Meet the new digital frontier: .wine

BY **Chris Passarelli,** Dickenson Peatman & Fogarty, Napa, Calif.

Three entities have each applied to become registry operator for the ".wine" generic top level domain (gTLD) as part of the new gTLD program, which involves the addition of thousands of new top-level strings to the Internet Domain Name System.[1] The .wine applicants foresee this domain string as having significant future breadth of coverage for online wine information, services and resources.

However, wine industry groups in the United States and Europe see this as extortion by the Internet Corp. for Assigned Names and Numbers (ICANN), the organization responsible for administering the Internet domain naming system.

Controversy over the new gTLD program has not been limited to .wine. Contentious domains include .art, .eco and geographical domains like .amazon. Competing registry applicants—private commercial interests on one hand, and groups purporting to represent online community interests on the other—lined up to reserve some of this new cyber landscape when the program opened in early 2012.

Will the .wine string (and others, like .vin) see the light of day? The latest news reports have anticipated ICANN's reaffirmation of its March 2014 decision to move ahead with the wine-related domains.

European Union and industry concerns

This is the latest in a long series of negotiations involving governments, producers, ICANN and the registry applicants related to wine industry concerns about potential cybersquatting, counterfeiting, consumer fraud and infringement upon the rights of Geographical Indication (GI) interest groups (such as producers of Champagne and Napa Valley wines).

The European Federation of Origin Wines (EFOW) has garnered European national support for the concerns regarding .wine and .vin, and the European Commission has been actively consulting with ICANN's Governmental Advisory Committee about the situation.

In contrast, the United States government believes existing protections are adequate, and the burden should be on the wine industry to police the new gTLDs. But U.S. wine industry groups and the EFOW contend that the burden is unfair, and the registries should set limits on who can purchase secondary domains.

With the availability of .wine and .vin strings at the top-level, there will be a virtually limitless variety of second-level domain names available for purchase.

The EFOW is expected to boycott the .wine and .vin gTLDs if approved by ICANN without added protections. An uptick in litigation related to the misappropriation of GIs in the second-level domains (left of the "dot") is anticipated.

Wine trade groups in Europe and the United States have voiced concerns regarding potential counterfeiting and cybersquatting, and have lobbied ICANN to shelve the proposed .wine and .vin gTLDs until ICANN incorporates additional safeguards for geographic and origin names at the second level.

Producer groups from eight wine regions in the U.S., including the Napa Valley Vintners, Oregon Winegrowers Association, Willamette Valley Wineries Association, Long Island Wine Council and others—totaling nearly 2,000 wineries—have joined forces to protest the expected delegation of the .wine gTLD.

Wine industry 'TRIPS' out

Affected parties have asserted that a system of safeguards should protect geographical indications (GIs) such as "Napa Valley" and "Champagne" in the same way that protection is afforded to trademark owners, as reflected in the 1995 World Trade Organization (WTO) Agreement on Trade Related Aspects of Intellectual Property (TRIPS).[2] This includes remedies against passing off[3] and other false or misleading use of GIs. Article 23 of TRIPS specifically requires members to provide remedies against the misuse of GIs for wines and spirits.

This TRIPS-based argument for GI protection is similar to arguments raised by the International Olympic Committee and the Red Cross, that due to protection under international treaties, their indicia should be blocked from third-party domain registration under the new gTLD program. Both of those groups ultimately received protections in their respective new gTLDs.

To infinity and beyond

With the availability of .wine and .vin strings at the top-level, there will be a virtually limitless variety of second-level domain names available for purchase. With the Internet essentially going from 22 top-level domains historically to more than 1,000 top-level domains overnight, the number of domain registrations has soared. This expansion compounds a pre-exising enforcement problem for all brand owners, and GI interests in particular.

While all brand owners will face this exponential uptick in the volume of potentially infringing domain names on the Internet, most will be able to avail themselves of the Trademark Clearinghouse (TMCH), an online database of registered trademarks operated by IBM in association with Deloitte Enterprise Risk Services.

An uptick in litigation related to the misappropriation of GIs in the second-level domains (left of the "dot") is anticipated.

The TMCH provides warning notices to applicants seeking to register domains incorporating pre-existing trademarks in the database, and it offers claim notifica-

1. Afilias Limited, Donuts Inc. (under the applicant name of its subsidiary, June Station LLC) and Famous Four Media Limited (under the applicant name of dot Wine Limited). Donuts also applied for the gTLD ".vin" (under the applicant name Holly Shadow LLC).
2. Article 22(1) of the World Trade Organization's 1995 Agreement on Trade Related Aspects of Intellectual Property (TRIPS) defines geographical indications as "indications which identify a good as originating in the territory of a Member, or a region or locality in that territory, where a given quality, reputation or other characteristic of the good is essentially attributable to its geographic origin." wto.org/english/docs_e/legal_e/27-trips.pdf (last visit July 26, 2014).
3. Passing off is classic trademark infringement, in which a seller represents his goods or services as being those of another or falsely holds out his goods or services as having some association with another.

tion services and blocking registrations to brand owners to prevent registration by third parties of confusingly similar second-level domains incorporating the owner's trademark.

The new gTLD program leads to an incredible "catch-22" for the brand owner: either purchase every conceivable domain combination and pay ongoing fees, or prepare to enforce against each new domain as they are grabbed up by illegitimate registrants.

While GIs are technically registerable through the TMCH (if already registered nationally or protected by statute or treaty at the time of TMCH registration), many brand owners argue that the TMCH framework places unfair burdens for monitoring and enforcement directly on them, rather than the domain registrars and registries who control the access to purchase and use these domains.

Bring your wallet

Running a top-level domain registry requires technical competence and financial backing. In addition to the $185,000 initial fee, successful applicants must pay ICANN a fixed fee of $6,250 per quarter and a $0.25 transaction fee, which kicks in at the 50,000th transaction.

For brand owners, registration in the TMCH starts at $150 per trademark per year, to maintain a presence in the database (there are volume discounts). But this does not include blocking registration services (which apply only to identical marks) or the expense of bringing an enforcement proceeding to suspend, cancel or transfer an infringing domain.

One recurring complaint by brand owners is that the new gTLD program is a "pay to play" racket of domain registration, trademark protection and enforcement. This leads to an incredible "catch-22" for the brand owner: either purchase every conceivable domain combination and pay ongoing fees, or prepare to enforce against each new domain as they are grabbed up by illegitimate registrants.

Thus, the argument goes, ICANN and the Trademark Clearinghouse each stand to collect billions of dollars in recurring revenue (including fees from brand owners and registrants) at the expense of those who are economically unable to adapt to the new digital landscape.

GIs left out in the cold

Despite TRIPS, GIs were expressly excluded in the gTLD process from any specific protections beyond those otherwise afforded registered trademarks in terms of eligibility for registration in the Trademark Clearinghouse and in dispute resolution proceedings.

Thus GI interests, particularly in the United States and Europe, have voiced concerns and engaged in intense negotiations with the registry operators and ICANN to find acceptable solutions to a potentially significant problem for consumers and producers alike.

From the perspective of GI interests, GIs bring great economic wealth to local regions and nations worldwide. They provide quality products and satisfaction to consumers, who often prefer and proactively search for such products as a result of the distinctive qualities and characteristics arising from their origin in a particular region of the world.

GIs provide a value-add and allow for product differentiation, premium pricing strategies and an overall higher product price point. GIs bolster local rural economies and in many instances preserve, protect and enhance the cultural practices of a given producer region.

GI interest groups feel that the structure and operation of the Internet (and ICANN's new gTLD program in particular) undermines the benefits and protections afforded by GIs, and instead increases overall costs and risks to brand owners, producers and consumers, such as fraud and counterfeiting. Counterfeiting, in turn, supports societal ills such as human trafficking.

One recurring complaint by brand owners is that the new gTLD program is a "pay to play" racket of domain registration, trademark protection and enforcement.

Summary

In the interest of respect for third-party prior rights—and to prevent infringement of those rights—ICANN considered the timing and legitimacy of assigning the proposed new gTLDs .wine and .vin for more than one year, culminating in a 60-day hold on approval of the .wine and .vin gTLDs to allow the registries and industry stakeholders to negotiate.

Early indications are that ICANN will be moving forward with applications for both .wine and .vin. It is expected that the field of applicants will be narrowed from the current three down to a single applicant in or around January 2015. PWV

Chris Passarelli *is senior IP counsel at Dickenson Peatman and Fogarty, where he focuses on intellectual property protection and enforcement in the wine industry. Contact him at cp@dpf-law.com.*