

VIRTUAL REALITIES

The sun rises on a new gTLD landscape



ICANN committee member and Covington & Burling special counsel **Kristina Rosette** examines what brand owners should consider as the gTLD expansion programme is approved

On 20 June, the Board of Directors of the Internet Corporation of Assigned Names and Numbers (ICANN) approved a programme to expand significantly the internet name space through the introduction of new generic Top Level Domains (gTLDs), some of which will be in other language scripts such as Chinese, Cyrillic, and Arabic. gTLDs are the part of the internet address to the right of the dot: .com, .net, and .org, for example¹. ICANN is the California-based non-profit corporation charged with coordinating internet names and overseeing the internet's security and stability. ICANN will accept applications for new gTLDs from 12 January 2012 through 12 April 2012.

Under the expansion, it will be possible to apply for and operate a gTLD that is a generic industry sector or activity (.shop, .health, and .bank), brand (.canon and .hitachi),² city name (.nyc, .paris, and .london), or linguistic or cultural community (.scot, .zulu, .kurd). Prospective applicants have already announced plans to apply for over 120 new gTLDs.

A successful applicant will have an exclusive 10-year, renewable, contractual right to operate the applied-for gTLD registry and control the associated name space. A successful applicant could use a gTLD to control the internet real estate for its brand or industry sector, to expand its brand and online visibility, and to authenticate and to secure its online presence.

A gTLD operator will control the gTLD, including determining which second-level domain names (to the left of the dot) are registered and by whom. Many expect consumers will eventually know and rely upon the authentication/security function of a gTLD (eg, "if it's not .[brand], it's not the [Brand owner]" and "Everything shopping related is at .shop"). Because new gTLDs are being characterised as innovative, operating a new gTLD registry could enhance a company's reputation as an innovator in its industry.

New gTLDs will transform the internet, by expanding dramatically the opportunities for commerce and community and potentially for fraud, infringement, and theft. Every trademark owner will have at least one role in this expansion: as an applicant, as an objector, and/or as a registrant and should plan now how it will participate. The anticipated scale of the expansion will force all trademark owners to assess and revise their current strategies for domain name registration, online brand protection, and internet enforcement. Strategies that are successful in an internet of just 21 gTLDs simply will not work in an environment of 500 gTLDs.

The basics

The new gTLD string A new gTLD can be any string of three or more letters or, in scripts that do not use the Latin alphabet (such as Chinese), two or more characters. Numbers and punctuation are not permitted. People who have followed the new gTLD policy development process anticipate that as many as one-third of new gTLD strings could be Internationalized Domain Names (IDNs), which are in scripts that do not use the Latin alphabet.

The application Entities that wish to operate a new gTLD must complete and submit to ICANN a 50-question application that covers a wide range of technical, financial, and operational issues. ICANN will accept new gTLD applications only between 12 January 2012 and 12 April 2012, and will not accept late applications. ICANN intends to have a second round of applications, but the second round is unlikely to open for several years. First movers could potentially have a tremendous advantage.

The cost ICANN's application fee is \$185,000 and application preparation costs will range from \$100,000-\$300,000 and higher, depending on the applied-for gTLD string and how it will be used. To obtain the highest possible application score, a gTLD applicant

must submit a letter of credit or make a deposit into a cash escrow account in an amount equal to the estimated costs for operating the gTLD registry for three years. Additional fees for application evaluation and objections apply. The annual fee to ICANN is \$25,000 plus an additional fee for each second-level domain name after the first 50,000. Outsourcing the technical operation of the new gTLD is likely to cost at least \$25,000 per year and could cost much more. It will cost most applicants between \$300,000-\$500,000 per year to operate the gTLD registry.

The gTLD type Applicants must decide whether to apply for a community-based gTLD or a standard gTLD and they cannot change the application type. A community-based gTLD benefits a clearly delineated community consisting of a restricted population; this application type has an important advantage where there are multiple applicants for the same or similar gTLDs. A standard gTLD is any non community-based gTLD, and can have an exclusive registrant/user population that is subject to eligibility and use restrictions. An applicant can also operate a standard gTLD like .com – anyone can register a second-level domain name and all uses are permitted.

The new gTLD application process

Presumption of approval The application evaluation process presumes that ICANN will approve new gTLD applications submitted by financially, technically, and organisationally qualified applicants unless one of four circumstances exist: (i) the applied-for gTLD is confusingly similar with an existing TLD or ICANN Reserved Name (ii) the string is a geographic name and the application does not include documentation of support/non-objection from the relevant government³ (iii) there are competing applications for the same or a confusingly similar string; and/or (iv) a third-party asserts a successful objection.

Scoring An applicant must score 30 points on the 50-question application (27 are scored), which also requires financial projections, balance sheets, security measures, and substantive rights protection policies.

Application processing After the application window closes, ICANN will check applications for completion and will publish the non-confidential portions of complete applications. Publication, which starts both the five-and-a-half month objection period and the 60-day public comment period, is when it will be possible to find out what gTLD strings have been applied for and by what entity. Unless an applicant announces its intention to apply for a particular gTLD string, no one will know what gTLD string the applicant has applied for until the publication period. ICANN evaluates applications – both the gTLD string and the applicant – during the objection period.

String confusion ICANN will fail an application for an applied-for gTLD string that is deemed visually confusingly similar to an existing TLD; no appeal is possible. A finding of string confusion between applied-for gTLD strings places both applications in a “string contention set”.

Applicant review The applicant review portion of the evaluation includes background checks of applicants and their officers, directors, key management, and certain shareholders; reviews of the proposed registry system and network architecture, security policies, and abuse prevention and mitigation; and assesses the applicant’s financial capabilities for operating the gTLD registry.

Objections The ICANN process allows for formal objections, which will be adjudicated by third-party dispute resolution providers. A trademark owner can assert a Legal Rights Objection (LRO) against another’s application for a gTLD string that it believes is confusingly similar to any of its marks. The World Intellectual Property Association’s Arbitration and Mediation Center is the dispute resolution provider for LROs. A trademark owner will not prevail in an LRO if the applicant (i) has legitimate, competing rights in the string or (ii) can show that the string is a generic term and will be used that way. A successful LRO against one application will cost between \$10,000-\$25,000.

Other types of objections are String Confusion Objection, Limited Public Interest Objection, and Community Objection. A String Confusion Objection is based on the grounds that an applied-for gTLD string

is confusingly similar in sight, sound, and meaning to an existing TLD or another applied-for gTLD. A Limited Public Interest Objection is based on the grounds that an applied-for gTLD is “contrary to generally accepted legal norms of morality and public order that are recognized under principles of international law.”⁴ The basis for a Community Objection is 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.”⁵ The International Centre for Dispute Resolution and the International Center of Expertise of the International Chamber of Commerce are the dispute resolution providers for these three additional categories of objections.

In most cases, it will not be possible to successfully object to a third-party application for a generic industry sector or activity string (eg, medicine) that is the subject of a standard application. It may be possible to object successfully to a .medicine community application if the applicant does not represent the medical community.

Resolving string contention ICANN will award a string that is the subject of multiple competing applications for the same or visually similar strings through self-resolution, community priority evaluation, and auction. Self-resolution means that all but one applicant in the contention set withdraws. Only community gTLD applicants participate in community priority evaluation, which scores how well the application serves the intended community. Community-based applicants that pass the scoring threshold either receive the gTLD (if no other community-based applicant passes) or go to auction (if other community-based applicants pass). This priority incentivises submitting a strong community-based application for a popular gTLD. ICANN will auction gTLD strings not awarded through self-resolution and community priority evaluation.

The contract The New gTLD Registry Agreement is a 20-page standard form contract with multiple addenda that has a 10-year term with a presumption of renewal, is governed by California law, and grants ICANN the sole discretion to transition the gTLD to a successor registry operator after the agreement terminates. If a gTLD registry operator decides that it no longer wishes to operate its gTLD, ICANN can allow another entity to operate that gTLD unless the registry operator is the only registrant of all second-level domain

names, that all second-level domain names are used by it or its affiliates, and that transition is not necessary to serve the public interest.

Trademark protections in new gTLDs

The trademark community – in particular, members of the ICANN Intellectual Property Constituency and brand owners that submitted comments to ICANN about the then-draft Applicant Guidebook – fought hard for effective trademark protections to combat the increased cybersquatting that is expected to occur as new gTLDs are launched. Ultimately, the persistence of the trademark community and the intervention of ICANN’s Governmental Advisory Committee (“GAC”), through which national governments participate in ICANN, bore fruit.

Sunrise and Trademark Claims processes All new gTLD registry operators will be required to offer both a pre-launch Sunrise process and a post-launch Trademark Claims process. Under the Sunrise process, a trademark owner can secure, for at least 30 days before a new gTLD registry opens registration to the public, a second level domain name registration that is an identical match to its word mark that is (i) nationally or regionally registered and for which evidence of use has been submitted and validated⁶ (ii) court-validated or (iii) specifically protected by statute or treaty that has been in effect since on or before June 26, 2008. The Trademark Claims process provides notice, for 60 days after a new gTLD registry opens registration to the public, to potential domain name registrants that the second-level domain name being applied for is an identical match to a word mark in the Trademark Clearinghouse that is (i) nationally or regionally registered; (ii) court-validated; or (iii) specifically protected by statute or treaty that has been in effect since on or before 26 June 2008⁷. Before proceeding to register the domain name, the potential registrant must acknowledge receipt of information about the claimed right and represent and warrant that it is applying for the domain name in good faith and that it will not use the domain name to violate the trademark owner’s claimed right.

Trademark Clearinghouse The Trademark Clearinghouse will be a centralised database of authenticated documents evidencing trademark rights to support efficient administration of rights protection

Every company will have a role (or roles) in this impending expansion of the internet name space – applicant, objector, and/or registrant. So what questions should be considered?

Questions for potential applicants

- What gTLD string should be applied for? How will it be used?
- Which department or division bears the cost?
- If the string is a generic industry sector or activity string, should you join with other industry participants in applying and, if so, which ones?
- Are there any other entities with rights in the same or visually similar string?
- Should one consider a standard or community application?
- Will registration be open to all or restricted and, if so, what criteria will apply?
- How can second-level domain names be used?
- Will you participate in an auction and how much are you willing to spend?
- What entity will be the applicant and, if a new entity is created, where is it organized?
- Will the technical operation of the registry be outsourced and, if so, to which company?

Questions for objectors

- What gTLD strings are likely to be of concern?
 - Are the documents and evidence necessary to support an objection readily available?
 - Do existing co-existence agreements cover a gTLD?
 - Are there any gTLD strings against which you should join with other entities in objecting?
- Potential objectors can also use the 60-day public comment period to raise issues about virtually any aspect of another's application.

Questions for registrants

- In what gTLDs do you wish to secure the <company name> or <brand> second-level domain name?
- What about other second-level names? Who decides?
- To what extent will you participate in the Trademark Clearinghouse and Sunrise and Trademark Claims processes?
- Who is responsible for submitting information and documents to the Clearinghouse?
- Who is responsible for monitoring the list of applied-for gTLDs and the launch of new gTLDs? Who will defend the decision against applying for a gTLD?
- To prepare for possible IDN gTLDs, are your key marks registered in relevant scripts in key markets?

mechanisms. New gTLD registry operators will interact with the Clearinghouse to obtain the required trademark information for the Sunrise and Trademark Claims processes. For example, a company that owns three primary brands could deposit information once about its national registrations, designate the gTLD registries for which it wants to participate in Sunrise and Trademark Claims (.shoe, .shop, and .music, for example), and each registry will connect to the Clearinghouse to obtain the supporting data for each of the trademark owner's Sunrise registrations. The Clearinghouse's proponents⁸ envisioned that it would increase efficiency and decrease the administrative costs and burdens on trademark owners on participating in potentially hundreds of Sunrise and Trademark Claims periods.

Uniform Rapid Suspension System (URS) In addition to the existing Uniform Domain Name Dispute Resolution Policy (UDRP), trademark owners will be able to act against cybersquatters under the URS that is intended to be a faster, cheaper version of the UDRP. Marks covered by the URS must meet the same eligibility requirements as for Sunrise. The URS uses the same elements as the UDRP, but transfer of the contested domain names is

not an available remedy. Instead, a successful trademark owner will prevent the contested domain names from resolving for the duration of their registration term. A limited loser pays system applies to URS proceedings involving 15 or more domain names – a response fee is due and is refunded to the prevailing party.

Trademark Post Delegation Dispute Resolution Procedure (PDDRP) The PDDRP was originally proposed to address systemic abuse by "bad actor" registry operators⁹. It covers disputes relating to abuse by a registry operator of both the gTLD itself and second-level names within it. The ICANN Registry Stakeholder Group demanded such extensive changes to the PDDRP as originally drafted that many persons, including the author, question its current utility as an effective rights protection mechanism.

Footnotes

1. ccTLDs refer to country code Top Level Domains, which are operated by or for the benefit of a specific country or territory -- .ca for Canada, .us for United States, and the like.
2. See <http://www.canon.com/news/2010/mar16e.html> and http://ir.gmo.jp/en/pdf/irlibrary/disclose_info20110302_e.pdf.

3. Country and territory names, in various permutations and forms, cannot serve as gTLDs. An applicant for a gTLD string that is the name of a capital city, a city (if the gTLD is intended to be associated with the city), a sub national place (eg county or state), or a UNESCO region must submit with the application a signed letter of support or non-objection from all relevant governments. If the applicant does not provide the required documentation of support or non-objection, ICANN will reject the application. ICANN, Applicant Guidebook, at 2-14 to 2-15 (May 30, 2011), available at <http://www.icann.org/en/topics/new-gtlds/dag-en.htm>.
4. id. at 3-4.
5. id.
6. The ICANN Board rejected arguments by the trademark community and the GAC that the use requirement discriminated among national trademark registration systems and maintained that the use requirement would benefit trademark owners and decrease gaming, and refused to withdraw the use requirement.
7. The ICANN Board also rejected arguments by the GAC and the trademark community that the Trademark Claims process should operate for longer than 60 days after a new gTLD registry's launch and that the "match" under the Sunrise and Trademark Claims processes should be broader than just identity (eg, mark plus key term), yet its rationale for doing so is unclear.
8. Implementation Recommendation Team, Final Report, at 11 (May 29, 2009), accessible at www.icann.org/en/topics/new-gtlds/irt-final-report-trademark-protection-29may09-en.pdf
9. id.

Author



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tion Council since 2006, and was a member of the Implementation Recommendation Team, the team of experts who designed and recommended trademark protections for new gTLDs in 2009.