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# On your marks for the great gTLD brand race

## New generic top-level domains are here, but what brand considerations come into play when deciding whether to apply for a proprietary gTLD and what should you take from your existing protection and enforcement strategies?

June 20 2011 will go down in history as the day when the Internet Corporation for Assigned Names and Numbers (ICANN) decided to move forward with the liberalisation of the domain name space. Many have been looking forward to the ICANN board's vote on the final Applicant Guidebook and setting a timeline for the rollout of the new generic top-level domain (gTLD) programme – and this finally happened on June 20. Many brand owners are already warming up for what will probably be one of the most heavily debated endeavours of the last decade in the trademark world, as ICANN will allow applications for new gTLDs as of January 12 2012. It is therefore useful to step back and consider the strategies that are currently being adopted by brand owners: how they plan to defend their brands, whether they are planning to apply for a proprietary gTLD during the three months following January 12 of next year and, in particular, how they will approach new (defensive) domain name registrations amid the potentially hundreds of new extensions that will land on corporate counsel's desks.

### To apply or not to apply?

In many cases, brand owners consider themselves to be stuck between a rock and a hard place when it comes to deciding whether to apply for one or more proprietary gTLDs.

The majority have various reasons for not participating in the forthcoming round – for example, their brand has only a local reach, applying for a gTLD is too expensive or they have little experience in managing large domain name portfolios (nonetheless, their boards of directors may require a detailed recommendation on the position that should be adopted – recommendations which are often given on the basis of limited and partial information, such as ICANN's Applicant Guidebook). Some consider a brand gTLD a no-brainer, given the potential opportunities and advantages that such an extension could bring, even if it does not generate direct revenues. However, other brand owners are somewhere in the middle, still considering whether to apply for a defensive gTLD.

This neologism in the ICANN world generally has the following

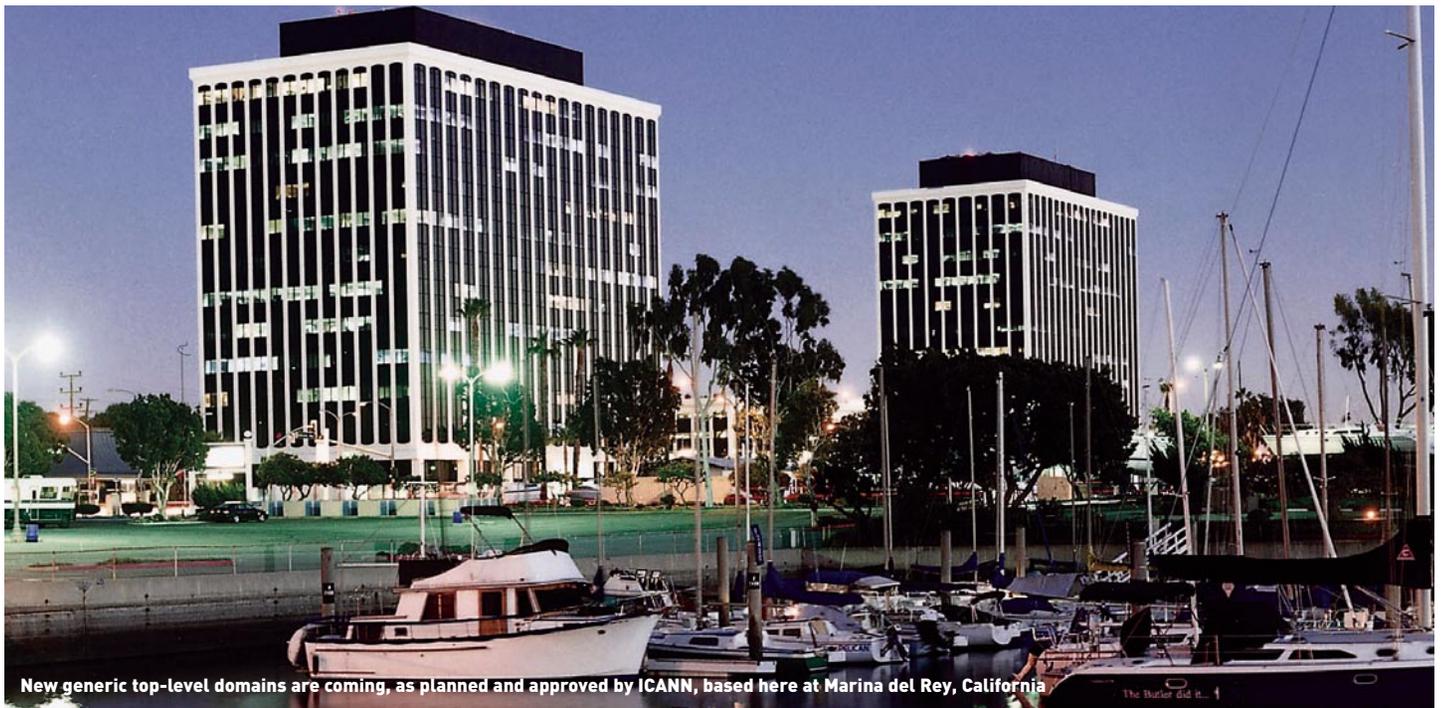
characteristics: a gTLD that will include in its application a domain name registration policy under which a limited number of registrants (sometimes only one) will be allowed to register a limited number of domain names in the new extension, with or without use restrictions. Although it is easy to understand such an approach, it comes with a number of warnings and caveats.

First, adopting a very narrow approach in terms of domain name registrations could entail significant risks and setbacks for registries that later seek to liberalise their policies. Broadening the scope to other domain name registrants, domain names and uses will, in our view, often be triggered by the behaviour of competitors. However, in many cases policy changes will need to pass through ICANN's process for policy amendments, which includes consultations with the user community, a review under ICANN's Registry Services Evaluation Policy and a public comment process.

Second, it is clear that in future, ICANN will increase efforts to ensure that registries comply with the terms of their contract. In particular, the recent discussions with respect to ICANN's notice of breach, sent to the 'jobs' registry Employ Media, sheds new light on how ICANN will approach future registries that implement changes to their registration policy.

We therefore recommend that brand owners consider the following rules of thumb when deciding on which approach to take:

- Ensure that decisions are not taken (only or primarily) on the basis of the contents of ICANN's Applicant Guidebook. While the final form of the guidebook will contain the processes and conditions for obtaining a proprietary gTLD, it does not in any way suggest how a gTLD should be set up, managed or support marketing and communications, brand and user experiences. Given that ICANN's rules and processes do not set aside the law, brand owners should factor in recourse to the regular courts.
- Meeting the administrative, operational, technical and financial requirements set out in the guidebook will not be insurmountable for major brand owners. Nonetheless, applying for and, in particular, launching and managing a proprietary gTLD is a company-wide project, not a solo task to be decided by corporate counsel or a marketing director alone.
- Given that the guidebook provides few or no answers on how such a company-wide project should be set up, managed and executed in practice, it is important to obtain an insight into practical experiences from existing registries and select what is relevant, given the vision and strategy adopted by the brand owner. Experience in launching and managing registries is scarce and in-depth expertise difficult to find.



New generic top-level domains are coming, as planned and approved by ICANN, based here at Marina del Rey, California

- Since it is unlikely that domain names in new gTLDs will be available before the end of 2012, the short-term perspective is irrelevant – the term of the contract with ICANN is 10 years, which requires a forward-looking approach.
- Although maintaining the status quo may look appealing, the domain name landscape, as well as the way that brands will communicate with their customers, members, partners and suppliers, will change (maybe not immediately, but certainly over time).

#### Brand protection at the top level

In addition to reviewing whether it makes sense for a brand owner to apply for a proprietary gTLD, most brand owners should also begin to adopt a strategy aimed at protecting and enforcing their brands at the top and second (domain name) levels.

Considering the top level, many will point to the fact that the Applicant Guidebook contains safeguards regarding the protection of brands at the level of the extension. According to ICANN's so-called 'Existing Legal Rights Objection' process, a rights holder can file an objection if it is of the opinion that the potential use of the applied-for gTLD by the applicant:

- takes unfair advantage of the distinctive character or reputation of the objector's registered or unregistered trademark or service mark;
- unjustifiably impairs the distinctive character or reputation of the objector's mark; or
- otherwise creates an impermissible likelihood of confusion between the applied-for gTLD and the objector's mark.

The fact that the circumstances to be demonstrated by the rights holder are written in the present tense seems to imply that the thresholds to be met by a brand owner that wishes to challenge an application for a particular gTLD are significant. The Applicant Guidebook provides guidance (or "non-exclusive factors") for World Intellectual Property Organisation panellists who will render decisions in these matters, some of which are worth further analysis:

- The guidance states consideration of "whether and to what extent there is recognition in the relevant sector of the public of the sign corresponding to the gTLD, as the mark of the objector, of the applicant or of a third party". However, the guidebook does not indicate which 'sector' is to be considered relevant by the panel, including the level and burden of proof required in order to demonstrate this.
- Another consideration is "whether the applicant has marks or other intellectual property rights in the sign corresponding to the gTLD,

and, if so, whether any acquisition of such a right in the sign, and use of the sign, has been bona fide, and whether the purported or likely use of the gTLD by the applicant is consistent with such acquisition and use". In the past, various ICANN officials stated that they had issues with future or current gTLD registries that registered their TLDs as trademarks. The main reasons for this are that they did not see a gTLD performing a trademark function and that the acquisition of trademark rights by current registries could be used in future contract renewal negotiations with ICANN as an argument for the latter not to delegate the gTLD to a third party. With this factor, ICANN is not only recognising the fact that brand owners are an important target group for the gTLD process, but also apparently abandoning its prior position on trademark rights in generic internet extensions. In the meantime, various trademark offices around the world have developed rules and guidelines in order to prevent the registration of TLD strings as trademarks, or at least to restrict the scope and exercise of the exclusive rights granted.

- A third piece of guidance urges consideration of "whether and to what extent the applicant has used, or has made demonstrable preparations to use, the sign corresponding to the gTLD in connection with a bona fide offering of goods or services or a bona fide provision of information in a way that does not interfere with the legitimate exercise by the objector of its mark rights". Here, it is not clear whether the preparation and submission of an application for the gTLD as such would not qualify as a "demonstrable preparation", given the financial, legal, technical and administrative efforts ICANN requires from applicants. In addition it will not be easy for a brand owner to demonstrate that the applicant had bad intentions when preparing the application itself. On the contrary, this factor seems to suggest that if the applicant makes the necessary representations and warranties not to interfere with the legitimate rights of the brand owner, it could use this as an effective counterargument.

Depending on the case, then, there are often many more and far better alternatives to the legal rights objection process described in the Applicant Guidebook. In particular, when the brand holder has strong trademark rights, court proceedings can in some cases be far more efficient and effective.

In addition to the legal rights objection process, ICANN has foreseen objection processes whereby applications for new gTLDs can be challenged on the basis of these applied-for strings being contrary to generally accepted legal norms relating to morality or public order (the

so-called 'limited public interest objection'), being confusingly similar to another existing or applied-for gTLD string or reserved name, and to which substantial opposition is raised from a significant portion of the community to which the string may be explicitly or implicitly targeted (a 'community objection').

Further, specific processes that exist within ICANN but which are not described in the Applicant Guidebook could be triggered in order to challenge new gTLD initiatives. These processes include, among other items, the ombudsman and independent review processes, as well as court proceedings.

### Second-level protection

ICANN has made efforts to please the brand owner community at the second level, providing owners with additional tools and processes to secure (eg, via mandatory rights protection mechanisms during the TLD's launch and the use of the Trademark Clearinghouse) and to suspend (eg, via Uniform Rapid Suspension) domain names on which they can claim trademark rights in a swift and cost-effective manner.

Nonetheless, the main cost and administrative burden for brand owners will likely be even more significant, in particular when their domain name registration policies dictate that brand names must be secured in all (g)TLDs. Brand owners that hold various marks may see their domain management budgets increase exponentially, unless they are willing to adapt their current approaches and develop a strategy more focused on carefully selecting opportunities rather than mitigating or eliminating risks.

### Recommendations for future gTLD registries

As regards second-level domain name registrations in new gTLDs, ICANN's plans to increase choice and competition in the gTLDs will also create a stir among brand owners when hundreds of new internet extensions are opened up.

In our view, future gTLD registries should carefully sketch out their marketing and launch plans in order to ensure brand-owner endorsement. History has shown that some models can work (eg, using structured sunrise processes and specific outreach campaigns to brand owners, as was recently the case with '.co'), while others may not because they are too onerous or complex (eg, allocating domain names on the basis of business or promotional plans to be submitted by interested candidate registrants).

One of the most important aspects for those who envisage rolling out their gTLDs on a large scale and generating revenues will be to create a market. Although many of the building blocks are there, most of them are big, heavy and in high demand. A good example is the fact that future gTLD registries must rely on ICANN's distribution network of ICANN accredited registrars: the question here will be how to convince as many registries as possible to promote your gTLD over the extensions of others.

If ICANN's expectations are met – adding hundreds of new gTLDs to the domain name system root within a timeframe of one to two years – the struggle for consumers (and registrars) to choose your gTLD could be fierce and fearless. It is important to remember the choice paradox, which teaches us that one can increase choice only up to a certain level in order to enhance consumer welfare. When consumers are faced with too many choices within a short period of time, they lose interest and may not choose at all.

### ICANN and IP: how trademark concerns fell into a black hole

The footprint of the trademark community in ICANN's new gTLD policy is deep and defined. ICANN has approved its controversial programme after years of intense policy development from countless stakeholders. While it is without doubt that trademark owners had a small but loud voice in the process, they are now evaluating the extent of their success and, after such a tortuous experience, how they can ever work within the ICANN model again.

"ICANN has made it quite clear that it can't be trusted," argues Mette Andersen, speaking in a personal capacity. Andersen is LEGO's corporate counsel and a former member of the Implementation Recommendation Team (IRT), the panel charged by ICANN with developing rights protection mechanisms two years ago.

The IRT report was delivered to the ICANN community with the note that it had been designed in good faith to work for all stakeholders; that it was a "tapestry" that would unravel should one of the threads (recommendations) be altered. The fact that this report was opened up for continued development within the ICANN community still shocks many trademark counsel two years on.

Because of the subsequent battles, according to Andersen, the IP industry's relationship with ICANN has "changed for the worse". She told *WTR*: "I don't think anybody in the IP community who has been involved in this process has anything positive to say about ICANN and their way of doing business."

Other brand owners are equally scathing. While none of the members of ICANN's IP Constituency (IPC) contacted by *WTR* for this article responded, several trademark counsel on the outside of the IPC say that the group's ties to ICANN are damaged. Sarah Deutsch, Verizon's vice president and associate general counsel, believes the IPC has been "burned" by the policy development process. "They went in to negotiate in good faith, tried to be reasonable and what they came up with was watered down," Deutsch told *WTR*. "That creates significant distrust in the process going forward." She added that she believes that, despite ICANN's insistence of addressing each comment submitted during the policy development process, those of trademark owners "fell into a black hole".

*Adam Smith, World Trademark Review*

This has the potential of creating a new paradox: the success of ICANN's new gTLD programme could entail a significant number of TLD failures. In particular, this will be the case for those who aim for hundreds of thousands or potentially millions of domain name registrations in a relatively short timeframe without having a sound plan and seasoned experience of launching and managing TLDs. These registries, including their registrars and registrants, may return empty handed. [WTR](#)

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