

REPORT

TRADEMARK CLEARINGHOUSE MITIGATES SOME EFFECTS OF NEW TOP-LEVEL DOMAINS, WITH LIMITATIONS

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A Trademark Clearinghouse program (the "TMCH") is now available that can help protect trademark owners in connection with the new generic top-level domain names ("gTLDs") that will be launched over the next year or so.

Two features of the TMCH are intended to benefit trademark owners that submit their registered trademarks under the TMCH.

The first benefit is that such trademark owners are entitled to priority registration of domain names containing their submitted trademarks during a "Sunrise Period" before the registration period opens to the general public for each new gTLD.

The second benefit is that the TMCH includes a mechanism (the "Trademark Claims Service") for informing trademark owners of the registration of potentially conflicting domain names and informing potential domain name registrants of the trademark owner's rights. However, the practical value of submission for this purpose is affected by the limited scope of the resulting notifications, the costs and benefits of alternative approaches, the nature of the owner's mark and industry, and the likely popularity of the new gTLDs.

This Special Report explains the background of the new options available to

domain name owners, including the nature of the domain name system, the new gTLDs being introduced this year, and the already-available options for addressing cybersquatting. Then, it explains the TMCH program in more detail. Finally, it discusses pros and cons of using the TMCH program, and provides our recommendations.

I. Background

A. The Domain Name System

Top-level domain names (TLDs) are the right-hand portion of an Internet address, after the period: e.g., .com, .net. They come in three varieties: (1) generic TLDs, which have at least three letters, such as .com; (2) country code TLDs (ccTLDs), which have two letters, such as .uk and .jp; and (3) internationalized TLDs, which include characters not used in English.

Seven gTLDs were introduced in the 1980s, including the three most popular: .com (73% of gTLD websites as of 2011), .net (11%) and .org (7%). The Internet Corporation for Assigned Names and Numbers ("ICANN"), which is now responsible for administering the domain name system, introduced 14 additional gTLDs over the period 2001-2011, including .aero, .biz, .coop, .info, .jobs, .mobi, .museum, .pro and .travel. Of these, only .info (5.7%) and .biz (1.6%) have gained much popularity. The total number of

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websites has continued to grow, with about 130 million gTLD websites in 2011.

B. The Effect of the New Domains

ICANN is currently rolling out a program that will vastly expand the numbers of gTLDs. In 2012, applicants were permitted to propose, and apply to be the registrar of, new gTLDs. Over 1,900 such applications were filed. ICANN expects to implement the first of these new gTLDs in the next few months.¹ Such proposed domains include topical categories such as TECH, BUY, APP, GREEN, MUSIC, BOOK, BANK, GUITARS, and WEB; geographic categories such as the name of a city or region; and brand-specific categories such as GOOGLE, MICROSOFT, APPLE, and AMAZON. Some of the new gTLDs will be open to all potential registrants, and some will be limited according to criteria set forth by the registrar for the gTLD.

As an example of how these gTLDs may be used, a manufacturer of ACME guitars may want to consider registering the domains ACME.GUITARS and/or ACME.MUSIC.

Such broad expansion of the gTLD framework has been controversial. Some people believe that the vast number of new possibilities will spur innovation and reshape the Internet. Critics suggest that new gTLDs are not needed and that the effect of their introduction will be to drive up costs for brand owners combatting cybersquatters, by requiring either multiple new domain name registrations or more anti-cybersquatting litigation.

C. Existing Procedures for Domain Name Disputes

The main current mechanism for trademark owners to address domain name registrations that contain terms that are identical or confusingly similar to their marks is to file a complaint under the Uniform Domain Name Dispute Resolution Policy ("UDRP"). In a UDRP proceeding, the trademark owner must show that the domain name registrant (i) is using a domain name that is identical or confusingly similar to the trademark owner's trademark, (ii) does not have any legitimate rights in the domain name, and (iii) applied for and is using the domain name in bad faith. The costs associated with UDRP proceedings include filing fees of \$1,300 to \$1,500, plus attorneys' fees that are typically several thousand dollars.²

To determine when a UDRP proceeding may be needed, a trademark owner has several options, including (1) awaiting complaints from customers, (2) engaging in self-help web searches, and (3) retaining a watch service that will monitor some or all of the current gTLDs and ccTLDs for problematic websites. The most effective option for trademark owners with a significant cybersquatting problem is to use a watch service. The annual costs associated with these services typically range from approximately \$250-550 per mark, depending on the number of gTLDs and/or ccTLDs that are monitored. The cost of reviewing watch service reports, which can be numerous, is in addition to these fees.

¹ A current list of pending applications can be found at: <http://newgtlds.icann.org/en/program-status/application-results/strings-1200utc-13jun12-en>.

² ICANN is instituting a new Uniform Rapid Suspension service, which is expected to have filing fees that are less than half of those charged for UDRP proceedings.

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II. The Trademark Clearinghouse (TMCH)

The TMCH provides a new centralized database of authenticated trademarks that will provide participating brand owners with two benefits as to new gTLD registries: (1) 30-day "Sunrise Periods" during which participating trademark owners may register domains containing their trademarks in advance of the public registration periods, and (2) a Trademark Claims Service, which provides notifications when others apply to register domains containing trademarks. Trademark owners must subscribe to the TMCH, as described in more detail below, in order to obtain these benefits.

A. Sunrise Periods (Priority Registration Rights)

The Sunrise Periods apply to each new approved gTLD. They provide trademark owners with a 30-day exclusive registration period during which the owners have priority over the public to register domain names under that gTLD containing their TMCH-listed trademarks.

Trademark owners that plan to purchase domain names containing their important trademarks under the new gTLDs will likely benefit from the Sunrise Period.

B. Trademark Claims Service (Registration Notices)

Owners of TMCH-listed marks also receive the Trademark Claims Service. This service must be offered by each registrar of a new gTLD for a minimum of 90 days after the commencement of public registration under the new gTLD.

If, during that initial 90-day period, someone tries to register a domain name incorporating a trademark included on the TMCH

list, the registrar will warn the domain name applicant that its proposed domain name exactly matches a trademark that is on the TMCH list. This notification effectively prevents a domain name registrant from claiming a lack of notice of the trademark owner's rights in any future dispute between the parties.

After receiving a notification from the Trademark Claims Service, the person trying to register the domain name must then represent that, to the best of its knowledge, registration of the domain name will not infringe the trademark owner's rights. If the domain name registrant proceeds to register the domain name, the trademark owner will be notified of the registration, and the trademark owner may then take appropriate action.

C. Requirements and Costs

Trademark owners can submit to the TMCH (1) registered word marks from any jurisdiction, (2) common law word marks that have been validated through a court of law, and (3) word marks protected by statute or treaty. Marks in trademark applications that have not yet proceeded to registration are not eligible for submission to the TMCH.

To take advantage of a Sunrise Period, use of the mark must also be proved. The trademark owner must submit a signed declaration and a sample showing use of the mark in connection with the relevant goods/services. ICANN has not yet released the standards for evaluating proof-of-use samples, though it has indicated that the evaluation should be flexible to accommodate varying proof-of-use standards in multiple jurisdictions. Use of the Trademark Claims Service does not require proof of use.

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TMCH fees for each included mark are \$150 for one year, or \$435 for three years. Additional service/legal fees may be required if a brand owner wishes to have assistance with the registration process.

III. Pros and Cons of the TMCH

As mentioned above, if a trademark owner wishes to use Sunrise Periods to obtain priority registration of domains incorporating its marks, participation in the TMCH is worthwhile.

Whether TMCH participation is worthwhile for purposes of the Trademark Claims Service is more complex. The Trademark Claims Service automatically provides notice to both the trademark owner and the prospective domain name registrant, at least for the first 90 days a new gTLD is in operation. This may discourage conflicting registrations at the outset and make it easier for the trademark owner to show that a subsequent registration was in bad faith. If a trademark owner can avoid even a single UDRP proceeding, the owner will realize substantial savings over the cost of TMCH participation.

However, the Trademark Claims Service is generally no substitute for a watch service for a number of reasons. First, it applies only to the new gTLDs and will not alert an owner to registrations under the existing, and likely more commonly used, gTLDs and ccTLDs. Second, the Trademark Claims Service is only required to operate for the first 90 days of registration for a new gTLD. Third, the Trademark Claims Service only covers exact matches for a trademark owner's trademark, and will not catch close variants, which a watch service will generally identify. Fourth, it is not yet clear how important the new gTLDs will become with legitimate businesses, the public, cybersquatters, and search engines.

IV. Recommendations

1. If a trademark owner may want to register a trademark-based domain in one or more of the new gTLDs, the owner should submit the mark to the TMCH to allow use of the Sunrise Period.

2. If a trademark owner has well-known marks or relies heavily on Internet promotion or sales, the owner should consider active monitoring of the Internet for infringers and cybersquatters, either through in-house web searches or use of a watch service.

3. Such trademark owners should also consider use of the TMCH which, for a very modest cost, provides additional protection during the "land-rush" launch phase of new gTLDs. This is particularly recommended if the owner is a member of the entertainment, retail or financial industries, in which interest in the new gTLDs has been strongest.

If you desire any additional information or assistance, please let us know.

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