



**Comment on Independent
Review of Trademark
Clearinghouse Services Draft
Report**

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Business Constituency Submission

GNSO//CSG//BC

Background

This document is the response of the ICANN Business Constituency (BC), from the perspective of business users and registrants, as defined in our Charter:

The mission of the Business Constituency is to ensure that ICANN policy positions are consistent with the development of an Internet that:

1. promotes end-user confidence because it is a safe place to conduct business
2. is competitive in the supply of registry and registrar and related services
3. is technically stable, secure and reliable.

General Comment

The BC appreciates the opportunity to provide comments regarding the Independent Review of Trademark Clearinghouse Services Draft Report (Draft Report), posted for public comment on 25-July-2016 at <https://www.icann.org/public-comments/tmch-review-2016-07-25-en>.

The BC has several questions, concerns, and points of clarification regarding the Draft Report's methodology and conclusions.

Specific Comments

1) Overview

In the introductory sections, the Draft Report notes that

“[c]ybersquatters may generate income from web traffic through a variety of means: the cybersquatting website may exclusively display advertisements, may forward the Internet user to a website that pays the referencing website (i.e., the cybersquatting website) for sending traffic to its website, may display a scam that deceives the Internet user into downloading malware/spyware, or may collect personal information from the Internet user through false ‘surveys,’ then misusing or selling that personal information. Additionally, cybersquatters sometimes attempt to sell domains to trademark holders for prices that may be seen as exorbitant by the trademark holder.” See Draft Report at 5.

The BC would also add that selling counterfeit goods of the legitimate trademark owner through the cybersquatted website is another means that cybersquatters use to generate income.

The Draft Report also states that

“the over-regulation of domain name registration activity can also harm non-trademark holders who have legitimate intentions behind domain name registrations that are identical or similar to trademarked strings. In addition, services that are put into place to protect trademark holders, like those provided by the TMCH, impose costs on various

stakeholder groups, such as registries, who must pay a fee to the TMCH for each gTLD operated, and registrars, who must develop software systems to query the TMCH.” See Draft Report at 5.

These statements do not account for the fact that business users must also participate significantly in the cost of protecting their trademark rights online, including the submission costs of the Trademark Clearinghouse and Sunrise registration fees.

2) Domain Registration Data

According to the Draft Report,

“A non-trivial portion of registrations (13%) are made by registrants using a Whois privacy screen, which screens the registrant’s information from the Whois data. Due to the Whois privacy screen on these registrations, we are unable to be certain whether the registration was made by a trademark holder or a third-party registrant.” See Draft Report at 12-13.

The BC believes it is important that the Draft Report not conflate privacy and proxy services when assessing their impact, and would appreciate clarification as to whether both were taken into account in coming to these figures.

3) Stakeholder Interviews and Questionnaires

The Draft Report notes that

“[t]his review is informed by an analysis of TMCH and third-party data sources, as well as interviews and surveys of TMCH stakeholders.” See Draft Report at 2. The Draft Report also notes that Analysis Group “issued a publicly-available web form, sent questionnaires, and interviewed TMCH stakeholder groups to collect their opinions of the TMCH services and features that are the focus of this study. Interviews took place during the ICANN 55 meeting in Marrakech, questionnaires were distributed in March, April, and May 2016, and the web form was made available from March 30, 2016 until April 27, 2016. The questionnaires were sent to trademark holders, non-trademark holders, TMCH agents, registries, and registrars.” See Draft Report at 13.

The Draft Report fails to identify which stakeholders were interviewed, or how they were selected with any specificity. The Draft Report merely notes that interviewees were selected using “various criteria,” including geographic and size diversity. More information regarding the set of stakeholders—presumably predominantly brand owners—elected for interviews (at least with respect to type, if not actual identities to protect anonymity) and selection process would be helpful in evaluating possible biases.

Similarly, it is not clear whether questionnaire respondents were selected for interviews, or the interview process was conducted entirely without regard to questionnaire submissions. If the latter, it may have been helpful to interview a representative sample of questionnaire

respondents to the extent it could help flesh out responses and any gaps in the questions asked.

4) Claims Service

According to the Draft Report, “[S]ome non-trademark holder registrants oppose the extension of the Claims Service period due to concerns that Claims Service notifications reduce good-faith registrations of domain names that happen to match trademark strings.” See Draft Report at 14.

The Draft Report goes on:

Our findings are consistent with the goal of the Claims Service to deter bad faith registrations that would otherwise be disputed. However, the results may also indicate that many legitimate domain registrations may be deterred by Claims Service notifications. These results should not be relied upon to make policy recommendations. We find that the vast majority of registration attempts are not completed after receiving a Claims Service notification (94% abandonment rate). This abandonment rate seems quite high, however there are several caveats to this result, which include our inability to determine the abandonment rate that would occur if no Claims Service notifications were sent and limitations of our data set, which require us to assume that every registrar download from the TMDB represents a registration attempt. See Draft Report at 15.

The BC believes further study is required, including the gathering of survey evidence, to address whether providing prospective registrants with trademark-related information creates a chilling effect on good-faith registrations. The BC is aware that such data may only be available from sources beyond the TMCH, and that the PDP Working Group to Review All Rights Protection Measures in all gTLDs (RPM Review WG) has formed a sub-team to locate all such potential data sources, including registrars that directly interact with new gTLD registrants and that generate the Claims Service notifications.

The BC questions whether it is possible from the current data alone to directly correlate abandonment to receipt of the Claims Notice, as there may be a wide variety of other reasons for abandonment—price, comparison shopping with other registrars on price, general research on domain availability, seeking a different domain for reasons unrelated to the Claims notice, etc. Registrar downloads might be also made for other purposes and it is not clear that each download represents a registration attempt. The BC also recognizes that the language of the Claims Service notification may not adequately inform unsophisticated registrants that registration of a domain triggering such notice may not constitute infringement, and that the RPM Review WG will be reviewing this issue.

The Draft Report also states,

“To determine whether a third-party registrant has registered domain names matching trademark strings in the TMCH during and/or after the Claims Service period, we compare the registrant name in the Whois registration data to the trademark holder

names associated with trademark strings in the TMCH. We use an automated text comparison of the registrant and trademark holder information in the two data sets to determine whether the names are sufficiently similar to constitute a match.” See Draft Report at 15.

It is not clear whether the analysis considered the possibility that sophisticated cybersquatters may register a domain name using false Whois information such that the Whois entry is intended to appear to be made by the TM owner itself as a legitimate registration. Presumably, such a registrant could look up legitimate registrations by the trademark owner, such as the Whois entry associated with the trademark owner’s primary domain name, and use that info to make its bad faith registrations matching the trademark owner’s mark(s). Conversely, it is equally unclear whether the analysis considered the possibility that trademark owners might register domain names during the general availability period through a third-party affiliate or authorized agent.

The Draft Report also states as follows with respect to disputes involving domains subject to Claims Service notifications:

We also find a very low dispute rate (0.3%) among registrations that receive Claims Service notifications (i.e., new gTLD registrations of domain names that are exact matches of trademark strings recorded in the TMCH). Although we are unable to say exactly why this dispute rate is so low, it is possible that Claims Service notifications are effective at deterring bad faith registrations that would otherwise be disputed, or that trademark holders are not very concerned about registrations made in new gTLDs (i.e., they are more concerned about registrations made in the .com legacy TLD) or have not yet submitted a dispute on these infringing registrations. Trademark holders appear to appreciate receiving claims notifications, since the vast majority of trademark strings are enrolled in Ongoing Notification Services. See Draft Report at 15-16.

The BC would simply add that the average dispute rate figure obviously varies greatly between trademark owners depending on the company, size and budget, aggressiveness, and other factors, such as simple attentiveness to new gTLD domain name registrations. In addition, the mere fact of registration may not be sufficient proof, in and of itself, to support a dispute, as prevailing in a URS or UDRP action requires demonstration of bad faith registration and use. Given the extensive amount of passive holding of domain names, particularly in new gTLDs, many brand owners may be according these registrations lower priority in their enforcement efforts. In addition, this only represents exact matches of TMCH marks; variations are not included in this calculation, which would likely affect the calculus.

According to the Draft Report,

“due to data constraints, we are not able to observe the registration abandonment rate for registrations that are attempted outside of the Claims Service period (when no Claims Service notifications are sent); such a measure would be useful to use as a base abandonment rate to which we would compare the Claims Service period abandonment

rate to measure the size of the Claims Service notifications' deterrent effect.” See Draft Report at 16.

The BC agrees. It may be helpful to seek to obtain this data from registrars. Without this kind of baseline, the abandonment rate cited above is not particularly meaningful. For instance, if the general abandonment rate is 92% then the slightly higher abandonment rate with a Claims Notice would indicate very little actual deterrent effect as compared to other reasons for abandoning a prospective registration.

In addition, the Draft Report provides:

There are several possible reasons why the dispute rate on Claims Service notifications is so low. First, bad-faith registrations may be largely abandoned when a Claims Service notification is received, so very few domains are registered that trademark holders would wish to dispute. Second, there may be a lag between the time a domain is registered and discovered by a trademark holder and when a dispute is filed, causing us to see some registrations as non-disputed when they may become disputed in the future (i.e., we do not observe a dispute in the dispute data because it is limited to disputes that occurred before the end of 2015). Third, trademark holders may be generally less concerned by the domain registrations in the Claims Service data, either because the domain names are low-priority for disputes or because exact-match registrations made in new gTLDs are less threatening to trademark holders than registrations in legacy TLDs like .com. See Draft Report at 18.

First, the observation period for measuring dispute rates is outdated by about eight (8) months, which could impact the conclusion. Second, there are a number of additional possible reasons why a trademark owner might not immediately pursue a domain dispute, as cited above, such as resolution by other intermediate means like cease and desist letters, or the need to acquire additional bad faith use evidence in view of mere passive holding of a domain.

The Draft Report also notes that

“The third explanation is consistent with feedback that we received from questionnaire respondents, which indicated that trademark holders consider the importance of the domain name (including the TLD) when determining whether to file a complaint.” See Draft Report at 18.

The BC agrees that “importance” of the domain name is one factor, but there are other factors at play, including cost and effort. For trademark owners with dozens or even hundreds of marks in the TMCH, with dozens or hundreds of third party registrations being made matching those marks across various new gTLDs, costs quickly escalate, and the trademark owner must prioritize some names to escalate to the dispute stage. In many cases, trademark owners would be ill-advised to immediately jump to a UDRP or URS filing when they discover a bad faith registration.

According to the Draft Report,

“A higher rate of disputes on registrations made after the Claims Service period would indicate that registrations completed after the Claims Service period are perceived by trademark holders as more infringing than registrations made during the Claims Service period.” See Draft Report at 20.

We do not necessarily agree with this conclusion. Infringement either exists or does not exist, and whether or not the registration was made during the Claims Service rarely has any consequence. In practice, one distinction that may be considered for cybersquatting actions pertaining to domains registered during the Claims Service may be the fact that such registrants can be deemed to have received clear notice of the trademark owner’s rights, even if the complainant did not directly reach out to the registrant.

Finally, the Draft Report provides:

[T]he average TMCH agent that uses Ongoing Notifications has 192 trademark strings in the TMCH, whereas the average TMCH agent that does not use Ongoing Notifications has only 18 recorded trademarks, and the average trademark holder that uses Ongoing Notifications has just over 2 recorded trademark strings, while the average trademark holder that does not use Ongoing Notifications has just less than 2 recorded trademark strings. Because TMCH agents who use Ongoing Notifications account for such a large portion of the strings in the TMCH, overall, 92.9% of all strings in the TMCH are covered by Ongoing Notifications. See Draft Report at 22.

This information begs the question as to whether there is a correlation between the size and/or sophistication of the trademark owner and use of the Ongoing Notifications service, as well as whether there is any geographical or developing economy correlations to use of lack of use of the Ongoing Notifications service. This additional information could be useful in determining why the service is not being used by some trademark owners, and to correct the issue if it is merely a matter of certain trademark owners not being aware of the service rather than any true cost/benefit analysis.

5) Matching Criteria

The Draft Report notes as follows:

We find no clear evidence that expanding the matching criteria will outweigh the potential costs of doing so. Registration activity by trademark holders and third-party registrants is disproportionately centered around exact matches of trademark strings rather than variations of trademark strings. . . . If a string variation is disproportionately common among registrations, then it may be useful to consider including that string variation in the matching criteria. In Table 8, we find that exact-match registrations account for a disproportionately large share of registrations in our Whois data compared to their relative share in our Whois data request. See Draft Report at 24-25.

The BC disagrees somewhat with the characterization that registration activity is “disproportionately centered around exact matches,” as Table 8 indicates that exact matches

make up only 17.9% of this subset of registrations, while “fat finger” typos represent 42.6%, character removal typos represent 23.2%, and character swap typos represent 10%. The BC interprets these percentages to mean that variations of trademarks are registered fairly regularly. While bright-line rules regarding expanded matching criteria are difficult to develop and the BC does not advocate for further expansion of such criteria beyond the existing “Trademark-plus-Fifty” option, we believe that more can be done to facilitate greater use of this existing “previously abused label” service. Reducing the costs and burdens currently associated with this service could help deter the same “typo-squats” that tend to occur on well-known trademarks across a multitude of registries.

The Draft Report states,

“Although it is difficult to make a statistical comparison of the dispute rates in Table 10 to the 0.3% dispute rate found in our Claims Service analysis, this result indicates that expanding the matching criteria may not help to deter many bad faith registrations that would be disputed by trademark holders.” See Draft Report at 28.

However, if the concept of “matching” were to more consistently include previously abused typo-variations, then prospective registrants of such domains would receive a Claims Notice, potentially deterring these kinds of registrations. Such variations are no less likely to be infringing or made in bad faith than exact matches.

Finally, the Draft Report makes two additional points regarding bad faith registrations: (1) domain disputes involving a domain name do not automatically mean the domain name was registered in bad faith, and (2) domain disputes do not account for all bad faith registrations, some of which may go undetected. See Draft Report at 20 n.49; *id.* at 28 n.62. The BC agrees with these statements, but notes that the vast majority of domain disputes—according to WIPO, over 90%—are decided in favor of the complainant, and that the lack of a domain dispute may mean that the trademark owner simply has not yet filed an action. However, the BC also recognizes that in the minority of non-default UDRP cases in which the registrant files a response the outcome is far more even.

6) Sunrise Period

The Draft Report notes:

Although most TMCH users submit proof of use to gain access to the Sunrise period, few trademark holders utilize the Sunrise period. **Table 11** shows that 19.9% of the trademark holders with trademark strings recorded in the TMCH who were eligible to make sunrise period registrations ever did so. On average, only 7.2% of trademark holder registrations for domain names that match their trademark strings are made during Sunrise periods. This indicates that trademark holders most frequently wait until the general availability period of new gTLDs to register domains of their trademark strings. I.e., 80.1% of trademark holders that were eligible for Sunrise period registrations never made a registration of their trademark string during the Sunrise period at all, and trademark holders that do

register during the Sunrise period are selective about which Sunrise periods they utilize (ultimately making Sunrise registrations during only 7.2% of Sunrise periods for which they are eligible). This is consistent with feedback that we received in questionnaires, which indicated that the Sunrise period is a valuable opportunity to prevent cybersquatting but is also an expensive option. See Draft Report at 30.

It may be helpful to clarify how the number of “eligible” Sunrise periods was determined, and whether .Brand TLDs were excluded, given that they are not required to run a Sunrise. We would also be interested as to whether any analysis was done of Sunrise pricing compared to general availability pricing. It is possible that some Trademark Owners have utilized certain registry blocks such as Donuts’ and Rightside Registry’s Domain Protected Marks List (DPML), and therefore would not necessarily register during the Sunrise period and would consider selectively overriding the block during the general availability. In addition, certain Registry Operators have placed trademark strings on their Reserved or Premium Lists to gain additional fees from Trademark owners, thereby discouraging limiting Trademark owners from registering during the Sunrise period. Some Registry Operators eventually remove the trademark strings from their Reserved List or lower the Premium costs during general registration.

The Draft Report goes on to provide:

In general, larger trademark holders (i.e., those with more trademarks recorded in the TMCH) tend to make more Sunrise period registrations. This may occur because trademark holders who submit many trademarks to the TMCH are potentially more concerned about their trademarks and brand and, therefore, are more likely to participate in other measures of trademark protection, such as Sunrise period registrations. See Draft Report at 30.

We add that another reason why larger trademark holders may pursue more Sunrise registrations is that such companies may have more resources to cover the cost of extensive Sunrise registrations, whereas smaller trademark owners may not. Smaller trademark owners may depend on reduced fees during the general availability period, or may simply lack the funds to take a preemptive approach to enforcement within all new gTLDs.

7) Conclusions

The Draft Report provides a number of conclusions based on the data analyzed by Analysis Group. The BC cites these conclusions below along with its comments as to each.

First, the Draft Report concludes as follows with respect to the deterrent effect of the Claims service:

Our analyses have shown that it is possible that the Claims Service and matching criteria help deter rights-infringing registrations that are exact matches to trademark strings recorded in the TMCH. It is also possible that some good faith registrations are being deterred by the current Claims Service system, which may be detrimental to the registration activity of non-trademark-holder domain

registrants. However, limitations of our data do not allow us to definitely conclude whether Claims Service notifications have a deterrent effect. See Draft Report at 31.

Based on the data available, the BC agrees that it cannot be determined conclusively whether or to what extent the Claims Notice has had a deterrent effect on registrations in new gTLDs, regardless of whether such prospective registrations would have been in bad faith or good faith. As discussed above, making this determination would require establishing a baseline registration abandonment rate in the context of no Claims Notices. We encourage Analysis Group to reach out to registrars to obtain such data, in order to be able to offer more useful conclusions on this issue.

Second, the Draft Report concludes as follows with respect to extending the mandatory Claims Service period and expanding matching criteria:

[E]xtending the Claims Service or expanding the matching criteria used for triggering Claims Service notifications may be of limited benefit to trademark holders and will be associated with costs incurred by other stakeholder groups, such as registries, registrars, and non-trademark-holder domain registrants. The effectiveness of Claims Service notifications depends on how many registration attempts are being made. Registration activity declines after the Claims Service period, so any additional months added to the Claims Service period will likely have a diminishing value. See Draft Report at 31.

The BC agrees with the conclusion regarding extending the Claims Service period based on the data presented, and believe Claims Service should not be extended on a mandatory basis (although registries should continue to be permitted to voluntarily extend Claims Service at their discretion). However, as discussed above, the BC believes encouragement of greater use of the “previously abused label” service through reduction in administrative costs and burdens could have a positive deterrent effect on bad faith typo-squatting.

Third, the Draft Report concludes as follows with respect to dispute rates and expanded matching criteria:

[T]rademark holders infrequently dispute registrations that are variations of trademark strings. To the extent that dispute rates are low because trademark holders do not consider string variations to be trademark-infringing, an expansion of the matching criteria may bring little benefit to trademark holders and only harm non-trademark-holder domain registrants, who may be deterred from registering trademark string variations that would otherwise not be considered a trademark infringement by trademark holders. See Draft Report at 31.

As discussed above, the data shows a very low rate at which trademark owners engage in *formal* disputes over new gTLD domain names, and that dispute rates are comparable for exact matches and variations of exact matches of trademarks in the TMCH. However, the BC does not agree with the assumption that “dispute rates are low because trademark holders do not consider variations to be trademark-infringing.” Indeed, dispute rates may be low because of

the costs associated with filing numerous complaints in a short time frame, domain registration alone may not be enough to warrant a dispute absent infringing use, or because such matters are resolved between the parties before a formal dispute is filed.

Finally, the Draft Report concludes as follows with respect to use of the Sunrise period:

[A]lthough trademark holders value access to the Sunrise period and many submit proof of use to become eligible for Sunrise registrations, few trademark holders make Sunrise registrations. This could be due in part to the expense of Sunrise registrations or because other protections of the TMCH services reduce the need for trademark holders to utilize Sunrise registrations. See Draft Report at 31-32.

The BC agrees that the data supports this conclusion, although additional feedback from brand owners may be informative as to why there have not been more Sunrise registrations (the BC agrees that cost is likely to be the primary factor).

In addition, trademark owners are unlikely to purchase sunrise registrations in gTLDs that are irrelevant to their businesses. They may also simply opt to boycott gTLDs featuring exploitative sunrise or administrative fees.

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This comment was drafted by Andy Abrams, Phil Corwin, and Cecilia Smith. It was approved in accord with our Charter.