

## Pushing Infringers to the Edge of their ROI

By Gretchen Olive

It comes as no surprise to hear the Internet is booming. However, what might be surprising is the rate at which the Internet is expanding. By the close of 2006, more than 120 million domain names had been registered worldwide, representing a 32% increase in total registrations over 2005. Throughout 2007, that pace has continued with over 10 million new registrations occurring every quarter. While the Internet has proven to be a cost-effective way for companies to build brand awareness and distribute products beyond traditional geographic borders, it has also created a new real estate market where little capital investment is required and a positive Return on Investment (ROI) can almost be guaranteed.

Reporters and researchers alike have focused on quantifying the cost of brand abuse, online counterfeiting, phishing and other online ills to corporate brand holders. Articles and reports have demonstrated these practices are pervasive, cost companies billions in lost revenue and can be responsible for perpetrating devastating acts of fraud against individuals, however little insight has been offered on steps brand holders can take to proactively prevent these forms of infringement beyond registering every brand name variation and combination possible. Unfortunately, doing so is not only impractical, but cost-prohibitive.

A new research report suggests there may be a more reasonable and economical approach to this problem. CSC® has reviewed 100,000 domain names across the world's top 47 brands 3 over 24 unique industry sectors to identify the domain name extensions, brand variations and infringement tactics that infringers prefer in order to develop strategies brand holders can adopt to better mitigate the risk of online infringement.

### **Research findings**

CSC's research found:

- 72% of brand names registered were owned by 3rd parties (i.e., a person/entity other than the brand holder)
- 89.45% of domains registered by 3rd parties were made up of either an exact match or a term either on the right or left hand side of the brand (for example 'wwwbrand' or 'brandon line')
- 76% of 3rd party domain names had an active web site compared to 53% of domain names owned by brand owners
- 34% of 3rd party owned domain names were being used for pay-per-click (PPC) activities
- 51% of 3rd party domain names were under the .com extension
- 5.1% of 3rd party names were registered under .co.uk and 4% under .de, which were the highest country code top-level domains (ccTLDs)

These research findings strongly suggest that the registration practices of most prolific infringers are not arbitrary. There are clear patterns of behavior that 3rd party infringers have identified and repeatedly execute to yield the highest return. After all, the majority of 3rd party infringers do not invest in domain name registrations to simply have a large inventory. They are in it to make money and lots of it. Simply put, brand infringement is a business where legal and ethical challenges are looked upon as a cost that is relatively deminimis compared to the potential return.

### **The Infringer's Decision-making Process**

A closer look at the research reveals that most infringers make registration decisions based on the answers to the following three questions: (1) what domain names can I register for minimum cost and effort; (2) what registrations will maximize traffic to my website; and (3) what content can I put on my website that will give me a positive return on my investment within the first 90 days.

The data shows that there are two trends behind the “what domain name to register” and “which names will maximize traffic” questions. First, infringers clearly prefer generic top level domains (gtlds). The domain name extensions optimize an infringer's business model because they are cheap and accessible. Secondly, domain names containing a brand name plus and another term are highly sought after because infringers are able to leverage the millions of

marketing dollars companies have spent to build their brand in the marketplace and combine that with terms that are often used in search engine and keyword inquiries (eg., mybrand, brandon-line, brandproducttype).

As for “*what content will show me ROI*”, pay-per-click sites are leading the way and are potentially the most frustrating and damaging to the corporate bottom-line.. Not only do infringers generate advertising revenue from reputable companies like Google®, but each click is potentially diverting buyers straight to a competitor or worse, a counterfeiter.

### **Risk Reduction Strategy**

CSC's research findings suggest that the best way to combat infringers is not to register every possible domain name containing your brand, but to register domain names that infringers desire most. By determining what domain name strings are important to your business, quantifying the risk of infringement in each domain name extension, making trade-offs between risk and budget and proactively registering the names infringers will want most, brand holders can push infringers to the edge of their ROI and only leave undesirable registrations that are costly, difficult to obtain and do not have the traffic and revenue rates that are worth their money and trouble.

*To request a copy of the Domain Name Cyberscape Report from CSC, go to: <http://www.cscprotectsbrands.com> and click Contact Us.*