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Taking it to the second level

In the ever-expanding online world, brand owners need to be ready to fight infringement at the top and second levels

The Internet has become a ripe and sustainable branch of global commerce. In 2010 the value of the online economy in the G20 member states reached \$2.3 trillion, while the total value of sales is expected to reach \$4.2 trillion by 2016.

The main driver of this growth is the rapid increase in users worldwide. Experts predict a total number of 3 trillion users by 2016, corresponding to about 45% of the world's population. Whereas initially the Internet was reserved for the privileged, it is now ubiquitous. In particular, the participation of users from emerging markets is accelerating this trend: about 70% of internet users are expected to come online from emerging economies within the next five years. In China, there are already some 800 million internet users – as many as in Germany, France, India, Japan, United Kingdom and the United States combined.

This illustrates the significance of the Internet for existing brands, as well as the need to ensure that companies safeguard their internet presence. Trademark owners must continually verify that their IP rights as a basis for their online presence are not being affected by third-party misuse.

It comes as no surprise that the number of domain names continues to increase significantly – in particular, top-level domain (TLD) registrations. This trend has accelerated with the introduction of the new TLD regime by the Internet Corporation for Assigned Names and Numbers (ICANN). Until recently, the registration of names and name combinations was possible only in country-code TLDs (ccTLDs) (eg, '.de', '.eu' or '.us'), generic TLDs (gTLDs) (eg, '.com', '.biz', '.net', '.info' and '.org') and sponsored top-level domains (sTLDs) (eg, '.mobi', '.tel' and '.jobs').

The new gTLD scheme introduces a host of suffixes related to brands, communities and locations, as follows:

- Brand owners can turn their brands into website suffixes (eg, '.coke' or '.burberry'), giving them the possibility to sort their websites into different categories (eg, 'garages.audi', or 'skirts.esprit');
- Local authorities can turn city names or regional destinations into suffixes (eg, '.tokyo', '.paris' or '.tuscany');
- Individuals can use their names as suffixes (eg, '.bill.gates');
- Communities can create suffixes (eg, '.lawyers' or '.scout'); and
- Industries can register suffixes that directly benefit their brands by registering generic keywords (eg, '.bank', '.tourism', '.game' or '.shop').

This has dramatically opened up the process for launching a new TLD by allowing for the registration of '.brands'. In a survey, 92% of respondents indicated an interest in applying for their main brand, 9% for a product brand and 11% for a generic term. There are two main reasons for applying: a slim majority of respondents (48%) said that their primary aim was to protect against brand infringement, while the remaining 45% sought to create a competitive advantage for their business.

The application period began on January 12 2012 and ended on April 12 2012. The new extensions are expected to go live at the end of 2013. The anticipated number of new TLDs varies from several hundred to more than 1,000.

Applying for a new domain will cost an estimated \$185,000, with an additional annual fee of \$75,000 to keep the domain registered in the domain name system root zone. This high price tag is designed to prevent cybersquatters from abusing these new opportunities. However, it is also likely to deter brand owners from making applications.

Those that have decided not to register

their 'brand' have been asking whether there are any defence mechanisms within the application process to help prevent their brand names from being registered by third parties in bad faith and thus falling into the wrong hands.

They will, in any case, need to carefully monitor the application processes and intervene as required. But what kinds of intervention schemes are available?

Application process

After checking that all applications are complete, ICANN will publicise all TLD character strings that have been applied for, along with who has applied for each. This is due to take place on May 1 2012 and is expected to trigger several options for brand owners.

The first option allows for any interested party to submit comments expressing any concern for consideration by an independent evaluation panel while it is reviewing the new gTLD applications. This comment period closes on June 30.

Further, within approximately seven months, anyone with grounds to do so may submit a formal objection against any of the new gTLD applications. The four types of objection that aggrieved parties may file are as follows:

- the string confusion objection, which applies where there is a likelihood of confusion between a domain name for which registration is sought and another application or existing gTLD;
- the legal rights objection, which is probably the most important remedy for brand owners to protect their brands. This applies whenever brand owners believe that their trademark rights are infringed by a domain application;
- the public interest objection, which covers gTLD applications that are

- contrary to generally accepted morality and public order; and
- the community objection, which applies where any institution associated with a clearly delineated community considers that a gTLD application targets such community.

All objections filed – and decisions issued by the relevant panels – will be published on ICANN's website.

Post-launch phase

For brand owners that fail to intervene during the application process, further options are available to protect their trademarks in the form of post-launch right protection measures, which are initiated once the application process has concluded. These measures must be provided and implemented by the owner of the granted domain name, as this owner automatically assumes the functions and responsibilities of a registry.

One of these measures concerns the Trademark Post-Delegation Dispute Resolution Procedure, which resembles a trademark infringement proceeding. Trademark owners will need to demonstrate and prove their prior rights in a certain designation which appears to be infringed by the granted domain name.

In addition, brand owners may avail of the Uniform Rapid Suspension System (URS). This scheme is designed to provide an expedited procedure for addressing clear-cut cases of infringement against trademarks. The URS is intended to be the lighter, faster and less expensive complement to the UDRP, which also addresses matters of trademark infringement in domain names. While the latter provides for the transfer of a contested domain name to the rights holder, the only remedy which a panel may grant based on the URS is the temporary suspension of a domain name for the duration of the registration period (which may be extended by the complainant for one year). The registrant will have several appeal possibilities (from 30 days up to one year) against the decision.

Assignment of second-level-domains

Once the domain name has been issued and the registrant has commenced its activities as a registry, trademark owners can block the allocation of second-level domains under a new TLD by availing of the rights protection mechanisms. These mechanisms encompass the sunrise services and the trademark claims services.



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The sunrise service aims to afford the trademark owner a privileged right to obtain a second-level domain registration (identical to its trademark) before registration opens to the general public. The trademark claim service informs the applicant for the second-level domain name of any prior rights held by a brand owner. However, both services are limited to exact matches of a domain name with a word mark; they do not cover typos or modified scenarios ('mark + term'). Further, both mechanisms will operate successfully only if the word mark concerned has been listed in the Trademark Clearinghouse.

The Trademark Clearinghouse is a central repository of trademark information. The database will record and update all relevant trademark data and provide this to the new gTLD registries, which will connect their systems to it. The Trademark Clearinghouse is due to begin operations by October 2012, giving companies three months to submit their registered trademarks to the clearinghouse before the first new gTLDs go live in early 2013. The two primary functions of the clearinghouse are to authenticate and validate trademarks and – where requested to do so – to serve as a database for the

provision of information to the new gTLD registries to support their pre-launch sunrise or trademark claims services.

Thus, the listing of trademarks in the Trademark Clearinghouse will be one of the measures that brand owners should consider when developing a protection plan. Entering a registered trademark in this database will automatically allow brand owners to get involved in the registration process at an early stage, as registries will provide them with the option to register a domain name consisting of their trademark before registration is open to the general public. And when a third party attempts to register a domain name in a new gTLD that matches a trademark in the clearinghouse, it will receive a warning that it may be cybersquatting.

However, this requires trademark owners to finalise their trademark registrations as quickly as possible in order to benefit from the monitoring services. They must further be prepared to file proof of use with the clearinghouse by means of affidavits and electronic specimens.

Outlook

As demonstrated, the new gTLD regime requires a significant shift in domain name management. Brand owners will need to consider whether to apply for a new TLD consisting of their company or brand name. Where there are solid reasons to decide against such an application, brand owners will need to take action to protect their brands from bad-faith registration by third parties. They should:

- stay well informed and plan ahead;
- continually monitor applications filed on ICANN's website;
- consider gTLD objections;
- submit their registered trademarks to the Trademark Clearinghouse and avail of the sunrise and trademark claims services; and
- monitor third-party use.

Thus, a decision against a new gTLD application is at the same time a decision to initiate monitoring mechanisms and, if necessary, to take defensive actions. [WTR](#)