

# New Top Level Domains and Disruptive Change on the Internet

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Disruptive change on the Internet is coming soon. An announcement last week began the process of adding scores if not hundreds of new top level domains, fundamentally reshaping the online experience for users and businesses alike. This article describes the change and explains the opportunities and risks it presents.

## *Internet Background*

Responsibility for the change lies with an obscure organization called the Internet Corporation for Assigned Names and Numbers ("ICANN"). It manages the global domain name system ("DNS") on which the Internet depends. Without the DNS, neither email nor the World Wide Web would exist.

Headquartered in California,<sup>1</sup> ICANN is a private corporation whose authority to coordinate the DNS comes from an exclusive contract with the U.S. Department of Commerce.<sup>2</sup> The contract vests ICANN with authority to maintain the system of unique identifiers enabling all computers to communicate via the Internet. In short, ICANN keeps the Internet functioning as a single interoperative network.

Domain names are the unique addresses that make communication on the Internet possible. Characters to the right of the final DOT are called top level

domains. They include both generic top level domains ("gTLDs") like .com, .gov, or .org<sup>3</sup> and country code top level domains like .uk for Britain or .de for Germany.<sup>4</sup> National governments are given broad authority to regulate the use of such names, but gTLDs are different. They are truly global names covering the Internet's astonishing diversity in commerce, communications, and information. Growth in their numbers has been slow. Only 21 gTLDs have become part of the Internet since its beginning.<sup>5</sup>

## *The ICANN Board Announces Disruptive Change on the Internet with the Release of New gTLDs*

The established pattern of experience online is about to change. Familiar landmarks like .com and .org will be joined by common words like .family, proper names like .smith, places like .quebec, and businesses like .canon. The introduction of new gTLDs has been long awaited and deeply controversial. The ICANN Board of Directors first approved the idea in 2008,<sup>6</sup> but the glacial pace of negotiations in ICANN's grassroots policy-making procedure delayed implementation for two years. Then, for the past six months, there has been a series of unusual meetings between the ICANN Board and the Government Advisory Committee ("GAC"), an advisory group within ICANN composed of approximately 100 government representatives

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from around the world, focused on public policy concerns with the details of the gTLD initiative.<sup>7</sup>

The ICANN Board brought the process of deliberation to a close with its decision approving new gTLDs, announced at ICANN's international conference in Singapore on June 20. The Board also announced a timetable: applications will begin pouring in on January 12, 2012 and the first application period will end on April 12, 2012. Details of the application process may change at the margins over the next few months, but the timetable for the first round of applications is expected to hold firm.

#### *Application Basics*

Understanding what applying for a new gTLD will entail requires familiarity with ICANN's Applicant Guidebook. Consisting of more than 300 pages of dense procedural and technical requirements, it prescribes the eligibility and evaluation criteria for obtaining authorization to operate a new gTLD.<sup>8</sup> Only a few of the basic features of the Guidebook are highlighted here.

*Short Window of Opportunity.* ICANN will consider only 500 applications during its first evaluation period, and applications must be submitted within 90 days of the start date on January 12, 2012. If more than 500 applications are submitted, it will consider additional applications in batches of 400.<sup>9</sup> It is unclear how long ICANN will wait after issuing decisions on all applications before it begins considering the second or subsequent batches. But it would not be surprising to see that delay last two or three years, while ICANN assesses the first round of applications and works with stakeholders to devise and implement any refinements to the application process.

*Expense.* ICANN will charge a mandatory fee of \$185,000<sup>10</sup> per application that is largely non-refundable. The fee has been set high to cover any costs of administering applications and to discourage applications by entities without the

competency or resources to manage a TLD. Professional assistance will be a practical necessity for most applicants, given the complex and novel application procedures. This necessity will further increase the cost of applying, perhaps by as much as two or three times the application fee. A successful applicant must agree to pay ICANN annual fees of \$25,000 plus variable fees (assuming a certain volume of second-level domain names).<sup>11</sup> These fees are intended to offset ICANN's costs in managing and supervising a greater number of gTLDs. Because each new gTLD has the technical capacity to include huge numbers of second-level or lower-order domain names—think of how many domain names fall under .com—the expense of maintaining a particular gTLD is expected to be far higher than acquiring and maintaining a second-level domain name today.

*Eligibility Criteria and Grounds for Objection.* Applicants must satisfy several criteria of eligibility, including background screening into "General business diligence and criminal history" and "History of cybersquatting behavior."<sup>12</sup> Applicants must also satisfy financial and technical criteria to determine whether they are capable of maintaining a gTLD and all the names registered under it without posing a threat to the safety and security of the Internet as a whole.

The next hurdles are a public comment period and an opportunity by third parties to file an objection on four grounds: "string confusion," when the applicant's proposed gTLD is similar to another TLD or other proposed gTLD in the same round of applications; "legal rights objection," when the proposed gTLD "infringes the existing legal rights of the objector;" "limited public interest objection," when the proposed gTLD violates "generally accepted legal norms of morality and public order that are recognized under principles of international law"; and "community objection," when a proposed gTLD attracts "substantial opposition . . . from a significant portion of the community to which the gTLD string may be explicitly or implicitly targeted."<sup>13</sup>

These procedural hurdles present risks or opportunities, depending on one's perspective. For the applicant, they present the risk that an unanticipated comment or objection may persuade ICANN to deny an application. For a third party with concerns about a proposed gTLD, they present opportunities to prevent an unwanted gTLD from appearing on the Internet. Trademark protection and cybersquatting are two especially trenchant reasons to oppose an application.

### *Trademark Protection*

Intellectual property rights have prompted some of the most contentious disputes over the new gTLDs. ICANN has responded by establishing procedures aimed at protecting trademark owners.

The Guidebook interprets the "legal rights objection" to include the assertion of trademark rights. When such rights are asserted as a reason for ICANN to deny a gTLD application, the objection will be submitted to a dispute resolution panel that must decide:

[W]hether the potential use of the applied-for gTLD by the applicant takes unfair advantage of the distinctive character or the reputation of the objector's registered or unregistered trademark or service mark ("mark") . . . or unjustifiably impairs the distinctive character or the reputation of the objector's mark . . . or otherwise creates an impermissible likelihood of confusion between the applied-for gTLD and the objector's mark or . . .<sup>14</sup>

Deciding whether a gTLD infringes on a trademark holder's rights depends on several non-exclusive factors, including: (1) similarity between the proposed gTLD and the existing mark; (2) the authenticity of the objector's acquisition and use of rights in the mark; (3) public recognition of the sign corresponding to the mark as belonging to the gTLD applicant, the objector, or a third party; (4) the applicant's intent in applying for the gTLD; (5) the

applicant's preparations to use the sign corresponding to the gTLD for the "bona fide offering of goods or services or a bona fide provision of information" in a manner consistent with the objector's use of his trademark rights; (6) the applicant's rights in the sign corresponding with the proposed gTLD; and (7) how far the applicant is "commonly known by the sign corresponding to the gTLD."<sup>15</sup> If a proposed gTLD is found to have infringed on the legal rights of a trademark holder, the application will be denied.

Once ICANN grants an application for a new gTLD, the new registry must agree to implement additional procedures to protect trademark holders.

A Uniform Rapid Suspension System offers relief for trademark holders that can produce "a valid national or regional registration . . . that is in current use" or a mark that has been "validated through court proceedings" or that is "specifically protected by a statute or treaty."<sup>16</sup> Qualified complainants under this procedure may obtain expedited relief, including immediate suspension of the offending domain name.<sup>17</sup>

Post-delegation dispute procedures are likewise available for trademark holders claiming that a particular gTLD or second-level TLD is infringing.<sup>18</sup> Importantly, the panel considering an appropriate remedy for an infringing gTLD must consider not only the harm to the holder, but also "the harm the remedies will create for other, unrelated, good faith domain name registrants operating within the gTLD."<sup>19</sup> ICANN is not a party to these post-delegation proceedings.<sup>20</sup>

### *Cross-Cutting Risks*

ICANN's decision to invite new gTLDs presents serious risks. Lost opportunity is a risk for clients unaware of the impending change and consequently shut out from consideration during the crucial first round of applications. ICANN's timeline means getting a new gTLD during the first could be a two- to three-year business advantage

over competitors forced to wait for the second or succeeding rounds.

Clients with substantial significant value in trademarks and trade names should consider revising their mid- and long-term strategies in response to the introduction of new gTLDs. ICANN's novel and untested objections procedures offer limited and uncertain protection from infringement. In many instances, the best strategy may be to purchase a new gTLD rather than running the risk that a legitimate company with an identical or similar name might step forward to grab the space instead.

Apart from legitimate competitors, cybersquatting remains a risk even for clients without an interest in applying for a new gTLD. This is the practice where someone acquires a domain name like .ibm only to charge IBM Corp. many times the acquisition price to recover it. The potential cost of allowing cybersquatters to acquire a domain name could be high, depending on the company's economic value. The sale of insure.com for \$14 million in 2009<sup>21</sup> demonstrated that the value of domain names can be substantial. ICANN's procedures for filtering out cybersquatters from the gTLD application process are imperfect. A \$185,000 price tag, a standard background check, and a few forms may not be sufficient to identify or dissuade an aggressive cybersquatter from applying for a gTLD it believes will be worth even more if held for ransom.

These risks are heightened by the fact that ICANN's authority over the Internet's domain name system is exclusive. No other organization can provide a reliable appeal if a client is injured by ICANN's decision to delegate its company name to someone else.

#### *Strategies for New and Difficult Terrain*

Deciding whether to apply for a new gTLD raises multiple complex questions, answers to which depend on one's business plan. Owning a gTLD is like owning commercial real estate with a corporate

name engraved on the side of the building: it signifies a marquee presence in one's own corner of cyberspace. For clients whose online activities are particularly important to them, or whose trade name or trademark carries substantial value, applying for a new gTLD may be a savvy business move.

Many clients will either lack the resources or the business plan to make new gTLDs a worthwhile opportunity. For them, the greatest risk lies in ignoring the implications of new gTLDs altogether. Protecting a business's good name—even if not reduced to a registered trademark—will be an important consideration for nearly every business on the Internet. Being prepared to monitor potentially infringing gTLD applications and to submit timely objections before an application is acted on furnishes a more certain means of protection than waiting until after a questionable gTLD has been delegated. After-the-fact challenges are more difficult to bring and less likely to prevail, by design.

Whichever strategy serves a client's interests, ICANN's decision to introduce new gTLDs into the Internet demands an informed and timely response. Preparations should begin right away, given the length and complexity of the application and objections procedures. The growing importance of the Internet means that monitoring and advice about how to respond effectively to the risks and opportunities posed by ICANN's decisions makes better sense than ever.

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<sup>1</sup> Bylaws for Internet Corporation for Assigned Names & Numbers, art. 18, § 1 (as amended March 18, 2011), *available at* <http://www.icann.org/en/general/bylaws.htm> ("The principal office for the transaction of the business of ICANN shall be in the County of Los Angeles, State of California, United States of America.").

<sup>2</sup> Contract for Internet Domain Name Technical Functions (Aug. 11, 2006), *available at* [http://www.ntia.doc.gov/ntiahome/domainname/iana/ianacontract\\_081406.pdf](http://www.ntia.doc.gov/ntiahome/domainname/iana/ianacontract_081406.pdf).

<sup>3</sup> *See* <http://www.icann.org/en/tlds/>.

<sup>4</sup> *See id.*

<sup>5</sup> *See id.* (listing all gTLDs).

<sup>6</sup> *See* Press Release, Internet Corporation for Assigned Names and Numbers, Biggest Expansion in gTLDs Approved for Implementation (June 26, 2008), *available at* <http://www.icann.org/en/announcements/announcement-4-26jun08-en.htm>.

<sup>7</sup> *See* <http://gac.icann.org/pressreleases> (summarizing meetings between the GAC and the Board).

<sup>8</sup> Internet Corporation for Assigned Names & Numbers, *gTLD Applicant Guidebook* (May 30, 2011), *available at* <http://www.icann.org/en/topics/new-gtlds/rfp-clean-30may11-en.pdf>.

<sup>9</sup> *See id.*

<sup>10</sup> *See id.* at 1-40.

<sup>11</sup> *Id.* at 5-12.

<sup>12</sup> *Id.* at 1-20.

<sup>13</sup> *Id.* at 3-4.

<sup>14</sup> *Id.* at 3-18 to 3-19.

<sup>15</sup> *Id.* at 3-19 to 3-20.

<sup>16</sup> *Id.* at app. to Module 5 ("Uniform Rapid Suspension System"), at 2.

<sup>17</sup> *Id.* at 9.

<sup>18</sup> *Id.* at app. to Module 5 ("Trademark PDDRP"), at

2.

<sup>19</sup> *Id.* at 9.

<sup>20</sup> *Id.* at 1.

<sup>21</sup> *See* Leena Rao, *Insure.com Sells for \$16 Million*, TechCrunch.com (Oct. 9, 2009), *available at* <http://www.washingtonpost.com/wp-dyn/content/article/2009/10/09/AR2009100904532.html>.