

Moving Beyond “.com”

On June 20, 2011, the Internet Corporation for Assigned Names and Numbers—the body responsible for managing the Internet’s domain name system—approved a framework for dramatically expanding that system. The new program will open the Top-Level Domain Name space to allow the registration of nearly any combination of letters, including brands or common terms such as .bank or .chicago, forever changing the way we navigate the Internet.

Until now, the Internet's domain name system has been limited by a set of fixed choices for the extension after the "dot" (such as ".com") in a web address, known as a Top-Level Domain (TLD). However, on June 20, 2011, a nearly unanimous vote by the Board of Directors of the Internet Corporation for Assigned Names and Numbers (ICANN)—the body responsible for managing the domain name system—largely removed these restrictions, setting in motion a rapid and unprecedented expansion of the number of generic Top-Level Domains (gTLDs). Mayer Brown is a participating member of ICANN and is involved with the development of the gTLD Applicant Guidebook and the Rights Protection Mechanisms it contains. This article discusses the impact of this change, the application process for those wishing to establish their own gTLD, and what brand owners will need to consider to protect their brands in this new age of the Internet.

Background

The domain name system (DNS) is an address system of specific locations on the Internet. The DNS correlates the numeric code for a website—known as the Internet Protocol address or IP address—with an easy-to-remember domain name, such as dictionary.com. When you enter "www.dictionary.com" into your browser's address bar, the DNS identifies the corresponding IP address for this website and directs your browser accordingly.

While the DNS provides substantial benefit by allowing users to more easily navigate the Internet, the available TLDs have been relatively limited. Currently there are only 21¹ available gTLD extensions (e.g., .com, .biz, .mobi) and no opportunity for extensions that incorporate a brand, indicate a city, or identify a community.² With its June 20, 2011, vote approving the gTLD Applicant Guidebook,³ ICANN has removed the restrictions on gTLDs and established a process through which brand owners, cities, and other parties may apply to become the registry for nearly any gTLD (e.g., .bank, .restaurant, or .music).⁴ Whether this liberalization will prove to be the driver of innovation and choice, as ICANN believes, remains to be seen. What is clear, however, is that regardless of a brand owner's intent to participate, there are specific steps brand owners must take to protect their intellectual property under the new gTLD system.

The gTLD Application Process

There is a specific timetable for parties wishing to apply to be a gTLD registry. In its approval of the gTLD Applicant Guidebook, ICANN has stated that the initial application period will open on January 12, 2012, and close on April 12, 2012. While ICANN's goal is to open subsequent gTLD application periods, ICANN has stated that, given the untested impact of this endeavor, it is committed to studying the effect and consequences of the first new gTLDs: this could delay, or even preclude, subsequent application periods. Consequently, parties wishing to apply for a new gTLD are strongly encouraged to begin preparing the necessary application information, as well as the required deposit of US\$5,000 per gTLD, in advance. By preparing in this manner, applicants will stand ready to register with ICANN's online application system, the only method of applying for a gTLD, on the first day of the application period.

After registering with ICANN's online application system, users will gain access to the full application form. Each application for a new gTLD requires detailed information on multiple subjects, including: the mission or purpose of the gTLD, a full description of all registry services to be provided, a technical overview of the proposed registry, a description of the database capabilities, funding and revenue information, and a financial contingency plan. An applicant must also submit the requisite supporting documents (e.g., proof of legal establishment, financial statements). Only established corporations and organizations in good standing may apply for a new gTLD—applications from individuals or sole proprietorships will not be considered.

With the submission of the full application, every applicant must also pay an evaluation fee of US\$185,000 per gTLD, which includes the US\$5,000 application deposit. If an applicant withdraws its application, a partial refund may be available, depending on when the application is withdrawn (e.g., 70 percent refund if withdrawn before Initial Evaluation).⁵ If an application results in a gTLD, the applicant must also pay an annual renewal fee of at least US\$25,000. Applicants should also be prepared for additional costs. For example, applicants may incur additional fees related to: marketing new gTLDs; technology costs related to running a registry; compliance costs for monitoring and implementing ICANN's registry management obligations; and legal fees associated with navigating the complicated application process, possible dispute resolution issues, or related enforcement efforts. In addition, as described below, some cases may result in an Extended Evaluation or an auction process that could significantly increase application costs.

Once an application is submitted, ICANN will verify that all mandatory questions have been answered, that all requisite supporting documents have been submitted, and that the evaluation fees have been received. ICANN expects to make this Administrative Completeness Check for all applications over a period of approximately eight weeks. It will then begin the Initial Evaluation period, which is expected to be completed for all applications in a period of approximately five months, and includes the following substantive steps:

- **Background Checks.** The Initial Evaluation begins with background checks for the applicant and the individuals named in the application (e.g., directors, officers, partners, and major shareholders). The background checks will focus on general business diligence, criminal history, and evidence of past cybersquatting activity;
- **String Review.** ICANN will conduct string reviews to assess whether the applied-for gTLD name (or "string") may cause security or stability problems in the DNS, including problems caused by similarity to existing TLDs or reserved names; and
- **Applicant Review.** ICANN will conduct applicant reviews to assess whether the applicant has the requisite technical, operational, and financial capabilities to operate a registry. During this review, applicants will need to demonstrate that they possess the technical proficiency to run a registry.

In addition to the above, ICANN will post the public portions of all complete applications shortly after the close of the application submission period. ICANN will then open a comment period to allow the community to review applications and submit comments. This initial comment period will *not* be a public challenge to an application; however, comments received within 60 days of the posting of a given application will be available to the evaluation panels performing the Initial Evaluations. If a comment impacts the scoring of an application, the evaluators will seek clarification from the applicant.

Applicants that do not pass Initial Evaluation may request an Extended Evaluation. An applicant must expressly request an Extended Evaluation after failing Initial Evaluation, or the application will be abandoned. During Extended Evaluation, ICANN evaluators will seek to clarify information in the application, but they will not introduce additional evaluation criteria. ICANN expects that Extended Evaluation will prolong the overall evaluation period by five months or more. The initial gTLD evaluation fee of US\$185,000 will cover Extended Evaluation in most cases, but it is possible that other evaluation costs could arise. If an application does not pass the Extended Evaluation, the application will be rejected and considered closed.

Once an application has passed either the Initial Evaluation or the Extended Evaluation, third parties may object to pending applications. Also, if more than one applicant has applied for an identical or confusingly similar gTLD, the parties will have to resolve the issue among themselves through a priority evaluation (to determine which party has superior rights to the string) or potentially through an auction process. Both of these processes are discussed in more detail below.

Applicants that successfully complete all of the stages described above must then enter a form registry agreement with ICANN in order to become a “Registry Operator.” Once this agreement is executed, each successful applicant must pass technical testing to demonstrate that it can operate the new gTLD in a stable and secure manner. If an applicant passes this final testing, it will become a new Registry Operator and may begin accepting applications for second-level domains ending in the applied-for gTLD.

If an applicant fails the pre-delegation testing and, as a result, the gTLD cannot be delegated within the time frame specified in the registry agreement, ICANN may, in its sole and absolute discretion, elect to terminate the registry agreement. No refunds of the evaluation fee are available after execution of a registry agreement with ICANN.

Rights Protection Mechanisms

In addition to setting forth the application procedures, the gTLD Applicant Guidebook also contains a series of “Rights Protection Mechanisms,” or RPMs, meant to address the concerns of brand owners. The first of these RPMs is a legal rights objection period. During this period, third parties may formally object to pending gTLD applications. Such objections must be based on one or more of the following four grounds:

- **String Confusion.** The applied-for gTLD string is confusingly similar to an already existing TLD or to another gTLD application filed in the same application period. Only the existing TLD operator or another gTLD applicant in the same round has standing under this ground.
- **Legal Rights.** The applied-for gTLD infringes an objector’s existing legal rights (i.e., registered or common law trademark rights or other proprietary rights). The factors used to evaluate such objections resemble the likelihood-of-confusion factors applied by U.S. courts in trademark infringement and unfair competition litigation.
- **Public Interest.** The applied-for gTLD is contrary to generally accepted moral or public order norms recognized under international law. There are no standing restrictions for this ground.

- **Community Objection.** A significant portion of a clearly delineated community that is meant to be identified by the gTLD objects to the gTLD application because it creates a likelihood of material detriment to the rights or legitimate interests of that community.

Objections will be handled by Dispute Resolution Service Providers (DRSPs) independent from ICANN. Separate DRSPs—each with individualized “court rules”—will be assigned to each of the four objection grounds. The filing and forum fees for each ground will be set by the respective DRSP, but they are currently estimated to be in the range of US\$1,000 to US\$5,000 for filing a complaint, and US\$20,000 to US\$120,000 in respective forum fees. Once a formal objection is filed, the gTLD applicant is entitled to file a responsive pleading. To resolve disputes in a rapid and cost-effective manner, limited discovery is allowed, and disputes will typically be resolved on the papers with no formal hearing. DRSPs will also publish fixed fees for evaluating and deciding a case. The gTLD applicant and the objector must pay these fees in advance of the proceedings, but the prevailing party will have its payment refunded. If the objecting party prevails, the gTLD application will be terminated.

A gTLD application that passes through substantive evaluation and objection proceedings may, nonetheless, face a final challenge if it is similar or identical to another gTLD application. In this case, a “String Contention” is initiated; if the parties cannot amicably resolve the matter, a priority evaluation will be conducted. If the priority evaluation fails to clearly identify the party with superior rights to the contested gTLD, an auction process will award the gTLD to the highest bidder. Accordingly, applicants involved in auctions may face significantly increased costs.

In addition, each Registry Operator will need to comply with the following ICANN-mandated RPMs during the operation of its gTLD registry:

- **Trademark Clearinghouse.** The Trademark Clearinghouse is a central repository designed to collect, authenticate, and log information regarding third-party trademarks and other proprietary rights. The Trademark Clearinghouse provides a searchable database for all gTLD Registry Operators to use to determine if a requested second-level domain name infringes a third party’s trademarks or other proprietary rights and to substantiate rights in the sunrise application period discussed below. Trademark owners are responsible for submitting their trademarks to the Trademark Clearinghouse with supporting documentation. Only registered trademarks, marks validated through a court proceeding, trademarks protected by statute or treaty, or other marks deemed to be intellectual property may be included in the Trademark Clearinghouse.

All Registry Operators are required to review the Trademark Clearinghouse database prior to accepting a new second-level domain name application. If the proposed domain name conflicts with a mark listed in the Trademark Clearinghouse, the Registry Operator must inform the applicant accordingly. If the applicant alleges that the rights at issue will not be infringed, the domain name will be registered and the trademark rights holder will only then be notified of the potentially conflicting gTLD string. Once notified, the rights holder can seek relief through post-grant enforcement procedures such as the Uniform Domain Name Dispute Resolution Policy (UDRP) or the Uniform Rapid Suspension System (URS).

- **URS and UDRP.** The URS is designed as a quick and inexpensive means for trademark owners to object to conflicting second-level domain names obtained and used in bad faith. With estimated

official fees of only US\$300, the URS involves no discovery or hearings; rather, only evidence submitted with the complaint and the response will be considered. In contrast to the more lengthy UDRP procedure, which has become well-known and widely used since its inception, the entire URS proceeding—from the filing of the complaint to ultimate determination—is expected to take less than three weeks. If the grounds are not clearly in the complainant’s favor, the URS proceeding will be dismissed and the complainant must seek relief through the more comprehensive and fact-driven UDRP proceeding.

Even after a successful URS proceeding, the domain name will not be transferred to the successful complainant. Instead, the domain name will be suspended for the term of the registration, which can be extended by the successful complainant for one year. During suspension, the domain name will simply redirect visitors to an informational webpage discussing the URS procedure. Once the registration period expires, the complainant can seek to register the domain name. Also, the URS incorporates a limited “loser pays” model, where complaints listing 15 or more disputed domain names will be subject to a Response Fee refundable to the prevailing party.

- **Sunrise Applications.** Each new gTLD will incorporate a sunrise application process. This process will provide owners of marks substantiated in the Trademark Clearinghouse the opportunity to register their validated trademarks as a second-level domain prior to the opening of the application process to the general public. As this has served as a useful tool to allow for defensive registrations and prevent cybersquatting in more recent TLD launches, ICANN has mandated that each new gTLD have a sunrise period of no less than 30 days.
- **PDDRP.** The Post-Delegation Dispute Resolution Procedure (PDDRP) provides a remedy where a gTLD has been improperly granted to an inappropriate Registry Operator, or where the Registry Operator has operated with bad faith. The complainant must show, by clear and convincing evidence, that the Registry Operator’s affirmative conduct in operating the gTLD creates confusion with, or takes unfair advantage of, the trademark holder’s proprietary rights. In the alternative, the complainant may show, by clear and convincing evidence, that the Registry Operator affirmatively sought to profit from the sale of infringing domain names within the gTLD. While remedies under the PDDRP are limited as the PDDRP panel cannot transfer or delete existing domain name registrations nor award monetary damages to the rights holder, the PDDRP panel can terminate the Registry Operator’s Registry Agreement in extraordinary circumstances.

Although ICANN has determined the basic structure of the various RPMs, it has not yet finalized the specific mechanics of each RPM. For example, ICANN has not yet identified the process or costs associated with the Trademark Clearinghouse, nor has it defined the official fees associated with many of the aforementioned proceedings. The remainder of these details are expected to be forthcoming from ICANN over the following months and finalized prior to the opening of the application period.

Conclusion

While the full impact of the new gTLD system is uncertain and efforts to protect brands in the digital age continue to evolve, companies can proactively manage these changes. Whether or not a company, association, community, or city proceeds with an application will require an individualized analysis. At a

minimum, however, all parties should consider the upcoming expansion of the gTLD space and how they can utilize the related RPMs to minimize enforcement costs.

For more information regarding the above, or to be included in future Legal Updates regarding this topic, please contact Michael D. Adams at mdadams@mayerbrown.com (+1 312 701 8713), Richard M. Assmus at rassmus@mayerbrown.com (+1 312 701 8623), or Sarah Byrt at sbyrt@mayerbrown.com (+44 20 3130 3832).

Endnotes

- ¹ While there are technically 22 total gTLDs, the 22nd—.arpa—is reserved exclusively to support operationally-critical Internet infrastructure.
- ² Certain country-code TLDs are available, such as “.co” for the Republic of Colombia, but these are limited in number and outside the scope of this article.
- ³ The approved gTLD Applicant Guidebook can be viewed at: <http://www.icann.org/en/topics/new-gtlds/dag-en.htm>.
- ⁴ While ICANN’s approval of the gTLD Applicant Guidebook has established a comprehensive framework for expanding the gTLD space, ICANN must still finalize many of the details of this framework. Accordingly, ICANN’s new program remains a work in progress that will be further refined as the initial application period draws near.
- ⁵ As of the date of this article, ICANN does not anticipate refunding any of the US\$5,000 application deposit regardless of when an application is abandoned.

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