Coming into focus: new gTLD benchmarks for brands

While many issues remain unsettled in the new gTLD programme, after two years of the first round there are valuable lessons that brand owners can learn and apply going forward

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About two-and-a-half years ago, the first new generic top-level domains (gTLDs) resulting from round one of the Internet Corporation for Assigned Names and Numbers' (ICANN) new gTLD programme were delegated. Since then, the gTLD namespace has undergone a historic expansion from 22 gTLDs to nearly 1,000. While another 200-plus gTLDs are still to be delegated in ICANN's first round, pressure is mounting in some circles for ICANN to open a second round post haste. However, the universal question coming from brand owners still remains: what are other brand owners doing about new gTLDs?

To date, there has been scant data available to enable brands to benchmark their new gTLD strategies against each other, leaving many feeling as if they are playing a game of darts when it comes to smart and effective strategy, hoping they land the right decision. The list of things to consider is long, including:

- determining what new gTLDs, Trademark Clearinghouse (TMCH) filings and blocking programmes to invest in;
- deciding what security and reputational risks to protect against;
- choosing what enforcement mechanisms to utilise; and
- deciding what search engine optimisation strategies to adjust.

New research conducted by CSC Digital Brand Services, which analysed the global domain name portfolios of the Best 100 Global Brands (http://interbrand.com/best-brands/best-global-brands/2015/ranking/#?listFormat=ls), now brings these benchmarks into focus.

Domain registration benchmarks

According to the research, top brand domain name portfolios range in size from between 1,000 and 50,000 domain names. For example, the portfolio sizes of retail, technology and media companies range from between 11,000 and 16,000 domain names registered globally, while luxury, restaurant and energy company domain name portfolios range from between 1,600 and 2,300 names. On average, 60% of domain portfolios of the Best 100 Global Brands are comprised of legacy gTLDs (eg, '.com', '.net' or '.org'), 35% are country-code TLDs, and only 4% are new gTLDs. Internationalised domain names comprise a little less than 1% of a global domain name portfolio.

The most active industry in registering new gTLDs by percentage is the luxury brands sector, with new gTLDs comprising approximately 25% or 575 of the approximate 2,300 names in their portfolios. The next closest sector by percentage of registrations is retail, sitting at 9.4%, but in terms of quantity, participation here far exceeds that of luxury companies, with approximately 1,490 new gTLDs registered. Energy, electronics, transportation and, surprisingly, media companies, have shown little to no interest in registering new gTLDs, with participation rates tracking well below 1% of total domain assets.

In terms of which new gTLD strings are popular among top brands, the findings do not track global registration volumes. According to nTLD stats (http://ntldstats.com), the top 10 new gTLDs by registration volume are: '.xyz', '.top', '.wang', '.win', '.club', '.science', '.网址' (Chinese for 'web address'), '.link', '.site' and '.bid'. However, for the Best 100 Global Brands the top 10 new gTLD list looks very different by registration volume, with names in '.website', '.sucks', '.porn', '.adult', '.sex', '.watch', '.paris', '.london', '.reviews' and '.gift' featuring strongly. While '.website' has garnered the most registrations from top brands, it is clear that brand protection concerns have been driving most of the registration activity across the top five new gTLDs among top brands.

Everyone remembers the launch of '.sucks' by Vox Populi Registry last year. Across the top brands, there was an overall participation rate in this TLD of 44%, with an average of three brand strings being registered per company. Compare that to top brand participation in '.xyz', the top new gTLD by global registration volume, where participation hovers at 30%. However, if you dig deeper into the numbers and look at top brand participation versus all other registrant types, you will discover that top brands account for 5% of total '.sucks' registrations globally, while top brands only account for 0.01% of total '.xyz' registrations globally. That means '.sucks' has a staggering 48,000% higher participation rate by top brands than '.xyz' – a behaviour likely motivated by fear of reputational risk. For '.porn', '.adult' and '.sex', the numbers are less astounding, but consistent with '.sucks'. The average participation rate by top brands in these three new gTLDs sits at 44%, 43% and 39%, respectively, with an average of 2.7 registrations per company per TLD. Compare these participation rates to '.wang', '.win' and '.club', and again top brands make up a very small percentage of overall registrations versus all other registrant types.

Sometimes it is only top brands that show an interest in niche new gTLDs. For example, '.watch' is currently the sixth most registered new gTLD among top brands. While only two of the Best 100 Global Brands participated in this new gTLD, one of them is responsible for 246 (88%) of the 279 total '.watch' registrations globally. This situation also emphasises the fragility of the long-term viability of many single-industry, niche gTLDs. If, over time, brands see they are one of few registrants in a new gTLD and there is minimal risk for infringement due to low interest in the new gTLD overall, it is likely that top brands will let those registrations lapse a year or two down the road, unless they are achieving significant lift in organic search from them. With so much available inventory in the domain name system, top brands must be disciplined in identifying the right new gTLD domain names to have, because it is neither cost-effective nor necessary for brand protection reasons to own names in every new gTLD.

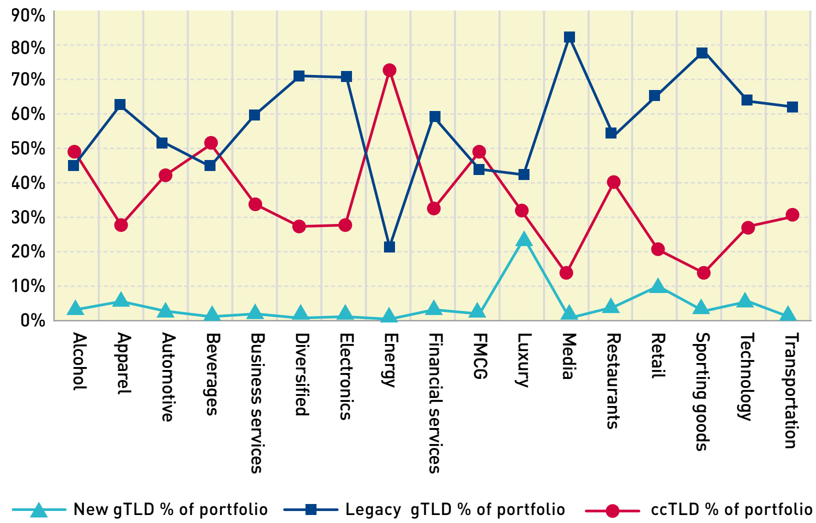
There also seems to be modest recognition by some of the Best 100 Global Brands that geographical new TLDs such as '.paris' and '.london' – and generic, keyword new gTLDs such as '.reviews' and '.gift' – could be valuable to own over time, as those types of new gTLD round out the top 10 new gTLDs for top brands. However, brand owners are predominantly registering brand and product TLDs in these extensions and are often ignoring the opportunity to purchase generic keywords left of the dot, such as 'auto.glass', to drive web traffic. It is true that premium name designations and premium name pricing is partially to blame for some of the hesitancy, but apathy and abhorrence for new gTLDs is what is predominantly driving the behaviour. Only time will tell if this strategy is a missed opportunity or a good call by brand owners.

Trademark Clearinghouse benchmarks

One of the rights protection mechanisms that was supposed to provide brand owners with relief from defensive registrations and trademark validation expenses was the TMCH. The TMCH was to be a central repository of trademark rights for new gTLD registries during the sunrise period and the first 90 days of registration, notifying prospective registrants of a brand owner's trademark rights in a specific string and brand owners of infringing registrations. The premise was that notifying prospective registrants of these rights would discourage – and maybe even eliminate – infringing registrations, and that prompt notification of potential infringement would position brands well to deal with infringers quickly. The TMCH was also designed to allow brand owners to reuse a trademark validation or registration obtained for the purpose of participation in a sunrise launch across any new gTLD that launched during its registration term with the TMCH. The jury is still out on exactly how effective the TMCH has been over the course of the rollout of round one of ICANN's new gTLD programme, but one certainty is that TMCH filings added significant costs to brand owner budgets, which was hard to project. This left many brand owners wondering how deep they should go into their global domain name portfolios to secure TMCH registrations that could be used for sunrise registrations and registry-offered blocking programmes, and for how long they should secure TMCH registrations.

What we know after around three years of operation is that the TMCH has had only 39,629 marks submitted to it, with over 93% verified (www.trademark-clearinghouse.com/content/tmch-stats-december-17th). CSC Digital Brand Services' research shows that the average participation rate in the TMCH programme by top brands is approximately 50%. This is much lower than many experts projected given the size of most corporate global trademark portfolios. The median number of TMCH registrations filed by top brands is 16. Most top brands (68%), purchased a three-year TMCH registration, while 18% are only purchasing a year at a time, and 14% purchased five-year registration in an attempt to cover all new gTLD launches resulting from the first round of ICANN's new gTLD programme.

FIGURE 1: Type of TLDs by percentage for the Best 100 Global Brands



Registry-offered blocking programme benchmarks

Another popular rights protection mechanisms for brand owners during round one was registry-offered blocking programmes. A block is not a registered domain – it cannot be used for a website or for email, and is not active. However, a block enables brand owners to block their trademarks from registration at the second level from non-trademark holders, provided that the strings were not on reserve or on a premium name list.

The new gTLD blocking programme most widely utilised by the Best 100 Global Brands is the Donuts Registry Domains Protected Marks List programme. Seventy percent of top brands purchased a block for the brand name contained in their main web domain across the almost 200 new gTLDs that Donuts operates. A similar blocking programme offered by Rightside Registry did not enjoy the same high adoption rate. In fact, only 20% of top brands purchased a block for the brand name contained in their main web domain across the 40 new gTLDs that Rightside operates. Trailing all registry-offered blocking programmes is the Minds + Machines protected marks list. Only 10% of top brands purchased a block for the brand contained in their main web domain across the fewer than 20 eligible new gTLDs that Minds + Machines operates. The median number of blocks purchased per company across all blocking programmes was four, while the median number of strings protected per company across all blocking programmes was three-and-a-half.

New gTLD enforcement benchmarks

Since 1999 the Uniform Dispute Resolution Policy (UDRP) has served as a useful tool for brand owners to recover infringing domain names across gTLDs (www.icann.org/resources/pages/policy-2012-02-25-en). While many agree that the UDRP has been effective, the new gTLD programme introduced a new tool – the Uniform Rapid Suspension System (URS) (www.icann.org/resources/pages/urs-2014-01-09-en) – which promised to provide brand owners with a more cost-effective and quicker way to suspend clearly infringing new gTLD domains registered by unauthorised third parties. Suspension of the domain name for the remainder of its current registration term is the only remedy available under the URS. Those wishing to recover an infringing domain must file a UDRP or seek other court action.

Initially, there was only one arbiter of URS disputes – the National Arbitration Forum – but over the last couple of years, ICANN has brought two other providers online – the Asian Domain Name Dispute Resolution Centre and MFSD srl – to better serve brand owners across Europe, the Middle East, Africa and Asia-Pacific. Since the inception of the URS, 487 complaints have been filed (this data reflects filings through until March 16 2016). The vast majority of these – 453 – have been filed with the National Arbitration Forum. Given the recent entry of both the Asian Domain Name Dispute Resolution Centre and MFSD srl, this is unsurprising. The new gTLDs most represented in URS filings were '.xyz', '.club', '.top', '.email' and '.wang'.

Looking across all three providers, the Best 100 Global Brands are responsible for 17% of all URS filings. Top brands have prevailed on 72 complaints and had their claim denied on seven complaints, while six complaints were withdrawn. Financial services, automotive, luxury and technology companies have been the most enthusiastic participants in the URS, with each having 10 or more filings since its inception. However, URS filings by top brands have been declining rapidly with 50 in 2014, 35 in 2015 and none so far in 2016. The URS is among the rights protection mechanisms currently being evaluated from round one of the new gTLD programme (www.icann.org/public-comments/rpm-prelim-issue-2015-10-09-en). While many feel like the premise of the URS is good, some inconsistencies in the application of the clear and convincing evidence standard and bad faith determinations by panellists have left brand owners wondering if the URS is worth the trouble or whether it may be best to just file a UDRP.

FIGURE 2: Average participation rate of the Best 100 Global Brands by new gTLD (% participation rate)

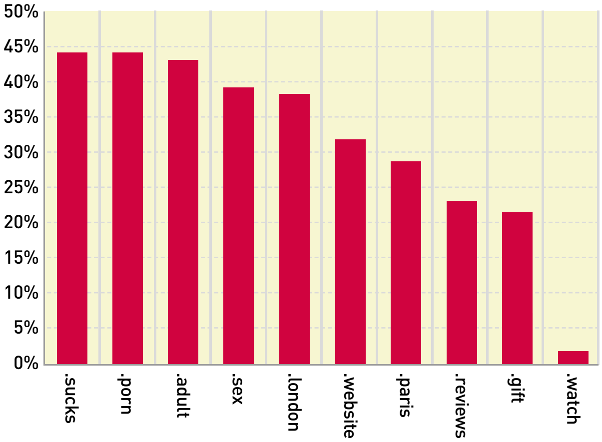


TABLE 1: Top five new gTLDs of selected Best 100 Global Brands by industry sector

Technology			Retail			Financial services		
TLD	# Domains by Best 100 Brands	Total # of registrations	TLD	# Domains by Best 100 Brands	Total # of registrations	TLD	# Domains by Best 100 Brands	Total # of registrations
'.porn'	177	13,630	'.شبكة' (Arabic for 'web')	141	1,556	'.financial'	48	3,087
'.sex'	164	11,087	'.clothing'	77	14,439	'.finance'	43	4,458
'.adult'	161	9,895	'.delivery'	68	2,613	'.sex'	41	11,087
'.sucks'	150	7,420	'.club'	62	740,766	'.sucks'	37	7,420
'.website'	112	160,355	'.wang'	61	1,070,970	'.adult'	29	9,895
Transportation			**Luxury**			**Media**		
TLD	# Domains by Best 100 Brands	Total # of registrations	TLD	# Domains by Best 100 Brands	Total # of registrations	TLD	# Domains by Best 100 Brands	Total # of registrations
'.sucks'	27	7,420	'.watch'	247	5,468	'.adult'	13	9,895
'.deals'	9	7,943	'.boutique'	187	8,227	'.porn'	13	13,630
'.solutions'	7	47,184	'.maison'	153	1,175	'.sexy'	13	26,359
'.discount'	5	4,664	'.paris'	152	21,208	'.lawyer'	10	13,381
'.cool'	4	12,360	'.gift'	129	26,560	'.网址' (Chinese for 'web address')	10	342,463

FIGURE 3: Disposition of URS filing by top brands

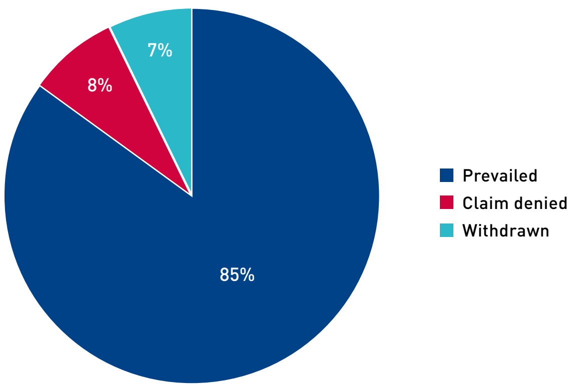
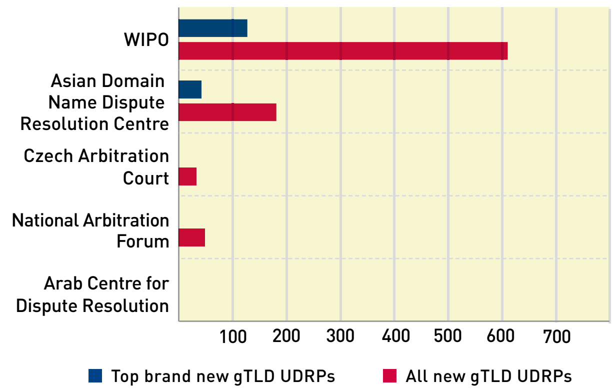


FIGURE 4: New gTLD UDRP case filing distribution



Consistent with URS filings, top brands are responsible for filing 151 out of 862 (17.5%) of all new gTLD UDRPs. Brands can choose to file a UDRP with one of five ICANN-approved providers:

- the National Arbitration Forum;
- the Asian Domain Name Dispute Resolution Centre;
- the World Intellectual Property Organisation (WIPO);
- the Czech Arbitration Court Arbitration Centre for Internet Disputes; and
- the Arab Centre for Domain Name Dispute Resolution.

WIPO has been the recipient of the lion's share of new gTLD UDRP filings, as well as top brand new gTLD UDRPs, trending at 71% on both. The next closest provider is the National Arbitration Forum, with 22% of all new gTLD UDRP filings and 28% of all top brand new gTLD filings. While forum shopping could be the reason behind the wide disparity, the data also suggests that companies based in Europe, the Middle East and Africa are more prone to file a UDRP on a new gTLD infringement making the Geneva-based WIPO a more convenient venue option.

The most active industry sectors from the Best 100 Global Brands in terms of filing UDRPs on new gTLDs automotive, financial services, apparel, and fast-moving consumer goods. Interesting to note is that there were only two instances where both a URS and a UDRP were filed by a top brand.

New gTLD lessons we have learned so far

While the above benchmarks can help to inform future new gTLD activity for brand owners, there are also some lessons that can be gleaned from the last two years which should also be factored into new gTLD strategies for brands going forward.

New gTLDs and searches – the jury is still out

Google continues to assert that the new gTLDs do not affect searches favourably. However, several third-party studies demonstrate that new gTLDs may have a positive affect on searches. In addition, a closer look at the top 1 million websites according to Alexa (alexa.com, an Amazon company) reveals that there are 52 websites utilising new gTLDs. An overwhelming majority of the domain names do not appear to be owned by major brand owners. However, 10 out of the 52 domains rank in the first two pages of a Google search for the matching keyword to the left of the dot. Further, the biggest recent news in the new gTLD space was when Google's parent company rebranded as Alphabet and used a new gTLD to do so. A closer look at other new gTLDs owned by the Best 100 Global Brands with an Alexa ranking may reveal that owning an exact match domain to a keyword may provide some search benefit. One would think that more established web properties would rank higher in searches for these potentially generic keywords. Brand owners may want to engage their marketing teams to do some testing in this area to stay ahead of the curve.

Many trademark infringements are not yet ripe for enforcement

According to statistics published by the TMCH at the end of 2015 (www.trademark-clearinghouse.com/content/tmch-stats-december-17th), 207,930 claims notices and 222,368 ongoing notifications were sent to trademark holders since the new gTLD launches began in late 2013. Claim notices are sent to TMCH holders after a domain name that matches their TMCH filing is registered during the 90-day claims period. Ongoing notifications are sent to TMCH holders when a new gTLD domain name DNS is activated beyond the 90-day claims period. While it is clear that TMCH holders receive a TMCH claim or ongoing notifications for new gTLDs they register, and some TMCH holders may receive both for a single new gTLD registration registered by a third party, what is not clear is exactly how many infringing new gTLD registrations sit somewhere between registration and bad-faith use. Given the relatively low numbers of new gTLD UDRP and URS filings to date, there are probably a lot. Monitoring these infringing registrations beyond initial detection will be critical to properly protecting brands.

Trademark dilution is not the only danger

New gTLDs are fertile ground for malicious activity against brands, which can cause significant security and reputation risks. Given the huge focus on security by large companies these days, one would think the risk that new gTLDs create for brands would be a hot topic. However, this has not been the case. Most trademark counsel have a list of the new gTLD names for which they have received a TMCH claims notice or ongoing notification, and occasionally someone looks to see if there is a website at the domain name that rises to the level of bad faith, triggering enforcement action. Unfortunately, infringing website content may be the lesser of these evils. What counsel or their in-house security counterparts should be worried about is whether any of the names have email records or third-level domain names configured, as these could be used in phishing scams, as doppelganger domains to intercept trade secrets, login credentials or other sensitive corporate information or used to proliferate malware and botnets.

Security always matters

Companies that use multiple low-cost, self-serve, non-security focused domain name registrars to acquire defensive new gTLDs should reassess their strategy immediately. This strategy may save a few dollars up front, but the lack of stringent access and security controls, coupled with high vulnerability for social engineering attacks, creates a situation where a domain account compromise can go undetected until it is too late. While new gTLD registrations might not seem as important as mission-critical '.com' domains within a brand owner's portfolio, the same level of security and care should be used in managing and securing these assets, because the risks of a security breach and the resulting damage to a company's reputation are as great.

Many believe the best new gTLDs are yet to launch. The most anticipated new gTLDs have been caught up in contention and are just getting on track to delegation. For example, '.app', '.shop', '.search', '.blog' and over 100 more open new gTLDs are still to launch. While the volume and velocity of launches in 2016 will be nowhere near what brands experienced in 2014 and 2015, maintaining focus will be important. Instead of approaching the remaining new gTLDs one by one, brand owners are strongly encouraged to proactively devise a holistic strategy that, at the very least, will help minimise risk. It is not necessary to have all the registration requirements and pricing for each of these gTLDs to determine what domain strings and extensions your company is interested in, as well as whether you need to extend any TMCH filings for blocking programmes during launches. The round one story of ICANN's new gTLD programme is still not fully written, but at least after over two years of wandering in the forest, brand owners now have a compass and map to guide them through the remaining launches. **WTR**

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