

# CLIENT ALERT: ICANN Proposes Domain Name Expansion

December 1, 2008

## Summary

The Internet Corporation for Assigned Names and Numbers (ICANN), the non-profit governing body that oversees the Domain Name System, has released a draft implementation plan that could bring dramatic changes to the internet naming system by allowing the registration of hundreds of new generic top-level domains (gTLDs).

ICANN's plan calls for permitting the creation and private ownership of an unlimited number of new generic top-level domain extensions. This action could result in brand-specific gTLDs such as .coke or .ebay; geographically-related extensions such as .boston or .nyc; industry-related domain extensions such as .law, .sports or .news; and non-English scripts such as Chinese or Arabic characters.

There is an initial \$185,000 application fee, which will place domain name extensions out of reach for most consumers and small businesses. ICANN's stated reason for setting the fee at this level is to deter cybersquatters.

A draft Applicant Guidebook has been posted for public comment until December 8, 2008, after which a final Applicant Guidebook will be prepared and released in early 2009, with new gTLDs expected to launch in late 2009.

## Why the change?

There are presently 21 active generic top-level domain (gTLD) extensions, such as .com, .net, and .org, and over 250 country-code top level domain (ccTLD) extensions, such as .fr and .uk. Still ICANN believes the number of quality domain names is limited and the addition of new top levels should help provide more options to the billions of internet users.

## The Application Process

The initial application round is open only to established corporations, organizations, or institutions. Individuals and sole proprietorships must wait for the second round. Once the application round closes, ICANN will review the applications and then post a list of those passing the initial evaluation, after which formal objections can be filed.

Grounds for objections include:

- The gTLD string infringes existing legal rights of a trademark owner(s);
- The gTLD string is confusingly similar to an existing TLD or another applied-for gTLD string;
- The gTLD string is contrary to generally accepted legal norms of morality and public order; or
- There is opposition to the gTLD application from a significant portion of a targeted community.

When more than one applicant applies for the same or similar gTLD string, ICANN will apply a yet-to-be-determined resolution process. For those in heavy demand—such as possibly .sports and .news—ICANN is contemplating a bidding process. A successful bidder could then sell the rights to use the gTLD, setting up a significant secondary market.

### Costs

As mentioned above, the application fee for a gTLD is \$185,000—not an insignificant amount, but also likely only the beginning of the costs to pursue a new gTLD. There are also fees associated with filing/defending *each* objection, a \$50,000 fee for the right to establish/run a registry, a \$75,000 annual fee, and the actual expenses of setting up and operating a registry (e.g., software, hardware, telecom services).

### Protecting Trademark Rights

ICANN’s plan addresses rights protection at both the top-level (e.g., “.law”) and the second level (e.g., “wolfgreenfield.law”). At the top level, ICANN will use an objection-based process for trademark owners to argue that a proposed gTLD string would infringe their legal rights. There is, however, no proposed final rule for resolving a situation where the same trademark is used for different products or services or registered in different jurisdictions.

At the second level, new gTLD applicants will be required to describe in their applications a proposed Rights Protection Mechanism for dispute resolution, which will be published to the community when the applications are made public. In addition, all new gTLDs must ensure that second-level registrations will be subject to ICANN’s Uniform Dispute Resolution Policy (UDRP).

### Pros and Cons of Expansion

On its face, the expansion may be good news for a business wishing either to create a brand with greater internet impact or to create a domain name that describes what it does in a more meaningful and logical way.

A company with its own gTLD would also have the ability to target website navigation in a more direct way. And, as mentioned above, the prohibitive costs could be a major deterrent to cybersquatters.

On the other hand, many believe the creation of new domain name extensions will mean new challenges and higher costs for businesses, many of which feel generally satisfied with the current domain name process and portfolios of domain names.

Consumer confusion is a possibility as the proliferation of domain names may make it harder for online visitors to remember a domain name address (URL). Online businesses may need to work harder at branding and search engine optimization to be located.

### **What Should You Do?**

Obviously, the first decision is whether there is an appropriate business reason to apply for a gTLD. Market positioning, long range business goals, industry standards and practices must all be evaluated alongside a careful look at the costs associated with each strategy. In view of the costs, we expect that relatively few companies will explore these options.

Businesses should also consider creating/implementing a strategy and budget for monitoring and defending their brands under the expansion plan. For those businesses with multiple brands and trademarks, policing the internet for infringers under the expansion plan will be costly—both monetarily and in terms of human resources. In addition to the creation of new gTLDs, new second level domain names need to be monitored as well.

### **Conclusion**

While some believe ICANN's expansion could usher in the greatest transformation of the internet in decades, others speculate that .com will remain the leader among gTLDs because other gTLDs such as .biz and .travel have been thinly used. One thing is for certain: these changes will create substantial debate and cause concern for companies if a competitor owns the gTLD for the industry.

### **For Further Information**

Please contact your Wolf Greenfield attorney regarding any questions you may have concerning how this change might impact your trademark or branding issues.