

INTELLECTUAL PROPERTY ALERT

ICANN'S PROSPECTIVE LAUNCH OF NEW GENERIC TOP-LEVEL DOMAINS

In 2008, the Internet Corporation for Assigned Names and Numbers (ICANN), the governing body for domain names, approved a new generic top-level domain (gTLD) program to begin in late 2009. This program will provide greater choices for legitimate Web-based businesses and users but is, at the same time, of great concern to trademark owners already faced with the difficulties of effectively policing their trademarks on the Internet. The expansion would allow companies and organizations to apply as a registry to register any alphanumeric string as a gTLD.¹ ICANN's newly-released Applicant Guidebook for those who wish to apply for such a gTLD sets forth the specifics of the program.²

Today, there are 21 gTLDs, including *.com*, *.net* and *.org*, in the domain name system. Under the proposed expansion, during the initial rollout of the program, sale is to be limited to "legal entities" and not individuals. Owners of one of the new gTLDs will be able to sell "subdomain" names, just as current gTLD registries do. The owner of the new gTLD will set its own rules for who can register a subdomain, such as restricting registration to members, licensees or associates.

The process is different from registering a domain name, in terms of ease and expense. The cost and technical requirements of obtaining a new gTLD are considerable. The proposed basic application fee is \$185,000, and, if accepted, there are costs of handling disputes and yearly renewal fees of \$75,000. Although the price tag is high, it remains to be seen whether the commercial attraction of "the right" gTLD will result in a "land rush."

THE NEW GTLDS AND RIGHTS OWNERS

Clearly, any new online procedure that could potentially increase trademark violations on the Internet—as well as the cost of enforcement—is of great concern to brand owners. What mechanisms in the new gTLD registration process will address trademark violations resulting from the new gTLDs? To begin with,

ICANN proposes to offer trademark rights procedures at both the top level (e.g., *.auto*) and at the subdomain level (e.g., *.ford.auto*). Further, certain rights-related considerations are to be part of the gTLD application process. Specifically, ICANN will consider whether an applied-for gTLD is likely to be confused with an existing or applied-for gTLD. For example, *.nets* might be rejected as too similar to *.net*. Finally, persons with standing will be able to object to an applied-for gTLD on various grounds (see below). Disputes are to be handled by Dispute Resolution Service Providers (DRSPs), specialized organizations that are not part of ICANN. Where a dispute cannot be resolved, ICANN will, as a last resort, auction the domain to the highest bidder.

While the specific factors that ICANN or the DRSPs will consider in determining whether a proposed gTLD creates a conflict have not been established as of this writing, ICANN has identified likely grounds for objection—

¹ <http://www.icann.org/en/announcements/announcement-4-26jun08-en.htm>.

² The comment period for the revised Applicant Guidebook runs through April 13, 2009.

- *String Confusion.* “String” simply refers to the letters, numbers and/or characters that comprise a gTLD. Existing gTLD operators or gTLD applicants have standing to object that an applied-for gTLD string is confusingly similar to an existing gTLD or to another applied-for gTLD string in the same round of applications.
- *Community Objections.* “Established institutions”³ have standing to object to an applied-for gTLD on the grounds that there is substantial opposition to the gTLD application from a significant portion of the community to which the gTLD string may be explicitly or implicitly targeted.
- *Legal Rights Objections.* Any rights holder, including trademark owners, may object that an applied-for gTLD string infringes the existing legal rights of the rights holder.
- *Morality and Public Order.* ICANN has not yet decided who has standing to object that an applied-for gTLD is contrary to generally accepted legal norms of morality and public order that are recognized under international principles of law.

For subdomains, while there are no new rules regarding potential infringement at this time, all subdomain registrations will be subject to ICANN’s Uniform Dispute Resolution Policy (UDRP), which has, for several years, provided an established policy for resolving allegations of cybersquatting.

VARIED REACTIONS

Companies concerned about the increasingly smaller set of commercially reasonable domain names under the current gTLDs are pleased at the prospect of access to more options. For those who wish to launch their own gTLD registry or see value in operating in a highly customized domain, the program confers new and potentially valuable opportunities. Others fear the expansion will increase the already considerable burden in time and money of policing their marks on the Internet, both on the gTLD level and in an essentially unlimited multiplicity of subdomain names. Some have warned that a profusion of new domain names may make all domains more difficult to remember or find for Internet users. Many are also concerned that a proliferation of new gTLDs will actually increase user confusion and decrease the functional efficiency of Web navigation.

There are basic fairness concerns as well. The cost and technical investment required for obtaining a new gTLD may be beyond the reach of developing regions or smaller companies, for example. Additionally, having an auction that rewards the highest bidder as a final dispute resolution mechanism in disputes involving rights holders raises questions of fairness and respect for IPR.

RECOMMENDATIONS

It will be critically important for clients to understand both the process and the opportunities offered by the anticipated application process for new gTLDs, as they further develop in 2009 and to formulate a strategy for their business, be it a defense against infringement of trademark rights and/or the creation of—or participation in—a custom domain for select constituencies. In either circumstance, clients considering applying for a new gTLD should consider whether the anticipated return on such investment is acceptable.

Regardless of the outcome of the new gTLD program, for clients with valuable online presence and significant trademark portfolios, policing the Internet will continue to be challenging. Companies should therefore consider this development as an opportunity to reevaluate their domain name and trademark protection, monitoring and enforcement strategies in order to optimize and protect their valuable brands in the most efficient and cost-effective way in the coming years.

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³ As defined by ICANN rules and decided by a panel.