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Preparing for the impact of new gTLDs on domain name management in the United States

As the Internet became a ubiquitous resource for businesses and consumers alike in the late 1990s, it also presented an opportunity for the unscrupulous to benefit financially by registering second-level domain names (SLDs) similar to the trademarks of others. Ever since, trademark owners have expended untold sums on defensive registrations of domain names, cease-and-desist letters and adversary proceedings against the registrants.

In light of the Internet Corporation for Assigned Names and Numbers' (ICANN) current programme that may result in the creation of hundreds of new generic top-level domains (gTLDs), trademark owners should start preparing for how they will respond to a potentially exponential increase in cybersquatting. 'Cybersquatting' is shorthand for "the bad faith, abusive registration and use of the distinctive trademarks of others as internet domain names, with the intent to profit from the goodwill associated with those trademarks". However, a sound online enforcement programme may not appear to be too different from what trademark owners have been doing for years. With the exception of new protection mechanisms, the tools available to US trademark owners will largely stay the same. The added difficulty will lie in choosing which infringements to pursue and allocating appropriate resources. This article summarises the remedies that have been proposed for the new gTLDs and the remedies already available to US trademark owners, and suggests strategies for domain name management in the era of new gTLDs.

New gTLDs rights protection mechanisms

Because of the concerns expressed by trademark owners over the cost of policing marks in the new gTLDs, all new gTLD registries will be required to adopt the Uniform Domain Name Dispute Resolution Policy (UDRP), as well as several new

trademark rights protection mechanisms, including the following:

- Trademark Clearinghouse - in order to take advantage of the new rights protection mechanisms, trademark owners will need to register their marks with a centralised Trademark Clearinghouse. Although there will be a cost (yet to be determined) for registration, once its marks have been registered, a trademark owner will not need to prove its trademark rights each time that it invokes one of the new rights protection mechanisms.
- Sunrise Service - trademark owners will have an exclusive 30-day period to register SLDs that are identical to their trademarks in each new open gTLD.
- Trademark claims service - during the first 60 days of open registrations in each new gTLD, applicants for an SLD that is identical to a mark in the Trademark Clearinghouse will be warned of a potential claim by the trademark holder and will have the option to withdraw the application. If the domain name is registered, the trademark owner will receive notice of the registration and can then choose whether to bring a claim.
- Uniform Rapid Suspension (URS) - the URS is a mandatory arbitration similar to the UDRP, but is supposed to offer a quick and streamlined remedy for clear-cut cases. However, complainants will be required to prove their claims by clear and convincing evidence. Unlike the UDRP, the only remedy will be suspension of the domain name until the end of its registration term. Although ICANN has said that the filing fee will be approximately \$300, there is speculation that no dispute resolution provider will be willing to provide the services for a fee that is less than the fee for bringing a

UDRP complaint. Moreover, as the domain name will be suspended only, a trademark owner may still need to initiate a UDRP, Anti-cybersquatting Consumer Protection Act or similar proceeding. Thus, the usefulness of the URS remains to be seen.

These options will exist alongside the tools already available to trademark owners, which are summarised below.

Defensive domain name registrations

Trademark owners have routinely registered SLDs that are variations on their trademarks in various top-level domains and country-code top-level domains (ccTLDs) in order to prevent cybersquatting. The impact of new gTLDs will alter the practice of defensive registrations. The number of SLDs registered and the number of gTLDs in which they are registered will vary depending on the financial resources of the trademark owner, the amount budgeted for defensive registrations, the importance of a given mark and the geographic scope of the trademark owner's business. These factors are not new, but mark owners will need either to allocate additional resources for defensive registrations or to be more selective in their defensive registrations.

UDRP

Since the adoption of the UDRP, US trademark owners have brought approximately 40% of all complaints filed. In 2011, US trademark owners filed 929 complaints (approximately 20% of such complaints) - more than three times the number of cases brought by trademark owners from the country with the next highest number of cases, and more than the number from the countries with the second, third and fourth highest number of cases

combined. In the new gTLD era, US trademark owners will undoubtedly face even more instances of cybersquatting.

Historically, most complaints have involved '.com' domain names. For example, as of March 25 2012, the World Intellectual Property Organisation (WIPO), which is the primary dispute resolution service provider for UDRP complaints, had received complaints against over 30,000 '.com' domain names. In contrast, it received complaints regarding approximately 3,700 '.net' domain names and 2,200 '.org' domain names. It appears that fewer than 100 complaints are filed annually against domain names in the ccTLD for the United States, '.us'.

Trademark owners have prevailed in approximately 85% of the complaints filed under the UDRP. Despite this success rate, allegations of abusive domain name registrations have continued, if not increased. For example, after the adoption of the UDRP, the number of complaints filed with WIPO decreased each year until 2003. However, since 2006 the number has steadily increased from 1,824 cases (involving 2,806 domain names) in 2006 to 2,764 cases (involving 4,781 domain names) in 2011. The National Arbitration Forum has seen a similar rise in domain name cases. Given its relatively low cost and high success rate, in appropriate cases trademark owners will continue to employ the UDRP to resolve disputes in the new gTLDs.

Litigation

Sometimes the steps outlined above do not yield the desired outcome. Additionally, in some cases the domain name is being put to a use where the trademark owner is unwilling to wait for the outcome of a UDRP proceeding. For strategic reasons, sometimes a UDRP complaint is not desirable and trademark owners may feel the need to resort to litigation. In the United States, such claims are typically brought in federal court under Section 43(d) of the federal Trademark Act (the Lanham Act), also known as the Anti-cybersquatting Consumer Protection Act.

With one exception, the elements of a claim under the Anti-cybersquatting Consumer Protection Act are essentially identical to those of the UDRP. Rather than having to prove that the domain name was registered and is being used in bad faith, a plaintiff under the act has the burden of proving that the domain name either was registered or is being used in bad faith. The act also offers remedies beyond those available under the UDRP, including injunctive relief prior to a final decision if the plaintiff can prove a likelihood of success on



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the merits and, in exceptional cases, an award of damages or attorneys' fees.

In addition, in certain cases where the court cannot exercise personal jurisdiction over the domain name registrant or the domain name registrant cannot be located, after proper notice, the Anti-cybersquatting Consumer Protection Act allows the court to exercise '*in rem*' jurisdiction over the domain name itself. Such cases can be brought only if the domain name registry or registrar is located in the United States and must be brought in the judicial district where the registry or registrar is physically located. In such proceedings, the only relief available is an order for the transfer of the domain name. Thus, a civil action under the Anti-cybersquatting Consumer Protection Act is a far more powerful tool than the UDRP.

However, it is also manifestly more expensive to pursue such an action than it is to proceed under the UDRP. The filing fee for a UDRP proceeding can be as low as \$1,300 or \$1,500, and the attorneys' fees charged by experienced counsel will rarely approach \$10,000. Although the filing fee to institute a civil action in federal court is only \$350, the attorneys' fees associated with bringing such a claim can easily run to well over \$10,000

and, if the claim is contested, can approach \$100,000 or more. Unlike in most countries, in the United States, the losing party is not obligated to reimburse the winning party for its attorneys' fees, unless this is expressly allowed by statute or the court finds bad-faith or abusive conduct by the defendant in defending the action. The Lanham Act allows for the recovery of attorneys' fees by the plaintiff only in exceptional cases, which are rare. Accordingly, claims under the Anti-cybersquatting Consumer Protection Act for infringement involving domain names in the new gTLDs will likely continue to be limited to special cases, such as where the infringement severely impacts on brand image.

Domain name management strategies

The advent of the new gTLDs should not materially change a solid domain name management strategy. Most rational business decisions are made and will continue to be made by balancing costs and benefits. Accordingly, in the new gTLD era, trademark owners will continue to decide whether to challenge the use and registration of domain names on a case-by-case basis, weighing factors such as the degree of similarity that an SLD has to a mark, the importance of the mark, the volume of traffic that the domain name attracts and the nature of the activity conducted. Because of the potential for so many more potential abuses, however, trademark owners may need to redraw the line between situations that call for action and those that do not. That said, the cost of policing trademarks is almost certainly going to increase. Trademark owners need to prepare now by considering how much of an increased budget for policing their marks they need and can afford. Similarly, once the registration fees have been determined, any trademark owner that plans to take action against instances of cybersquatting in the new gTLDs will need to budget for registering its marks with the Trademark Clearinghouse.

In addition, when selecting a new mark, companies may want to change their strategy for determining how many SLDs, if any, they will register defensively. The downside of increasing defensive registrations will be a greater cost upfront, but the benefit may be savings in the cost of policing. One middle ground may be to register only virtually identical SLDs in the new gTLDs until their popularity can be gauged.

Trademark owners are clearly going to face new challenges in policing their marks on the Internet, but some planning now may relieve anxiety and limit costs later. [WTR](#)