

## **Decision Time: Trademarks and the New World of Domain Names *Is Your .Plan Ready?***

**September 9, 2011**

After years of online and offline discussions, international meetings, and many versions of proposed controlling documents, in June 2011 ICANN (described below) voted to allow up to 1,000 new top-level domains (TLDs) on the Internet in the near future. At least 500 applications for new TLDs are expected in the first round. Many businesses have been proceeding with the assumption that this complex and expensive expansion of the domain name system would be eventually rejected or substantially delayed, or that an easy and cost-effective mechanism to protect trademarks across domain name registries would be provided as part of the expansion. So far, neither of those assumptions has proved correct. Although some organizations are considering legal and political challenges to slow down this process, unless and until that happens, every entity with a commercial interest in the Internet needs to consider its online marketing plan in light of the dramatically new domain name world ahead. Following are some important questions that should be considered when creating such a plan.

### **WHAT IS ICANN?**

The Internet Corporation for Assigned Names and Numbers (ICANN) is a California nonprofit organization tasked with administering certain Internet governance functions, including domain name administration. ICANN is controlled by a “web” of interested parties, including governmental representatives, individuals, and institutions, and it is subject to critical contractual arrangements with the U.S. Department of Commerce.

### **WHAT ARE TLDs?**

TLDs are the letters to the right of the dot in a domain name (and by extension, a website or email address). ICANN’s proposed new TLDs will be able to be used to identify (i) a specific online community: .sport, .food; (ii) a geographic location: .nyc, .berlin; or (iii) a brand: .canon. As a result, we could see email addresses like [johnd@customerservice.canon](mailto:johnd@customerservice.canon), or a website address like [www.bestrestaurants.nyc](http://www.bestrestaurants.nyc).

### **WHAT CHOICES DO COMPANIES HAVE?**

Every company should consider the opportunities and risks posed by this new TLD system and identify its own appropriate path going forward. This should involve coordination among a company’s

marketing, communications, and IT staff, as well as with legal counsel and the company's current domain name registrar. Given the strategic importance of the new TLD system to a company's name and core brands, it may also be prudent to consult with senior management on these issues. In particular, every company should consider the following possible actions:

### ***Continue to Fight Against ICANN's Plan***

The Association of National Advertisers (ANA) continues vigorously to oppose ICANN's vote to proceed with this system (<http://www.ana.net/content/show/id/21790>), and has stated in a public letter to ICANN that it will do "whatever is necessary to prevent implementation of the Program."

Some Morgan Lewis clients are considering forming a coalition seeking congressional action that might force ICANN to refine and/or delay implementation of its decision to expand dramatically the number of TLDs. For information on this possible coalition, please contact the senior director of Morgan Lewis's Washington Government Relations and Public Policy Practice, Tim Lynch, at [tlynch@morganlewis.com](mailto:tlynch@morganlewis.com).

In any event, every company should make the critical cost-benefit decisions described below in the very near future.

### ***To Registry or Not to Registry***

For trademark owners, the first question that needs to be answered is: Should my company apply to become a registry for our key .brand or for more than one of our .brand(s)? Would that be an overreaction? Or, could it be seen as a shrewd marketing strategy, or as the best defense against trademark infringement?

**Possible benefits:** Using your company name as the TLD in your email may give some customers more comfort that they are dealing with an authorized company representative. Some have suggested that web pages based on branded or generic TLDs may appear higher in search engine results. At some point, people may think of Internet addresses differently; for example, some speculate that in the future Internet users may start typing [www.product.brand](http://www.product.brand) before they try [www.brand.com](http://www.brand.com).

**Costs to apply:** For each application for a new TLD, the ICANN filing fee is \$185,000, with an annual \$25,000 registry fee and other fees depending on the number of domain names created within the registry. The costs of prosecuting the application and maintaining the registry, assuming the application is successful, will be many times that. If more than one party seeks the same TLD, and ICANN determines that both have a valid right to it and both have the economic and technical means to support it, ICANN will auction that TLD to the highest bidder. This could happen, for example, if Research in Motion applies for .berry in connection with Blackberry devices, and a farmers' trade association files for .berry for berries. Of course, there could be another company using "berry" as a trademark for a completely different good or service.

**Costs to challenge someone else's acquisition of a new TLD:** Companies will have an opportunity to challenge a third party's proposed new TLD. It will be important to monitor for new TLDs, and file challenges when appropriate.

An interested party may oppose an application for a new TLD on several grounds. The one most pertinent to trademark owners is a “legal rights” objection. Research in Motion could raise such an objection in the .berry scenario outlined above. Similarly, two unrelated parties that each claim legitimate rights to a name or trademark (e.g., Republic Bank vs. Republic Insurance) could challenge the other’s effort to obtain a related TLD (e.g., the .republic TLD). A party may want to challenge another applicant because it wants the TLD or because it doesn’t want anyone to own that TLD. As currently drafted, it will cost at least \$8,000 to file such a complaint under ICANN’s dispute mechanism in these scenarios. However, preparing, filing, and arguing such a complaint in these proceedings will likely cost significantly more. Litigation or appeals in court over these issues can occur as well. It is very difficult to predict at this time how these types of disputes are likely to be resolved.

The risk to a trademark owner that another party may be able to obtain a TLD that corresponds to its trademark is one of the main reasons that many brand owners feel pressured to file (and possibly bid) for TLDs for their names/brands even when they don’t feel a legitimate business need to own and run (or be part of) such a registry.

Further, once a new TLD is created, ICANN may not allow another new TLD to be created that, in its view, is too similar to the first one. ICANN refers to this as “string confusion.” This means that if a third party gets a problematic TLD, your company may not be able to get a close variant for its own use in the future.

Similarly, it is unclear when ICANN intends to accept additional applications for new TLDs after the first round as outlined below. Accordingly, even if no third party obtains a “blocking” TLD, a company may not have the opportunity to file for any TLD that corresponds to its brand for quite some time after the first round.

### **Who Will Control the Generics for Your Industry?**

For many entities, the next question is whether they should seek to register a key generic term in their industry. For example, a car manufacturer may consider filing an application to run a new .auto domain registry.

Answering this question will depend on a number of internal factors, including whether a company wants to enter a long-term agreement with ICANN to operate a domain name registry. It should not, however, be necessary for a company to become a TLD registry to obtain domain names using that TLD. If a new TLD is generally available to the public, as most TLDs for generic terms are likely to be, a company should be able to secure the domain names that correspond to its marks during the “sunrise period” for the new TLD. Accordingly, using the car manufacturer example above, a company like Ford should be able to secure the ford.auto domain name during the sunrise period for .auto domains. Unfortunately, the registry sunrise period does not absolutely guarantee that an applicant will get the specific domain name in the registry that it wants.

TLDs for generic terms may make sense for trade associations, which have a large built-in base of customers for domain names in a TLD that corresponds with an industry/community identifiable term. Arguably, trade associations would be providing their members with a service by running that registry. The costs to become a registry of such a TLD will be similar to the costs outlined above for obtaining a .brand registry. Trade associations may wish to start polling their members for interest in a TLD extension for the key generic term in their industry, determining how many domain names each member

is likely to want, and how much they would be willing to pay for each domain name they would acquire (and whether the members would support a surcharge or assessment by the association to fund the creation and operation of the TLD registry).

### **Who Else May Want to File for a New TLD?**

Owners of collective marks and certification marks may also be interested in filing for a new TLD. A collective mark is owned by a cooperative, an association, or other collective group or organization and used by its members to indicate the source of the goods or services. A certification mark is owned by one party that certifies the goods and services of others when they meet certain standards.

### **What Is the Timing to Become a TLD Registry?**

ICANN will begin accepting applications to be a TLD registry on January 12, 2012. This application window will remain open for 90 days until April 12, 2012.

Beginning on April 27, 2012, ICANN will publish on a rolling basis the applications that it deems “complete.” Once published, such applications will be subject to public comment and/or objection. The public comment period will run for 60 days after the date of publication. The opposition period will last seven months from this same date.

Meanwhile, ICANN will concurrently evaluate each published application to ensure that the applicant is financially and technically capable of operating a secure TLD registry. This initial evaluation should take approximately five months, and if ICANN determines that the applicant meets its standards (and if no third-party objection is raised), the applicant’s new TLD registry could be up and running by early 2013.

### **What If We Don’t Want to Become a TLD Registry?**

#### ***Monitor, File Early, and Block When You Can***

If a company has decided that it does not want to become a registry for a new TLD, it should still monitor what others are doing, either to challenge an application for a TLD that might cause it problems, or so it can consider whether it wants domain names in that registry. Moreover, if a company wants to register domain names in a new registry that correspond with its trademarks, it should take advantage of the “sunrise period” in that registry, where for an additional fee, likely in the range of \$100 to \$300 per domain name, a company can go to the front of the line for the domain name it wants. Further, some registries may offer a “blocking” mechanism during their sunrise periods. Such a mechanism was recently offered by the .xxx registry.<sup>1</sup> When available, this mechanism would allow trademark owners to block domain names that correspond with their trademarks in the new TLDs.

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1. See our July 18, 2011 LawFlash, “Trademark Owners Should Plan for the Arrival of .XXX Domain Names,” available online at [http://www.morganlewis.com/pubs/IP\\_LF\\_PlanForArrivalOfXXXDomainNames\\_18july11.pdf](http://www.morganlewis.com/pubs/IP_LF_PlanForArrivalOfXXXDomainNames_18july11.pdf).

## Possible Additional Domain Name–Related Costs (Without Becoming a Registry)

Many companies are concerned that the existence of so many new TLDs will require an expanded trademark enforcement program, including significant sunrise period and other new domain name registration/renewal costs that are highly burdensome. By way of example, if one assumes that an average sunrise application for a new TLD domain name will cost \$200, and a company wishes to register its key name/mark in 500 (expected) new TLD extensions, the initial cost of registering these 500 domain names would be \$100,000. If a company takes that approach with 10 of its key trademarks, that would be \$1,000,000 just to obtain those domain names.

Many companies, however, will not feel the need to obtain domain names in every new registry that becomes available. Unfortunately, a company can still incur costs of \$100,000 by registering, through a sunrise period as describe above, 20 key marks in only 25 of the new TLD extensions.

Moreover, trademark owners will need to budget for the expenses associated with maintaining the aforementioned domain names, monitoring for third-party applications (of domain names and registries), and the likely need to challenge third-party domain names obtained in various registries. The classic cybersquatter problem ([www.yourbrand.tld](http://www.yourbrand.tld)) almost certainly will be multiplied because of the many new TLD registries. Cybersquatting can cause embarrassment or security problems, or direct visitors to unrelated, competitive, or counterfeit products or services. It seems likely that this new system will lead to the need for more Uniform Dispute Resolution Proceedings (UDRPs) to recover domain names from cybersquatters. The filing fees alone for a UDRP generally range from \$1,500 to \$4,000, and can be more.

## Does It Really Matter?

Perhaps the hardest question of all is whether the existence of unauthorized domains names in the new TLD registries will really matter. The launch of TLDs beyond .com, .net, and .org in the past (e.g., .travel, .jobs, and others) have not, for the most part, gained much traction. Will the new TLDs fare better? Some new TLDs that intended applicants have announced are .africa, .bank, .bike, .canon, .china, .eco, .free, .game, .gay, .green, .hotel, .london, .love, .money, .paris, .peace, .post, .radio, .shop, .ski, .unicef, .vegas, .wine, and there will many more. Based on the expected volume alone, it would seem that at least some of the new TLDs will become commercially relevant and, therefore, likely to raise the costs and issues as described above.

Whether you are thinking of applying for a new TLD, concerned about protecting your trademarks in this new domain name landscape, or interested in the possibility of slowing this process down, Morgan Lewis can help. Please contact any of the following Morgan Lewis attorneys with questions or for more information about the issues discussed in this LawFlash:

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