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COALITION AGAINST DOMAIN NAME ABUSE TO COMBAT CYBERSQUATTING

WASHINGTON, July 24, 2007 – The Coalition Against Domain Name Abuse (CADNA) is announcing the launch of its national campaign against Internet fraud. A non-profit organization based in Washington D.C., CADNA is leading the way in confronting cybersquatting – the fraudulent abuse of domain name registration that threatens the future viability of Internet commerce.

Although the Anti-Cybersquatting Consumer Protection Act (ACPA) was introduced in 1999, cybersquatting remains an underestimated threat. The number of .com domain names alone has doubled since 2003, and the number of cybersquatting disputes being filed with the World Intellectual Property Organization (WIPO) is on the rise – up 25% in 2006 from 2005. According to a recent independent report, cybersquatting increased by 248% in the past year.

With growing ease and profitability, sophisticated cybersquatters are exploiting a flaw in the domain name registration process whereby domain names are registered and subsequently dropped, risk free, within an accepted 5-day grace period. By abusing this grace period, cybersquatters “taste” and “kite” domain names in order to test their profitability. According to a recent industry report, there are over 1 million kited sites re-registered daily, collectively bringing in \$100-125 million in annual revenue for criminals and profiteers. On the whole, cybersquatting is costing brand owners worldwide well over \$1 billion every year as a result of diverted sales, the loss of hard-earned trust and goodwill, and the increasing enforcement expense of protecting consumers from Internet-based fraud.

Cybersquatters’ increasing assault on intellectual property hurts everyone involved, including consumers and the Internet community at large. By registering domain names derived from famous brands, cybersquatters are able to successfully lure consumers into purchasing counterfeit products (including potentially harmful counterfeit prescription drugs), giving away their personal information (which could lead to further financial loss) and unwittingly exposing themselves to spyware deposits. According to the International AntiCounterfeiting Coalition (IACC), \$600 billion was spent online for counterfeits in 2006. Phishing, a fraud enabled by cybersquatting, is also growing at an alarming rate. The Internet Crime Complaint Center, a partnership of the National White Collar Crime Center and the Federal Bureau of Investigation, found that consumers in the U.S. reported personal losses of \$198.44 million to phishing in 2006.

To effectively combat cybersquatting, CADNA will work at the federal and international levels to make these fraudulent practices difficult to establish and unprofitable to maintain. Among the coalition’s goals are to pursue congressional legislation that would increase the statutory damages set forth by the existing Anti-Cybersquatting Consumer Protection Act, and to work with World Intellectual Property Organization (WIPO) to introduce an international anti-cybersquatting treaty. CADNA will place pressure on ICANN to take decisive action on abuses by domain name registrars and registrants and close the loophole that affords criminals the opportunity to “kite” and “taste” domain names.

“As a result of the automation of the registration process and the monetization of domain name portfolios, the policing burden placed on brand owners has become almost insurmountable,” said Susan Crane, Group Vice President of Intellectual Property of Wyndham Worldwide. “We have joined CADNA in this fight because we believe a coalition of companies from across multiple industries will be a more effective voice to address this issue than any one company or industry standing alone.”

“The countermeasures available to brand owners are too slow and ineffective to respond to this trend and often too late to prevent damage to the brands and consumers,” said Martin Sutton, Manager of Fraud Risk & Intelligence at HSBC Holdings plc. “CADNA brings together brand owners that are concerned with the lack of preventative measures in place to deter these cybersquatting activities and want to make effective changes in order to safeguard their IP and protect consumers.”

CADNA’s membership includes such leading brands as AIG, Dell, Eli Lilly, Hilton, HSBC, Marriott, Richemont, Verizon, Wyndham, and Yahoo!. “Our 10 charter members alone spend millions of dollars annually to combat cybersquatting,” said Josh Bourne, President of CADNA.

CADNA welcomes leading brand owners to join in the coalition’s efforts to protect against trademark dilution and extortion, and consumer harms that cybersquatting affords and enables. “This coalition is organizing to combat not only domain name tasting, but whatever the next iteration of cybersquatting turns out to be. CADNA’s goals align with all trademark owners who feel like domain name abuses are spiraling out of control,” said Allison McDade, Trademark Counsel of Dell Inc. With the help of current and new members, CADNA will raise public awareness and inform policy makers in Washington and across the United States about the new threats posed by cybersquatting and the need for decisive action. CADNA will propose practical solutions to legislators and regulators, and promote the global harmonization of regulations to make the Internet a less confusing and safer place for consumers and businesses alike.

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