

A Quantitative Analysis of Trademark Infringement and Cost to Trademark Holders in New gTLDs

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Summary – A quantitative analysis of UDRP data for all open gTLDs concludes that the introduction of new gTLDs will result in approximately 316 new cases of cybersquatting, and that the resultant cost to trademark holders, overall, will be \$870,000 per year – less than less than \$.10 for each trademark registered worldwide, or about \$.44 per trademark registered in the United States. The data show that cybersquatting correlates to registration volume across all open gTLDs, but is more prevalent in .com.

Will New gTLDs Increase Cybersquatting?

A vocal group of brand and trademark owners has lobbied ICANN, the US Department of Commerce, and the ICANN's Government Advisory Committee (GAC) claiming that new gTLDs would unleash a tide of lawlessness that would cost brand holders a fortune to combat.

Owners of trademarks and brands have claimed that a new round of gTLDs would leave them facing an onslaught of cybersquatting and typosquatting, and that their policing and enforcement costs would be substantial. Here is a recent representative statement of that view:

It is possible that the new gTLD program could lead to hundreds, if not thousands of new gTLDs. This is likely to cause brand abuse, such as cyber squatting, to grow exponentially. As a result, the legal costs for brand owners associated with monitoring, registering, and enforcing domain names are likely to raise substantially.¹

This campaign has been so effective that even intelligent observers like David Maher, Senior VP for Policy at Public Interest Registry, accept it at face value:

¹ Quoting Leo Longauer, Head of Group Intellectual Property for UBS AG, at <http://forum.icann.org/lists/draft-eoi-model/pdfiNrNvc3O3e.pdf> .

... there is a connection between the creation of large numbers of new gTLDs and the public interest in preventing a vast increase in cybersquatting and the spread of fraudulent practices.²

But is it really true that new gTLDs will bring a “vast increase in cybersquatting”? A wealth of relevant data allows an empirical test of this claim. Both the World Intellectual Property Organization (WIPO) and the National Arbitration Forum (NAF) keep excellent records of claims of trademark infringement brought through ICANN’s Universal Dispute Resolution Policy (UDRP).

The two main costs of domain names for trademark holders are:

1. the cost of pre-emptively registering brands in new gTLDs
2. the cost of monitoring and enforcing trademarks in new gTLDs

This study looks at enforcement, the second category. To understand the cost of enforcement, we studied the 10 year UDRP data on existing “open” gTLDs. We used the data from WIPO³ and the NAF,⁴ which together comprise the overwhelming majority of UDRP cases files.⁵ The sample is statistically relevant, comprising 8 new TLDs since 2001, with over 8 million domain names under management.

This study is the first of several in which we will quantitatively examine the likely effects of new gTLDs on trademark holders.

Infringements Per Million (IPM)

A study of the UDRP case data for the last 10 years for both existing (pre-ICANN) open gTLDs (.com, .net, and .org) and for newer ICANN-created open gTLDs⁶ shows that the number of infringements within

² http://www.circleid.com/posts/icann_and_its_responsibilities_to_the_global_public_interest/

³ <http://www.wipo.int/amc/en/domains/statistics/>

⁴ <http://domains.adrforum.com/decision.aspx>

⁵ Does not include Czech ADR, ADNDRC, or cases from former providers CPR or eResolution Cases. Inclusion of these cases, which deal almost exclusively with .com, .net, and .org domain names, would show an even greater incidence of infringement in legacy gTLDs compared to new gTLDs.

⁶ For the purposes of this study, we looked at those top-level domains introduced since 2001 that are either “open” (no restrictions on registrants), or whose restrictions are so easily circumvented, or so loosely enforced, that they are effectively “open.” Because trademark owners have not complained as loudly about restricted TLDs, we did not include them in our study. Not examined, therefore, were truly restricted gTLDs: .int, .gov, .mil, .edu, .museum, .coop, and .aero.

any open gTLD is quite predictable, depending primarily on the number of registrations within that TLD.

To help understand the relationship, we introduce a new metric: IPM (infringements per million). The data show that among current gTLDs, IPM varies between about 15 and 40, with .com having by far the highest IPM at 41.71 infringements per million registrations.

Domain name growth across all TLDs has for the past ten years grown at a fairly steady 10 – 15% annually.⁷ Past introductions of new gTLDs have not changed that overall growth. The new round of gTLDs, which foresees an increase of approximately 300 gTLDs,⁸ may (because of intensive marketing) increase this growth rate, but not by orders of magnitude. Based on historical data, the average IPM for the new open gTLDs listed in Table 3 below is 22.47, and 24.15 for .com, .net, and .org. Table 3 lists the IPM for each TLD.

The Data

Legacy open TLDs — .com, .net, and .org — account for the vast majority (94%) of all WIPO and NAF UDRP cases. This percentage has not changed significantly over the 10 years of data, as the table below shows.⁹

Table 1 : Com, Net and Org as % of all UDRP Cases

	CNO	Other	Total	CNO %
2001	2383	18	2401	99%
2002	1814	189	2003	91%
2003	1635	83	1718	95%
2004	2346	150	2496	94%
2005	3039	134	3173	96%
2006	2406	116	2522	95%
2007	2938	356	3294	89%
2008	3196	227	3423	93%
2009	3817	178	3995	96%
2010	21	1	22	95%
Total	23595	1452	25047	94%

⁷ <http://www.verisign.com/domainbrief/>

⁸ https://st.icann.org/data/workspaces/new-gtld-overarching-issues/attachments/security_and_stability_root_zone_scaling:20091007230927-0-13153/original/summary-analysis-root-scaling-study-tor-04oct09-en.pdf, page 6.

⁹ The anomalies here, in 2002 and 2007, are due to .info price promotions, where names were offered for free or near-free, which *did* increase infringements. Price of new TLD registrations – but not the existence of new TLDs – does increase speculative activities of all kinds.

Table 2, below, shows UDRP claims filed in new open gTLDs.

Table 2: Non-CNO Cases by Year

	asia	Biz	cat	info	mobi	name	pro	tel	total
2001		2		16					18
2002		74		115					189
2003		33		50					83
2004		90		59		1			150
2005		50		83		1			134
2006		27		76	9	4			116
2007		38	4	245	62	7			356
2008	2	47		120	52	5	1		227
2009	6	24		95	32	6	10	5	178
2010				1					1
Grand Total	8	385	4	860	155	24	11	5	1452

Finding 1: Infringement correlates closely to registration volume, but .com has the highest rate.

The vast majority of infringement occurs in pre-ICANN legacy TLDs, not in the newer TLDs. To understand what is likely to happen with the new round of gTLDs, we need to better understand these numbers.

The key metric this regard is “Infringements per Million,” or IPM. Table shows 3 the IPM across open gTLDs for 2009.

Table 3: 2009 Infringements Per Million (IPM) by TLD¹⁰

	UDRP cases	millions of registrations	IPM
com	3502	83.97	41.71
net	191	12.63	15.12
org	124	7.93	15.64
info	95	5.50	17.27
biz	24	2.01	11.94
mobi	32	0.935	34.22
asia	6	0.215	27.91
tel	5	0.238	21.01

¹⁰ Cases are calculated not by case number, but by domain names. So, for example, a case with 3 .com names, 2 .net names, and 1 .info name would be calculated as six different cases: 3 for .com, 2 for .net, and 1 for .info. The .cat and .pro TLDs are omitted from this table because for these purposes they are statistically insignificant.

We see that the number of UDRP cases is tightly correlated with the number of registrations in the underlying TLD zone, varying from a low of 11.94 IPM (.biz) to a high of 41.71 (.com). To the extent that there is variation, the outlier is .com, with a higher IPM. Only 4% of all cases (178 out of 3817) occur in non-CNO (com, net, org) gTLDs. Only 1.5% (59 out of 3817) occurred in non-CNOIB (com, net, org, info, biz) gTLDs.

Intuitively, this makes sense: because most large brands and high volume websites operate in .com, one would expect a somewhat larger impact of typo-squatting and other infringement, even relative to the installed base. The next level of TLDs: .info, .biz, .net and .org, which cater to smaller websites, and are less viable as typo-squatting targets, have less than half the IPM ratio.

The newer group of TLDs — .mobi, .asia, .tel — fall within these broad parameters, with .mobi and .asia having a slightly higher IPM, perhaps because they were marketed to domainer community. Nevertheless it is clear that across all TLDs the results broadly correlate to registration volume.

Finding 2: New TLDs will generate an estimated 316 new UDRP cases per year. Infringements will depend on total domain registrations, not the number of new TLDs.

Our first finding shows that the average IPM for open gTLDs created since 2000 is 22.47. What will the rate be going forward, what will be the total number of infringements, and what will be the corresponding enforcement cost to trademark holders?

Using the average 22.47 IPM for TLDs created since 2000, ***the new round of gTLDs would create 316 new infringements.*** Remember, this is calculated based on a rosy scenario for new TLDs; very likely, they will be less successful, and infringements will be fewer.

Last year, growth across all TLDs was 12% (this includes ccTLDs, which grew at 17%).¹¹ This is very much in line with historical growth of domain names, and we predict that the same growth trend will continue. For gTLDs, this will mean a growth from a combined total of

¹¹ VeriSign Domain Name Industry Brief, http://www.verisign.com/static/DNIB_09_0529web.pdf

113 million today to 127 million in February 2011, or an additional 13.6 million names. If these additional names are distributed according to current market share, .com would go from 83.97 million names to 94 million names, .net from 12.63 million to 14.14 million, and so on.

In the past, the introduction of new TLDs has not significantly affected the growth of existing TLDs, and this dynamic is unlikely to change, at least in the short term.

Now, let us turn to the introduction of new TLDs. Let's suppose that with major marketing efforts the new gTLDs manage to double the growth rate of the overall market from 12% to 24%, and to capture 10% of the market in one year. (Again, this result is extremely optimistic for new TLDs.) The results would look like those presented in Table 4:

**Table 4 – Total Registrations in new TLDs
(24% increase in growth, but new TLDs capture 10% of market):**

Existing TLDs	Current Registrations (millions)	+1 Yr Total
Com	83.97	93.71
Net	12.63	14.10
Org	7.93	8.85
Info	5.50	6.14
Biz	2.01	2.24
Mobi	.935	1.04
Asia	.215	.240
Tel	.238	.270
New TLDs (combined)		14.07

Finding 3: The expected total annual enforcement costs for new gTLDs will be less than \$870,000 per year, or less \$.10 per trademark worldwide.

If all 316 new infringements were filed as UDRPs, at an average cost of \$5000, the cost of enforcement to trademark holders would be \$1.58M. There are 1.97 million active and pending trademarks in the U.S. Patent and Trademark Office, so on a per-trademark basis (for the U.S. only – clearly there are many more trademarks globally), the cost of new gTLDs would be \$.80 per U.S. trademark, and if the 2.4

million registered trademarks in China and the 825,000 European Community trademarks are included, the cost of new gTLDs is \$.30 per trademark.

But we can expect trademark holders to make use of the new Uniform Rapid Suspension (URS) process, which will have a cost of \$500, not \$5,000. What percentage of UDRP claims would be adjudicated through the URS process? We suspect that a majority of the cases that would have gone to the UDRP will now go through a URS proceeding. The number is hard to predict, but a reasonable estimate is that 50% of the claims that are now filed as UDRPs would be filed as URS proceedings. If so, the average cost of enforcing a trademark in the domain name arena will go from \$5000 to \$2750, or \$869,000 – that's \$.17 per trademark registered in the U.S., Europe, and China. If all the world's trademarks were included, ***the cost of new gTLDs would be under \$.10 per trademark worldwide.***

Conclusion

Trademark and brand owners will be faced with only minor costs from the introduction of new gTLDs. While the overall cost of UDRPs today is high (\$19.5 million per year) – the culprit is .com – not the 10 new gTLDs that have been introduced over the last 10 years. (Cost of defensive registrations is not considered in this paper but will be covered in a later study.)

We estimate the total enforcement cost resulting from new gTLDs to be \$869,000, or under \$.10 per trademark registered worldwide.

Contrast this cost to the benefits of new gTLDs. The benefits of new gTLDs have been well rehearsed, but are worth repeating here.

- ✓ Ordinary web users (as well as brands) will not be forced to spend over \$10,000,000 annually to purchase .com domains in the secondary market at inflated prices.
- ✓ Major cities such as .nyc, .paris, .berlin and .london want new TLDs. They see millions in revenue, increased tourism, increased efficiency in providing Internet services to their residents.
- ✓ Thousands of jobs will be created, because each new registry will need to employ 5 – 10 people at a minimum. (As a point of

comparison, Afilias, which manages .info and provides registry services for .org, has over 200 employees.)

- ✓ Linguistic communities such as .gal (Galicia), .eus (Basque), and .bzh (Brittany) see huge cultural benefits.
- ✓ Vertical TLDs with strong user bases such as .eco expect to use proceeds from registrations to help solve problems such as global warming.

The data show that new gTLDs are less likely to be involved in UDRP claims than .com. An expansion of new gTLDs is not likely to significantly increase UDRP costs for trademark holders. If ICANN introduces the Uniform Rapid Suspension (URS) provisions currently under consideration, trademark enforcement costs for new gTLDs will sink even further.