

ICANN to Expand Top-Level Domain Name System

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Recently, the Internet Corporation for Assigned Names and Numbers (ICANN), the nonprofit body responsible for overseeing the Internet's addressing system, released draft guidelines describing how virtually any term at all may become a new top-level domain (i.e., the .com part of a domain name). This development could lead to a new "land rush" on the Internet for .brand, .industry, and .location top-level domains, and with them many new opportunities and risks.

Background—The New gTLD Program

In June, ICANN announced a proposal to expand greatly the number of generic top-level domains, or gTLDs; last week, it published a Draft Applicant Guidebook for public review and comment. A gTLD is the combination of letters that usually follow the final dot of any Internet domain name. There are currently 21 gTLDs; some of the most common are .com, .net, and .org. Each is overseen by a registry.

Meant to foster "diversity, choice, and competition" on the global network, ICANN's proposed program would allow any "established entity" to submit a new gTLD for registration. For example, an automobile manufacturing brand could apply for the .brand gTLD, or a wine trade association could apply for .wine.

Successful applicants will set their own eligibility standards as to who can register to own domain names containing the new gTLD. If, for example, an automobile manufacturing brand were to register .brand, it could restrict registration of .brand domain names to itself (parts.brand, customerservice.brand, etc.) or it could open that registration to all of its distributors and licensees (dealer-name.brand, etc.). Under the current proposal, only entities, not individuals, can register a new gTLD. To prevent a stampede of applications and to discourage "domain squatters," the ICANN proposal sets the barriers for entry to become a registry relatively high. The current, nonrefundable application fee is \$185,000 (additional ICANN fees of more than \$120,000 are possible should the proposed gTLD be challenged or require additional consideration, and these would not include possible litigation-related costs). Each applicant must also assert that it has the technical, financial, and operational capability to run a top-level domain registry. If an application is challenged, or if multiple bona fide applications for the same gTLD are filed, the costs of finally securing a desired gTLD could be very high. In the event of equally qualified applications, ICANN reserves the right to auction off the gTLD to the highest bidder. Of course, once a gTLD is obtained, there will be the additional expenses associated with the actual operation of the registry and, presumably, the marketing of the new gTLD.

Although a preemptive domain name registration may prevent any potential “domain squatters” from registering one’s trademark as a gTLD, the new system is likely too expensive and unwieldy for many companies to register a gTLD of their trademark just to prevent others from doing so. The Guidebook describes an objection procedure that would allow trademark owners to object to applications for gTLDs that may infringe their trademark rights. The procedure, however, would require the trademark owner to be proactive. Under the current draft, ICANN will not on its own look out for the interests of trademark owners.

Important Considerations for Organizations in Light of the New gTLD Proposal

Should ICANN’s proposal be adopted, it may have a dramatic impact on the way companies and individuals present themselves on the Internet. To be well prepared for such a change, organizations should start considering the impact of the proposal as soon as possible. Relevant options include:

- **File a Public Comment**

The public comment period on the Draft Applicant Guidebook lasts until December 8, 2008. Any interested party can file a comment on any aspect of ICANN’s proposal. Trademark owners may be interested in submitting comments that request stronger protection for their intellectual property rights. For example, under the current proposal, the only way for a trademark owner to prevent an applicant from registering a confusingly similar gTLD is to file an opposition. A trademark owner may wish to argue for a “sunrise period” during which only trademark owners may apply to register brand-based gTLDs (similar to what was done with the .info gTLD). Other pro-trademark proposals could be submitted.

- **Submit an Application for a gTLD**

Several things must be considered before submitting an application. Organizations that wish to file an application but do not have the technical capacity in-house to operate a registry should identify possible third-party service providers to use or partner with to satisfy the back-end requirements. A gTLD that sells millions of units could potentially generate very significant registration fees and annual renewal fees. If the registry offers, or teams with a partner to offer, associated hosting and web-based services, more revenue is possible. On the other hand, a potential applicant needs to consider whether its customers would flock to a new gTLD if the applicant already has a web and email presence with an existing gTLD. In other words, if a store already has a .com presence, would it also want a .store presence?

- **Monitor Applications for Possible Infringers**

Organizations may wish to simply monitor pending applications so that objections can be promptly filed against any possible infringers. Under the current proposal, organizations will be required to self-monitor for confusingly similar applications. If an organization fails to submit a legal rights objection during the appropriate window, it may be very difficult and expensive to address the problem at a later date.

- **Consider Industry Terms or Locations**

Organizations should consider industry terms or locations relevant to their businesses (such as .phone or .sunbelt), and who might obtain a gTLD for them. Organizations may wish to approach and support particular trade associations that they feel may look out for their interests. On the other hand, they may wish to challenge a third party that seeks a term or location for a

gTLD that may give that party too much power in the affected industry. If an organization's trademark is also a generic term in another industry, there could be a significant (and expensive) battle for that term. ICANN hopes that parties in such a situation will be able to come to an agreement.

If you have questions or concerns about this new ICANN program, or would like assistance with filing a comment, evaluating potential application of this to your business, or enforcing your potential rights under the proposed system, please contact either of the following Morgan Lewis attorneys:

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