

**12 April 2019**

**By email**

John Swinson  
Chair  
auDA Policy Review Panel

**Email:** [engagement@auda.org.au](mailto:engagement@auda.org.au)

Dear Sir

**auDA - Direct registration in <.au> - public consultation for policy reform**

Thank you for the opportunity to comment on changes to the existing policy framework for .com.au, the introduction of direct registration in the .au space and the proposed policy framework.

**Introduction**

The focus of these comments is on the .com.au space and the issues associated with direct registration in circumstances where registration will be permitted on a different or less restrictive basis and the impact this will have on brand owners, whether Australian or not. Any new registration system necessarily adds a cost and time burden to businesses seeking to protect their brands. New real estate also offers new opportunities. The success of any new domain space and the public acceptance of, and perception that it's a positive development, will be impacted by the level of trust that users have in the space including that the name they are typing into their search engine or directly into their browser will take them to the site of the legitimate provider of the requested goods and services.

As a general comment, we note that registrations in the .com.au space are now relatively settled after years of cybersquatting and the requirement for brand owners to take action and incur expense to recover registrations that include their trade marks from third parties. Further, the initial policy regime was inadequate to protect against abusive registrations and required supplementation over time to include such reforms as direct application to auDA to investigate and enforce eligibility requirements where registrars refused to take action on complaints; the introduction of the Prohibition on Misspellings Policy and associated Reserved List Policy to deal with obvious and egregious examples of third party registration and the addition of further conditions on the monetization exemption to the "close and substantial" connection rule to avoid misuse of this loophole to register .com.au names.

We also note the objective of the Review Panel that the direct registration space will be a more open registration system with different (ie. fewer) restrictions (ie. safeguards) in place to prevent or deal with abusive registration. Applying different rules to an effectively equivalent domain space discriminates against holders of .com.au names who have had to comply with the stricter registration requirements by showing both the requisite connection with Australia and the domain name as opposed to registrants in the new SLD who only have to show a connection with Australia. Applying different rules and policies to the SLD also risks creating a two tiered trust system in the .au space where .com.au represents a higher trust level whilst .au is effectively just a local equivalent of a gTLD. The purported preservation of the "Australianness" of the SLD space fails to recognise the importance of the allocation requirement in ensuring a legitimate connection with a name and preventing abusive

registration. Operating a two tiered system not only undermines trust in the SLD but risks tainting the existing trust in the .com.au space.

We anticipate a fresh round of cybersquatting and malicious registrations in the absence of an adequate mechanism to recognise priority of rights and legitimate connection with a name as currently proposed in the implementation of direct registration in the SLD. Unless a brand owner qualifies as a Priority Applicant on the basis of an existing .au domain (or can do so prior to Launch Date) and purchases a token to block registration, it will need to rely on the courts or the dispute resolution process to prevent registration and use of its name and trade marks in the SLD. Basing priority registration on an existing domain name registration fails to recognise that prior trade mark rights can impact registration and use of names registered in the SLD. It also prevents a trade mark owner who does not have an existing name at the Contestable Level taking adequate defensive steps except in a “first in best dressed” race to register a trade mark as a name in the new SLD. The changes to the policy limit the ability of foreign brand owners to register names defensively in the SLD and will require these businesses to register an identical trade mark for each domain name registration to block abusive registrations in the SLD.

In the absence of a mechanism to recognise priority rights, brand owners will be forced to use the courts and domain name dispute resolution procedures to ensure almost identical SLD domain names are not registered and used. This will greatly increase the brand protection costs to businesses and individuals.

It would be a much fairer system to allow trade mark owners to also participate as Priority Applicants and request Tokens so effective action can be taken to block registration of conflicting names by new registrants and/or holders of names at the Contestable Level including in non-commercial spaces. There is no reasonable basis to exclude trade mark owners from the Priority Application process.

We note direct registration in .au is effectively an opportunity to sell the same real estate in the second level to the detriment of brand owners and businesses who have already purchased the .com.au equivalent name. These brand owners and businesses will be compelled to register “duplicate” names in the SLD to prevent registration and use of an almost identical name in the .au space.

Our more detailed comments on the policy framework are set out below. We have mirrored the paragraph numbering in the High Level Summary of Recommendations except where otherwise indicated.

## **5. Structure of policies**

We agree that the current historic policy framework is problematic and makes it hard to navigate the applicable and current rules. We agree with the suggestion that the policies should be simplified to reduce the repetition and potential for contradiction. We do however recommend that all existing safeguards be maintained and links to explanatory terms be embedded in the policies for ease of use.

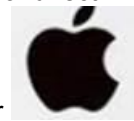
### **5.1 Reform of existing policies**

#### **5.1.1 Eligibility – Trade mark applications and registrations**

Australian consumers expect that domains that include brands will link them to the legitimate source of the goods and services whether that company or business is Australian or not. In the case of international companies or foreign businesses, the ability to register domain names connected with their trade marks has meant that they are also able to create that trust relationship with Australian consumers. Limiting allocation of names to exact matches of trade marks risks excluding these brand owners from creating this trusted connection with Australian consumers. It is well recognised that

Australians will take any opportunity to abbreviate brands and names. At a minimum the trade mark registration eligibility requirement should be expanded to include abbreviations and acronyms. For example, the Jack Daniels Company would be required to register JACK as a separate trade mark to register a corresponding domain name rather than relying on an existing trade mark registration for JACK DANIELS. Registration of exact match trade marks is not always possible where those marks have other characteristics such as personal names or a business is not itself using that recognised abbreviation as a trade mark. It should also be clear that “word trade marks” include acronyms, abbreviations and initialisms, e.g. HP for Hewlett Packard and JAL for Japanese Airlines Limited.

Limiting qualifying trade marks to “word marks” is also problematic for traders whose brands comprise letters and numbers or a very distinctive logo. There should be some recognition of direct ‘word



equivalents” of trade marks, for example, three for the 3 trade mark and apple for

There are also issues in linking the eligibility to hold a domain name to an ongoing trade mark application. It can take trade mark owners of valid overseas brands many years to register word marks and the policy should make it clear that provided there is a pending trade mark application on foot (including a re-filed application) eligibility to hold the name is retained.

#### **5.1.2 resale and warehousing**

We agree with the proposal to retain and strengthen this rule as it provides a useful mechanism to deal with abusive registrations.

We do however suggest that the factors giving rise to a rebuttable presumption be amended. The requirement that a registrant hold >100 names to shift the onus of proof is likely to become a fixed cut-off and we suggest that where a registrant holds a commercially significant number of domain names without the requisite connection to the name, then the onus should be on the registrant to prove this is not for the purpose of resale and warehousing. Each of the listed factors should in itself be sufficient to trigger the rebuttable presumption rather than requiring that a “majority” of the factors be present.

#### **5.1.3 eligibility and allocation – “close and substantial connection” rule - domain monetisation**

We agree that the domain monetization ground should be removed as a basis for satisfying the “close and substantial connection” rule. If there is to be an expansion of the “close and substantial connection” rule to cover online directories and informational services that specifically and predominantly relate to the subject matter denoted by the domain name, then the second condition (from the existing policy) requiring that a domain name must not incorporate an existing entity name, personal name or brand name should also be included to avoid abusive registrations under this exception.

#### **5.1.7 Prohibition on Misspellings - unblocking domain names on the list**

We agree that this Policy and the associated list of blocked domains should be retained.

We are however concerned about the proposed suggestion to open up blocked domain names where the potential registrant can demonstrate it has legitimate grounds to “use” the name. Noting the proposed expansion of the “close and substantial connection” rule and the current lack of restrictions in relation to the registration of existing entity, personal and brand names, we suggest that there should also be a requirement on the registrant to show it is “able to use” the currently blocked name.

Otherwise this mechanism risks subverting the purpose of the Prohibited Misspelling List which is to prevent the misdirection of online traffic to domains that are malicious misspellings of brand names.

## **5.2 Implementation of Direct Registration**

The current proposed implementation model and policy is seriously flawed. Operating the proposed SLD as an “unbounded space” will create a two tier level of rights in the .au domain space in relation to almost identical domain names where on one hand names registered in the .com.au space are restricted and governed by well understood rules for eligibility and allocation and in the parallel SLD, where the only restriction to registration is an Australian connection. This will encourage abusive registrations and the current version of the Policy will limit the ability of legitimate rights holders to prevent this from happening.

The proposal that the SLD will be “unbounded” in the context of what is described as a more desirable space increases the prospects of a second round of cybersquatting that will exceed that experienced with the introduction of .com.au. Opportunistic registrants are well-educated on the registration process and loopholes and there is considerable value to be realised in the secondary market in commercially attractive domains. It is unclear how the proposed implementation policy which lacks adequate recognition of prior trade mark rights, is effectively unrestricted, has been recommended to be rushed through and is unclear on the financial burden of the Token system will achieve the desired outcome of creating a strongly Australian and trusted .au domain space.

### **5.2.5. The Draft Implementation Policy (numbering below reflects the draft policy at Annexure E)**

#### **2. Launch Date**

Given that the proposed recognition of Priority Applicants is based on registrations in the Contestable Level after Cut-off but prior to Launch Date, Launch Date should be set in the future and well publicised so businesses have time to properly assess the benefits and risks of direct registration in the SLD and to take remedial action including registering names in the Contestable Level if required.

#### **3. Basic conditions for registration**

We note that anyone can register in the SLD provided the domain name is not “contrary to law”. It is not clear how this policy requirement will be policed or applied. Will the registrar be required to check the Trade Mark Register or will the Registrant, as has been the case in the past, simply be required to warrant the name does not breach third party rights?

#### **9. Tokens**

The token system should be free of charge – otherwise, this represents a financial burden imposed on businesses and brand owners now compelled to monitor and police a new domain space and register defensively.

We also note that it is proposed that Tokens will need to be “confirmed” at some stage to continue to block registration of an identical name in the SLD. The proposed secondary review of the implementation phase should be well-publicised and holders of Tokens notified of the required action and given an appropriate period to confirm renewal. Renewal of Tokens should also be at no charge.

## 10. No dealing with Tokens

We note that it is proposed that Tokens cannot be transferred or assigned. What happens if a legitimate holder of a Token sells its business or company? This would arguably lead to a loss of the right to block registration of a competing name in the SLD. There should be an exemption to this restriction in relation to business sales.

### 11.2 Expiry of Tokens

There should also be an exemption in relation to company restructuring, as we note that a Token automatically expires if a company is deregistered. Companies routinely assign assets prior to deregistration to avoid ownership defaulting to ASIC. The assignment of Tokens should also be permitted in these circumstances.

## 13. Registrations after the Cut-Off Date

We agree that there should be scope for business and individuals to shore up their rights by registering a name at the Contestable Level after the Cut-Off Date and prior to the Launch Date. It

is not clear in the draft policy if all Priority Applicants (i.e. those with rights arising before and after the Cut-Off Date) will be treated equally in relation to the allocation of Tokens and the blocking of conflicting domain names. This should be explicit in the Policy.

### **Summary of suggestions:**

- allow AU trade mark owners to participate in the SLD as Priority Applicants;
- include a challenge process similar to the URS where there is registration of a trade mark in the SLD that clearly infringes the trade mark rights of a brand owner, whether Australian or not;
- amendment of the policy to cover identified gaps (including those identified by others) and circulation of a further draft for public comment;
- review the new SLD space 12 months post launch to monitor the level of malicious registration and to ensure that issues identified post implementation are recognised quickly and addressed through policy change rather than requiring businesses to resort to the dispute resolution process or courts to fix issues caused by the new release.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Lisa Lennon', followed by a long horizontal flourish.

**Lisa Lennon**  
Partner