note the following limitations of the TMCH:

First, unless an individual registry decides to extend the period, applications will only be checked against TMCH records for the first 90 days of operation of the new gTLD. A TMCH recordal will not pick up conflicting applications filed after that date. Many potential cybersquatters are, therefore, likely simply to wait until the relevant period has expired before filing.

Secondly, the TMCH is a repository of rights information only. Recordal does not act as a bar to registration during the trademark claims period: it merely puts the applicant on notice of the trademark owners’ right. If the applicant decides to proceed with the application, it will be up to the trademark owner to take action, either under an administrative dispute resolution process, or in a civil court. The TMCH notice may, however, make it easier for brand owners to show, in these proceedings, that the applicant has registered the domain name in bad faith. Although the new system does include a rapid and relatively inexpensive take-down system for clear cut cases of trademark abuse (the Uniform Rapid Suspension System or URS), it does not include any provision for the name to be transferred.

Another, perhaps more serious, limitation of the TMCH is that notice will be given only if the proposed second-level domain is identical to the recorded mark, or to one of the abusive version recordals. Any other variations, even minor misspellings, will not be notified. The domain name misspelling recordal of trademark owners, or other variants, has already been a big problem for brand owners. It seems likely that in the new environment that problem will be exacerbated.

What should brand owners be doing?

Something brand owners should not be doing is taking precipitate action. Unless they take a considered and strategic approach, they may well find themselves spending large amounts of time and money for very little benefit.

What brand owners should be doing now, is familiarising themselves with the current list of gTLD applications. Many of the gTLDs being applied for will be of little or no interest and need not be considered further eg those not open to the public, and those in a completely unrelated industry, or relating to a specific brand, such as .ford. A watch should be kept on those that are of interest so that the brand owner has plenty of warning before the relevant sunrise period opens (remember that registries will be obliged to notify the public in advance of the date the sunrise period will start). At that time, further consideration can be given to whether or not to register in the TMCH, and which trademarks to register.

Many brand owners will already have a domain name strategy in place for the registration of their brands, sub-brands and trading names in existing TLDs, often deciding to register only those domain names they would be willing to spend money recovering. It is likely that this strategy will need only minor adjustment in the new environment; however, given the hugely increased volume of potential registrations, those brand owners who have taken an expansive approach to registration in the past may find that a somewhat different approach is needed in future. In any event, any marks that are intended to be registered as second-level domains should be registered in the TMCH.

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Brand owners who decide not only to register, but also to create and maintain websites (that are more than a mere redirection to their existing websites) in the new domains, should be aware of the potential for customer confusion. It may be necessary to undertake specific advertising to promote their presence in the new gTLDs.

More challenging for most brand owners will be deciding on the approach that should be taken in relation to the increased potential for misuse of their brands in the new gTLDs.

Although registration in the TMCH has potential benefits in this regard, as pointed out above, it also has limitations. The TMCH should, therefore, be used in conjunction with existing watching services that have been extended to cover the new gTLDs, particularly to spot applications for domain names that are similar to, or variations of, the trademarks, and applications that have been made outside the period covered by the TMCH recordal. It is, however, too early at this stage to say what the likely cost of such extended searching will be. As soon as that is known, an appropriate watching strategy should be developed.

Whichever route is taken, enforcement against multiple abusive registrations is likely to be expensive. Although the URS route is a relatively cheap option, it provides a very limited remedy. Defensive registration, which is obviously a much cheaper alternative than any form of action against an abusive registration, will only be a partial solution in the new environment. Because of the potential risk and cost involved, the development of an appropriate enforcement strategy should be given very careful consideration at the outset.

Finally, we return to a question left unanswered: why was it thought necessary to make these dramatic changes to the internet? ICANN has explained that the changes fulfil one of its key commitments: to promote competition in the domain name market while ensuring internet security and stability. The new gTLDs, it says, pave the way for consumer choice by facilitating choice among registry service providers. It remains to be seen, however, whether creation of the new domains will do that at the expense of internet security and stability.

Footnote

Author
Karen Fong joined the London office of Rouse in January 1996 and became a partner of Rouse Legal, Rouse’s UK legal arm, in 1998. In 1999, she moved to Hong Kong where she worked as a Consultant in the Intellectual Property department of Dentos Wilde Sapte. She returned to London in 2002 and is now managing partner of Rouse Legal. Rouse’s Pamela Morey-Nase, Andrew Bravin and James Godfrey also contributed to the piece.