

Client Alert

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ICANN Approves Expansion of Generic Top-Level Domains

Like the land rush of the 1800's that sent prospectors racing westward to stake their claim, the internet age has afforded businesses and individuals opportunities to carve out a piece of the world wide web for themselves. On June 20, 2011, the board of directors of ICANN (the Internet Corporation for Assigned Names and Numbers) approved a program that will allow businesses and organizations throughout the world to apply for and potentially control a virtually limitless number of new internet address endings, known as generic top-level domains (gTLDs). For a fee of \$185,000, this new program will enable companies to create and control new gTLDs that reflect both brand (e.g., .acme) and product niche (e.g., .widgets). While this program presents significant marketing advantages for companies, the multitude of domain names issued under those gTLDs may present a myriad of new enforcement headaches for trademark owners. The new gTLD regime will begin on January 12, 2012, and we recommend that your company keep abreast of it.

Under the existing gTLD regime, internet domain names must use one of the 22 gTLDs (.aero, .arpa, .asia, .biz, .cat, .com, .coop, .edu, .gov, .info, .int, .jobs, .mil, .mobi, .museum, .name, .net, .org, .pro, .tel, .travel and, most recently, .xxx) or one of the roughly 250 country code top-level domains (ccTLDs) (such as .us, .jp, or .uk) that have been approved over the past dozen or so years. But under the newly announced regime, companies and organizations could obtain and control a wide array of new gTLDs, which could be geared to their brand names or to broader concepts. ICANN predicts that the new regime will have far-reaching impact: "New gTLDs will change the way people find information on the Internet and how businesses plan and structure their online presence. Virtually every organization with an online presence could be affected in some way." See www.icann.org (6/20/11 press release). ICANN believes the changes will be beneficial, "provid[ing] a platform for the next generation of creativity and inspiration," according to Peter Dengate Thrush, chairman of ICANN's board. *Id.*

The International Trademark Association (INTA), a nonprofit association focusing on trademarks, believes otherwise. In testimony before the House Subcommittee on Intellectual Property, Competition and the Internet on May 4, Mei-lan Stark, INTA treasurer and a board member, cautioned that the new regime could allow parties to obtain gTLDs (and domain names under those gTLDs) that will cause confusion with established companies and their trademarks. This could confuse consumers, harm trademark owners and force trademark owners to obtain and maintain "defensive" gTLDs (and new sets of "defensive" domain names under those gTLDs), which would be expensive and even cost-prohibitive for many. See www.inta.org (5/4/11 Testimony of Mei-lan Stark before Subcommittee on Intellectual Property, Competition and Internet). Whatever one's view of the coming gTLD expansion, trademark owners should familiarize themselves with the new gTLD regime so they can take advantage of its potential benefits while minimizing its potential dangers.

What Is the Current gTLD Regime?

Every computer that accesses the internet has a unique identifier, a string of numbers known as an internet protocol (IP) address. Domain names, which are correlated with IP addresses, make it easier for users to navigate the internet because they can be composed of familiar letters and words (www.hunton.com) rather than random strings of numbers (213.673.298.1). Every domain name must

end with a top-level domain (TLD), the letters that follow the dot. There are two kinds of TLDs: the 22 gTLDs and the approximately 250 ccTLDs.

Particular domain names can be registered with various accredited registrars around the world. Domain names are registered on a first-come, first-served basis. Thus, a registrar cannot register a domain name that is identical to a domain name already registered by any registrar. Other than this constraint, a registrar will generally register any domain name not already registered, and will not attempt to determine whether a domain name might cause confusion with another party's trademark. A trademark owner may, however, be able to get another party's registered domain name transferred to it through domain name arbitration or litigation if the trademark owner can prove that the domain name creates a likelihood of confusion with its trademark and has been obtained or used in bad faith.

Under the current regime, the number of available gTLDs has increased from time to time, from the eight that were available before 1998 to the 22 available today. Generally, however, a company or organization cannot simply apply for or obtain a new gTLD.

How Will the New gTLD Regime Work?

The new gTLD program will allow companies and organizations to establish *new gTLDs*. In effect, applicants for new gTLDs will be applying to create and operate a registry business supporting the Domain Name System (DNS).

The details of the new gTLD system are set forth in the *gTLD Applicant Guidebook*, a 352-page ICANN publication that provides a detailed guide to the application process. The proposed final *Applicant Guidebook* is available at www.icann.org, but it has not yet been approved by ICANN's board.

Who Can Apply for New gTLDs?

Individuals and sole proprietorships cannot apply for new gTLDs, but any established public or private corporation, organization or institution in good standing can apply, provided that it can demonstrate the operational, technical and financial ability to run a domain name registry and to comply with related requirements. Applicants must identify their directors, officers, partners and major shareholders, and ICANN will perform background checks on the entities and individuals to screen for possible criminal or cybersquatting activity. Applicants must also provide documents proving their legal status and financial statements covering their most recently completed fiscal years.

How Are New gTLD Applications Filed?

Before filing applications for new gTLDs, prospective applicants must register as users of ICANN's TLD Application System (TAS). Registered TAS users can then submit gTLD applications and supporting documents using TAS at ICANN's website (www.icann.org).

What Are the Fees for New gTLDs?

While the fees that registrars charge for registering new domain names are generally low, the fees that ICANN will charge for obtaining new gTLDs will be quite high. The application fee, which ICANN refers to as a "gTLD evaluation fee," is \$185,000, with a \$5,000 deposit due when the user requests a gTLD application slot within TAS and the remaining \$180,000 due when the applicant submits the application. A partial refund of this fee may be available in certain instances if an applicant withdraws its application before the evaluation is completed. But additional fees may be required if an application becomes subject to an extended review or to dispute resolution.

ICANN says these fees are intended to recover the costs of the new gTLD program. One benefit of the hefty fees is that they may discourage speculators from applying for new gTLDs for arbitrage or improper purposes. But the fees may also make the process too expensive for many legitimate businesses and organizations to participate.

Are There Restrictions on What the New gTLDs Can Be?

There are relatively few constraints on the “strings” that applicants may potentially obtain as new gTLDs.

While gTLDs under the current regime may include only the Latin alphabet (a-z), European-Arabic digits (1-9) and the hyphen (-), new gTLDs can potentially include internationalized domain names (IDNs), including such things as Chinese characters, Arabic letters and letters with diacritical marks (e.g., ñ). But new gTLDs cannot consist solely of numbers.

Strings applied for as new gTLDs may be rejected during initial evaluation if they will cause (in the judgment of an ICANN panel) “**string confusion**”: (1) with existing TLDs, (2) with any one of the 34 strings on the top-level reserved names list (e.g., ICANN, INTERNIC, LOCALHOST, WHOIS, WWW), (3) with strings requested as IDN ccTLDs or (4) with other applied-for gTLDs. (If there is “string confusion” between two or more applied-for gTLDs, ICANN will notify the applicants and give them an opportunity to resolve the matter themselves. If the applicants cannot reach settlement, then ICANN will generally engage in a complex “community priority evaluation” of the applications, with the aim of declaring a “winner” of that gTLD. As a last resort, ICANN may conduct an auction for the gTLD at issue.)

Applied-for gTLDs will also undergo **geographic name review**. gTLDs will be rejected if they are country or territory names (or certain variations thereof). Other geographic names — capital city names, city names, sub-national place names and UNESCO region names — may be approved, but only if the applicant provides documentation of support (or nonobjection) from the relevant governments or public authorities for those geographic areas.

Are There Mechanisms for Objecting to Applied-for gTLDs?

In addition to the restrictions that ICANN may apply to gTLDs during initial evaluation, there are two mechanisms by which other entities may object to gTLDs.

First, ICANN’s Governmental Advisory Committee (GAC) may advise that a gTLD application should not proceed if a national government believes that the gTLD would violate national laws or raise sensitivities.

Second, various outside entities may formally object to an applied-for gTLD on one of four grounds:

(1) String Confusion Objection - A TLD operator may object that the applied-for gTLD is confusingly similar to an existing TLD, and a gTLD applicant may object that an applied-for gTLD is confusingly similar to its own applied-for gTLD.

(2) Legal Rights Objection - A legal rights holder, such as the owner of a registered or unregistered trademark, may object that an applied-for gTLD infringes its trademark (or other legal rights). (An eligible intergovernmental organization [IGO] may also object that an applied-for gTLD creates a likelihood of confusion with its name or acronym.)

(3) Limited Public Interest Objection - Anyone may object that an applied-for gTLD is contrary to generally accepted legal norms of morality and public order recognized under principles of international law, such as the Universal Declaration of Human Rights or the Convention on the Rights of the Child. (Because anyone can file a Limited Public Interest Objection, these objections are subject to a “quick look” procedure to eliminate frivolous or abusive objections.)

(4) Community Objection - For an applied-for gTLD that targets a clearly delineated community, an established institution associated with that community may object on grounds that there is substantial opposition to the gTLD application within the community.

An objection on these grounds must be timely filed with the appropriate dispute resolution service provider (DRSP), and the objector bears the burden of proof. The gTLD applicant may then file a response, attempt to settle the objection or withdraw its gTLD application. Mediation is provided and

encouraged but is not required. A panel will advise the applicant and objector if additional documents or evidence are needed, and will then decide the objection, usually without an in-person hearing.

For **trademark objections** (and other Legal Rights Objections), the DRSP is the World Intellectual Property Organization's (WIPO) Arbitration and Mediation Center, which has provided a draft set of WIPO Rules for New gTLD Dispute Resolution, available as part of the *Applicant Handbook*. In deciding a trademark objection, the WIPO panel will consider these nonexclusive factors: (1) whether the applied-for gTLD is identical or similar to the objector's trademark in appearance, sound or meaning; (2) whether the objector's acquisition and use of its trademark has been bona fide; (3) whether the relevant public recognizes the applied-for gTLD as corresponding to a trademark owned by the objector, owned by the applicant or owned by some other party; (4) the applicant's intent in applying for the gTLD, including whether the applicant knew of the objector's trademark or could not reasonably have been unaware of that trademark and whether the applicant has engaged in a pattern of obtaining or using domain names or gTLDs confusingly similar to others' trademarks; (5) whether the applicant has used or made preparations to use the gTLD in connection with the bona fide (and noninfringing) provision of goods, services or information; (6) whether the applicant has bona fide rights in trademarks corresponding to the gTLD; (7) whether the applicant has been commonly known by the gTLD; and (8) whether the applicant's intended use of the gTLD would create a likelihood of confusion with the objector's trademark as to source, sponsorship, affiliation or endorsement.

What Happens When a New gTLD Application Completes the Evaluation Process?

When a new gTLD application passes through the evaluation process (including any dispute resolution and string contention proceedings), ICANN will notify the applicant. The applicant will then have nine months to enter into a Registry Agreement with ICANN. The Registry Agreement is provided at www.icann.org, and applicants will be expected to enter into that Agreement substantially as written. After the applicant executes the Registry Agreement, the applicant must undergo technical testing to assure its capability as a Registry Operator. If the applicant satisfies this testing, then its new gTLD will be delegated into the Root Zone Database (the register of approved TLDs), and the applicant will become a Registry Operator for that gTLD.

As a Registry Operator, an applicant will be obligated to do all of the following, as set forth in the Registry Agreement: (1) operate the new gTLD in a stable and secure manner; (2) comply with ICANN's existing and future consensus policies and temporary policies; (3) implement startup rights protection measures, including a Sunrise period to allow trademark owners an early opportunity to register domain names corresponding to their trademarks in the new gTLD, and a Trademark Claims service to notify potential domain name registrants of existing trademark rights and to notify trademark owners of relevant domain names registered; (4) implement postlaunch (trademark) rights protection measures, including the possible suspension of specific domain names under the Uniform Rapid Suspension System (URS) and the implementation of decisions made under the trademark post-delegation dispute resolution procedure (PDDRP); (5) implement measures to protect country and territory names; (6) pay recurring fees to ICANN, including a fixed component (\$25,000 per year) and a possible variable fee based on transaction volume; (7) regularly deposit data into escrow; (8) deliver monthly reports to ICANN; (9) provide WHOIS service for domain names registered in the gTLD; (10) maintain partnerships with ICANN-accredited registrars; (11) maintain an abuse point of contact; (12) cooperate with contractual compliance audits; (13) maintain a continued operations instrument sufficient to fund basic registry operations for three years; (14) maintain community-based policies and procedures; (15) have continuity and transition plans in place; (16) make TLD zone files available via a standardized process; and (17) implement Domain Name System Security Extensions (DNSSEs).

Although an applicant that obtains a new gTLD must be capable of functioning as a Registry Operator and must comply with the Registry Agreement, it is not required to allow all others, or any others, to register domain names under its new gTLD. For example, a health care provider that obtains new gTLDs corresponding with its brand name (.brandname) or with broader concepts (.healthcare) will not be required register domain names to competitors or others under its new gTLDs.

What Protections Are Provided to Trademark Owners?

Under the new gTLD regime, there are two levels at which trademark owners will have to concern themselves with protecting their rights: (1) the new gTLDs themselves and (2) the domain names that new Registry Operators may issue under new gTLDs that they obtain. At the first level, there is no mechanism by which trademark owners can reserve their trademarks as gTLDs or prospectively block other parties applying to register gTLDs identical or similar to their trademarks. Of course, trademark owners can themselves apply to obtain new gTLDs corresponding to their trademarks. But given the expense and complexity of the application process, a “defensive” gTLD strategy may not be a viable option for many trademark owners, much less for all the trademarks that a particular trademark owner may have. Whether they apply for their own gTLDs or not, trademark owners will want to monitor the gTLD applications that others file and, when appropriate, use the Legal Rights Objection process to object to applied-for gTLDs that they believe are infringing. (In certain circumstances, trademark owners might also be able to participate in or support other objections, such as Limited Public Interest Objections or Community Objections.)

At the second level, processes will be put in place to assist trademark owners in protecting their trademarks against potentially infringing domain names that new Registry Operators might issue to new applicants under the new gTLDs. First, there will be a Trademark Clearinghouse (fee-based and separate from ICANN), a database into which trademark owners will be able to input and maintain information on their claimed trademarks. Second, before offering to register domain names under their new gTLDs, the new Registry Operators will have to offer “Sunrise” registration services during which — for a period of at least 30 days — trademark owners will be allowed to register domain names corresponding with their trademarks. Third, the new Registry Operators will have to provide a Uniform Rapid Suspension System (URS), which will provide a quicker and less expensive process for suspending domain name registrations in cases of clear-cut trademark infringement. Fourth, the new Registry Operators will have to make the domain name registrations they issue subject to ICANN’s familiar Uniform Domain Name Dispute Resolution Policy (UDRP), the process by which trademark owners dispute domain name registrations under the current gTLD regime. Finally, there will be a trademark post-delegation dispute resolution procedure (PDDRP) under which trademark owners may bring a complaint if they believe that a new Registry Operator is itself engaging in infringing behavior.

While these processes should help trademark owners protect their rights, the new gTLDs, and the new domain names registered under those new gTLDs, will multiply trademark owners’ monitoring and enforcement burdens and expenses.

What Are the Expected Timelines and Volumes for the New gTLDs?

ICANN plans to accept applications for the first round of new gTLDs from January 12, 2012 to April 12, 2012. ICANN says it will post the public portions of all gTLD applications within two weeks of April 12, 2012, and will post the results of its initial evaluations of the applications in November 2012. Given this timeline, new gTLDs approved by ICANN and not formally objected to by other parties could begin to go live in early 2013. And the Registry Operators for those new gTLDs could begin registering domain names under the new gTLDs in mid to late 2013.

ICANN will process gTLD applications in “batches,” with the first batch limited to 500 applications and subsequent batches limited to 400 applications. ICANN expects to issue at least 300 new gTLDs per year and will not issue more than 1,000 new gTLDs per year.

What Should Trademark Owners Do?

Keeping ICANN’s projected timelines in mind, trademark owners should consider whether they want to invest the time and resources to apply for new gTLDs themselves. If they do, they should familiarize themselves with the draft *Applicant Guidebook*, the TAS process, the application form and the required documentation.

Whether they want to apply for new gTLDs or not, all trademark owners should position themselves so that they can, if necessary, take action against the waves of new third-party gTLDs and domain names that will likely be applied for in the coming months.

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