

Intellectual Property and Technology Law Update

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.Brand: New TLDs Are Coming — Are You Ready?

You have probably heard the buzz, but it is now official. The Internet is growing and brand owners should be aware of the coming changes.

On June 20, 2011, the Board of the Internet Corporation for Assigned Names and Numbers (“ICANN”) approved a recommendation to expand the number of top-level domains (“TLDs”). The TLD is the portion of a domain name to the right of the dot. The new program will enable an unlimited number of TLDs, including private brands (e.g., .canon) and those that serve specific communities (e.g., .catholic) or geographies (e.g., .chicago). This new program will open up the Internet to allow creative new uses by industries, communities and brand owners.

A company that applies for a new TLD is actually applying to create and operate a registry business. The benefits of applying include:

- Obtaining a short and memorable domain name;
- Everything to the left of the dot is available for use and registration by your company;
- Potentially improved advertising and ranking on search engines;
- New, creative marketing and outreach opportunities;
- After the upcoming application window in 2012, ICANN may not accept new applications for some time; and
- Improved security — users can immediately recognize a domain as belonging to your company.

Companies may restrict a new TLD to only internal use, open the new TLD to limited partners, or allow third parties to register domain names within the new TLD. Companies cannot simply purchase a TLD and not use it.

The downsides are that the application process is extensive and expensive, and the maintenance of a TLD requires long-term investment both financially and with respect to technical and operational expertise. The risks of *not* applying include potentially losing a “key” TLD, losing leadership status or market share to a competitor who pursues a new TLD, and not having another opportunity to apply for a TLD until 2013 or later.

Whether or not brand owners are applying for a TLD, they should be aware of the changes and enforce their trademark rights as necessary during the application process, as well as during and after the launch of the new TLDs.

ICANN currently estimates it will accept application from January 12 through April 12, 2012. ICANN plans to post applications 15 days after the close of this application window. Once applications are posted, there will be a seven month objection period. ICANN will post initial evaluation results in November, 2012, and new TLDs will likely become operational in early 2013.

What is involved in the application process and how much does it cost?

ICANN's application process is intended to confirm that successful applicants who qualify to operate the registry of a new TLD have the technical capacity and financial wherewithal to keep the TLD operational. The application fee is \$185,000 per TLD. The estimated cost to prepare a complete application with the assistance of consulting experts may be up to \$100,000 or more. During the application process, applicants should also be prepared to pay dispute resolution fees (if an objection is filed), auction fees (if another party wants the same TLD), and other potential fees.

The application includes 50 questions that cover general business, financial, technical and operational information, including an extensive background check of the entity and its officers and directors. Applicants must also commit to a 10-year Registry Agreement that requires, among other things, a commitment to abide by ICANN's Consensus Policies and payment of annual fees of \$25,000 minimum. Additional ongoing annual fees should also be expected under the Registry Agreement.

What if someone applies to use my brand as a TLD?

The costs and stringent criteria described above may deter many companies and individuals from applying for a .brand TLD. Moreover, the requirements make it unlikely that a cybersquatter will apply for or be approved to maintain a .brand TLD for a brand in which it has no rights.

Of course, conflicts will arise regarding appropriate ownership of .brand or .whateveryoucantthinkof TLDs. ICANN has put into place procedures that will be used to resolve issues of conflicting or confusing names. Third parties will be able to file both comments and objections to applications. ICANN will publish non-confidential portions of all applications on its website for a 60-day public comment period.

Legal rights holders may file an objection if the applied-for TLD infringes existing legal rights that are recognized or enforceable under generally acceptable and internationally recognized principles of law. Registered or unregistered trademarks can be the basis of an objection.

Filing and adjudicating a dispute will likely cost \$10-23,000. The prevailing party's fees may be refunded. Once filed, the objection process is expected to be relatively quick — ICANN is encouraging decisions by the independent providers who will adjudicate the objections within about two months. Objections will be made public, and if successful, the application will fail.

What next?

The majority of brand owners will likely not apply for a TLD. Only some brand owners will need to file objections to infringing applications. However, all brand owners will need to pay

attention to the process as it develops and enforce their trademark rights once the new TLDs are launched. Consider registering your key brands in priority TLDs owned by third parties. Include new TLDs in your trademark enforcement strategies. Monitor the use of your brands not just in .com, .net and .org, but also .apparel, .shoes, .software, .food and .whateveryoucanthinkof.

Cybersquatters may begin to target industry or product categories such as .shop, .eat and .shoes. In addition to the current uniform domain name dispute resolution procedure (known as “UDRP”), ICANN plans to launch a new Uniform Rapid Suspension System to apply to all new TLDs. Although minimal details have been revealed to date, this process is expected to be faster and cheaper than the UDRP, but will result only in suspension — not transfer — of the infringing domain. Finally, consider registering your brands with the soon-to-be-developed Trademark Clearinghouse. Again, minimal details have been revealed to date, but the Trademark Clearinghouse is expected to be a centralized database of “validated” trademarks designed to support pre-launch rights protection mechanisms for all the new TLDs.

For more information, please contact the Intellectual Property and Technology Practice Group at Lane Powell: IPGroup@lanepowell.com

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