

White Paper

Uncovering the Costs of Disputed Domains

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<i>What is URDP?</i>	<i>1</i>
<i>Methodology</i>	<i>2</i>
<i>Results</i>	<i>5</i>
<i>Recommendations</i>	<i>8</i>
<i>About CSC</i>	<i>9</i>

Domain name disputes cost corporations millions of dollars every year, but you can avoid these costs with a deeper understanding of why and how they are incurred.

To help organizations like yours better understand infringement trends within the domain name space, Corporation Service Company® recently conducted an analysis of all Uniform Domain Name Dispute Resolution Policy (UDRP) filings. The results outlined in this paper provide significant insight into unnecessary disputed domain costs and how you can prevent them.

What is UDRP?

The Internet Corporation of Assigned Names and Numbers (ICANN) established the UDRP process in 1999 to help protect brand owners from infringing third-party domain name registrations. This policy established an impartial mediation process that proved more efficient and cost-effective than pursuing action through the court systems.

When submitting an application through UDRP, there are three facts that the complainant must prove:

- 1) The domain name is identical or confusingly similar to a trademark;
- 2) The registrant has no legitimate interest in the domain name; and

- 3) The domain name was registered and is used in bad faith.

UDRP is available through four providers:

1. World Intellectual Property Organization (WIPO)
2. National Arbitration Forum (NAF)
3. Asian Domain Name Dispute Resolution Centre
4. Czech Arbitration Court

Of these providers, the majority of cases are filed through WIPO and NAF. The UDRP is applicable to all generic Top Level Domains (.aero, .asia, .biz, .cat, .com, .coop, .info, .jobs, .mobi, .museum, .name, .net, .org, .pro, and .travel) and some country code top-level domains (ccTLD), including .ch for Switzerland.

Methodology

In conducting this study, CSC identified three areas of significance: UDRP Data, Enforcement Data, and Registration Details. The first two areas contribute significantly to the unnecessary costs associated with domain name disputes.

- i. UDRP Data

CSC began by aggregating all disputes filed between January 2000 and May 2009 through WIPO and NAF. More than 45,000 domains were filed during this timeframe. Since many ccTLD operators, including Nominet for .uk, manage their own dispute processes, this report does not analyze data from other sources.

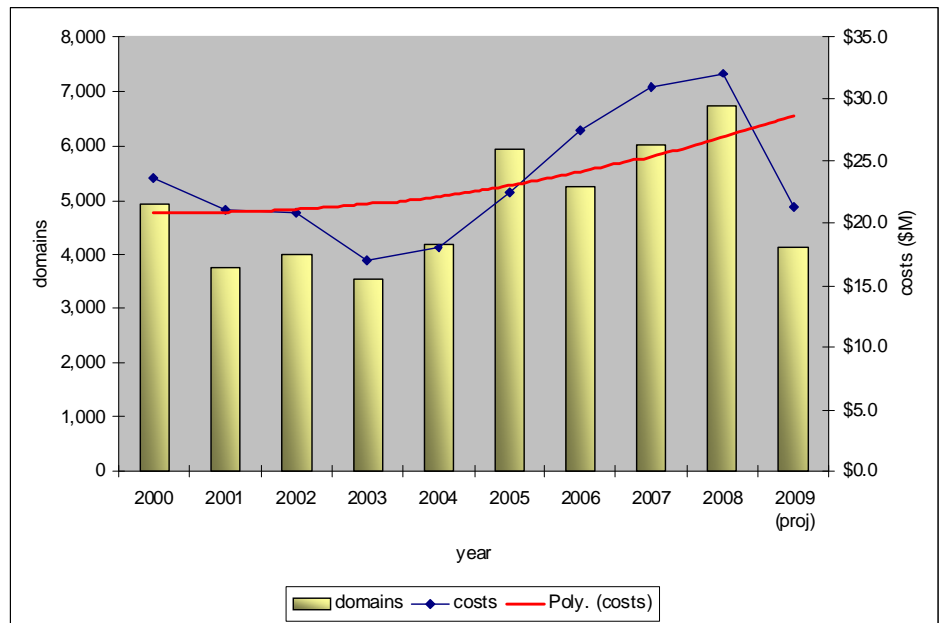


Table 1. Domains & associated costs per annum

Once we aggregated the WIPO and NAF data, CSC then analyzed the filing cost per application. In doing so, we made several assumptions:

1. Not all filings are for a single domain.
2. Within the NAF, brand owners have the right to rebuttal, which was not analyzed.
3. All filings were with a single panel member, which is lower than the cost of having three panel members.

ii. Enforcement Data

After we ascertained the actual cost of filing a disputed domain name with one of the mediation centers, CSC then made assumptions regarding the associated enforcement costs for

filing. CSC mapped the enforcement process from detection to closure, as outlined in Table 2.

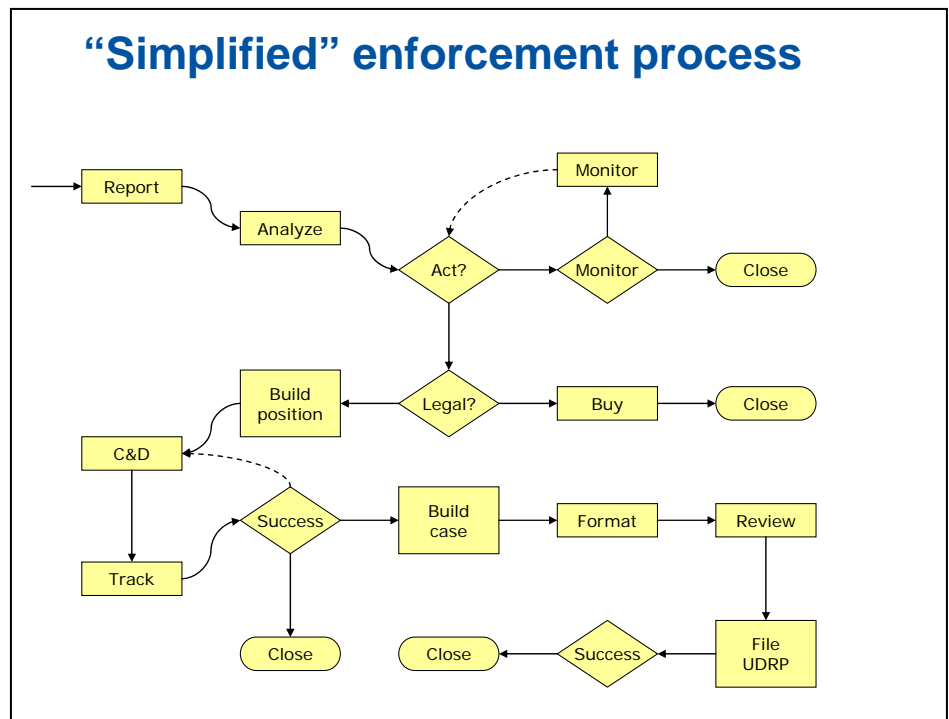


Table 2. Simplified enforcement process

For every action that takes place along the enforcement process, companies incur costs. In most cases, a combination of vendors, paralegals, in-house trademark attorneys, business representatives, management, and outside counsel play a part in the process. It is important to note that most, but not all, disputes are filed by outside counsel.

In order to help understand the process, CSC consulted with clients who have experienced the UDRP process first hand. We then leveraged that experience to help define the costs associated with the enforcement process.

iii. Registration details

CSC used our extensive domain availability searching to pull back the results of current Whois data. However, in some cases, the registrar who managed the domain name provided only limited information.

Finally, to uncover additional information about the domain string, CSC determined the “brand” for more than 50% of the disputes.

Results

Once we obtained all the relevant data, CSC compiled and analyzed the information. Our findings provide considerable insight into the “how” and “why” of domain name dispute costs. As outlined below, the costs associated with the process are exorbitant, unnecessary, and (most importantly) avoidable.

i. UDRP Filing Costs

\$36.4M = Cost of UDRP filings

+ \$185M = Cost of associated enforcement processes

\$221.4M = Total cost of UDRP filings

Had the brand owners we studied registered their domain names from the start, the cost would have only been \$1.1M. These numbers offer a compelling reason for companies to look at the costs to prevent a problem rather than the cost to cure it.

ii. Recovered domains are an investment that must be protected.

Prior to starting the procedure of filing a dispute (as shown in Table 2), many decisions have already occurred. In order to reach this stage, someone within an organization decided that UDRP was the most appropriate course of action, so the domain name must be of value.

However, the results we analyzed reflect otherwise:

- 3,389 domains that were challenged and successfully recovered are now once again available for registration, resulting in an associated cost of \$12.7M.
- Yet another 3,028 domain names were won, were allowed to subsequently lapse, and were re-registered, carrying an associated cost of \$15.9M.

In many cases, the re-registration was not by the brand owner. There may be a number of reasons for this. It's possible that the domains sit outside of policy, or that companies thought no one would try to register the name again.

Looking at specific cases, there have been occasions when companies have filed multiple disputes against the same domain name. One case in point is detailed below in Table 3.

Case	Claimant	Respondent	Date	Decision
D2000-0727	Banco Do Brasil SA	Sync Technology	04 Sep 2000	Transfer
D2001-0955	Banco Do Brasil SA	Jang Bong Hyun	13 Dec 2001	Transfer
D2007-1657	Banco Do Brasil SA	Abadaba S.A. Domain Admin	22 Jan 2008	Transfer

Table 3. Example of multiple disputes against the same domain name

For this reason, it is imperative that companies realize the value of a domain name before undertaking the filing process. In the case illustrated in Table 3, the disputed domain name is an exact match of the company's name under .com. Furthermore, once the costs to win the name have been incurred, companies should not allow the name to lapse.

iii. String analysis

CSC studied the behavior of infringers as a method of preempting risk. With a better understanding of how infringers operate, the risk of infringement can be greatly reduced and possibly even prevented.

Infringers target domains that deliver the most value. They use cybersquatting to drive traffic to pay-per-click advertising and utilize phishing scams using names similar to the brand. By studying this end-user behavior, the value of a domain can be estimated, and one can choose to register or pursue the most valuable domains.

CSC also conducted infringer research to help identify patterns of risk as well as the most common types of infringement. We looked at more than 500,000 domains and found that most infringements occur using the "www" prefix and the "online" suffix.

Of 793 UDRP claims filed against "www" variants of brands:

- 29% of the top* 800 filers registered claims against "www" variants, at a cost of \$1.8M
(corresponding registrations = \$11.9K)
- 54% of the top* 200 filers registered claims against "www" variants, at a cost of \$1.1M
(corresponding registrations = \$8.4K)

Of 511 UDRP claims against “online” variants of brands:

- 13% of the top* 800 filers registered claims against “online” variants, at cost of \$1.7M
(corresponding registrations = \$7.9K)
- 36% of the top* 200 filers registered claims against “online” variants, at cost of \$1.2M
(corresponding registrations = \$6.1K)

** “Top” relates to brands for which most UDRP cases have been filed (WIPO & NAF combined).*

These findings suggest an intuitive relationship between the brand and the Internet. Furthermore, learning from other brands’ experiences offers a way to identify patterns of infringer behavior in order to preemptively avoid risks.

Recommendations

When it comes to domain name disputes, prevention is the best method to avoid unnecessary costs. By properly registering and maintaining the right domain names, you can prevent the need to correct problems down the road and their associated costs.

Before undertaking the UDRP process, it is imperative to make certain the domain is worth fighting for - that the benefits will outweigh the costs. Furthermore, once a domain is won, it must be protected—make sure it is renewed before it lapses. By doing so, the costs of subsequently re-registering the domain can be prevented.

Take the time to examine infringer trends and learn from others’ experiences with the UDRP process. Observing these findings can help you identify the most rational investments. Finally, end-user behavior can

help determine the ultimate value of domains. Watching these behaviors can help you decide whether or not to pursue or register a domain.

By following these recommendations, unnecessary domain dispute costs can be drastically reduced and even avoided.

About Corporation Service Company®

Corporation Service Company®, a privately held company headquartered in Wilmington, DE, is a leading provider of legal and financial services for many of the world's largest companies, law firms, and financial institutions. Founded in 1899, CSC offers clients an integrated, comprehensive portfolio of services that includes: corporate compliance and governance services; entity management services; litigation and matter management services; public record document and retrieval services; uniform commercial code services; trademark, domain and online brand monitoring services; motor vehicle titling services; and Registered Agent services. To learn more about CSC, visit our Web site at www.cscglobal.com or call 800-927-9800.