

Personal comments on the Special Trademark Issues Review Team Recommendations on Trade Mark Protection in New gTLDs, dated 11 December 2009

First of all, I appreciate the opportunity to comment on the recommendations of the Special Trademark Issues (STI) review team.

I am a partner with Laga, and a practising intellectual property lawyer, registered with the Brussels Bar (Belgium). Over the past seven years, I have been directing the Sunrise processes for .EU, .MOBI, .ASIA, .ME, .TEL and the numerical Sunrise process for .NL, supervising the validation of approx. 450,000 intellectual property claims. I am also a Professor at the University of Alicante (Spain) and the Karel De Grotehogeschool in Antwerp (Belgium), where I am lecturing in – amongst others – trademark, patent and competition law.

These comments are submitted in my personal capacity.

1. The IP / Trademark Clearinghouse is not a Rights Protection Mechanism

Personally, I do not see the Clearinghouse in itself as a Rights Protection Mechanism. It is a system, operated by one or more organizations, that supports other Rights Protection Mechanisms, such as a Sunrise, IP Claims or other processes.

It should not develop policy, contrary to what the STI team appears to be recommending – I will touch upon this aspect later on.

Therefore, I would suggest the STI team to adopt a different approach, and in particular define the minimum requirements for a Sunrise or IP Claims policy for the future new gTLDs: which rights will be acknowledged, exact matches only or also variants, etc. These (consensus) policies or recommendations should be a floor, but not a ceiling, as any gTLD registry should – depending on its proposed gTLD – have the liberty to decide which other rights or circumstances should be accepted as well, in addition to these mandatory (or recommended) minimum requirements.

2. The STI's "trademarks only" requirement

The STI's recommendation 1.1 suggests that the Trademark Clearinghouse only should include trademarks.

Looking at the apparent interest in managing geographical community-based gTLDs, it is unclear why other local rights, apart from registered trademarks, should not be recognised by the Clearinghouse. In many countries, small enterprises or individual entrepreneurs do not have the financial means to apply for trademark protection.

Although most of the past Sunrise processes were based on registered trademarks, some also included other types of rights, such as – in the case of .EU (and to a certain extent also .ASIA and .NL):

- unregistered trademarks;
- company names;
- trade names;
- business identifiers;
- personal names; and
- distinctive titles of protected literary and artistic works.

These last types of rights were only recognised *“insofar and to the extent they were protected by the national laws in which they were held”*.¹

Although there may be practical considerations and difficulties in determining whether or not these rights are actually protected on a local level, these issues are not insurmountable, and practice shows that these claims can effectively be accommodated.

3. The STI’s suggested indemnification for “errors such as false positives”

It is not clear what the STI means with a “false positive”, in particular in the absence of clear processes and standards of how the Clearinghouse should be operated and with whom it must interact.

In particular, it is not clear which of the situations below would be qualified by the STI team as a “false positive”:

- a registered trademark that was recently nullified by a court, and the official database of the competent trademark office has not been updated, reflecting the nullification?
- a trademark registration that was cancelled by the trademark owner, but due to a backlog with the trademark office, the cancellation decision is not (yet) visible on the on line databases or, in the absence of an on line database, is not publicly available, unless an interested party would submit a request with the trademark office, and a response will be provided by the latter for a fee;
- trademark registrations that contain a disclaimer (for instance where the trademark office states that no exclusive right can be claimed for a particular part of the trademark because it is descriptive)? Will the inclusion of the all textual elements be considered a “false positive”? Or is only the non-descriptive part to be recognised?
- whether and how the Clearinghouse should accept signs that were registered, notwithstanding the fact that these words should not have been registered considering the national laws or international conventions, such as: the “Red Cross”, the words “United Nations”, marks of official government authorities, etc., and this on a global scale;
- and so on.

¹ Article 10.2, §2 of Commission Regulation 874/2004.

Considering the task and function of the Clearinghouse in the context of future Rights Protection Mechanisms, I do agree that appropriate indemnifications for errors have to be put in place in order to provide for adequate safeguards for intellectual property holders and the community at large.

Again, this has been done before.²

One important element that seems to be missing in the STI Report – and in the final IRT Report – is how the operator of the Clearinghouse should deal with errors made by intellectual property holders and/or their registrars. Experience in working as a validation agent for multiple ccTLDs and gTLDs learns that more than 50% of the records submitted by intellectual property owners and/or their registrars contains incorrect information ... In terms of liability, this should be an area of concern for all members of the community, in my opinion.

Recommendation

In my view, it makes more sense from an operational and legal point of view to provide for a procedure whereby a third party has the right and the ability to challenge the existence and/or contents of an IPR record in the IP Clearinghouse.

In the past, we have implemented Sunrise Challenge procedures, for instance for .ASIA and .TEL. In total, we administered about 150 “complaints” (of which only one in .TEL). None of these complaints matured to an official Sunrise dispute.³ In the end, the total number of actual UDRP cases relating to domain name registrations in these domains have been minimal.

4. The STI’s suggestion to limit the scope of the Trademark Clearinghouse to “text marks” only

It is not clear what the STI team means with the word “text mark”. In many jurisdictions, specific terminology exists (“word marks”, “standard character mark”, etc.). Many trademark offices use different fonts as standard fonts and determine the type of trademark on the basis of their own standard font. It goes without saying that this will be confusing for many trademark owners.

In light of the above, the STI’s thesis that “[t]he trademarks to be included in the TC are text marks because “design marks” provide protection for letters and words only within the context of their design or logo” is not correct from an (international) trademark law and practice point of view.

Furthermore, as complaints under the UDRP can be filed on the basis of a device mark, there is no reason why a different approach should be adopted in order to prevent abusive and speculative domain name registrations.

² For instance, in the .EU launch, a liability that in some cases amounted up to 3,000% of the actual registry fees was accepted.

³ For instance, the DotAsia Organization appointed the Hong Kong International Arbitration Centre (<http://www.hkiac.org/newspdf/29.pdf>); the web site of the HKIAC clearly indicates that no Sunrise challenges were launched (<http://www.hkiac.org/odr/DotAsia/statistics.htm>).

Recommendation

In the context of the .EU Sunrise, a rule has been developed in consultation with various stakeholders, whereby holders of intellectual property rights with respect to a sign that contains both textual and design elements were entitled to submit a domain name application:

A Prior Right claimed to a name included in figurative or composite signs (signs including words, devices, pictures, logos, etc.) will only be accepted if:

(i) the sign exclusively contains a name, or

(ii) the word element is predominant, and can be clearly separated or distinguished from the device element,

provided that:

(a) all alphanumeric characters (including hyphens, if any) included in the sign are contained in the Domain Name applied for, in the same order as that in which they appear in the sign, and

(b) the general impression of the word is apparent, without any reasonable possibility of misreading the characters of which the sign consists or the order in which those characters appear.

Experience learns that in approx. 1% of the cases there could be a debate about the actual application of this rule to a concrete situation, but in practice no substantial issues have been raised.

All Sunrise processes that followed the .EU launch - .MOBI, .ASIA, .ME, .TEL and .NL - adopted the same rule in a consistent manner. Intellectual property holders have familiarized themselves with this rule, and therefore I would strongly recommend the STI to take the same approach and accept any sign that meets the above criteria to be included in the Clearinghouse.

5. Reference to “countries where there is no substantive review” of applications for registered trademarks

First of all, there is no internationally accepted definition of “substantive review”. Furthermore, it is not clear why this specification has been included, as it is obvious that all official national and regional trademark systems need to be recognised by ICANN.

In particular, many commentators may see this as an argument for only allowing trademarks that have been registered following a substantive review by the trademark office, or where the substantive review takes place following registration. In my view, it is not up to ICANN or the Clearinghouse operator to determine which country operates a “good” or a “bad” trademark system (whatever the criteria for “good” or “bad” may be).

Furthermore, this is not a requirement in order to file a complaint under the UDRP.

I can see two reasons why this requirement has been included – I will elaborate further on both of them:

- the fact that in some countries an expedited trademark registration system exists, which trademarks can subsequently be used in the context of a Rights Protection Mechanism of a gTLD; and
- future registries may want to put in place a list of so-called “generic” domain names, which can be registered at a premium; if a trademark registration exists for such a name, the registry could face legal issues (or has to remove such trademarked name from the premium names list).

Expedited trademark registrations

I do recognize that many members of the domain name and intellectual property community have expressed concerns over the fact that some registries recognised expedited trademark registrations, in particular in the context of the .EU Sunrise process as a basis for obtaining a domain name registration. The .EU Sunrise process was designed in order to safeguard holders of so-called “Prior Rights”.

This was an issue of heavy debate in drafting the .EU Sunrise Rules, which have been established after a lengthy consultation with various interested parties representing the trademark community, including:

- the International Trademark Association (INTA);
- the European Communities Trade Mark Association (ECTA);⁴
- MARQUES;⁵ and
- the European Brands Association (AIM).

The outcome of these discussions can be summarised as follows:

- the legal framework for the .EU Sunrise process has been laid down in two regulations: Regulation 744/2002 and Commission Regulation 874/2004;⁶
- in the context of this legal framework, the .EU Registry was required to accept – on a first come, first served basis – the registration of domain names that were based on so-called “Prior Rights”;⁷

⁴ <http://www.ecta.org/IMG/pdf/LiebenPP.pdf> and

⁵ <http://www.marques.org/Newsletters/Downloads/Issue%20No083.pdf>.

⁶ Commission Regulation 874/2004 of 28 April 2004 laying down public policy rules concerning the implementation and functions of the .eu Top Level Domain and the principles governing registration (http://www.eurid.eu/files/ec20874_en.pdf).

⁷ Article 10 of Commission Regulation 874/2004 of 28 April 2004.

- although Article 10.1, para.2, of this Regulation provides for a non-exhaustive overview of what these “Prior Rights” are understood to include, the Regulation provides no clarity whatsoever on “prior to which date” these rights should exist;
- during the consultation with key stakeholders that preceded the establishment of the .EU Sunrise Rules, various attempts have been made in order to find adequate solutions to the possibility that trademark systems that provided for an expedited registration procedure could be “abused” in the context of the .EU launch.⁸ However, no legal basis in Commission Regulation 874/2004 could be found in order to effectively implement these proposals.

Also some of the .EU Alternative Dispute Resolution panels tried hard in developing solutions, but none of them have been accepted by the Courts.

Whatever the analysis may be, the European Commission determined that the start up phased of the .EU TLD was carried out “*in full conformance with the legal framework*”.⁹

From an overall perspective, the effect of the “abuse of trademark systems” in the context of domain name launches is largely overestimated. Experience in directing the .EU validation processes demonstrates that:

- (i) the actual number of domain names that were registered by making use of expedited trademarks was less than 1% of all domain name applications received during the .EU Sunrise;
- (ii) most of these domain names relate to so-called “generic” names, which are in most cases of no concern to intellectual property holders; and
- (iii) many trademark owners who did not have a qualifying trademark at the time of the .EU launch also used the expedited systems in, for instance, the Benelux in order to obtain their domain name registration.

In TLD launches that followed the .EU Sunrise process, the total number of domain names that were secured on the basis of “expedited” trademarks was even far less.

Trademarks for “premium names”

Over the past years, I have participated in many debates relating to so-called “premium names” lists for “generic domain names”. In every discussion, participants who are less familiar with trademark

⁸ A copy of the letter sent by ECTA to the European Commission can still be found at <http://pdfind.com/48c6aba5d1bfb/>.

⁹ See in this respect the Commission’s Report on the implementation, functioning and effectiveness of the “.eu” TLD (http://eur-lex.europa.eu/LexUriServ/site/en/com/2007/com2007_0385en01.pdf).

law bring up the issue that you cannot have a trademark for a generic word (or better: “dictionary word”).

Examples show that, depending on a number of factors and considering differences in the approaches of national trademark offices, the opposite is true :

- APPLE for, amongst others, computers;
- CATERPILLAR for, amongst others, machines and machine tools;
- for sports gear: NIKE (which means “victory” in Greek) and REEBOK;
- for newspapers and magazines: THE SUN, THE INDEPENDENT, TIME, LIFE and HEALTH;
- and so on.

mTLD Ltd, the .MOBI registry, has put in place a process whereby owners of trademarks could remove domain names from the “premium list”, subject to a number of conditions.¹⁰ Although it is difficult to predict (i) whether future registries are going to put up “premium names lists”, and (ii) which names will be on such lists, it is clear that adequate solutions have already been developed in the past.

Recommendations

In my view, it is not up to ICANN or the operator of the Clearinghouse to determine which country’s or region’s trademarks need to be recognized and which ones not in the context of Rights Protection Mechanisms. Neither is it up to anyone – except for the trademark offices themselves and the authorities that supervise them – to determine which processes and procedures need to be followed in order to have an effective trademark registration system, or whether or not, and under which conditions, “dictionary words” are accepted as trademarks.

The sovereignty of the countries and regions need to be respected in any case.

If a particular trademark does not meet the substantive criteria set forth in the respective laws, but still gets registered at some point, this is an issue that needs to be resolved under such trademark laws, under the procedures foreseen therein. In my opinion, this is not an issue for ICANN to resolve.

The issues that arose in the .EU Sunrise with respect to expedited trademarks have been effectively countered in the .ASIA and .TEL sunrise policies. The so-called “cut-off date” requirements that have been implemented – *i.e.* dates before which a trademark must have obtained a “registered” status – were effective in countering abuse of the Sunrise processes for these gTLDs.

As said before, past experiences not only show that solutions to the above-mentioned issues already have been put in place, but also that the practical impact of these solutions is effective in serving the purposes for which they have been established.

6. The STI’s suggestion to limit the scope of trademarks to be included in the Clearinghouse to exact matches only

¹⁰ See <http://www.wipo.int/export/sites/www/ams/en/docs/mobipremiumrules.pdf>.

Most of the abuses that are currently taking place do not relate to “exact” or “identical” matches.

Referring to the experience with the .ASIA Sunrise, many trademark holders welcomed the opportunity to safeguard their rights beyond the “exact match” with the domain name. Together with the DotAsia Organization, we have put in place processes whereby trademark holders had the opportunity to register during the .ASIA Sunrise as domain names:

- the trademark *plus* a descriptive word for which the trademark was registered (as contained in the classification), in various languages;
- the trademark *minus* a descriptive word that was included in the trademark, hence only keeping the distinctive element;
- removing existing TLD strings from trademarks, or references to “Asia”;
- names that were identical to other domain names that were previously recovered by the trademark holder following a court or UDRP decision, even when the domain name was not identical to the trademark.

These were all options for the trademark holder, and were by no means mandatory.

I would strongly recommend the STI to review the practices adopted in the context of the .ASIA launch, and revise its position accordingly.

7. Our Proposed IP Clearinghouse model

Prior to the formation of the Implementation Recommendation Team, I presented our proof of concept of the Clearinghouse in the context of the ICANN in conjunction with a rapid suspension system during the ICANN Meeting in Mexico City in February of 2009 and during the IRT Consultation in San Francisco in May of the same year.

Main features

The main drivers were:

- *increasing efficiency*. In the past five to six years, registries of new TLDs had an exclusive “airtime” of about 6 months or even more with their registrars and future registrants. Extensive time and efforts were invested in explaining the policies, including the processes and procedures with many of them.

Assuming that there will be 300 new gTLDs coming out of the next round, this will imply that one new extension will be launched every working day over a period of one and a half years. If the key actors in these launch processes – registries, registrars and registrants – will not rethink their processes and only focus on the *status quo*, this could have a detrimental effect on all of them. My proposed proof of concept aims to provide part of the solution.

- setting up a *transparent process* for all holders of distinctive signs for safeguarding their rights, and the public at large: in our view, everyone should have the ability to see which intellectual property rights have been reported to and have been accepted by the

Clearinghouse – we have referred to this as the “WHOHAS” function. Certainly with respect to registered trademarks, on line and off line public databases exist, so there is no reason for keeping things behind closed doors;

- *reducing (administrative) errors* by registrants and registrars, including the burden this entails for the respective registries. As stated before, more than 50% of the records that have been reviewed in the context of past Sunrise processes contained erroneous information, many of which caused domain name registrations to fail. In line with the practices adopted during the .ASIA and .TEL Sunrises, the Clearinghouse operator should provide for sufficient assistance to intellectual property holders and registrars in order to mitigate these risks;
- *reducing the costs for intellectual property owners* who want to safeguard their distinctive signs in the new gTLDs, and *in particular the cost of having their rights re-validated over and over again*;
- *facilitating brand owners and their registrars in complying with policy requirements developed by the registry*: as not all rights protection policies of all future registries will be identical, intellectual property holders will struggle in dealing with divergent requirements. The Clearinghouse should provide for guidance in this respect, by informing registrants and their registrars up-front on whether or not a particular Clearinghouse record is suitable in the context of a Rights Protection Mechanism developed by a particular registry.

Many commentators are weary of the fact that the Clearinghouse should obtain “too much power” and/or render ancillary services beyond the scope of its *raison d’être*.

I agree.

First of all, in our proposal, the only party that is entitled to develop policy in terms of Rights Protection Mechanisms would be the registry, both in terms of which rights will be acknowledged and which domain names can be registered on the basis of these rights. In the past, all registries have recognised the rights of trademark owners, but some have gone beyond that. And many of these processes have proven to be successful and effective.¹¹

Secondly, the functions of the Clearinghouse should be limited to the specific purposes for which it will be set up. However, this should also imply that the Clearinghouse operator must be able to exercise these functions to the maximum extent possible. Some of the commentators have said that the Clearinghouse should “just be a database”, with as little human intervention as possible.

I suggest those commentators to look at the practices applied in the past and the practical outcome achieved. A feasibility study, as recommended by the Business Constituency, could be extremely helpful in this case. However, this study should look at the full picture.

In the context of the .EU Sunrise, the registry received 346,218 domain name applications, of which only 139,888 applications were effectively registered, or approx. 40%. Many applications failed

¹¹ One indicator is the number of UDRP cases that have been initiated in recently launched gTLDs. WIPO’s statistics show that 8 domain names have been the subject of a UDRP in .ASIA (2 in 2008, 6 in 2009), and 7 in .TEL (6 in 2009, 1 in 2010); see <http://www.wipo.int/amc/en/domains/statistics/>.

because the applicant failed to provide evidence for their intellectual property claims (approx. 28%), or because incorrect information was submitted to the registry. Having learned from past experiences, we have devoted a lot of time and efforts in assisting trademark owners and their registrars during the .ASIA and .TEL sunrise processes, in close consultation with the respective registries. More than 95% of all domain name applications became effectively registered.

In brief: the human factor in operating a Clearinghouse should not be underestimated. If the Clearinghouse would only be a machine talking to other machines, I fear that many trademark holders will eventually be talking to UDRP panelists.

The above concerns will also be a primary focal point during the upcoming relaunch of an existing ccTLD, where a Clearinghouse will be put in place that aims to meet many of the above requirements.

Interplay with the URS

As is reflected in the attached PowerPoint presentation, there are various ways for the Clearinghouse to interact with other parties, such as registrars, registries, and even URS dispute resolution service providers. With respect to the URS, the Clearinghouse could provide – upon request of the intellectual property holder – all basic information, hence reducing the administrative burden and associated costs for the complainant.

If well implemented, it can – I am not saying that it “should” – be an effective system in the context of post-launch IP claims processes.¹²

8. The URS

In order to provide for an effective deterrent against abusive domain name registrations, the STI team should in my opinion look into the possibility of introducing the requirement that the loser of the proceedings bears the costs thereof.

In particular, I would suggest looking into the practices adopted by the Belgian ccTLD registry, DNS.be in this respect.

In addition to the STI’s recommendations, the winning complainant should have the ability to decide what would ultimately happen with the domain name: transfer, cancellation, ... for a limited period of time or even for the term within which the trademark that formed the basis of the complaint is registered.

9. Conclusion

¹² In interactions with various commentators, I realise that there are a number of concerns within the community that a post-launch IP claims process could have a chilling effect on domain name registrations. Depending on how this system and process is put in place, this is not necessarily the case.

Trademark laws primarily exist in order to assist and safeguard consumers when they are purchasing authentic products and services, and not – as many people may think – to protect the trademark owners themselves: a brand itself is a seal of authenticity, a practical method for consumers to appreciate the quality of goods by viewing the mark rather than inspecting each product.¹³

Trademark laws are designed to, amongst others, safeguard this seal.

Therefore, all stakeholders in this process of finding adequate safeguards for the intellectual property community have a responsibility, not directly towards trademark holders, but to all of us.

It is a simple fact of life that every “system” that allows exclusive rights to exist is prone to abuse in one sense or another: in the patent system, so-called “patent trolls” exist; it is well recognized that “cybersquatters” play a similar role in the domain name space; and also in the trademark world, a number of rogue players are active. We need to acknowledge that there will never be a perfect system, considering the diversities in trademark laws and practices all over the world. Many of these have been established decades, some even centuries ago. What we need to seek – and find – is a process whereby abusive domain name registrations are limited to the maximum extent possible.

I would strongly recommend the STI team members, who have absolutely done a tremendous job in reconciling the various views and opinions, not to focus on corner cases, examples or “outliers”. There is an imminent risk that such an approach will unnecessarily stall the debate. In my view, the STI team should rather look into past experiences in order to develop generally acceptable, although not perfect, models. Unfortunately, experience learns that not all of the issues we have experienced in the past, as raised above, can be solved by adding more “automation”. Practice shows that this is simply not how intellectual property laws and practices function. Indeed, a machine can indicate whether sign A is X% similar to sign B, depending on the parameters defined by the programmer(s) but, up to this point, it is still impossible for such a system to indicate whether it is confused or not.

Or, as the European Commission has clearly put it in the context of the review of the .EU Sunrise process: *“Some of the registrations were speculative and/or defensive, but most were in good faith. Some, inevitably, will have been made by people trying to “exploit” the system for financial gain. Such behaviour was to a large extent anticipated. Indeed, a large part of the discussions on “.eu” when the legislation has been adopted by the European Parliament and the Council was on how to minimise abuse.”*¹⁴

Always willing to further assist the STI team and share experiences.

Respectfully submitted,

Bart Lieben, 25 January 2010

¹³ Frederick Mostert, ‘Authenticity: The Timeless Quest’ (2003) 156 *Trademark World* 22, 24.

¹⁴ See: http://eur-lex.europa.eu/LexUriServ/site/en/com/2007/com2007_0385en01.pdf.