

International Trademark Association (INTA) Comments on
The Economic Considerations in the Expansion of Generic Top-Level Domain Names
Phase II Report: Case Studies

January 14, 2011

The International Trademark Association (INTA) has reviewed the December, 2010 report entitled “Economic Considerations in the Expansion of Generic Top-Level Domain Names, Phase II Report: Case Studies” authored by Michael Katz, Gregory Rosston, and Theresa Sullivan.¹ Far from being the ringing endorsement of the adoption of a virtually unlimited number of new gTLDs that some in the ICANN community had predicted or hoped for, the report offers an independent assessment that in fact supports the long-standing position of INTA and others that the adoption of new gTLDs is proceeding far too rapidly based on non-existent or uncertain benefits coupled with certain increased costs that currently fall disproportionately on trademark owners and the public at large. Accordingly, INTA submits that the Report is further evidence that ICANN should pull in the reins on the proposed adoption of the new gTLDs—and consider taking a different path altogether—rather than gallop forward into the unknown despite the assessment of independent economists that ICANN itself retained to address these overarching issues.

1. Alleged Benefits Of New gTLD’s are Non-Existent Or Speculative

The Economic Considerations Report concludes that the potential benefits to society, and even individual companies, are significantly limited. The Report reviewed six specific potential benefits from the introduction of new gTLDs and concluded that most are either nonexistent or speculative at best, as discussed below.

A. New Undifferentiated gTLDs Are Unlikely To Improve Competition

The Report starts with the premise that “consumers generally benefit from additional competition” due to improved pricing or variety (§ 12). INTA agrees with that fundamental premise. However, based on the introduction of new undifferentiated gTLDs such as .biz and .info, the Report notes that the introduction of additional new undifferentiated gTLDs is not likely to have a “significant competitive impact,” a conclusion the Report characterizes as “not surprising” (§ 12). Thus while increased competition is in general a desirable goal, the introduction of new gTLDs does little to further that goal in the context of Internet domain names.

¹ Available at <http://www.icann.org/en/topics/new-gtlds/phase-two-economic-considerations-03dec10-en.pdf>.

B. Name Scarcity Does Not Exist

The Report debunks the alleged problem of “name scarcity” and concludes, after several pages of analysis, that “scarcity is not a current problem. . . [T]he relief of name scarcity is unlikely to be the principal source of social benefits derived from new gTLDs” (¶ 20). Indeed, based on the evidence in the report, the relief of name scarcity is unlikely to be the source of any significant social benefit.

C. “Psychic Benefits” From Internationalized Domain Names May Benefit Users, but Are Speculative

“Internationalized” domain names (IDNs) allow non-Latin scripts (such as Arabic, Chinese, or Russian) to be used for the domain name. ICANN intends to allow IDNs to be used for a gTLD itself as part of the new gTLD process.

The Report states that the branding and consumer convenience benefits offered by IDNs “could be” great, apparently based on early auction prices for some domains (¶ 23). INTA notes that early auction prices may not necessarily reflect actual value, as auctions or market sales of various .info or .biz domain names that are now of dubious value indicate.

Moreover, the Report states that IDNs can create value in ways that are “difficult to measure” and that users may derive “psychic benefits.” INTA acknowledges that IDNs may have potential benefit for the millions of Internet users whose native languages do not use Latin scripts, but agrees that these benefits are difficult to measure and thus somewhat speculative. INTA would however encourage ICANN to give more consideration to Whois, dispute resolution and associated language issues related to IDNs.

D. Benefits From Restricting Domain Name Function Are Speculative

The Report notes that “in theory” the benefits associated with a gTLD imposing specialized requirements on the functioning of websites “are potentially high” (¶ 39). However, based on a detailed analysis of the experience with .mobi registrations (which have been found to be “all but worthless”²), the Report goes on to note that “in practice” the benefits associated with such a gTLD depend upon (i) whether there are alternatives that would achieve the primary purposes of the gTLD, (ii) how the alternatives (if any) compare in achieving the objectives, (iii) the costs that alternatives would impose on different members of the Internet community, and (iv) whether

² Report at n.53, citing a June 9, 2010 *Los Angeles Times* article.

alternative solutions might change over time with technological advances. The Report concludes that “[f]ailure to take potential alternatives into account can result in a *significant over-estimate of the likely benefits* of a gTLD that attempts to create value by placing restrictions on the operations of registrants’ websites” (§ 39). INTA agrees that it is all too easy to over-estimate the benefits to society of any new gTLD, as has happened time and again with .info, .biz, .mobi, etc., and that any alleged benefits based on a restriction of website functionality are highly speculative at best.

E. Benefits From Restricting Domain Name Ownership Are Speculative

The Report analyzed in depth the experience of .museum and .aero as examples of TLDs that were limited to certain owners only. The Report notes that of the estimated 30,000 - 40,000 museums worldwide only a very small fraction (1.4%) have registered a .museum domain name. The low registration rates, lack of information provided by most sites, and limited traffic “strongly suggest that .museum has generated limited benefits” (§ 50). Similarly, the Report found that the benefits of .aero registration were also “low” (§ 58).

The Report concludes that:

“[t]he experiences of .aero and .museum suggest that sponsored gTLDs that restrict second-level domains to a collection of similar organizations whose web sites are of interest to large communities of potential site visitors are unlikely to create significant benefits in the absence of significant efforts to educate potential site visitors.” (§ 59)

INTA agrees that gTLDs that purport to offer benefit by limiting ownership have thus far proven to be of very limited value to the public or to the owners of domains within those gTLDs. The benefits from future gTLDs that limit ownership are questionable at best. Indeed, the Report speculates that if ICANN were to delegate “hundreds or even thousands” of new gTLDs as some have advocated that Internet users “might begin to think about and use gTLDs in a new way, placing greater reliance on them as certification and navigation tools” (§ 61). INTA submits that it is more likely that a plethora of gTLDs will overwhelm Internet users, who will instead rely more and more on search engines to find what they are looking for rather than try to remember among hundreds or thousands of gTLDs, in which gTLD the particular domain name they are interested is registered. However, past experience does clearly demonstrate that abusive registrations are far less likely to occur in restricted or sponsored top level domains due to the upfront verification processes utilized by such registries.

F. “Psychic Benefits” From Domain Name Content Restrictions Are Speculative And Do Not Require The Adoption Of New Top Level Domains

Finally, the Report considered potential benefits where content type is restricted, such as allowing content relating only to a specific geographic area. However, as the Report notes, some second-level domain names (e.g. nyc.com) or software that detected an Internet user’s location could offer the same functionality without the need for a new gTLD (¶ 62). INTA also questions how enforceable any such restrictions might be, considering the difficulty of defining and enforcing “acceptable” content and the ease of using a website to link to information that is not “acceptable.” The only specific potential benefit that the Report cites to (with no evidence to support such a benefit) is a potential “psychic benefit of community recognition and respect.”

2. Costs To Trademark Owners And The Public Of New gTLDs Are Indisputable

Section IV of the Report discusses the “external” costs and identifies at least five specific types of costs that adopting new gTLDs can impose on “the Internet community and society more broadly,” namely:

(1) *“misappropriation” of intellectual property*, which history shows results in very real and substantial costs of domain name watching, defensive registrations, litigation and other enforcement efforts, and lost profits;

(2) *domain navigation “dilution,”* which results in the increased cost/burden of navigation because there are potentially hundreds or thousands more places to look for the domain name of interest, and also includes, as the Report notes, costs that “cannot be mitigated”;

(3) *harm to Internet users from cybersquatting*, which history shows results in very real and substantial costs due to the spread of malware, phishing, and the offering of counterfeit products;³

(4) *reduced investment in IP*, which results from the prospect of increased opportunities for misappropriation; and

³ Monitoring IDNs presents a unique challenge to trademark owners, who may not be familiar with the language involved, thereby potentially greatly increasing the costs of monitoring, investigating, and enforcement. This cost is amplified by the fact, as the Report notes, that IDNs “can lead to typosquatting based on characters that have different Unicode representations but similar glyphs” (¶ 62 n.25).

(5) *losses from failed gTLDs*, which can create chaos for a company whose business is built around a domain name in a particular gTLD, as well as increased “clutter” on the Internet from links that fail to resolve.

The Report also looks at possible mechanisms for limiting costs to brand owners by examining the effectiveness of different intellectual property rights protection mechanisms. As discussed in the Report, the .info, .biz, .mobi, and .name experiences show that there are a range of potential mechanisms to try to balance protection of brand owners and the public with the legitimate interest of applicants in registering domain names, including (i) sunrise registration periods, (ii) prelaunch IP claims/watch lists, (iii) pre-launch blocks, and (iv) post-registration enforcement such as the UDRP.

The Report states that, whatever rights protection mechanism is adopted for a particular gTLD, “monitoring costs, defensive registrations, cease and desist letters, UDRP proceedings or official dispute mechanisms (i.e., lawsuit) are, and will be, a *significant post-launch external cost* to brand owners” (§ 62). The Report also states that the cost to a trademark owner of protection through defensive registrations and monitoring can increase greatly the more marks are at stake, the greater the opportunity for typosquatting (which by definition will increase with more gTLDs), and the greater the opportunity for use of a mark embedded within a domain name (e.g. buyBRANDhere.TLD), for which the mark owner cannot rely on the Trademark Clearinghouse (and which by definition will also increase with more gTLDs) (§ 99).

INTA could not agree more. Indeed, these costs are based on years of historical experience and, unlike the alleged benefits, are not mere speculation. INTA notes that the extensive cost of monitoring and investigating applies *even where the domain name at issue is registered in good faith*. Even in a perfect world where cybersquatters were not on the prowl, trademark owners would still need to be vigilant in monitoring others’ use of confusingly similar domain names to protect their rights. Thus, the Report further reinforces what INTA has been saying all along: the cost of monitoring and enforcement (not to mention the harm to the public from cybersquatting) will rise dramatically with the adoption of new gTLDs, with very little or no benefit.

3. Current Registration Patterns

The Report states that even monitoring activities alone are “costly” and that “[t]he introduction of new gTLDs will trigger defensive registrations and impose associated costs on trademark owners if they feel the need to register in additional gTLDs to protect their intellectual property rights, or to prevent fraud or counterfeiting” (§ 62).

While the Report’s methodology may not always be perfect for analyzing how owners of some of the most valuable trademarks in the world behave in registering domains names, the Report makes a number of notable findings:

- (1) despite the addition of other gTLDs and the availability of ccTLDs, the .com domain remains the default domain for the great majority of brand owners examined in the Report;
- (2) the majority of brands examined in the Report are not registered in either .biz or .info (the two most similar competitors of .com); and
- (3) many registrations in non-.com gTLDs are defensive registrations with “little perceived potential” for generating affirmative benefits to the brand owners.⁴

These findings cast still further doubt on the alleged benefits of adopting new gTLDs, and indeed represent another siren call for ICANN to jettison its proposal for allowing unlimited new gTLDs.

The Report also states that there is value in giving trademark holders the ability to *block* the use of trademarks in a domain name beyond a sunrise period (§ 119). INTA agrees with this assessment – indeed, it is consistent with the approach of the IRT’s proposed “globally-protected marks list” and a Uniform Rapid Suspension system that is strong and cost-effective (unlike the version currently in the Proposed Final Applicant Guidebook).

4. Conclusion

ICANN delayed moving forward with the adoption of allowing unlimited new gTLDs pending the release of the Economic Considerations Report. Rather than supporting ICANN’s aggressive timetable, the Report on one hand casts many serious doubts on the purported benefits of allowing unlimited new gTLDs while, on the other hand, confirming that there are significant costs to trademark owners and the public at large. For ICANN to ignore the many issues raised in the Report would be reckless and contrary to the public interest. INTA urges ICANN to step back, reconsider, and adjust its entire approach to the planned launch of the new gTLDs, to ensure any introduction of new gTLDs serves the public’s interest.

⁴ See Report at ¶¶ 105, 110, and 117.

Thank you for considering our views on these important issues. If you have any questions regarding our submission, please contact Claudio DiGangi, External Relations Manager, Internet & the Judiciary at: cdigangi@inta.org

ABOUT INTA

The International Trademark Association (INTA) is a 132-year-old not-for-profit association of over 5,700 member organizations from over 190 countries. One of INTA's key goals is the promotion and protection of trademarks as a primary means for consumers to make informed choices regarding the products and services they purchase. During the last decade, INTA has served as a leading voice for trademark owners in the development of cyberspace, including as a founding member of ICANN's Intellectual Property Constituency (IPC).