

## EXPANSION OF WEB DOMAINS COULD HURT BRANDS

In the summer of 2009, the Internet Corporation for Assigned Names & Numbers (“ICANN”) plans to begin accepting applications for new generic Top Level Domains (“gTLDs”). At present, there are fewer than two dozen gTLDs, including <.com>, <.biz>, and <.mobi>. With the stated goal of increasing “diversity, choice and competition” in the domain name marketplace, ICANN will shortly open the door to an infinite number of gTLDs.<sup>1</sup> This will allow applicants to apply for:

- branded gTLDs, such as <.willkie>, <.coke> or <.apple>;
- generic gTLDs, such as <.bank>, <.insurance> or <.coffee>; and
- geographically-based gTLDs, such as <.zurich>, <.australia> or <.rome>.

Proponents also claim that ICANN’s program will have security and marketing benefits. Most notably, a gTLD operator will control who can register domain names in the gTLD. Thus, Apple Inc. could choose to sell domains within <.apple> only to authorized resellers. This would enable consumers to steer clear of websites selling counterfeit merchandise. Apple could also set up intuitive domains within its gTLD, such as <.service.apple> or <.help.apple>.

However, for trademark owners, the disadvantages of this program could far outweigh its benefits. Companies that are not active in the initial application process may see their trademarks incorporated into gTLDs owned by others. Brand owners may find that gTLDs have been registered by others with legitimate claims to the same mark for different goods or services. There could be a struggle between competitors for key generic-term gTLDs. Thus, brand owners would have two choices: (1) apply for gTLDs including their trademarks during the initial application period; or (2) monitor applications for new gTLDs and object as necessary to protect their trademark rights.

### Applying for a New gTLD

The costly and complicated application process currently under consideration is detailed in the Draft Applicant Guidebook.<sup>2</sup> Under the proposed process all companies, organizations and institutions in good standing can apply for new gTLDs during the open application period by selecting a new gTLD, completing the detailed financial and technical questionnaire, and submitting a \$185,000 evaluation fee. However, applicants who choose gTLDs representing place names also may be required to submit evidence of non-objection from the relevant

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<sup>1</sup> New gTLD Program Explanatory Memorandum: Protection of Rights of Others in New gTLDs, *available at* <http://www.icann.org/en/topics/new-gtlds/protection-rights-22oct08-en.pdf> at 1.

<sup>2</sup> New gTLD Program: Draft Applicant Guidebook (Draft RFP), *available at* <http://www.icann.org/en/topics/new-gtlds/draft-rfp-24oct08-en.pdf>.

governmental or public authority.<sup>3</sup> Applications will not be processed on a first-come first-served basis; instead, all applications received during the initial period will be reviewed together based upon a number of factors.

Applicants themselves will be evaluated for technical and financial capability. If awarded a gTLD, an applicant must be able to run a registry business.<sup>4</sup> At the time of application, successful applicants need only “demonstrate a clear understanding and accomplishment of some groundwork toward the key technical aspects of running a gTLD registry.”<sup>5</sup> However, for most companies, this will eventually require adding highly specialized equipment and personnel. ICANN will also require that applicants be able financially to set up and operate a registry well into the future. Among the fixed costs associated with a new gTLD will be a yearly \$75,000 fee due to ICANN.

The initial evaluation will also include an analysis of the applicant’s chosen string of characters. Each gTLD applied for will be reviewed, among other things, for similarity to existing gTLDs and country code Top Level Domains (“ccTLDs”), such as <.us> or <.co.jp>, as well as to other applied-for gTLDs. If two companies apply for the same or confusingly similar gTLDs, and ICANN cannot determine that one applicant has superior rights, the organization plans to sell the gTLD to the highest bidder. For example, if the New York football Giants and the San Francisco baseball Giants both applied for <.giants>, ICANN would conduct an auction. On the other hand, if the Brazilian Coffee Growers Association, Starbucks Corporation and Mom’s Coffee Shop each applied for <.coffee>, ICANN would award it to the association because the rules favor community-based applicants. In any event, an enterprising cybersquatter could also successfully obtain a branded gTLD and anyone with the resources to file an application could obtain a generic gTLD simply by being the sole applicant during the initial application period.

### **Monitoring and Objecting to gTLD Applications**

To help prevent cybersquatters from acquiring new gTLDs, ICANN plans to publish a list of all applied-for gTLDs and allow trademark owners the opportunity to object. Where brand owners fail to object to gTLDs comprising or including their trademarks, their brands may lose distinction with consumers. At the same time, the process will be costly for the objector as well as the applicant. The proposed dispute resolution process will employ independent panels to evaluate the applicant’s use of the gTLD in question under a legal standard similar to that used for trademark infringement. Thus, objecting to the gTLD of an applicant with equal rights to a trademark for different goods or services (*e.g.*, the football Giants objecting to the baseball Giants) would not block an application. The dispute resolution system should, however, prevent applications by cybersquatters and those looking to free-ride on the goodwill of trademark holders.

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<sup>3</sup> Further information on the proposed rules for geographically-based gTLDs, see <http://www.icann.org/correspondence/twomey-to-karklins-02oct08.pdf>.

<sup>4</sup> A full definition of Registry Services can be found at <http://www.icann.org/en/registries/rsep/rsep.html>.

<sup>5</sup> Draft Applicant Guidebook at 2-12. In the final stages of the application process, applicants are required to enter into a registry agreement with ICANN, see <http://www.icann.org/en/topics/new-gtlds/draft-agreement-24oct08-en.pdf>, and undergo a test to confirm the technical specification included in their application, see Draft Applicant Guidebook at 1-7.

### Conclusion

In order vigilantly to protect their brands on the web, trademark owners must be informed about the proposed gTLD process. ICANN plans to release the Final Applicant Guidebook in the first or second quarter of 2009, but may release a second draft for public comment beforehand. Trademark owners should then consider whether to voice their views on ICANN's proposed program either individually or through trade associations or domain registrars. However, if the application launch planned for summer 2009 moves forward, trademark owners must quickly decide whether to obtain new gTLDs, either for live use or defensive purposes. At a minimum, companies should plan to monitor applications for gTLDs that violate their trademark rights and consider objecting to such applications.

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